Fiscal Pulse

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Saskatchewan's *"Plan For Growth"*

- **The long-term *Plan* includes assessing future savings options for its resource receipts.**

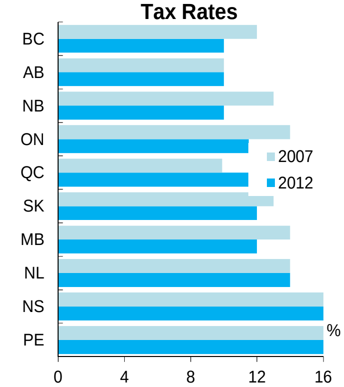
Saskatchewan this month released a plan for the future that in some instances looks out to 2020 and beyond. While longer-term forecasts and policy targets are inherently fraught with uncertainty, this document offers some key insights and lays out benchmarks that both the Province and the public should bear in mind going forward. In the relatively unusual situation of having preserved the fiscal repair achieved over the past half decade and looking forward to significant growth prospects, a primary purpose of Saskatchewan's *Plan* is to maintain the Province's focus and discipline.

Driving many of the *Plan's* policy recommendations is the target of doubling the province's export sales by 2020, relying upon its agri-food sector and its range of other major resource-based industries with the upswing in the latter over the past decade. Acknowledging volatility in commodity demand and supply, Saskatchewan aims not to diversify away from resource-based activity, but instead to broaden its resource markets and expand the industry growth based upon its resources. For example, in agriculture (which still accounted for 31% of the province's international export receipts over the past five years), cereal grains remain important, but also key is building upon its prominence in products such as lentils and canola oil. With a commitment to competitive taxes, royalties, stumpage fees and regulations, Saskatchewan has announced a cut in its general corporate income tax (CIT) rate from 12% to 10% over the next three years, starting with this spring's *Budget (top chart).* Given Saskatchewan's decision not to shift from its Provincial Sales Tax to a value-added Harmonized Sales Tax, this CIT reduction plus a plan for non-refundable tax credits to encourage manufacturing and processing investments will help to lower its marginal effective tax rate on new capital.

To address its sizeable infrastructure requirements *(middle chart),* the Province is creating a new corporation, *SaskBuilds*, to propel change in project financing, design and delivery, including public-private partnerships. The 2020 population target set at 1.2 million appears reasonable, assuming continued emphasis on international in-migration *(bottom chart)*. In part, mitigating anticipated labour shortages depends upon Saskatchewan's success in closing existing gaps in First Nations' education and employment outcomes.

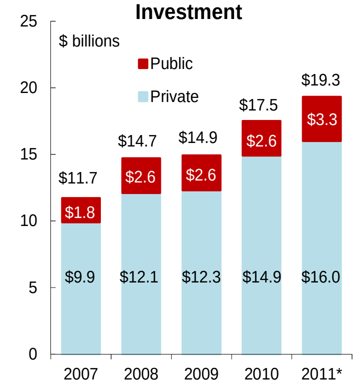
Facilitated by the surge in global resource prices since 2000, the Province's fiscal repair will support its growth targets, and the government remains committed to the expenditure management required to retain black ink. Saskatchewan will likely outperform its goal of halving its debt (General Revenue Fund basis) by 2017 from the 2007 level, given the 44% decrease already accomplished. Importantly, after this debt is retired, the *Plan* proposes a *Saskatchewan Heritage Initiative* to explore how to best utilize its non-renewable resource receipts, looking to Norway's Government Pension Fund (formerly The Petroleum Fund of Norway) as one example.

General Corporate Income Tax Rates



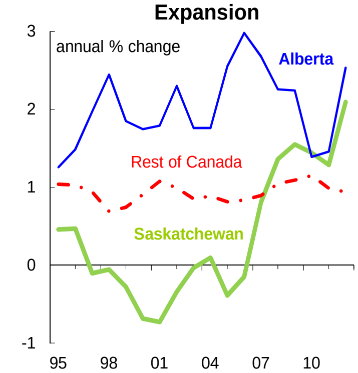
Source: Provincial documents; KPMG.

Saskatchewan's Capital Investment



* Preliminary estimates. Source: Statistics Canada, Saskatchewan Finance.

Saskatchewan's Population Expansion



Source: Statistics Canada.

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