

Economics

# PROVINCIAL BUDGET BRIEFS

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## Manitoba budget 2026

The province of Manitoba is estimating a budget deficit of \$1.7bn (1.7% GDP) in the outgoing 2025/26 fiscal year. While that is more than double last year's budget projections, the deterioration is largely linked to drought conditions that negatively impacted Manitoba Hydro and increased spending on fighting wildfires. With those impacts expected to fade in the upcoming fiscal year, and with Federal transfers increasing, Budget 2026 projects a \$0.5bn deficit for the upcoming fiscal year. At 0.5% of nominal GDP, that shortfall would be the smallest among provincial budgets released so far. The smaller deficit, as well as pre-borrowing undertaken during the outgoing fiscal year, see borrowing fall to \$4.2bn in 2026/27, down from \$5.6bn completed in 2025/26.

Table 1: Summary of fiscal position: (C\$millions)

Fiscal measure	2024/25 Actual	2025/26 25 Budget	2025/26 26 Budget	2025/26 Change	2026/27 26 Budget	2027/28 26 Budget	2028/29 26 Budget
<b>Revenue (before contingency)</b>	24,344	25,256	24,459	-797	26,920	28,167	28,981
Own source	16,239	16,326	15,818	-508	17,263	-	-
• % change	11.0	7.0	-2.6	-9.6	9.1	-	-
Federal transfers	8,105	8,930	8,641	-289	9,657	-	-
<b>Expenditures</b>	25,493	25,850	26,125	275	27,318	28,109	28,918
Program spending	23,177	23,513	23,832	319	24,936	25,689	26,461
• % change	7.3	6.0	2.8	-3.2	4.6	3.0	3.0
Public debt charges	2,316	2,337	2,293	-44	2,382	2,420	2,457
<b>Budget balance ex reserve</b>	-1,149	-594	-1,666	-1,072	-398	58	63
Revenue contingency	-	200	-	-200	100	50	50
<b>Summary budget balance</b>	-1,149	-794	-1,666	-872	-498	8	13

## Modest growth for Manitoba economy

Growth within the Manitoba economy is expected to be towards the middle of the provincial pack, with real GDP rising by 1.3% in 2026 and accelerating to 1.7% in 2027. Nominal GDP, which is often closer-aligned with provincial revenues, is forecast to grow 3.6% this year and 3.8% in 2027. The forecasts underpinning today's budget projections utilise a survey of private sector projections dated January 15th. Because of this, the forecasts should incorporate current US tariff rates, but not any changes in forecast that have been made following the outbreak of the Middle East conflict.

Manitoba has been relatively sheltered from US tariffs thus far, with the majority of goods covered by the CUSMA exemption, but the renegotiation of that trade deal this year is a source of downside risk. Sensitivity analysis from the province suggests that a 1% deviation in nominal GDP would have a roughly \$160mn impact on revenues.

Table 2: Key assumptions (Y/Y % chg)

Economic assumptions	2025	2026	2027
Real GDP	1.6	1.3	1.7
Nominal GDP	4.4	3.6	3.8
Employment	1.6	0.9	0.8
Unemployment rate (%)	5.9	5.8	5.6

## Deficit to narrow; balance still targeted for 2027/28

The outgoing 2025/26 fiscal year is now on track for a deficit of \$1.7bn (1.7% GDP), which would be more than double the \$794mn shortfall projected in last year's budget. However, most of this shortfall is linked to lower federal transfers (-289mn) as well as a net loss of just over \$500mn projected for Manitoba Hydro (vs \$220mn net income initially forecast). Taxation revenues are tracking slightly higher than initially expected (+\$127mn), albeit offset by higher emergency spending (+\$333mn) to combat wildfires.

For the upcoming 2026/27 fiscal year, the deficit is projected to slim notably to just under \$0.5bn. That would represent 0.5% of nominal GDP and would be the smallest deficit as a percentage of GDP among Canadian provinces so far. The improvement relative to the previous fiscal year is expected to come largely from stronger revenues, as program spending is still budgeted to rise by 4.6%. Revenues are expected to be bolstered by increased transfers from the Federal government (+\$1bn), as well as a small net income from Manitoba Hydro that represents a \$640mn improvement relative to the loss now projected for fiscal 2025/26. The revenue projections include a \$100mn contingency against unforeseen events.

Tax measures announced in today's budget included the removal of the Retail Sales Tax on some food products, at a cost of \$24mn this year and \$32mn on a full year-basis. An increase of \$100 in the Homeowners Affordability Tax Credit will come at a cost of \$29mn on a full year basis.

The medium term projections show the government still achieving its objective of balancing the budget in fiscal 2027/28, and maintaining that in the following fiscal year as well. Program spending for those years is estimated to rise by 3.0% a year, which would be slightly below the pace of nominal GDP, and a revenue contingency of \$50mn a year is included within the forecasts.

## Borrowing requirements are decreasing in 2026/27 due to less pre-funding

For the fiscal year ending next week, Manitoba borrowed \$5.6bn through numerous alternate channels alongside their regular domestic issuance, which included carve-outs, ultra-long, as well as two Euro denominated deals. The latter represented approximately 35% of their overall program, highlighted by a large Euro benchmark deal worth €1.0bn. That compares to the prior year which saw around 40% of the program raised in foreign markets. Overall, the amount borrowed included approximately six months of pre-borrowing for fiscal year 2026/27 totalling \$2.4bn, which was consistent with their practice of staying six months ahead of cash needs.

The province stated that it again intends to access both domestic and international capital markets to complete their program. It is highlighted that the province has established formal programs that are filed with regulators in the US, Europe and Australia. Borrowing in international markets will help with diversification as well as supports a stable and flexible borrowing program.

As for this upcoming year, borrowing plans show \$3.0bn needed for refinancing purposes, \$4.1bn for new cash requirements and \$0.9bn of estimated repayments. That places gross borrowings net of repayments at \$6.2bn. When incorporating that \$2.4bn of pre-funding already completed, that brings total borrowing requirements down to \$3.8bn. New this upcoming year, the province is discontinuing its practice of pre-funding six-months ahead with only \$0.4bn planned for the next fiscal year (i.e. 2027/28). Overall, that places projected borrowing for 2026/27 at \$4.2bn, down from the \$5.6bn completed this outgoing year.

With respect to the change in practice, the province highlighted that strong cash reserves help to respond to unexpected events and navigate periods of market volatility, while prudent liquidity management helps avoid carrying more cash than necessary which increases borrowing costs. As a result, the province is exploring commercial paper programs in other currencies to help complement its current domestic promissory note program used to support short-term liquidity. Overall, broadening short-term access would provide greater flexibility to manage cash needs, reduce reliance on a single short-term funding channel and strengthen its capacity to respond effectively to periods of market stress or unexpected fiscal pressures.

Also included in the budget documents are borrowing estimates over the medium-term. For fiscal year 2027/28, new cash requirements are projected at \$3.7bn while refinancing needs are \$2.7bn. That places borrowing requirements at \$6.4bn, an increase from the \$5.4bn planned in last year's budget. Looking further ahead, borrowing requirements are expected to be \$6.6bn in 2028/29 which is slightly lower than the \$6.8bn previously estimated. Over the horizon that spans from this outgoing year through 2028/29, borrowing is up a combined \$500mn compared to prior estimates.

Table 3: Borrowing requirements (C\$billions)

Borrowing requirements	2026/27	2027/28	2028/29
New Cash Requirements	4.096	3.733	2.358
Refinancing	2.978	2.699	4.205
Est Repayments	-0.889	-	-
Pre-borrowed Mar 31, 2026	-2.397	-	-
Pre-funding Mar 31, 2027	0.394	-	-
Total	4.182	6.432	6.563

## Net Debt as a percentage of GDP is forecasted to peak in 2026/27

Net debt is forecasted to be \$38.1bn as at March 31, 2026, which is almost \$1.6bn higher than the budget estimate. That is mostly related to the higher than expected deficit. That translates into a net debt-to-GDP ratio of 37.9% vs. the 36.9% expected in last year's budget.

For this new fiscal year, net debt is projected to increase to \$39.7bn as at March 31, 2027 due to funding the deficit of \$498mn and \$1,159mn of net capital assets. That increase sees net debt as a percentage of GDP peaking this upcoming year at 38.2%, which is higher when compared to the previous horizon peak of 37.1% projected last year.

Meanwhile, projections over the medium-term show that ratio declining to 37.8% in 2027/28, before declining again the following year to 37.2%. That peak of 38.2% projected this upcoming year is still lower than the 38.9% that was experienced during the pandemic year of 2020/21, which saw a record deficit.

## Manitoba's five-year capital plan projects \$21.6bn in spending

The 2026 capital plan builds on the outgoing year's \$3.7bn of capital spending, with a record investment of \$3.8bn planned for this upcoming year. That includes \$1.8bn in financed capital projects, over \$0.7bn in capital grants provided to municipalities, infrastructure maintenance, and federal cost shared projects, as well as \$1.2bn in capital investments by Crown corporations. Key major projects focus on constructing and/or enhancing capital assets like roads, schools and health-care facilities, while a \$1.2bn capital investment in Manitoba Hydro includes funding for the high voltage direct current reliability project. That project will require a total investment of at least \$6.8bn over the coming decade.

Over the five-year horizon through 2030/31, average annual spending of \$4.3bn sees a total investment of \$21.6bn. That is higher when compared to last year's five-year plan which had \$16.7bn through 2029/30 (\$3.3bn/year). Each year, the plan is reviewed to ensure funding aligns with priorities while maintaining existing assets in a state of good repair. The multi-year planning also considers future operating costs such as program delivery, building operations and efforts to minimize debt servicing requirements to support long-term fiscal sustainability.

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