Manitoba 2025 Budget

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A path to balance sown with uncertainties

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Highlights

Not unlike other provinces in Canada, Manitoba's budgetary position deteriorated over the course of the 2024-25 fiscal year. What was originally thought to be a $796 million deficit in last year's budget grew to $1.24 billion in today's update. As for the incoming 2025-26 fiscal year, the Budget forecasts a reduced deficit at $794 million thanks to revenue growth outstripping expenditure growth. The year 2026-27 is also expected to be marked in red ink with a deficit of $327 million, but 2027-28 should see a return to a balanced budget with a surplus of $10 million. However, the budget plan is based on the average economic forecasts of the private sector and does not incorporate the impact of possible tariffs and only partially the impact of uncertainty on the province's economy. As a result, Manitoba's expected fiscal trajectory could deviate in the event of geopolitical and trade turbulence. The 2025-26 budget includes several new initiatives including increased health spending to hire additional workers, a freeze on hydro rates, making the gas tax relief permanent, and an increase if the Homeowners Affordability Tax Credit, among others. With regard to debt management, the net debt-to-GDP ratio in 2024-25 is estimated at 36.1% and should reach 36.9% at the end of the fiscal year that will soon begin. The net debt is then expected to peak at 37.1% of GDP in 2026-27, before falling to 36.8% in 2027-28. For its part, interest charges as a share of revenue should decrease from 10.0% in 2024-25 to 9.3% in 2025-26 and 2026-27. After borrowing about $6.5 billion in 2024-25, Manitoba's borrowing requirements are expected to decrease to $5.9 billion in 2025-26.

- **Economic outlook** — Despite being the most diversified economy in the Confederation, it is estimated that real GDP in Manitoba grew by only 1.1% in 2024, below the national average of 1.5%. As for nominal GDP, which is more important for public finances, it grew by only 3.8%, compared with 4.6% for the country as a whole. Although the annual average unemployment rate in Manitoba in 2024 was the second lowest of all Canadian provinces at only 5.5%, the recent trend shows a more marked slowdown in the labour market. Indeed, the unemployment rate in February reached 6.1%, a deterioration of 1.3% compared to February 2024, which represents the highest increase in the unemployment rate of all the provinces. Looking ahead, the Budget is based on the average private sector forecast which at the time of the survey did not incorporate directly the impact of tariffs and only partially the impact of the uncertainty surrounding the trade war. The Budget forecasts real GDP growth of 1.7% in 2025, which is a stronger increase than the previous year. In 2026, real GDP is expected to grow by 1.7% as well. Nominal GDP is expected to increase by 3.6% in 2025, which is slower than in 2024, notably due to lower inflation. In 2026, nominal GDP is then expected to increase by 3.4%. As for the labour market, employment growth is expected to slow significantly and more significantly than the working-age population. That would push the unemployment rate from an average of 5.5% in 2024 to 5.8% in 2025, before edging down to 5.5% in 2026.

- **Outgoing year budget balance (2024-25)** — Not unlike other provinces in Canada, Manitoba's budgetary position deteriorated over the course of the 2024-25 fiscal year. What was originally thought to be a $796 million (0.8% of GDP) deficit in last year's budget grew to $1.31 billion in the Second Quarter Report in December. There's been a slight improvement since then as today's latest (but still unofficial) update sees the shortfall settling in at $1.24 billion (1.3% of GDP). What drove the additional red ink versus last year's guidance? An ever so slight revenue miss didn't help (-0.3%) but it was more of a spending story as expenses came 1.5% above plan. This can largely be traced to a single line item: Health, Seniors and Long-Term Care. Expenses in this department look to finish more than 6% above last year's estimate. Note that the $100 million contingency from last year's budget has not been released so there's scope for some improvement when the Public Accounts are released later this year.

- **Medium-term fiscal outlook (2025-26 & beyond)** — The budget deficit improved in 2024-25 (relative to 2023-24) and the province is expected to take another step towards balance in the year ahead. Specifically, Manitoba is guiding towards a shortfall of $794 million (0.8% of GDP), an estimate involving a significant revenue jump. Indeed, the province expects a ~8% increase in revenue, including a larger increase in taxes. However, an extra $820 million in federal transfers is the biggest contributor to the additional ~$1.8 billion flowing into government coffers. Meantime, spending increases are smaller but still significant as the government expects to pay out an additional $1.34 billion (+5.5%) versus 2024-25. Close to half of the marginal spending can be traced to health, seniors and long-term care, but there are also notable increases in other key envelopes (e.g., education). Note that additional prudence has been built in the plan as Manitoba is setting aside a $200 million revenue contingency (double the contingency from 2024-25). Moreover, the province lays out a "tariff budget" which involves a larger revenue contingency and introduces a tariff response contingency. Together these add to $1.1 billion, suggesting the 2025-26 deficit *could* be on the order of $1.9 billion in a sustained trade war environment.

  Beyond 2025-26, progress on the deficit is expected to continue. The province is signalling a $327 million deficit in 2026-27 (0.3% of GDP) to be followed by an ever-so-slight $10 million surplus in 2027-28. This return to balance occurs in the same fiscal year as estimated in last year's plan but this new budget involves more red ink than previously anticipated: The cumulative shortfall from 2024-25 to 2027-28 is $2.25 billion in this plan compared to $1.58 billion last year. Manitoba is not the only province where this trend is playing out, but fiscal revisions here are not as significant as other provinces. To achieve this return to balance, Manitoba expects revenue to grow by 3.4% per year and spending to rise at a 2.1% annual rate in the outer years of the fiscal plan. Prudence is also incorporated further out the horizon as $50 million revenue contingencies are set aside each year.

- **New initiatives** – Consistent with the theme of other recent provincial budgets, Manitoba keys in on investments made to improve healthcare and affordability. Dubbed 'Building One Manitoba', Budget 2025 will deliver $770 million in new funding to recruit and retain provincial health care workers, as the document also outlines plans to build and maintain hospital, emergency room, and cancer care facility infrastructure. In sum, health, seniors, and long-term care expenses for the province will grow over 7% to $9.38 billion (when compared to the outgoing fiscal year's forecast), which represents ~36% of total projected expenses for 2025-26. On the affordability front, Manitoba will keep the gas tax relief permanent and keep hydro rates frozen for one year. $10-a-day childcare will be extended to non-school days, saving families up to $2,808 a year, while the province also increased their Homeowners Affordability Tax Credit by $100, translating to average homeowner savings of up to $1,600 annually. To grow the economy, promote hiring, and support businesses facing tariffs, Manitoba is cutting the payroll tax, which will help nearly 1,000 businesses save by $8.5 million annually. Nearly $900 million has been allocated towards upgrading Manitoba Hydro infrastructure, while a 4% increase to the highways budget will see ~$800 million go towards Highway 1 East, as well as new outlet channels and interchanges. Interestingly, the province also plans on establishing a trade office in Washington, D.C., to improve the U.S. relationship amidst trade tensions. Manitoba will increase funding for public safety, community infrastructure, and education, as the province pledges to build 11 new schools over the next three years. In all, education spending will come to 24% of the total in fiscal 2025-26. A $76 million step-up in public safety initiatives funding was also included. Lastly, the province will pass 4% of gas tax revenue to municipalities through the new One Manitoba Fund in an effort to spur community infrastructure investment in hockey rinks, playgrounds, and community centres.
- **Debt burden & interest bite** – As per Manitoba's fresh budget, summary net debt is expected to end the 2024-25 fiscal year at $34.5 billion, or 36.1% of nominal GDP. That's lower by about $1 billion relative to what was originally budgeted, and also lower relative to GDP by almost two and a half percentage points. Net debt is then expected to increase by ~$2 billion to $36.5 billion in 2025-26, as the ratio to GDP will also climb to 36.9% (for reference, the pre-COVID average for this figure was a hair above 35% of GDP). Debt servicing costs will remain largely unchanged in 2025-26 versus the outgoing fiscal year ($2.34 billion vs. $2.33 billion prior, including costs for Manitoba Hydro). This follows a three-year period where servicing costs were increasing between 8-10% annually. The deceleration here will see financing charges as a share of total revenue shift lower to 9.3%, as the 'interest bite' last year came in at 10%. Through 2027-28, the province expects debt charges to consume a steady proportion of revenues, consistent with the upcoming fiscal year's figure. Following from the economic outlook summarized above, the budget assumes a 4.6% average term borrowing rate for 2025-26. It's estimated that a 1%-pt increase in all interest rates for an entire year would result in a $52.7 million addition to the annual interest bill.
- **Borrowing requirement** Manitoba borrowed $6.5 billion in fiscal 2024-25, with 60% of that amount sourced domestically. The province maintained its already well-established presence in key international markets in 2024-25, issuing in USD, AUD, CHF and EUR formats. Under the baseline fiscal outlook detailed above (i.e., a budget deficit of roughly $800 million), Manitoba projects a $5.9 billion gross borrowing requirement for 2025-26. The headline borrowing figure is comprised of $3.7 billion in refinancing and $2.2 billion in net new requirements (the latter capturing general government purposes and tangible capital investments, including for related entities). As the budget makes clear, the coming fiscal year's requirements "do not include any borrowings that may be required to respond to potential tariff impacts." Medium-term guidance suggests gross bond issuance could moderate further in 2026-27 (to $4.1 billion, when refinancing needs are lighter), before picking back up in 2027-28 (to $5.5 billion) and again in 2028-29 (to $6.8 billion). Note that the projected borrowing tally controls for pre-borrowing, both completed and anticipated. Manitoba's established practice is to stay six months ahead of cash needs, which is where pre-borrowing comes in. The province pre-borrowed $2.8 billion in 2024-25 towards its 2025-26 requirement. With market volatility/uncertainty expected to continue, another meaningful round of pre-borrowing is planned for the coming fiscal year ($2 billion), the province's prudential liquidity generally calibrated to capital market uncertainty. The funding program remains focused on domestic benchmarks (mainly 10- and 30-year sectors), with ensuring secondary market liquidity. Ultra-longs were used in 2024-25 as a strategic diversification tool. As routinely demonstrated, the province will access international markets "when the costs are competitive relative to the domestic market," with associated FX risk fully hedged out. Additionally, Manitoba's established authorities could allow for the issuance of promissory notes should cash needs rise abruptly. Finally, as investors are well aware, the province's stated requirements include borrowing on behalf of Manitoba Hydro, which pays the province a guarantee fee. That fee is being reduced in 2025-26 (to 0.40%), with associated debt relief allowing the utility to better upgrade/expand the electrical grid.
- **Current long-term credit ratings** — S&P: A+, Stable | Moody's: Aa2, Positive | DBRS: A(H), Stable
  [Refer to our Provincial Ratings Snapshot for additional colour on specific credit rating drivers/considerations]

Manitoba

$000,000	Budget 2024/25	Forecast 2024/25	Budget 2025/26	Projection 2026/27	Projection 2027/28
SUMMARY BUDGET					
Revenue	**23,337**	**23,267**	**25,056**	**26,078**	**26,932**
Income taxes	5,588	5,564	6,034		
Other taxes	4,736	4,800	5,177		
Fees and other revenues	2,650	2,779	2,847		
Federal transfers	8,291	8,110	8,930		
Net income (loss), government business entreprises	818	717	1,006		
Sinking funds and other earnings	1,354	1,397	1,262		
Contingency	(100)	(100)	(200)	(50)	(50)
Expenditure	**24,133**	**24,506**	**25,850**	**26,405**	**26,922**
of which Debt servicing	*2,267*	*2,333*	*2,337*	2,432	2,478
Summary net income	**(796)**	**(1,239)**	**(794)**	**(327)**	**10**
Debt servicing as a % of revenues	9.7%	10.0%	9.3%	9.3%	9.2%
Summary net income as a % of GDP	-0.9%	-1.3%	-0.8%	-0.3%	0.0%
SUMMARY NET DEBT					
Beginning of year	**33,514**	**32,316**	**34,472**		
Summary net income	796	1,239	794		
Net investment in Tangible Capital Assets	1,111	917	1,234		
= Increase in net debt	**1,907**	**2,156**	**2,028**		
Summary net debt at the end of the fiscal year	**35,421**	**34,472**	**36,500**		
Summary net debt as a % of GDP	**38.5%**	**36.1%**	**36.9%**	**37.1%**	**36.8%**
BORROWING REQUIREMENTS ($ million)					
Refinancing			3,965		
New cash requirements			3,720		
Less Repayments			859		
Less Pre-borrowing			2,855		
Plus Pre-funding			1,962		
Total borrowing requirements			**5,933**		
As of Manitoba Hydro			1,430		

Source: Province of Manitoba, *Budget* documents

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