

March 24, 2026

Manitoba: More red ink accumulated but path to balance intact

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Highlights

In 2025-26, Manitoba's budgetary position deteriorated over the course of the year as drought conditions hit revenues and the wildfire response added costs. What was originally thought to be a \$794 million deficit in last year's budget grew to \$1.67 billion deficit (1.7% of GDP) in today's latest update. While Manitoba will remain in the red in 2026-27, there will be substantial progress made on the deficit as a \$498 million shortfall (0.5% of GDP) has been penciled in. The province's time in deficit may stop there though, as tiny surpluses are being projected for 2027-28 and 2028-29. The timing of the return to balance is unchanged from last year's budget so a weaker 2025-26 did not leave a permanent scar. Budget new measures key in on "responsible investments in what matters most"—health care and education among the larger ticketed items, similar to programs seen from other provinces. Manitoba will make investments aimed to bolster the province's economic future, most notably in Churchill Plus, while staying committed to the relative affordability of the province by eliminating PST on all groceries, among other initiatives. The larger deficit in 2025-26 did contribute to more net debt and the provinces debt burden is seen ending the year at 37.9%, a full percentage point higher than expected. That will creep up a bit further in 2026-27 (to 38.2% of GDP) but will decline thereafter. And thanks to a large jump in revenues, the province's interest bite will moderate in 2026-27. Manitoba has borrowed \$5.6 billion in the 2025-26 fiscal year to date, and thanks to pre-funding, the gross borrowing requirement will step down in the upcoming fiscal year (to \$4.2 billion), before averaging ~\$6.5 billion in the outer two years of the projection horizon. Manitoba will continue to diversify its funding program and investor base through foreign currency transactions (an inaugural EUR deal in the outgoing fiscal year was particularly well absorbed), while maintaining a focus on domestic, longer-dated benchmarks to ensure efficiency and secondary market liquidity.

- **Economic outlook** — Despite headwinds caused by trade uncertainty and slowing population growth, Manitoba's economy, the most diversified in the Confederation, saw real GDP growth of 1.6% in 2025, in line with the previous budget forecast, similar to that of 2024, and essentially in line with the growth observed in the country as a whole in 2025. More important for public finances, nominal GDP growth accelerated sharply to 4.4% in 2025, up from only 3.3% in 2024 and above the national average of 4.3%, driven by stronger inflation, with the GDP deflator rising from 1.7% to 2.8%. As for the labour market, job growth slowed in 2025, dropping from 2.6% in 2024 to 1.7%, largely due to slower population growth. However, job creation was unable to keep pace with demographic growth, pushing the unemployment rate from 5.5% in 2024 to 5.9% in 2025 — the third lowest among Canadian provinces. Looking ahead, the Budget is based on the average private sector forecast as of January 15, 2026, which incorporates the ongoing — though only partially resolved — impact of U.S. tariffs and the uncertainty surrounding the scheduled review of USMCA in July 2026. The Budget forecasts real GDP growth of 1.3% in 2026, a deceleration from 2025 and ranking seventh among provinces, before rebounding to 1.7% in 2027. Nominal GDP is expected to moderate to 3.6% in 2026, as inflation eases from its 2025 peak, before edging up slightly to 3.8% in 2027. As for the labour market, slowing population growth is expected to constrain both labour supply and domestic demand, with employment growth decelerating sharply to 0.9% in 2026 and 0.8% in 2027. The unemployment rate is forecast to remain broadly stable at 5.8% in 2026 before easing to 5.6% in 2027, as a smaller inflow of new workers limits further upward pressure. Population growth is expected to drop to only 0.3% in both 2026 and 2027.
- **Latest estimate of the 2025-26 budget balance** — Manitoba's budgetary position deteriorated over the course of the 2025-26 fiscal year as what was originally thought to be a \$794 million deficit in last year's budget grew to \$1.66 billion in the Q2 report. The picture has changed little since then as the shortfall is now expected to settle at \$1.67 billion (1.7% of GDP). Driving the in-year deterioration were revenues falling short of budget guidance by 3.2% and expenses coming in 1.1% higher than the original plan. The impact on both sides of the income statement can be traced to climate change. Wildfire response costs added \$333 million to the expense total and Manitoba Hydro's net income was \$722 million below plan due to drought conditions. As can be seen in most provinces, there were also spending pressures in the health care sector. Note that the full \$200 million contingency contained in the original budget plan has now been utilized.
- **Medium-term fiscal outlook (2026-27 & beyond)** — Manitoba's larger than expected deficit in the outgoing year is set to moderate in 2026-27, as the province is guiding towards a shortfall of \$498 million (0.5% of GDP). The improvement stems from a large jump in revenue (+10.1%) outpacing the rise in spending (+4.6%). On the revenue side, healthy gains are expected on income taxes, but the bulk of the increase is due to more federal transfer money and more net income from government business enterprises. Spending pressures are mostly driven by the Health, Seniors and Long-term Care envelope which will rise 8.3% vs. 2025-26. Manitoba has set aside a \$100 million contingency for 2026-27, half of what was set budgeted last year (for 2025-26).

Beyond 2026-27, Manitoba sees itself quickly returning to balance as the province has penciled in an \$8 million surplus in 2027-28 and a \$13 million surplus in 2028-29 (both 0.0% of GDP). For both of these years, a contingency of \$50 million has been set aside. Over these two outer years of the fiscal plan, revenues are expected to grow by 3.8% per year and expenses are expected to rise by 2.9% per year. The fiscal sensitivities presented in the budget suggest that a 1% increase (decrease) in nominal GDP would represent a positive (negative) revenue shock of \$159 million. Note that in the prior budget plan, Manitoba was also signaling a return to balance by 2027-28 so this fresh guidance keeps that timeline intact. Nonetheless, there has been more red ink accumulated over the intervening period, largely due to the deterioration in the outgoing year. The cumulative shortfall from 2025-26 to 2027-28 (the "overlapping" years of Budget 2025 and Budget 2026) is \$2.16 billion in this plan compared to \$1.11 billion in last year's.



- **New initiatives** — Budget 2026 provides information on five key government priority areas for investment. Dubbed 'Good Jobs. Lower Costs. Better Health Care.', the document's nickname makes it clear where priority expenditures reside. Like other provinces, Manitoba is investing more in health care, with new measures aimed at improving capacity. Over \$200 million is earmarked for more doctors, while several allocations are made to build or enhance medical centres—including \$60 million towards a new CancerCare headquarters and over \$30 million to build a new emergency room at Victoria Hospital. The Budget also keys in on lowering costs for Manitobans—notably by removing the PST off all food in grocery stores effective July 1st, an initiative that is expected to cost the government ~\$30 million per annum. Manitoba is also providing a homeowners affordability tax credit, increasing renters affordability credits, and providing free child care for low-income families, among other items. To grow the economy, the province is allocating \$10 million in the Churchill Plus Catalyst Fund, in addition to other funding (provincial and federal) over the next five years to the Arctic Gateway Group in order to develop the port and the Hudson Bay rail line. Keeping education a priority, \$80 million in new funding is allocated for schools, above the rate of inflation and enrollment, notes the province. Municipal funding will continue at a healthy clip, while 'A Government that Works for You' outlines plans to modernize government services, and support reconciliation, francophone, and sign language services.
- **Debt outlook & interest bite** — As per Manitoba's fresh budget, summary net debt is expected to end the 2025-26 fiscal year at \$38.1 billion, or 37.9% of nominal GDP. That's higher by roughly \$1.6 billion relative to what was originally budgeted, and also higher as a share GDP by one percentage point. Net debt is then expected to increase by ~\$1.7 billion to \$39.7 billion in 2026-27, as the ratio to GDP will also climb to 38.2%. That will represent the debt burden's peak, as the province sees debt-to-GDP declining to 37.2% by 2028-29 (for reference, the pre-COVID average for this figure was a hair above 35% of GDP). Debt servicing costs will increase by just under 4% in 2026-27 versus the outgoing fiscal year (\$2.38 billion vs. \$2.29 billion prior, including costs for Manitoba Hydro). The increase here will see financing charges as a share of total revenue shift lower to 8.9%, as the 'interest bite' last year came in at 9.4%. By 2028-29, the province expects that debt servicing costs will consume 8.5% of every revenue dollar. Following from the economic outlook summarized above, the budget assumes a 4.7% average term borrowing rate for 2026-27. It's estimated that a 1%-pt increase in all interest rates for an entire year would result in a \$59.6 million addition to the annual interest bill.
- **Borrowing requirement** — Manitoba has borrowed ~\$5.6 billion in 2025-26 to date, with two-thirds of that amount sourced domestically. The remainder of this funding was completed in the European market, consisting of an inaugural EUR benchmark transaction that attracted investor interest of over EUR 18 billion, "representing the largest European orderbook for a Canadian province at the time of issuance". Under the baseline fiscal outlook detailed above (i.e., a budget deficit of roughly \$500 million), the province projects a \$4.2 billion gross term borrowing requirement for 2026-27. Note that the projected borrowing tally controls for pre-borrowing, both completed and anticipated—the province pre-borrowed \$2.4 billion in the outgoing fiscal year towards the 2026-27 requirement. That headline borrowing figure is comprised of \$1.3 billion in refinancing and \$2.8 billion in net new bonds—the latter captures general government purposes and tangible capital investments, including for related entities, like Manitoba Hydro. Currently, \$26.9 billion has been issued by the province on behalf of this entity. Medium term guidance suggests that gross bond issuance could average ~\$6.5 billion in both 2027-28 and 2028-29, with refinancing accounting for 42% and 64% of the estimated total requirement, respectively. The funding program remains focused on domestic benchmarks (primarily in the 10- and 30-year tenors), promoting a "robust secondary trading market" in Manitoba bonds. Ultra-long were once again used in the outgoing fiscal year as a strategic diversification tool (second \$1.5 billion re-open of the 4.60% 2074 bond). As routinely demonstrated, having issued benchmarks in EUR, USD, and AUD (among others), Manitoba will continue to access international markets to enhance market diversification and support a stable / flexible program. In such instances of international borrowing, Manitoba will convert proceeds back to CAD, ensuring the province remains fully hedged against foreign exchange risk.
- **Current long-term credit ratings** — S&P: A+, Stable | Moody's: Aa2, Stable | DBRS: A(High), Stable

[Refer to our [Provincial Ratings Snapshot](#) for additional colour on specific credit rating drivers/considerations]

**Manitoba**

\$000,000	Budget	Forecast	Budget	Projection	
	2025/26	2025/26	2026/27	2027/28	2028/29

SUMMARY BUDGET

Revenue	25,065	24,459	26,820	28,117	28,931
Income taxes	6,034	5,975	6,333		
Other taxes	5,177	5,363	5,513		
Fees and other revenues	2,856	2,919	3,153		
Federal transfers	8,930	8,641	9,657		
Net income (loss), government business enterprises	1,006	255	941		
Sinking funds and other earnings	1,262	1,306	1,323		
Contingency	(200)	-	(100)	(50)	(50)

Expenditure	25,859	26,125	27,318	28,109	28,918
<i>of which Debt servicing</i>	2,337	2,293	2,382	2,420	2,457
Summary net income	(794)	(1,666)	(498)	8	13
Debt servicing as a % of revenues	9.3%	9.4%	8.9%	8.6%	8.5%
Summary net income as a % of GDP	-0.8%	-1.7%	-0.5%	0.0%	0.0%

SUMMARY NET DEBT

Beginning of year	34,472	35,261	38,057		
Summary net income	794	1,666	498		
Net investment in Tangible Capital Assets	1,234	1,130	1,159		
= Increase in net debt	2,028	2,796	1,657		
Summary net debt at the end of the fiscal year	36,500	38,057	39,714		
Summary net debt as a % of GDP	36.9%	37.9%	38.2%	37.8%	37.2%

BORROWING REQUIREMENTS (\$ million)

Refinancing	2,978
New cash requirements	4,096
Less Repayments	889
Less Pre-borrowing	2,397
Plus Pre-funding	394
Total borrowing requirements	4,182
As of Manitoba Hydro	1,741

Source: Province of Manitoba, *Budget* documents



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