

# Saskatchewan Budget 2026-27



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The first noticeable change of Budget 2026 relates to the shortfall for FY 2025-26 ending soon. The deficit is pegged at \$1.2B, a major deterioration considering the mid-year update deficit estimate of \$425M. \$1.2B represents 1.2% of NGDP. Costs associated to the wildfires response were revised up substantially (about 500 fires burned in the province in 2025). FY 2025-26 revenues were revised down due to the previously announced tax relief and the end of the federal carbon tax.

The projected FY 2026-27 deficit of \$819M (0.9% of NGDP) differs from the balanced budget proposed a year ago. Total revenues are projected to increase slightly relative to the year prior to \$21.42B. Meanwhile, the intended increase in total spending to \$22.23B is even smaller.

With respect to FY 2026-27 revenues, ongoing developments in the Middle East could alter the projected path on this upside. Oil revenues are expected to decline moderately to \$721M. This forecast is based on a low WTI price of US\$59.75 per barrel for the entire year 2026-27 (a US\$1 variation in WTI alters revenues by \$16M on an annual basis). Oil production is also poised to increase by 3.1% in FY 2026-27. Potash revenues are projected to increase to \$941M in FY 2026-27, on track to surpass oil revenues. Also, the potash price assumption of US\$289 per KCl tonne could end up higher and generate more than a \$1B in potash-related revenues during the year (a US\$10 variation in KCl potash price alters revenues by \$54M on an annual basis). Close to 9% of global potash supply is at risk due to disruptions in the Middle East. Uranium-related revenues are also expected to increase in FY 2026-27, to \$276M. Global uranium prices stand near an 18-month high. A MOU was ratified between Saskatchewan and the UAE last January to collaborate on the development of a nuclear energy program in the UAE.

Despite commodity markets volatility, Saskatchewan is home to economic resiliency according to several domestic-based metrics. Provincial real GDP growth forecasts of 1.6% this year and 2% next year largely surpass the national average. Unemployment is firmly near the impressive 5% mark. Led by mining projects, private capital investment activity is extremely elevated, feeding other sectors of this capex intensive economy. Crop production is expected to normalize in 2026 after a record high 2025 year. China's elimination of the tariffs on canola meal and dry peas and partial reduction of the tariff rate on canola seed have been effective since March 1<sup>st</sup>.

The back-to-back planned deficits of FY 2025-26 and FY 2026-27 should lift the net debt-to-NGDP ratio from 13.7% in FY 2024-25 to slightly more than 16% in FY 2026-27. The projected timeline for a balanced budget is FY 2030-31. The gradual shrinking of the annual deficit should allow the net debt-to-NGDP ratio to stabilize after FY 2026-27. The capital spending program of \$17.5B over four years is one of the largest ones in the province's history. Highways and hospitals are the largest recipients. The combination of capital spending, operational deficit and bond refinancing activity

ultimately leads to the projection of \$4.8B in long-term borrowing requirements in FY 2026-27. This figure is close to the \$5B long-term bond program of FY 2025-26.

### **Takeaway**

Fiscal deficits are the norm given the global upheaval. In the case of Saskatchewan, the FY 2026-27 shortfall of \$819M is small as share of NGDP (0.9%) and could potentially improve if Middle East tensions increase the price of potash and oil prices for several months. To conclude, market participants should have noticed the massive discovery of 6.8B tonnes of alumina announced last January. The preliminary assessment identified the alumina type as polymetallic black shale, a green alternative to produce aluminum than bauxite.