



PROVINCE OF SASKATCHEWAN

(CANADA)

2006-07 MID-YEAR FINANCIAL UPDATE

November 16, 2006

General Revenue Fund in surplus. Summary Statement in deficit due to accrual of pension costs.

Summary Statement of Surplus (Deficit)

(\$ Millions)

	Estimated 2006-07	Forecast 2006-07	Change
Treasury Board Organizations			
GRF¹			
Revenue	\$ 7,727.2	\$ 8,129.5	\$ 402.3
Operating Expense	7,149.3	7,474.0	324.7
GRF Operating Surplus	\$ 577.9	\$ 655.5	\$ 77.6
Servicing the Public Debt	(551.0)	(541.0)	10.0
FSF ² Transfer	75.0	0.0	(75.0)
SIF ³ Transfer	0.0	(80.0)	(80.0)
GRF Surplus (Deficit)	\$ 101.9	\$ 34.5	\$ (67.4)
FSF Transfer	(75.0)	0.0	75.0
Other TBO ⁴ Net			
Income (Loss) net of dividends to GRF	(326.7)	(397.8)	(71.1)
Surplus (Deficit) of all TBO	\$ (299.8)	\$ (363.3)	\$ (63.5)
Crown Management Board Organizations			
CMBO⁵ Net			
Income (Loss) net of dividends to GRF	149.8	189.4	39.6
Surplus (Deficit) ⁶	\$ (150.0)	\$ (173.9)	\$ (23.9)
Surplus (Deficit) of Not-for-Profit Insurance Organizations	\$ 37.1	\$ 30.4	\$ (6.7)
Summary Surplus (Deficit)	\$ (112.9)	\$ (143.5)	\$ (30.6)

1 General Revenue Fund

2 Fiscal Stabilization Fund

3 Saskatchewan Infrastructure Fund

4 Treasury Board Organizations

5 Crown Management Board Organizations

6 Prior to Not-for-Profit Insurance Organizations

Province's real GDP growth revised to 2.2 per cent in 2006

The forecast of 2.2 per cent real GDP growth is down slightly from the 2.5 per cent projected in the 2006-07 Budget. The decline is primarily a result of:

- lower than expected potash sales in the first half of 2006; and,
- a smaller than expected harvest.

These factors are offset by:

- continued strength in the oil sector;
- strong manufacturing shipments and retail trade; and,
- robust construction activities.

Improving tax competitiveness

The 2006-07 Budget introduced reforms to the business tax system to create an improved business climate in the Province, promote sustainable economic development and expand employment opportunities for Saskatchewan residents, particularly Saskatchewan youth.

Recently, the Government also announced a two-point reduction to the sales tax (PST) rate, resulting in an annual revenue reduction of almost \$325 million.

As well, the following new initiatives will result in a net annual tax revenue reduction of a further \$15 million:

- reduction of the small business tax rate from 5 per cent to 4.5 per cent;
- changes to the dividend tax credit (to establish an 11 per cent rate for "eligible" dividends and to reduce the rate for small business dividends from 8 per cent to 6 per cent); and,
- full indexation (at 2.2 per cent) of Saskatchewan's personal income tax system for 2007.

Revenue growth due primarily to own-source revenue increases

Revenue is forecast to increase by \$402.3 million from the 2006-07 Budget Estimate due primarily to increases in:

- non-renewable resource revenue of \$101.0 million;
- tax revenue of \$171.9 million;
- other own-source revenue of \$48.5 million; and,
- federal transfers of \$80.9 million.

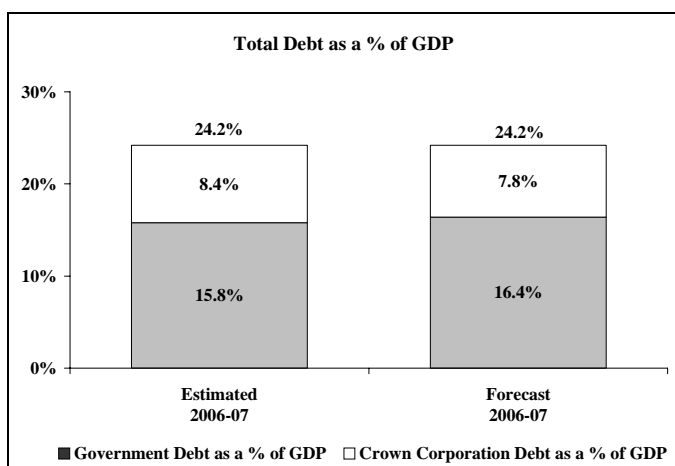
Operating expense increases will primarily fund capital and labour market transition costs

Operating expenses are forecast to rise by \$324.7 million from the 2006-07 Budget Estimate due primarily to increases in:

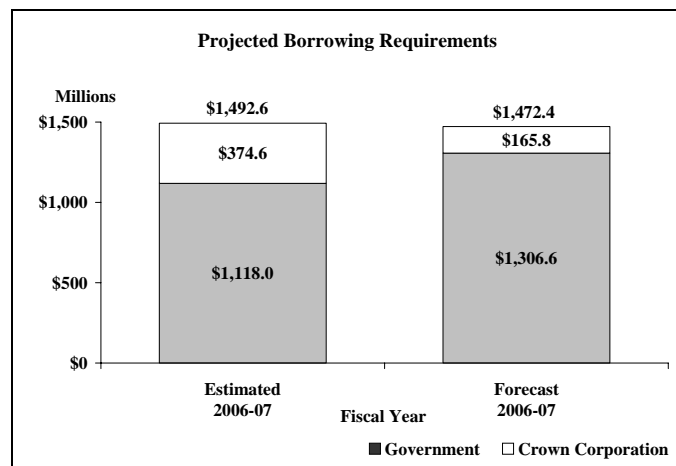
- labour market training, retention and recruitment, and facility development (\$93.0 million);
- housing and infrastructure development (\$149.8 million);
- financial assistance and other services (\$98.3 million); and,
- justice system expenses (\$7.0 million).

These increases are partially offset by savings in other areas.

Total debt as a percentage of GDP unchanged from the Budget Estimate



Borrowing requirements remain essentially unchanged for fiscal year 2007



Total debt declines from the Budget Estimate

Total Debt of the Province as at March 31, 2007
(\$ Millions)

	Budget Estimate	Mid-Year Forecast	Change
Crown Corporation Debt			
Gross Debt	\$ 4,109.6	\$ 3,832.0	\$ (277.6)
Sinking Funds	(347.6)	(349.7)	(2.1)
Public Debt	\$ 3,762.0	\$ 3,482.3	\$ (279.7)
Guaranteed Debt	0.9	0.5	(0.4)
Crown Corporation Total Debt	\$ 3,762.9	\$ 3,482.8	\$ (280.1)
Government Debt			
Gross Debt	\$ 8,033.4	\$ 8,174.5	\$ 141.1
Sinking Funds	(882.4)	(899.3)	(16.9)
Public Debt	\$ 7,151.0	\$ 7,275.2	\$ 124.2
Guaranteed Debt	47.0	48.4	1.4
Government Total Debt	\$ 7,198.0	\$ 7,323.6	\$ 125.6
GRF Total Debt	\$ 10,960.9	\$ 10,806.4	\$ (154.5)
Other Debt*	277.8	279.9	2.1
Summary Statement of Total Debt	\$ 11,238.7	\$ 11,086.3	\$ (152.4)

* Some Crown corporations and other organizations have obligations to other entities, either by borrowing directly or by guaranteeing the debt of others. The General Revenue Fund is not responsible for this other debt.

Canadian domestic public market primary source for borrowing

Borrowing Sources	Estimated 2006-07	Forecast 2006-07	Completed To Date
	(\$ Millions)		
International	\$ 200.0	\$ 200.0	\$ 0.0
Canadian Debentures	1,050.0	800.0	500.0
Promissory Notes	50.0	100.0	0.0
Canada Pension Plan	70.0	115.6	79.5
Sask. Savings Bonds	122.6	256.8	256.8
Total	\$ 1,492.6	\$ 1,472.4	\$ 836.3

Fiscal Stabilization and Saskatchewan Infrastructure Funds fully funded

The Fiscal Stabilization and Saskatchewan Infrastructure Funds will be fully funded in 2006-07 in order to:

- stabilize the Province's year-to-year fiscal position;
- facilitate the accomplishment of long-term objectives; and,
- support the provision of public infrastructure.

For additional copies or information please contact:

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Credit Ratings of the Province

Standard & Poor's	AA
Moody's Investors Service	AA1
Dominion Bond Rating Service	A(high)*

* with positive outlook