



Fiscal Pulse

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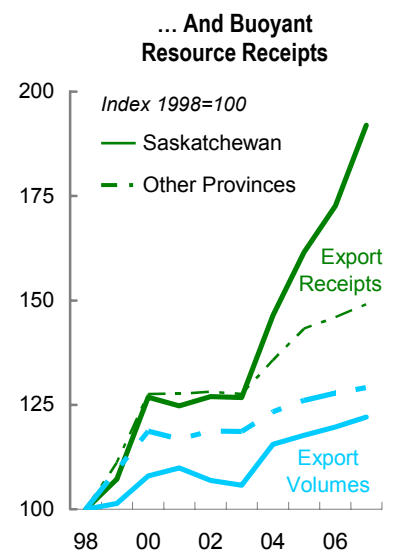
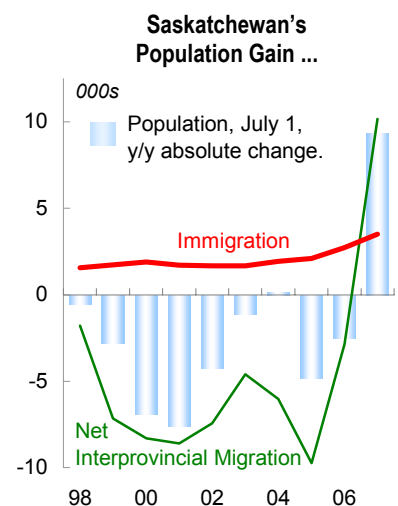
Saskatchewan's Economic and Fiscal Outlook ... Surging Demand for Its Major Resources

The current broad-based upswing in the Saskatchewan economy reflects escalating global demand for the province's major commodities. Prices for potash, oil, natural gas, wheat, other grains and oilseeds have soared and uranium prices, though easing this year, remain very lucrative. Alongside the WTI oil price topping US\$120/bbl, potash is benefitting from a recent sales agreement with China for 2008 based on a price of US\$576/tonne, US\$400 above the 2007 price (see *Scotiabank Commodity Price Index, April 24, 2008*). In response, investment plans have surged. Announcements of potential expansions in the potash industry now total \$6.5 billion, a new \$435 million uranium mine is in the environmental approval stages and Crown land sales are upbeat, reflecting in part interest stemming from the Bakken light oil play in southeast Saskatchewan.

Cereal and oilseed prices also are elevated beyond expectations, with U.S. wheat stocks forecast to end the 2007/08 crop year at the lowest level since 1947-48. Only a few soft spots remain in Saskatchewan's economy, such as the recent downsizing in the forest products sector and a difficult environment for hog farmers.

Saskatchewan's real GDP growth this year is expected to lead the other provinces at double the forecast national gain of 1.3%. In 2009, Saskatchewan's output should advance a solid 3.0%. Annual provincial job creation is expected to average 1.4% this year and next, building on last year's 2.1% jump. Population flows mirror Saskatchewan's upbeat outlook with net interprovincial migration in 2007 turning positive for the first time since 1984. The province's population swelled 0.9% last year and domestic demand in Saskatchewan is robust (see *indicator table, p.2*).

The services sector includes significant research & development activity. The Canadian Light Source synchrotron in Saskatoon is the highest profile endeavour, with the Phase II beamline project spurring further academic and industrial research. Existing environmental efforts include enhanced oil recovery by injecting carbon dioxide. Two new projects — a cellulosic ethanol fuel facility and a pilot project of carbon

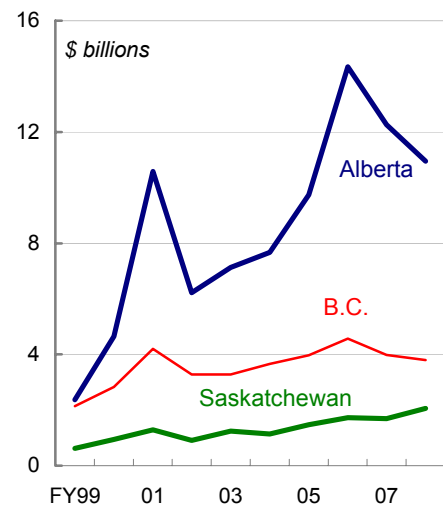


capture and storage for a refurbished coal-fired power generating station — are expected to break new ground on the commercial viability of these developing technologies.

Prices are shifting higher in Saskatchewan, with supply constraints exacerbated by ongoing expansion in the other Western provinces. Across Western Canada, shortages of skilled labour range from health care professionals to specific construction trades. Saskatchewan's unemployment rate, that averaged almost 5½% from 2000 to 2005, is expected to drop to just below 4.0% this year and next. Average hourly wages in Saskatchewan rose 4.8% in 2007, and for the first quarter of 2008 climbed 6.9% above year-ago levels, just behind Alberta's 7.0% increase and substantially above the 4.8% national rise. To keep pace with the province's growth, Saskatchewan's *Budget* this spring ramped up its planned infrastructure investment with a \$1 billion *Ready for Growth* initiative.

After an estimated \$347 million budget surplus for fiscal 2007-08 (FY08), Saskatchewan projects a \$250 million surplus for FY09 (see *Fiscal Pulse* review, March 19, 2008). With the Province assuming WTI oil prices of just US\$85/bbl and natural gas prices of C\$6.25/gigajoule in calendar 2008, increases to this year's budget surplus are anticipated in upcoming quarterly updates. The government's long-term objective is to eliminate its taxpayer-supported debt, and its debt service currently absorbs just over 5½¢ of each revenue dollar. The Province's multi-year business tax reform will be completed by mid-2008 with the general corporate income tax rate dropping to 12.0%.

Provincial Government
Non-Renewable Resource Revenues



Saskatchewan: Selected Indicators

year-over-year per cent change

| | Saskatchewan | | Alberta | | British Columbia | | Canada | |
|-------------------------|--------------|----------|---------|---------|------------------|---------|--------|---------|
| | 2007 | 2008ytd* | 2007 | 2008ytd | 2007 | 2008ytd | 2007 | 2008ytd |
| Retail Sales | 13.0 | 18.4 | 9.3 | 7.3 | 6.7 | 7.1 | 5.8 | 9.6 |
| Home Sales-Units** | 31.9 | 13.0 | -3.9 | -30.5 | 6.4 | -13.9 | 7.6 | -13.2 |
| Price | 32.0 | 43.4 | 24.8 | 5.8 | 12.3 | 14.3 | 11.0 | 6.8 |
| Housing Starts | 61.7 | 40.9 | -1.3 | -13.1 | 7.6 | 5.5 | 0.4 | 7.1 |
| Building Permits: | | | | | | | | |
| Industrial & Commercial | 51.0 | 4.8 | 24.2 | 39.9 | 4.2 | -32.0 | 15.8 | -3.6 |

* Jan.-Feb. for retail sales; Jan.-Apr. for homes sales; Q1 for all-area housing starts and building permits.

** Source: Canadian Real Estate Association, Multiple Listing Service.

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