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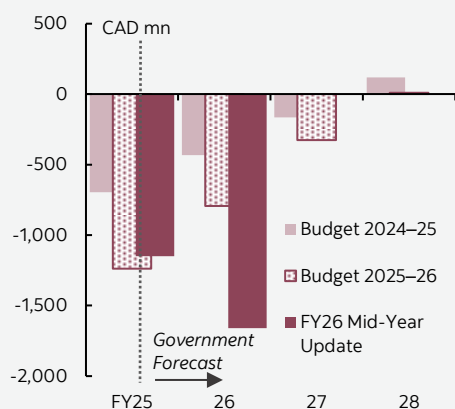
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Chart 1

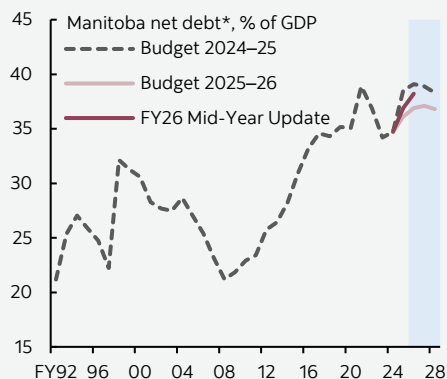
Manitoba's Budget Balances



Sources: Scotiabank Economics, Manitoba Finance.

Chart 2

Manitoba's Net Debt Projections



* Per Finance Canada Fiscal Reference Tables.

Sources: Scotiabank Economics, Finance Canada, MB Finance.

Manitoba: 2025–26 Mid-Year Fiscal Update

DEFICIT WIDENS ON LOWER MANITOBA HYDRO PROFIT, WILDFIRE EXPENSES

- The FY26 deficit forecast has roughly doubled, despite using up the \$200 mn contingency reserve set aside in the Spring Budget.** The new forecast for the FY26 budget balance is -\$1.7 bn (-1.7% of nominal GDP), compared to the Budget forecast of -\$0.8 bn (-0.8%) (chart 1). Modest spending growth going forward will be needed to meet the object of balancing the budget in 2027–28, amid ongoing economic headwinds.
- Total revenue for FY26 has been revised down by \$756 mn (-3%) compared to Budget 2025 to \$24.5 bn.** While some of the downward revision in total revenue compared to Budget 2025 is from lower federal transfers (-\$133 mn), the majority of the gap is concentrated in lower net income from government business enterprises (-\$725 mn). Manitoba Hydro is projected to have a net loss of \$464 mn this year owing to drought conditions (-\$684 mn relative to Budget 2025). The drop in expected revenues has been partially offset by using the full \$200 mn revenue contingency budget for the year. Overall, revenues are now expected to be 0.6% higher in FY26 compared to FY25.
- Total spending for FY26 has been revised up by \$311 mn (+1.2%).** The higher spending is almost entirely driven by higher-than-expected wildfire costs (+\$324 mn), as increases to Health (+\$50 mn) and Justice (+\$20 mn) were more than offset by reduced Agriculture spending (-\$83 mn). Meanwhile, debt servicing costs are unchanged relative to the Spring Budget at \$2.3 bn. Total FY26 expenses are now projected to be 2.6% higher than FY25.
- Net debt for FY26 has been revised to \$38.1 bn (38.2% of nominal GDP), up from \$36.5 bn (36.9%) in Budget 2025 (chart 2).** Net debt levels are projected to increase by 7.9% y/y relative to FY25, compared to the forecast for nominal GDP growth of 3.7% in 2025 that is a tick higher than the 3.6% forecast in Budget 2025. Meanwhile, real GDP growth for 2025 was revised down by 0.6 percentage points to 1.1% owing to economic headwinds from the wildfires and uncertainty from trade tensions.

Updated Fiscal Forecast \$ millions except where noted

| | FY25 | | FY26 | |
|-----------------------|---------------|---------------|---------------|---------------|
| | Bud. '25 | Final | Bud. '25 | Dec. '25 |
| Total Revenue | 23,367 | 24,344 | 25,256 | 24,500 |
| % change | 7.2 | 11.7 | 8.1 | 0.6 |
| Own-Source | 15,257 | 16,239 | 16,326 | 15,703 |
| Federal Transfers | 8,110 | 8,105 | 8,930 | 8,797 |
| Total Spending | 24,506 | 25,493 | 25,850 | 26,161 |
| % change | 3.1 | 7.3 | 5.5 | 2.6 |
| Program Spending | 22,173 | 23,177 | 23,513 | 23,824 |
| % change | 2.6 | 7.3 | 6.0 | 2.8 |
| Debt Service | 2,333 | 2,316 | 2,337 | 2,337 |
| % of Revenue | 10.0 | 9.5 | 9.3 | 9.5 |
| Contingency | 100 | — | 200 | — |
| Budget Balance | -1,239 | -1,149 | -794 | -1,661 |
| % of GDP | -1.3 | -1.2 | -0.8 | -1.7 |
| Net Debt | 34,472 | 35,261 | 36,500 | 38,060 |
| % of GDP | 36.1 | 36.9 | 36.9 | 38.2 |

Sources: Scotiabank Economics, Manitoba Finance.

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