



Source: Manitoba Ministry of Finance, RBC Economics Research

## Manitoba government cuts PST and projects falling deficits

- The budget deficit for 2019/20 is forecast to drop to \$360 million from the \$470 million estimated for 2018/19
- Net debt to GDP will remain at 34.7% over 2019/20 and eventually decline to 32.7% in 2023/24
- The government has also delivered on its campaign promise of reducing the PST from 8% to 7% effective July 1, 2019 – a move that will reduce revenue for the government by \$237 million over FY 19/20

### Overview

Manitoba’s Budget 2019 indicates the government intends to balance the budget by 2024. While this news is encouraging to a province that has been marred by deficits for the better of the last decade, the budget doesn’t provide any explicit details regarding how they plan to get there. The government delivered on their campaign promise of reducing the provincial sales tax by 1% despite reducing the deficit further in FY 19/20 to \$360 million. The cost of this tax measure is anticipated to be offset by a strengthening in investment and economic growth. Additionally, spending restraints were announced in several areas including infrastructure and healthcare.

### Deficit Profile

The budget deficit for FY 18/19 is projected to be \$470 million – lower than the \$521 million projected in last year’s budget. The fiscal situation continues to improve throughout the forecast horizon with the current budget projecting a deficit of \$360 million. The budget deficit is forecast to decline to just \$28 million in FY 22/23 with the biggest improvement projected to come in the last two years. The Government provided few details about how that will be achieved.

### Revenues

The revenue for FY 19/20 is projected to increase 1.4% or \$238 million from the previous budget, a slower pace of increase than in FY 18/19. The slowing in revenue growth reflects several tax measures with corporate income tax revenue set to fall by \$60 million due to the accelerated depreciation on capital assets announced by the federal government in

### Budget assumptions

	2018	2019f	2020f
<b>Real GDP growth (%)</b>			
Budget 2018 planning assumption	1	1.7	1.5
RBC	1.3	1.5	1.7
<b>Nominal GDP growth (%)</b>			
Budget 2018 planning assumption	2.3	3.6	3.6
RBC	2.7	2.3	4

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late 2018. Retail sales tax revenue is also forecast to decline due to the cut to the PST along with other taxes decreasing from the cancellation of the carbon tax in the previous year.

## Expenditures

Expenditures are expected to rise 1.8% in FY 19/20, slightly quicker than FY 18/19's 1.6% increase. Infrastructure spending is flat, while health, seniors and active living expenditures will go up by 1.8% in FY 19/20. The budget doesn't provide a detailed forecast for government spending beyond the current fiscal year.

## Net Debt

The government projects net debt will rise 3.6% to \$26.1 billion in FY 19/20 from \$25.2 billion in FY 18/19. The net debt-to-GDP ratio is currently at 34.7%, unchanged from the previous year. However, the government has projected a decline in the ratio to 32.7% by FY 23/24 – again, details are sparse on how this path will materialize.

### Manitoba's fiscal plan

\$ millions	Actual	Forecast	Budget	Projection			
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue	16,195	16,694	17,025	-	-	-	-
Expense	16,890	17,164	17,480	-	-	-	-
Program expenses	15,938	16,143	16,392	-	-	-	-
Debt servicing costs	952	1,021	1,088	-	-	-	-
Contingency for Writedown	170	50	-	-	-	-	-
In-year adjustments/lapse	-	-	(95)	-	-	-	-
Surplus/ (deficit)	(695)	(470)	(360)	(273)	(128)	(28)	0
Net debt	24,365	25,211	26,113	-	-	-	-
Net debt to GDP (%)	34.3	34.7	34.7	34.5	34.0	33.4	32.7

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