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Updated Fiscal Forecast \$ millions except where noted

	FY23		FY24
	Dec. '22	Bud. '23	Bud. '23
Total Revenue	20,682	20,583	21,714
% change	10.6	7.7	5.5
Own-Source	14,400	14,326	14,415
Federal Transfers	6,282	6,257	7,299
Total Spending	20,675	20,961	21,877
% change	2.9	5.8	4.4
Program Spending	19,555	19,848	20,589
% change	2.3	5.3	3.7
Debt Service	1,120	1,113	1,288
% of Revenue	5.4	5.4	5.9
Contingency	200	-	200
Budget Balance	7	-378	-363
% of GDP	0.0	-0.4	-0.4
Net Debt	29,353	29,415	31,057
% of GDP	33.5	33.5	34.6

Sources: Scotiabank Economics, Manitoba Finance.

Manitoba: 2023–24 Budget

MODEST DEFICITS EXPECTED WITH MORE TAX CUTS AND PRIORITY SPENDING

- **Budget balance forecasts:** **-\$378 mn (-0.4% of nominal GDP)** in FY23, **-\$363 mn (-0.4%)** in FY24, and **-\$294 mn (-0.3%)** in FY25; return to balance targeted for FY29 (chart 1).
- **Net debt:** expected to edge up from 33.5% in FY23 to 34.6% in FY24 before peaking at 35.0% in FY25 (chart 2)—reflecting slower nominal growth combined with increased capital outlays.
- **Real GDP growth forecasts:** +3.6% in 2022, +0.7% in 2023, and +1.1% in 2024—2023 growth revised significantly lower versus the last budget (+2.8%).
- **Borrowing requirements:** \$4.7 bn in FY24, of which \$2.4 bn comes from refinancing. New borrowings are expected to average \$1.7 bn during FY25–27, while refinancing will average \$3.4 bn per year over the same period.
- **Underpinned by reasonably conservative assumptions,** Manitoba's pre-election Budget 2023 largely contains new spending increases to health care—offset by the newly announced support from the federal-provincial agreement—along with modest changes to personal income tax relief measures.

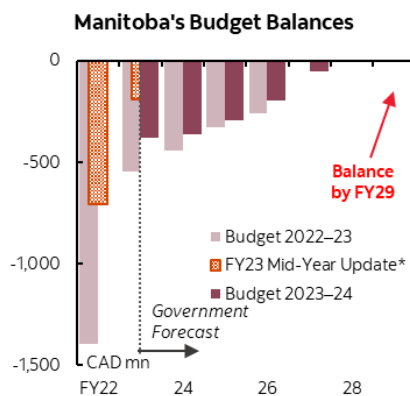
OUR TAKE

In Budget 2023, Manitoba's fiscal position is set to improve gradually in the medium-term with a string of shrinking deficits through FY27. The deficit in FY24 is projected at **-\$363 mn (-0.4% of nominal GDP)**—virtually flat from the FY23 deficit now estimated at **-\$378 mn**. Budget 2023 projects a slightly improved fiscal path than in the last budget with narrower deficits through FY24–26 as the province expects higher federal transfers, partially offset by a near-term spending boost. The province continues to anticipate a balanced budget by FY29. Net debt-to-GDP ratio is expected to edge up from 33.5% in FY23 to 34.6% in FY24, before peaking in FY24 at 35% and remaining elevated through the planning horizon—consistent with increased capital spending outlays and slower nominal growth assumptions.

Revenues are forecast to rise by 5.5% in FY24 (before contingency), reflecting enhanced federal transfers from equalization and the new healthcare funding.

Manitoba anticipates \$5.9 bn in major transfers in FY24—up 14.2% over FY23—and 60% of which will come from equalization payments. Own-source revenues are expected to

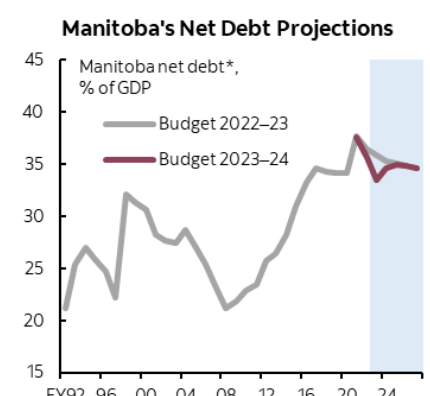
Chart 1



* FY22 figure is final result.

Sources: Scotiabank Economics, Manitoba Finance.

Chart 2



* Per Finance Canada Fiscal Reference Tables.

Sources: Scotiabank Economics, Finance Canada, MB Finance.

remain flat from FY23, with increases in personal and corporate income offset by the fiscal impact of new tax relief measures. Over the medium term, total revenue is set to grow at an average pace of 3.1% through FY27.

Released before the provincial election in October, the budget contains tax relief measures helping with rising cost of living. Manitoba aims to improve its tax competitiveness, raising the Basic Personal Amount to \$15,000 at a fiscal cost of -\$311 mn, along with an increase in tax bracket thresholds to \$47,000 and \$100,000 in 2024 with a -\$40 mn impact in revenues. To assist small businesses, the province also plans to reduce the Health and Post-Secondary Education Tax Levy rate based on fiscal performance.

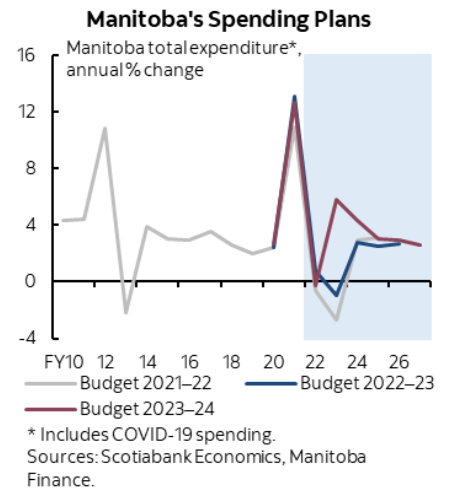
The province plans to ramp up program spending in priority areas like health care and community safety, but keeps the pace within the bounds of revenue growth (chart 3). Total spending is slated to rise by 4.4% in FY24, following a 5.8% growth in FY23. With additional funding support from the federal government, the province is boosting healthcare expenses by \$668 mn (0.7% of GDP) in FY24—the equivalence of a 9.2% increase—accounting for about 90% of program spending increases. Other major new spending includes over \$100 mn designated to strengthen community safety over two years, as well as an additional \$92.5 mn to support the education system. Over the medium term, total spending will continue to grow at an average pace of 2.8% per year, in line with the pace of revenue growth. Debt service costs are expected to be \$88 mn higher than in last budget, accounting for 5.9% of total revenue in FY24, up from 5.4% in FY23.

Acknowledging the challenges in forecasting, economic projections underpinning the Budget appear characteristically cautious. With real GDP growth assumed at 0.7% this year and 1.1% next year—both lower than our current projections at 1.4% and 1.6%—the Budget accounts for some downside risks in growth, while a recession is not in the baseline. Abundant contingencies are built into the fiscal plan with a \$200 bn contingency pencilled in for FY24, which gradually declines over the next three fiscal years.

Manitoba extended its capital plan horizon from three years to five years, dedicating an average of \$2.8 bn each year over the next five years in infrastructure investment—in line with last budget’s plan. The total price tag for infrastructure investment over the next 5 years comes out to \$14.0 bn, of which \$4.5 bn will consist of buildings, equipment and technology, and \$3.3 bn will go towards the maintenance and construction of roads, highways, bridges and flood protection.

Manitoba’s borrowing requirements total \$4.7 bn in FY24. Of this amount, \$2.4 bn will be allocated towards refinancing purposes in FY24, and \$2.1 bn will be pre-funding for FY25. As of the time of the budget release, approximately \$1.8 bn of funding for FY24 had been pre-borrowed. Borrowing requirements are expected to increase to \$5.3 bn in FY25 and \$5.7 bn in FY26, before decreasing to \$4.4 bn in FY27, with new cash decreasing from \$1.9 bn down to \$1.4 bn over those three years.

Chart 3



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