

No deficit in 2009-10

Highlights

- **Manitoba's budget is balanced for a 10th consecutive year. A balanced budget is also projected for 2010-11.**
- **The summary budget shows a 1.8% rise in spending (0.2% decrease outside health care and education).**
- **New tax relief will amount to \$32.6 million over a full year.**
- **The small-business income tax rate is eliminated as of December 1, 2010.**
- **Capital investment is budgeted to increase \$625 million to \$1.6 billion.**
- **Real GDP is assumed to contract 0.2% this year and then expand 2.0% in 2010.**
- **Because of the increase in capital investment, summary net debt will rise from 21.6% of GDP at the end of the current fiscal year to 23.0% a year from now. The borrowing requirement over the year will be \$3.3 billion, including \$1.5 billion in refinancing.**

Opinion

Finance minister Greg Selinger has found it unnecessary to resort to deficit financing despite the recession. It must be said that Manitoba's economy seems unlikely to be hit severely. Neither did the minister find it necessary to revisit the \$91 million in previously planned tax relief scheduled to kick in during 2009-10 (\$131 million over a full year). On the contrary, he has introduced tax changes that will cost an additional \$19 million in 2009-10 (\$33 million over a full year). These measures include a \$50 increase of the education property tax credit to \$650 (cost \$16 million) and harmonization with federal extension of capital cost allowances rates for manufacturing machinery and computers.

The summary budget shows a revenue decline, held to \$50 million by a rise in federal transfers. The rise in spending shown in the summary budget, though held to 1.8%, will therefore eat up much, though not all, of the surplus expected for 2008-09. Spending growth was held down by freezes or small decreases for one-third of government departments as the government modernizes and adapts its operations while managing overhead costs and civil service staff vacancies.

The major stimulus measure is the acceleration of infrastructure investment. This measure will increase the provincial debt, but the debt-to-GDP ratio of 23% budgeted for the end of the 2009-10 year does not compromise the progress Manitoba has made since the beginning of the decade, when the ratio was well over 30%.

Marc Pinsonneault

ECONOMIC AND STRATEGY GROUP – 514.879.2529

Stéfane Marion, Chief Economist and Strategist

General: National Bank Financial (NBF) is an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on Canadian stock exchanges. ♦ The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. ♦ Canadian Residents: In respect of the distribution of this report in Canada, NBF accepts responsibility for its contents. To make further inquiry related to this report or effect any transaction, Canadian residents should contact their NBF Investment advisor. ♦ U.S. Residents: NBF Securities (USA) Corp., an affiliate of NBF, accepts responsibility for the contents of this report, subject to any terms set out above. Any U.S. person wishing to effect transactions in any security discussed herein should do so only through NBF Securities (USA) Corp. UK Residents: In respect of the distribution of this report to UK residents, NBF has approved this financial promotion for the purposes of Section 21(1) of the Financial Services and Markets Act 2000. NBF and/or its parent and/or any companies within or affiliates of the National Bank of Canada group and/or any of their directors, officers and employees may have or may have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or may act or may have acted as market maker in the relevant securities or related financial instruments discussed in this report, or may act or have acted as investment and/or commercial banker with respect thereto. The value of investments can go down as well as up. Past performance will not necessarily be repeated in the future. The investments contained in this report are not available to private customers. This report does not constitute or form part of any offer for sale or subscription or solicitation of any offer to buy or subscribe for the securities described herein nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. This information is only for distribution to non-private customers in the United Kingdom within the meaning of the rules of the Regulated by the Financial Services Authority. ♦ Copyright: This report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of National Bank Financial.

Manitoba

	Budget	Forecast	Budget	Projection
\$000,000	2008/09	2008/09	2009/10	2010/11
SUMMARY BUDGET				
Revenues	12 324	12 779	12 729	12 975
Income taxes	2 611	2 812	2 689	na
Other taxes	3 320	3 329	3 293	na
Fees and other revenues	1 377	1 565	1 582	na
Federal transfers	3 905	3 936	4 103	na
Net income (loss) Government business enterprises	668	812	816	755
Sinking funds and other earnings	441	325	246	na
Expenditures	12 228	12 455	12 681	12 941
Health	4 371	4 583	4 723	na
Education	3 250	3 138	3 270	na
Family services and housing	1 331	1 357	1 390	na
Community, economic and resource development	1 478	1 509	1 529	na
Other program expenses	992	1 065	1 003	na
Debt servicing	806	803	766	na
Ajustement		(8)		
Summary net income	96	316	48	34
Debt-servicing as a % of revenues	6.5%	6.3%	6.0%	

SUMMARY NET DEBT

Beginning balance			11 100
Net investment in tangible capital assets			757
Less: Summary net income			48
Other comprehensive income			-
Ending balance	10 922	11 100	11 809
GDP	50 367	51 275	51 429
Ending balance as a % of GDP	21.7%	21.6%	23.0%

BORROWING REQUIREMENTS (\$ million)

Refinancing	1 541
Other new cash requirements	1 780
Less: Repayments	68
Total	3 253

Source: 2009 budget documents, Manitoba.