Saskatchewan spending plan 2020

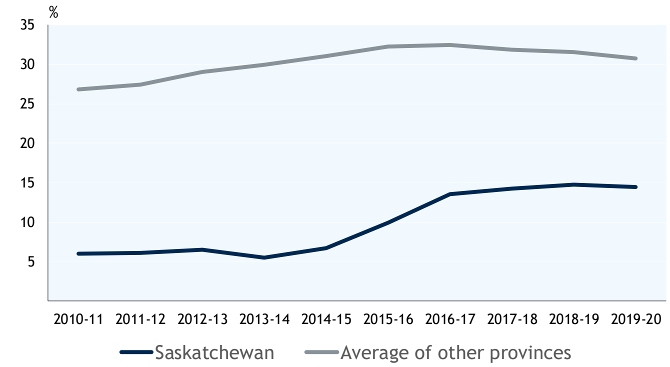
March 19, 2020

- COVID-19 pandemic impact on economy resulted in Saskatchewan replacing a budget with a spending plan for 2020
- $14.15 billion spending plan focused on health initiatives
- PST rebate of 42% on new home contracts
- Capital investment of $2.7 billion will be focused on new schools, hospital renewal and infrastructure upgrades

Saskatchewan released their formal spending plan for FY 20/21 in lieu of a full budget as revenue estimates no longer made sense in the wake of coronavirus impacts on oil prices and the rest of the economy. The $14.15 billion spending plan proposed represents an increase of 0.9% from last year's expenditures. The province highlighted their ability to navigate these challenging circumstances given the $1.3 billion cash surplus available. While a small surplus was initially expected for this year, a deficit is now more likely according to Finance Minister Donna Harpaeur.

Expenses are going up in 21 of the 26 government departments with the largest increases in health, education and social services. Healthcare spending will rise by 1.5% or $88 million with the Saskatchewan Health Authority receiving the majority to equip doctors, nurses and front line workers with resources to battle the COVID-19 pandemic. Given the fluid nature of the crisis, this is an area of spending that could require further increases in the period ahead. There are also targeted increases for mental health/addiction support. The government has also introduced a PST rebate for new home construction of 42% of the PST paid on a new house contract (up to $350,000). This is expected to help the construction industry as well as home-builders while making homes more affordable for families.

Net debt-to-GDP



Source: RBC Economics, Provincial Ministries of Finance

The proposed spending plan includes capital expenditure of $2.7 billion. This investment will include several new school projects and renovations, hospital renewal activities as well as upgrades to highways. As a result, public debt is expected to rise to $22.2 billion: an increase of 5.7% or $1.2 billion from the previous fiscal year. Borrowing requirements are currently estimated to increase to $2.6 billion from $2.1 billion in FY 19/20. However, given the current economic climate these debt and borrowing estimates are subject to change. Given that Saskatchewan has the second lowest net debt to GDP (based on Budget 2019), they have the fiscal room to run larger deficits if necessary. As can be seen in the chart, the average net debt-to-GDP of other provinces is twice as high as Saskatchewan.

Given the current circumstances, every government's priority is on people's health and helping them navigating during this difficult economic time. This explains the government's decision to put aside their target for a balanced budget. The decision to take on more debt rather than paying it down was necessary to ease uncertainty and provide some relief to the general public that efforts are being made to ramp up investments in critical services like healthcare. We are likely to see other provincial governments (who haven't yet released a budget) follow a similar path – Ontario has already announced that they would do a fiscal update instead of a full budget on March 25.

Ramya Muthukumaran | Economist | 416-974-7577 | ramya.muthukumaran@rbc.com