

Manitoba Provincial Budget Review

Setting the stage for COVID-19 recovery and future economic growth

[Chris Ferris](#), Senior Economist

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Bottom Line

The Manitoba Provincial Government brought down its budget on Wednesday, April 7 amid an escalating COVID-19 threat and an uncertain outlook for 2021. The pandemic has hit the Manitoba economy hard in 2020. 2021 will be a transitional year as the rollout of the vaccine continues. The province anticipates the economy will be on a much firmer footing in 2022.

COVID-19 expenditures will continue to be significant in the 2021/22 budget, but down 40% versus 2020/21. Total revenues are budgeted to be \$17.8 billion, and total expenditures are budgeted to be \$19.4 billion (including \$1.18 billion related to COVID-19). This will result in a 2021/22 budget deficit of \$1.6 billion, down about 23 per cent from 2020/21.

Manitoba Economic Outlook

Table 1: Manitoba Economic Outlook: Percent Change unless noted otherwise (f = forecast, P = preliminary)

Manitoba	2020	2021f	2022f
Real GDP	(5.3) P	4.1	3.6
Nominal GDP	(3.5) P	5.5	5.5
Consumer Prices	0.5	1.8	2.0
Employment	(3.7)	3.2	2.0
Unemployment Rate (%)	8.0	6.9	6.0

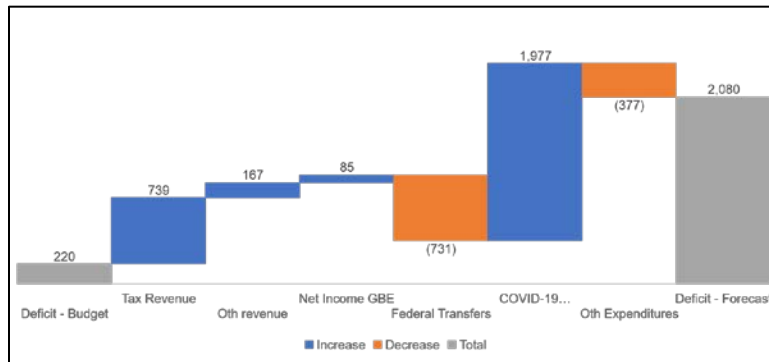
When we consider the Manitoba Economic Outlook from the Manitoba Budget,¹ we see that the COVID-19 pandemic hit the economy hard in 2020 (**Table 1**).

COVID-19's influence will continue to be felt in 2021, with significant forecast uncertainty remaining. The forecast assumes that the

COVID-19 pandemic is reasonably under control while we complete the COVID-19 vaccination program. At the same time, various supports are in place for families and firms, and economic development efforts are taking place. By the time 2022f rolls around, the economy should be on a much firmer footing.

¹ Manitoba Finance, MBS, Statistics Canada (April 7, 2021) [Budget 2021](#), EDW calculations.

Figure 1: 2020/21 Deficit Forecast (\$2.1 billion), Q3 results for the fiscal year (Apr/Mar)

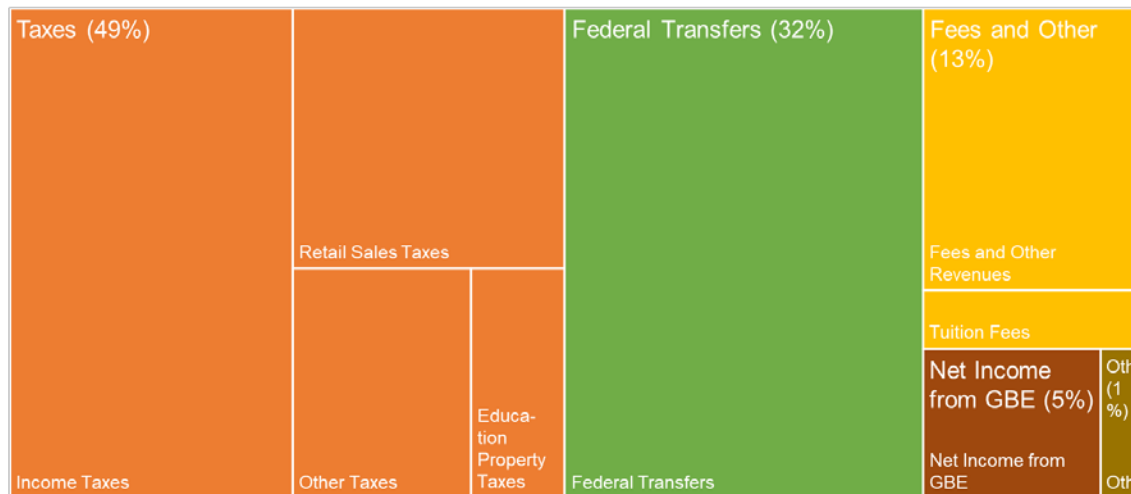


This waterfall chart (**Figure 1**) shows how the 2020/21 deficit has evolved due to COVID-19.

When we net out the decline in tax revenues vs the increase in federal transfers, net revenues fell \$260 million. Netting out the COVID-19 expenditures against the decline in other

spending, we see net expenditures increased by \$1.6 billion. This is how the deficit moved from \$220 million in last year's budget to a forecast of \$2.1 billion at the end of Q3 of the 2020/21 fiscal year (Apr/Mar).

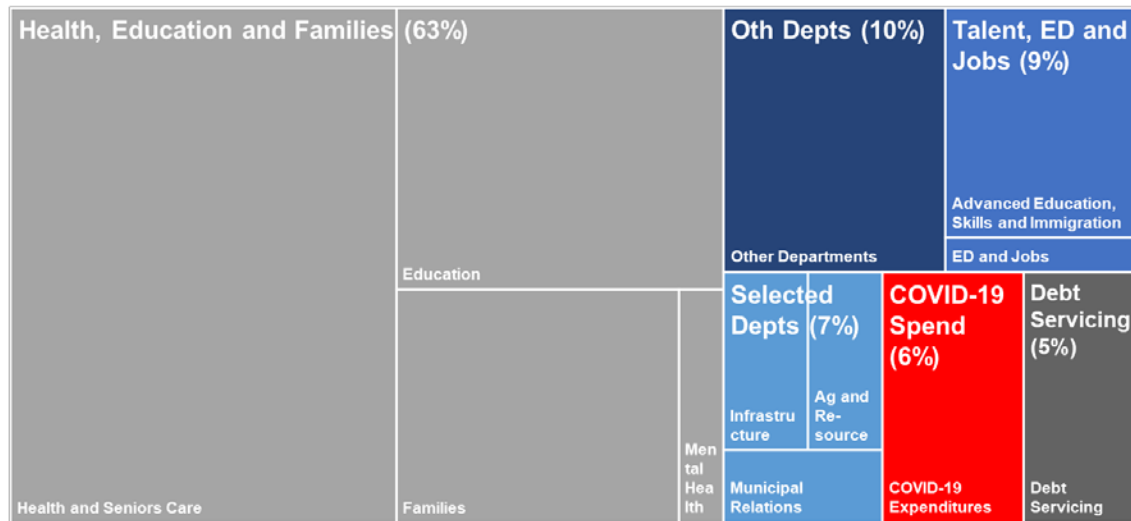
Figure 2: Share of Manitoba Revenues (\$17.8 billion) in 2021/22 Budget



For the 2021/22 budget, revenues are budgeted to rise by 2 per cent year-over-year (y/y) to \$17.8 billion. Revenues will come from taxes (49%), federal transfers (32%), fees and other sources (13%), 5% from the net income from Government Business Enterprises (GBE), and 1% from other (**Figure 2**).

The major tax reduction chosen by the provincial government is the education property tax refund for residential/farm properties of 25%, and 10% to all other property classes.

Figure 3: Share of Manitoba Expenditures (\$19.4 billion) in 2021/22 Budget



2021/22 budget expenditures are expected to fall by 1 per cent y/y to \$19.4 billion (**Figure 3**). Expenditures will accrue to the categories of Health, Education, and Families (63%), talent, economic development, and jobs (9%), select Other Departments (7%), COVID-19 expenditures (6%), Debt Servicing (5%), and all other departments (10%). COVID-19 expenditures are budgeted to fall 40% y/y.

Figure 4: Share of COVID-19 Costs (\$1.18 billion) in 2021/22 budget

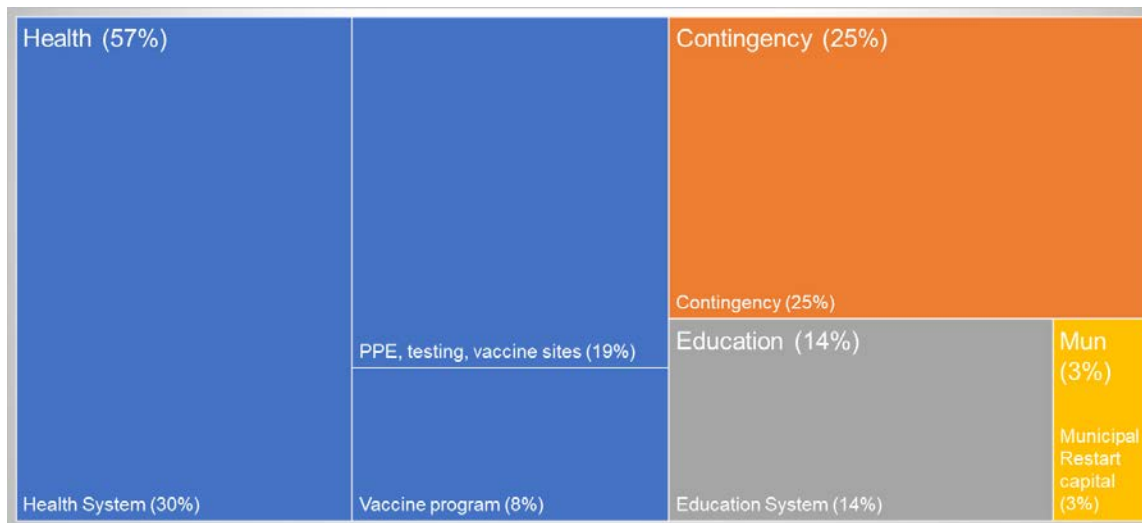


Figure 4 shows the budgeted allocation of COVID-19 costs for the 21/22 fiscal year. Various health related categories represent 57%, a contingency factor that represents 25%, 14% is allocated to the education system, with the remaining 3% allocated to municipal restart capital.

Table 2: Manitoba Summary Budget (\$Millions) ²

Description (\$Millions)	2020/21 Budget	2020/21 Forecast *	2021/22 Budget
Revenue	17,737	17,477	17,838
Expenditure	17,957	17,580	18,255
Net Income (Loss – ex COVID-19)	(220)	(103)	(417)
COVID-19 Expenditures and Contingencies **	1,977	1,977	1,180
Net Income (Loss)	(2,197)	(2,080)	(1,597)

In **Table 2** we see that the changes in revenues and expenditures (regular and COVID-19 related), leads to a budget deficit of \$1.6 Billion in 2021/22, or about 23 per cent lower than in 2020/21.

Figure 5: Share of Infrastructure Investment (\$2.16 billion) in budget 2021/22

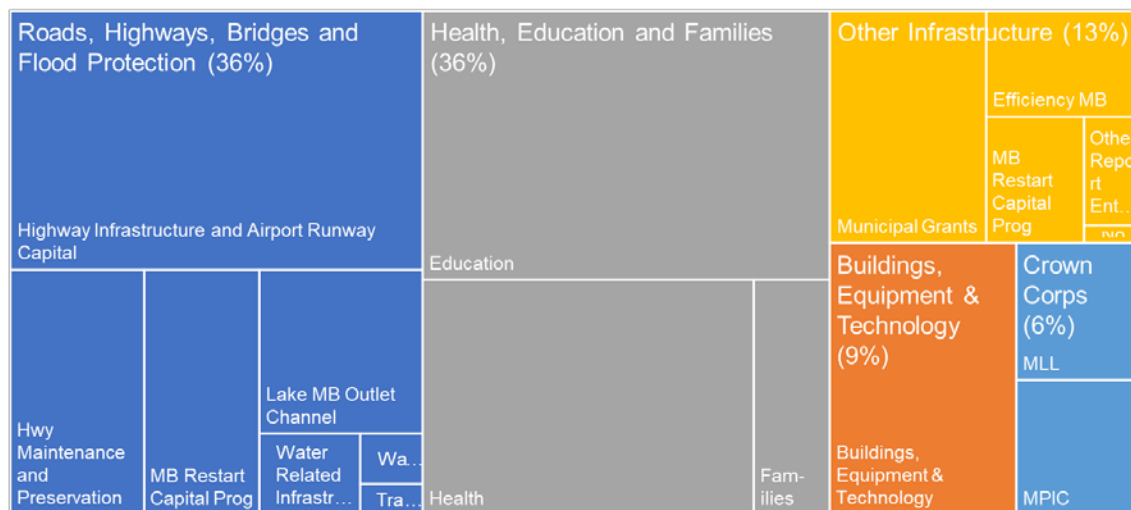


Figure 5 shows how the \$2.16 billion investments are budgeted for 2021/22. When we consider the major categories, we see that Roads, Highways, Bridges, and flood protection represent 36%, Education, Health and Families is 36%, and the remaining 28% will go to

- Other infrastructure (13%),
- Buildings, Equipment & Technology (9%), and
- Crown corporations (6%).

² Source: Manitoba Budget 2021-22. The Manitoba government fiscal year starts April 1, 2021 and ends March 31, 2022. (Mar/Apr). * The 2020/21 Forecast deficit is on the following slide. ** 2021/22 COVID-19 in Figure 4.

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