

BUDGET ANALYSIS

Manitoba: Budget 2026–27

Consolidation Intact Despite a Softer Starting Line

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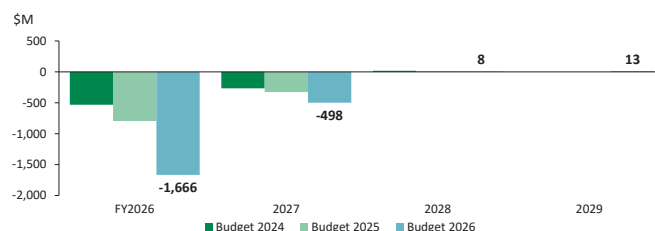
HIGHLIGHTS

- ▶ Manitoba's Budget 2026 marks a weaker fiscal starting position, projecting a deeper deficit of \$1.7B (1.7% of nominal GDP) in fiscal year 2025–26 (FY2026), narrowing quickly to a shortfall of \$498M (0.5%) in FY2027 on the back of a revenue rebound (graph 1). The FY2028 return-to-balance target remains intact. Table 1 on page 2 summarizes the province's updated fiscal forecasts.
- ▶ The deterioration in FY2026 largely reflects a temporary revenue dip, with a rebound expected on stronger federal transfers and improving Manitoba Hydro results, bringing the revenue outlook back in line with the prior plan.
- ▶ The government modestly loosened its spending restraint and introduced targeted tax relief in Budget 2026, with the removal of PST on grocery food and new health-care investments as the headline measures. Relative to last year's budget, cumulative program spending was raised by \$2.2B over FY2027–FY2028, absorbing the \$2.0B in revenue gains projected since Budget 2025.
- ▶ Reflecting higher projected capital spending and wider deficits, near-term provincial borrowing requirements have been revised up to \$4.2B in FY2027, \$6.4B in FY2028, and \$6.6B in FY2029—a combined \$873M increase over three years.
- ▶ Manitoba forecasts that its net debt will rise from 37.9% of GDP in FY2026 to a peak of 38.2% in FY2027, then ease in the ensuing two years—on a slightly higher trajectory than in the previous plan and still among the highest of its peers.

Graph 1

The Aggressive Consolidation Path Remains Largely Intact

Manitoba budget balance projections



Manitoba Ministry of Finance and Desjardins Economic Studies

- ▶ While most provinces are signalling fiscal deteriorations, Manitoba stands out by keeping its consolidation path largely intact despite a challenging year marked by softer revenues. The province's FY2027 deficit is projected to be the smallest as a share of output among its peers. That said, margin for error has narrowed, as a deeper-than-expected near-term deficit and a modest uptick in the debt-to-GDP trajectory introduce some near-term risk that markets are likely to monitor.

Table 1
Manitoba Fiscal Forecasts

\$M (unless otherwise indicated)	2024–25	2025–26		2026–27		2027–28		2028–29
	Actual	Bud 2025	Bud 2026	Bud 2025	Bud 2026	Bud 2025	Bud 2026	Bud 2026
Total revenues	24,344	25,256	24,459	26,128	26,920	26,982	28,167	28,981
% change	11.7	3.7	0.5	3.5	10.1	3.3	4.6	2.9
Own-source revenues	16,239	16,326	15,818	---	17,263	---	---	---
% change	11.0	0.5	-2.6	---	9.1	---	---	---
Federal transfers	8,105	8,930	8,641	---	9,657	---	---	---
Total expenses	25,493	25,850	26,125	26,405	27,318	26,922	28,109	28,918
% change	18.0	1.4	2.5	2.1	4.6	2.0	2.9	2.9
Program spending	23,177	23,493	23,832	23,973	24,936	24,444	25,689	26,461
% change	19.2	1.4	2.8	2.0	4.6	2.0	3.0	3.0
Debt charges	2,316	2,357	2,293	2,432	2,382	2,478	2,420	2,457
% of total revenues	9.5	9.3	9.4	9.3	8.8	9.2	8.6	8.5
Forecast allowance	0	200	0	50	100	50	50	50
Budget balance	-1,149	-794	-1,666	-327	-498	10	8	13
% of GDP	-1.2	-0.8	-1.7	-0.3	-0.5	---	0.0	---
Net debt (% of GDP)	36.7	36.9	37.9	37.1	38.2	38.3	37.8	37.2
Real GDP (% change)	0.6	1.7	1.6	1.7	1.3	---	1.7	---
Nominal GDP (% change)	2.9	3.6	4.4	3.4	3.6	---	3.8	---
Infrastructure spending (\$B)	3.2	3.7	3.7	3.3	3.8	3.0	4.2	4.4

Bud: Budget

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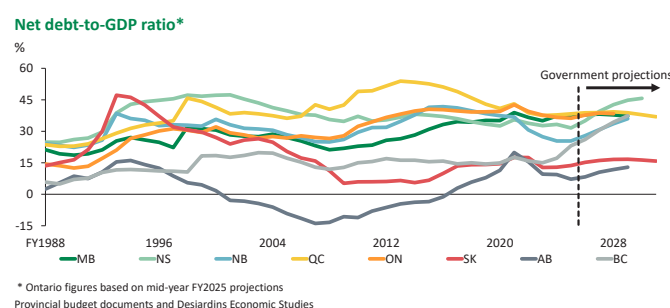
Manitoba's 2026 budget largely keeps the province's fiscal consolidation plan on track, despite a weaker-than-expected handoff from FY2025–26 (FY2026). FY2026 deteriorated due to across-the-board revenue shortfalls, compounded by additional spending related to wildfire response. The government now projects a rapid narrowing of the deficit, from \$1.7B (1.7% of nominal GDP) in FY2026 to \$498M (0.5%) in FY2027, with the budget maintaining a path to surplus by FY2028, unchanged from the prior fiscal plan.

Manitoba continues to carry a sizable debt burden, underscoring the importance of maintaining its consolidation path. Net debt is projected to rise from 37.9% of GDP in FY2026 to a peak of 38.2% in FY2027 before easing modestly thereafter, to levels broadly in line with last year's outlook by the end of the forecast horizon (graph 2). The projected debt ratio remains high by historical standards and currently exceeds that of all provinces except Nova Scotia and Quebec—leaving limited fiscal headroom.

Softer Start, Stronger Rebound

The province foresees the soft patch of revenue growth to dissipate quickly as revenue returns to levels anticipated previously but with an additional moderate gain. The province expects to receive \$792M more in FY2027 revenue than

Graph 2
Manitoba's Net Debt Outlook Is One of the Highest of Any Province



projected in its previous budget, representing a 10.1% jump from FY2026 revenue, mainly driven by higher federal transfers and stronger income from Government Business Enterprises (GBEs).

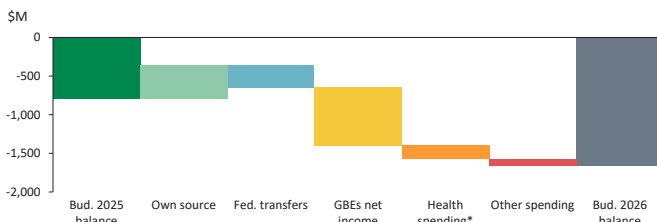
Federal transfers are projected to rise by \$1.0B in FY2027, lifting their revenue share to a record 36.0%, driven by higher equalization payments. These remain an important source of income over the planning horizon at around 35% of total revenue.

Income from Manitoba Hydro and Manitoba Public Insurance Corporation remains crucial in the revenue outlook. Manitoba Hydro's forecasted net loss contributed to a \$722M shortfall

in revenue in FY2026 due to unfavourable water conditions (graph 3). The province expects Manitoba Hydro to rebound in FY2027, returning to a modest profit.

Graph 3
Manitoba Hydro Losses Drove a Larger Deficit

Changes to FY2026 budget balance since Budget 2025



* Includes health, seniors and long-term care
Manitoba Ministry of Finance and Desjardins Economic Studies

Erring on the Side of Caution

Economic assumptions underpinning the fiscal plan appear well anchored, with the province projecting continued growth in revenues supported by a resilient economic backdrop. Relative to Budget 2025, the province now assumes a softer near-term expansion, with real GDP growth easing from 1.6% in 2025 to 1.3% in 2026, slightly underperforming the national average. This growth outlook broadly aligns with [our expectations](#).

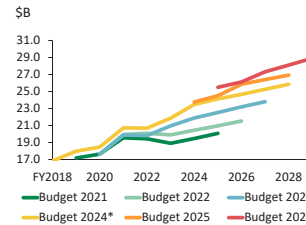
The province prudently sets aside \$100M in contingency for FY2027, followed by \$50M annually over the subsequent two years. Given that a one-percentage-point reduction in nominal GDP growth is estimated to lower revenues by \$159M, the FY2027 contingency would be sufficient to absorb a roughly 0.6-percentage-point downside shock to nominal growth.

Targeted New Spending and Tax Relief

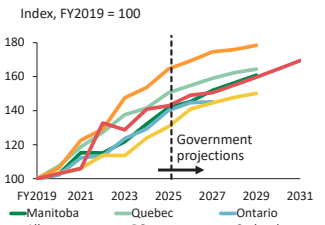
As expected, new policies focused on healthcare and affordability. The province continues to ramp up program spending in priority areas like health care and education, with program spending set to rise by \$1.1B in FY2027 relative to the year prior. Spending in Health, Seniors, and Long-Term Care is set to increase by \$816M, building on the \$177M additional funding allocated over the course of FY2026. The province's lifted spending profile remains around the middle of the pack among Canadian provinces relative to pre-pandemic levels (graph 4). New tax measures, particularly the removal of PST on grocery food, modestly weigh on the revenue outlook.

Graph 4
Spending Plan Increased Again, but Remains Manageable

Manitoba total expenditure by fiscal plan



Total spending by province

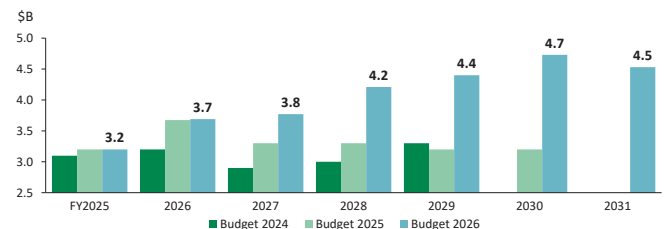


* Adjusted for historical accounting presentation changes
Statistics Canada, Manitoba Ministry of Finance and Desjardins Economic Studies

Manitoba has materially increased its infrastructure spending outlook, committing more than \$4.3B per year on average over the next five years (graph 5). The bulk of the increase is driven by Manitoba Hydro's high-voltage direct current (HVDC) reliability project. The project represents a significant long-term investment, with total costs expected to reach at least \$6.8B over the coming decade. Historic capital investment in flagship projects such as Churchill Plus, alongside continued investment on core infrastructure including health care and education, is expected to give Manitoba's economic growth an edge over the medium term.

Graph 5
Significant Step-Up in Capital Spending

Manitoba Capital Plan Projections



Manitoba Ministry of Finance and Desjardins Economic Studies

Debt and Borrowing

Manitoba's gross borrowing requirement is projected at \$4.2B in FY2027, down from the \$5.6B of borrowing completed in FY2026. The province has already pre-borrowed \$2.4B for FY2027 and plans to pre-fund approximately \$394M toward FY2028 requirements. Borrowing needs are projected to rise to \$6.4B in FY2028 and \$6.6B in FY2029 as refinancing activity and new cash needs increase.

Manitoba spreads were initially unchanged following the budget's release. Investors and credit agencies will likely be pleased with Manitoba's commitment to its deficit reduction plan, which should reinforce relative performance in the days ahead.