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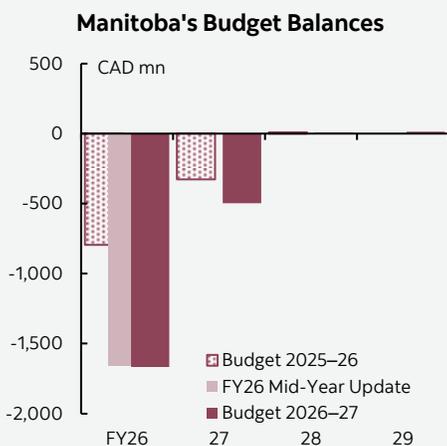
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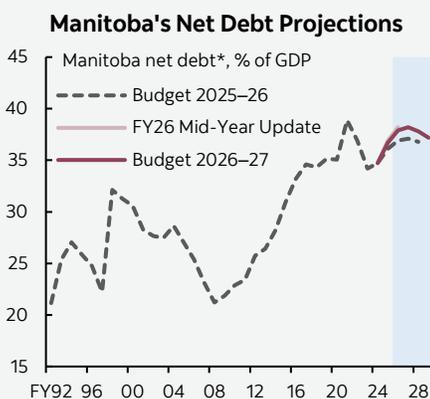
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Chart 1



Sources: Scotiabank Economics, Manitoba Finance.

Chart 2



* Per Finance Canada Fiscal Reference Tables.
Sources: Scotiabank Economics, Finance Canada, MB Finance.

Manitoba: 2026–27 Budget

BUDGET ON TRACK TO BE BALANCED NEXT YEAR DESPITE NEW AFFORDABILITY MEASURES AND HIGHER CAPITAL SPENDING

- Bottom line:** Manitoba is projecting “Canada’s smallest deficit” for the upcoming year and continues to plan for a balanced budget in 2027–28—good news given the province’s higher-than-average level of debt. New spending measures are relatively modest and focused on affordability, and include removing sales tax from remaining grocery items, adding 2,000 new child care spaces, and increasing the homeowners tax credit for homes under \$1 million. However, the fiscal track relies on strong revenue growth and includes a fairly modest contingency budget, which suggests that fiscal risks are likely tilted to the downside—especially given the ongoing economic uncertainty and headwinds. In addition, the budget substantially increases planned capital spending, contributing to a somewhat higher debt path.
- Budget balance:** the deficit for FY26 was largely unchanged from the mid-year update at \$1.7 bn (1.7% of nominal GDP) while maintaining the targeted return to balance (\$0 bn, 0%) in FY28 (chart 1).
- Economic assumptions:** real GDP growth slowing from 1.6% in 2025 to 1.3% in 2026 before increasing 1.7% in 2027.
- Net debt:** expected to increase from 37.9% in FY26 to 38.2% in FY27 before declining thereafter to 37.2% by the end of FY29 (chart 2).
- Borrowing requirements:** \$5.6 bn in FY26, \$4.2 bn in FY27, \$6.4 bn in FY28, and \$6.6 bn in FY29.

OUR TAKE

Manitoba’s Budget 2026 presents a path to balancing the budget which is largely unchanged from the previous outlook but will require fiscal restraint to achieve. The budget balance forecast for fiscal year 2025–26 (FY26) is essentially unchanged from the mid-year update published in December, with a deficit of \$1.7 bn (1.7% of nominal GDP). While the province expects a deficit of \$0.5 bn (0.5% of GDP) in FY28, up from \$0.3 bn (0.3%) presented in last year’s budget, the latest outlook maintains a target of returning to balance in FY28 and holding unchanged thereafter. Total revenue is projected to increase faster than expenses over FY27 and FY28 as a driving factor of the return to balance, before growing at the same rate in FY29.

Total revenue is projected to be \$26.9 bn in FY27, up 10% from \$24.5 bn in FY26, before accounting for the \$0.1 bn in revenue contingency. The province’s revenue growth in FY27 is largely driven by higher federal transfers (+\$1 bn to \$9.7 bn), individual income tax (+\$0.3 bn to \$5.1 bn), and a return to profit for Manitoba Hydro-Electric Board (\$0.14 bn versus a net loss of \$0.5 bn). The province is also lowering taxes for some Manitobans by expanding the PST exemption to all food sold in grocery stores, including prepared meals, beginning July 1st, 2026. As well as increasing the Homeowners Affordability Tax Credit to \$1,700 in 2027 up from \$1,600 in 2026, but reducing the tax credit for homes valued at more than \$1 mn and eliminating the credit for homes valued \$1.5 mn or more. Total revenue growth is expected to slow in the outer years of the budget, increasing 4.6% year-over-year in FY28 and 2.9% in FY29.

Total expenses are projected to be \$27.3 bn in FY27, up 4.6% from \$26.1 bn in FY26. Initiatives to improve healthcare and education continue to be major focuses and drivers of costs for the province. Overall spending on Health, Seniors and Long-Term Care is projected to increase 8.4% year-over-year to \$10.6 bn in FY27. And overall spending on

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Education and Early Childhood Learning is projected to increase 5.5% y/y to \$4.4 bn in FY27. Growth in total expenses are projected to slow in the outer years, growth 2.9% y/y in both FY28 and FY29, in which spending restraint will be needed to achieve a balanced budget by FY28. Meanwhile, growth in debt servicing costs are projected to slow over the outlook such that debt servicing spending as a share of total revenue is expected to decline from 9.4% in FY26 to 8.5% in FY29.

Net debt is projected to increase to \$39.7 bn (38.2% of nominal GDP) by the end of FY27, up from \$38.1 bn (37.9%) at the end of FY26.

While the province’s debt burden outlook was revised about one percentage point higher relative to last year’s budget, net debt as a share of GDP is projected to peak in the coming fiscal year and decline each year thereafter, falling to 37.2% by the end of FY29. The province’s total strategic infrastructure spending plans include \$3.7 bn for FY27, and average over \$4.3 bn annually over the next five years which is up from the previous plan of \$3.3 bn annually. The Budget assumes that nominal GDP will grow 3.6% in 2026 and 3.8% in 2027. Meanwhile, real GDP growth is assumed to grow 1.3% in 2026, down from 1.6% in 2025, before increasing 1.7% in 2027.

Total borrowing requirements in FY27 are planned to be \$4.18 bn, of which \$1.76 bn is on behalf of government business enterprises with \$2.42 bn in other borrowings, down from the \$5.6 bn borrowing in FY26 as of March 4th. Total borrowing is planned to increase to \$6.4 bn in FY28, of which \$3.7 bn is new cash borrowing and \$2.7 bn is refinancing, and borrowing of \$6.6 bn in FY29, of which \$2.4 bn is new cash and \$4.2 bn is refinancing.

Updated Fiscal Forecast							
\$ millions except where noted							
	FY26		FY27		FY28		FY29
	Bud.'25	Bud.'26	Bud.'25	Bud.'26	Bud.'25	Bud.'26	Bud.'26
Total Revenue	25,256	24,459	26,128	26,920	26,982	28,167	28,981
Total Expenses	25,850	26,125	26,405	27,318	26,922	28,109	28,918
Contingency	200	0	50	100	50	50	50
Budget Balance	(794)	(1,666)	(327)	(498)	10	8	13
% of GDP	(0.8)	(1.7)	(0.3)	(0.5)	0.0	0.0	0.0
Net Debt							
% of GDP	36.9	37.9	37.1	38.2	36.8	37.8	37.2
Debt Service	2,337	2,293	2,432	2,382	2,478	2,420	2,457
% of Revenue	9.3	9.4	9.3	8.8	9.2	8.6	8.5

Sources: Scotiabank Economics, Manitoba Finance.

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