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# MANITOBA

## Fiscal and Economic Update

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**2019/20 Third Quarter Report**

*Honourable Scott Fielding  
Minister of Finance*

**Manitoba** 

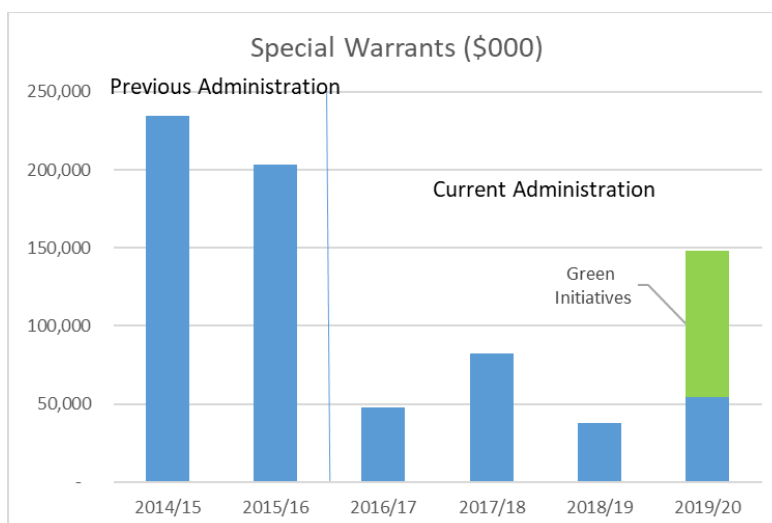
**2019/20 FISCAL UPDATE**

Millions of Dollars	Budget	Forecast
Revenue	17,025	17,273
Expense	17,480	17,598
In-Year Adjustments/Lapse	(95)	-
Net Income (Loss)	<u>(360)</u>	<u>(325)</u>
<b>Strategic Infrastructure:</b>		
Roads, Highways, Bridges and Flood Protection	605	525
Health, Education and Housing	538	386
Other Provincial Infrastructure	345	263
Manitoba Liquor and Lotteries	62	53
	<u>1,550</u>	<u>1,227</u>
<b>Summary Net Debt</b>	<u>26,113</u>	<u>25,667</u>
<b>Net Debt to GDP</b>	34.7%	34.3%

At the third quarter, the deficit is projected to be \$325 million or \$35 million ahead of plan for 2019/20. Assuming this trajectory continues until year-end, this will represent the fourth consecutive year that Manitoba has out-delivered on the execution of its budget.

Revenue is up \$248 million compared to budget, mostly related to an increase in income taxes. Expenses are also up \$118 million compared to budget, as the forecast includes over \$150 million for new green initiatives, partially offset by a reduction in debt servicing costs.

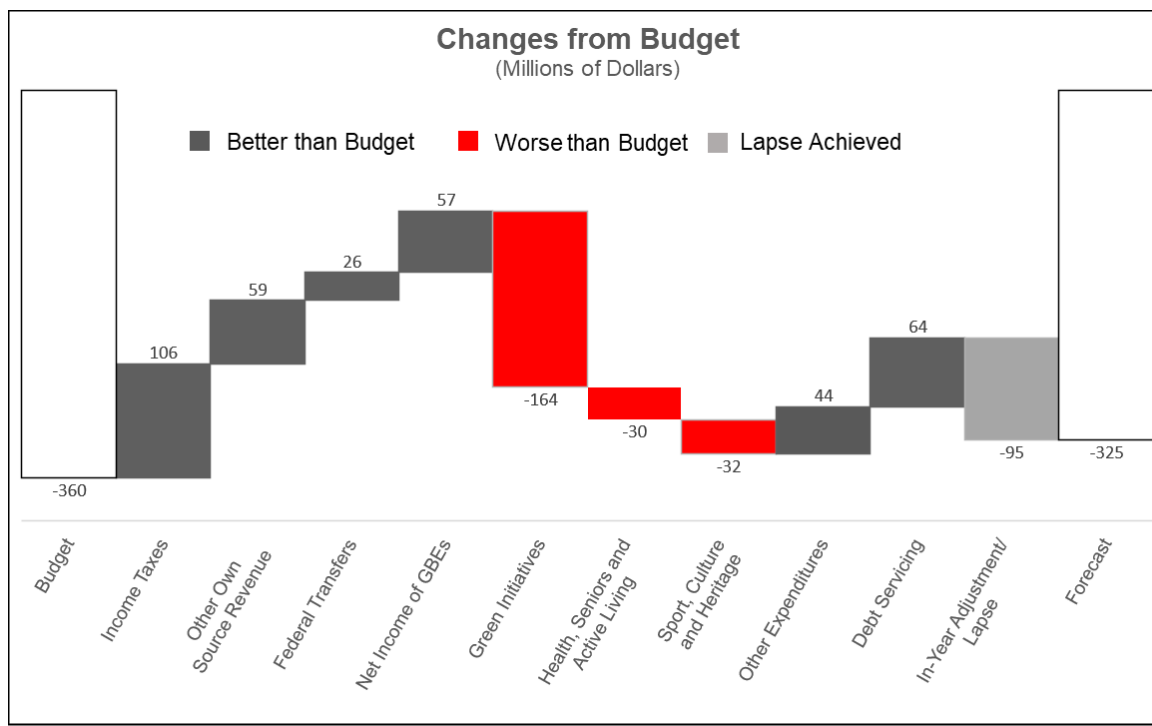
To accommodate increased expenditures in certain main appropriations, a general special warrant was issued for \$148 million. Over \$90 million of the special warrant formed part of the \$150 million for new green initiatives.



Strategic Infrastructure is projected to decrease \$323 million from the budget of \$1,550 million to \$1,227 million. Government continues to take steps to mitigate unexpected lapses of its capital budget, ensure that all procurement maximizes value for money, and has consolidated many of its capital delivery functions centrally to create an even more effective capital delivery function.

Summary Net Debt is projected to be \$25,667 million at year end. This is a \$446 million decrease from budget, primarily due to 2018/19 actual results, specifically a smaller deficit and lower than expected capital spending.

The net debt to GDP ratio is currently forecasted at 34.3%.



**Revenue**

The revenue forecast has increased by \$248 million compared to budget. The forecast includes a \$106 million increase to income taxes and moderate adjustments to other revenue categories: other own source revenues, federal transfers and net income of Government Business Enterprises. While not fully reflected in this forecast, there is a possibility that Manitoba Public Insurance will end the year with unexpected accounting gains, which could further increase revenue compared to budget.

Corporation Income Tax revenue is up \$101 million as a significant increase in reported taxable income and lower than expected tax credit claims in the 2018 tax year resulted in a higher prior-year settlement payment and a modest increase to advance instalments.

## SUMMARY REVENUE

Millions of Dollars

UNAUDITED	Forecast	Budget	Change
<b>Income Taxes</b>			
Individual Income Tax	3,749	3,744	5
Corporation Income Tax	607	506	101
<b>Subtotal: Income Taxes</b>	<b>4,356</b>	<b>4,250</b>	<b>106</b>
<b>Retail Sales Tax</b>	<b>2,281</b>	<b>2,293</b>	<b>(12)</b>
<b>Education Property Taxes</b>	<b>869</b>	<b>878</b>	<b>(9)</b>
<b>Other Taxes</b>			
Corporations Taxes	311	329	(18)
Fuel Taxes	344	349	(5)
Land Transfer Tax	95	91	4
Levy for Health and Education	381	381	-
Tobacco Tax	217	217	-
Other Taxes	13	12	1
<b>Subtotal: Other Taxes</b>	<b>1,361</b>	<b>1,379</b>	<b>(18)</b>
<b>Tuition Fees</b>	<b>395</b>	<b>364</b>	<b>31</b>
<b>Fees and Other Revenue</b>			
Fines and Costs and Other Legal	58	58	-
Minerals and Petroleum	17	14	3
Automobile and Motor Carrier Licences and Fees	196	191	5
Parks: Forestry and Other Conservation	25	24	1
Water Power Rentals	112	107	5
Service Fees and Other Miscellaneous Charges	1,523	1,513	10
<b>Subtotal: Fees and Other Revenue</b>	<b>1,931</b>	<b>1,907</b>	<b>24</b>
<b>Federal Transfers</b>			
Equalization	2,255	2,255	-
Canada Health Transfer	1,472	1,474	(2)
Canada Social Transfer	532	533	(1)
Shared Cost and Other Transfers	582	553	29
<b>Subtotal: Federal Transfers</b>	<b>4,841</b>	<b>4,815</b>	<b>26</b>
<b>Net Income of Government Business Enterprises</b>	<b>863</b>	<b>806</b>	<b>57</b>
<b>Sinking Funds and Other Earnings</b>	<b>376</b>	<b>333</b>	<b>43</b>
<b>Total Summary Revenue</b>	<b>17,273</b>	<b>17,025</b>	<b>248</b>

**Expense**

The expense forecast has increased by \$118 million compared to budget with significant over expenditures in the departments of Agriculture and Resource Development, Conservation and Climate, Health, Seniors and Active Living and Sport, Culture and Heritage.

We are making progress on our *Made-in-Manitoba Climate and Green Plan* and have included \$164 million of recently announced new green investments in our forecast, contributing to the over expenditures in the departments of Agriculture and Resource Development and Conservation and Climate.

The green initiatives include:

- Over \$103 million for the clean-up and monitoring of contaminated orphaned and abandoned mine sites throughout the province;
- \$50 million to preserve wetlands through the GROW Trust;
- Nearly \$8 million to clean up contaminated sites, like abandoned gas stations; and
- \$3 million for Contingency for Lead Mitigation.

Health, Seniors and Active Living is currently forecasting an over expenditure of \$30 million related to increases in medical remuneration resulting from higher patient volume, unbudgeted costs for sending patients out of province for specialized treatments and higher than anticipated blood usage costs from Canadian Blood Services.

Manitoba Film and Video Production Tax Credit claims, which are reported in the Department of Sport, Culture and Heritage are coming in higher than budget. The Manitoba film and video production sector has experienced extraordinary growth in the last few years and tax credit claims are reflecting that expansion.

Due to favourable interest rates, we are also forecasting a decrease in our debt servicing costs.

## SUMMARY EXPENSE

Millions of Dollars

UNAUDITED	Forecast	Budget	Change
Legislative Assembly	65	52	13
Executive Council	5	5	-
Agriculture and Resource Development	532	444	88
Central Services	192	191	1
Civil Service Commission	23	22	1
Conservation and Climate	263	155	108
Crown Services	2	2	-
Economic Development and Training	1,663	1,689	(26)
Education	2,952	2,942	10
Employee Pensions and Other Costs	-	-	-
Families	2,183	2,199	(16)
Finance	104	107	(3)
Health, Seniors and Active Living	6,695	6,665	30
Indigenous and Northern Relations	31	33	(2)
Infrastructure	480	487	(7)
Justice	696	697	(1)
Municipal Relations	420	415	5
Sport, Culture and Heritage	199	167	32
Enabling Appropriations	37	71	(34)
Other Appropriations	33	50	(17)
Debt Servicing	1,023	1,087	(64)
<b>Total Summary Expense</b>	<b>17,598</b>	<b>17,480</b>	<b>118</b>

### Manitoba Economic Review and Outlook

In 2019, a number of international political and economic developments substantially reduced global trade. New and higher import tariffs, outright bans on some imports, low commodity prices, higher interest rates, and other factors restrained production, investments and consumer expenditures around the world.

In Manitoba, lower overall spending slowed growth in sales in a number of industries. However, the momentum from a boost in capital spending on buildings in 2018 continued in 2019. In addition, the labour market improved, lifting household incomes.

Compared to the Budget 2019 forecast, Manitoba’s economic growth is lower in 2019 and in 2020. Real GDP growth is estimated at 1.1% in 2019 and forecast to be 1.3% in 2020.

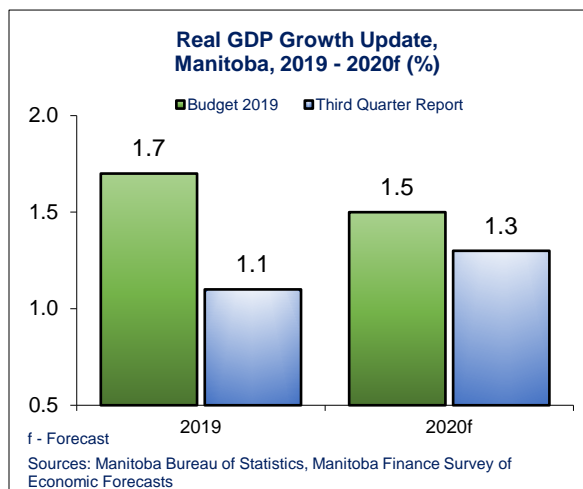
Despite lower economic output, income tax revenues are higher in 2019/20 due to higher than expected household and corporate incomes and deferred settlements from 2018. Revenues from other sources, notably sales tax, typically follow the economic cycle and are lower than expected.

Population growth continues to be a strength for the province, up by 1.2% in 2019, the tenth consecutive year of growth above 1.0%. This is providing a broad based expansion of construction of income-generating properties in Manitoba.

Investment in residential buildings increased by 4.6% in 2019, from 3.3% in 2018 and 14.5% in 2017. Investment in non-residential buildings increased by 11.3% in 2019 from 6.7% in 2018. Spending on commercial and industrial properties increased by 15.0% and 5.9%, respectively, while spending on institutional buildings increased by 6.4%.

Employment in Manitoba increased by 0.9% in 2019 compared to 0.6% in 2018. This lowered the unemployment rate to 5.3% from 6.0% in 2018 and increased labour income growth to 3.6% from 3.1% in 2018.

The ban on canola seed exports to China prompted a 54% reduction in exports to China. This was more than offset by a 9.4% increase in sales to the U.S., resulting in a 2.6% gain in total international merchandise exports from Manitoba.



Manitoba Economic Outlook			
(per cent change unless noted)			
	2018	2019	2020f
<b>Gross Domestic Product</b>			
Real	1.3	1.1	1.3
Nominal	2.2	3.0	3.3
Employment	0.6	0.9	0.5
Unemployment Rate (%)	6.0	5.3	5.5
Consumer Price Index	2.5	2.2	1.9
Population	1.2	1.2	1.1

f – Forecast  
Sources: Statistics Canada, Manitoba Bureau of Statistics and Manitoba Finance Survey of Economic Forecasts

Manitoba's inflation rate averaged 2.2% in 2019, down marginally from 2.5% in 2018. In 2019, shelter and food prices increased above the average rate, while alcohol and tobacco, health and personal care, transportation, recreational, education and reading, clothing and footwear, and household operations prices increased below the average rate.