
2012 MANITOBA FISCAL UPDATE



TD Economics

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MANITOBA PLUNGES DEEPER INTO THE RED

- The Province of Manitoba released its fall economic and fiscal update earlier today.
- The government used the opportunity to refresh its economic assumptions and discuss the implications for the provincial fiscal plan. No new policy initiatives and/or measures were included in the document.
- With today's release, Manitoba is estimating a \$567 million deficit for fiscal 2012-13, or 1.0% of provincial GDP. This represents a deterioration of \$107 million relative to the budget estimate.
- Provincial real economic growth is slated to come in lower than envisaged at the time of the 2012 budget. According to the prevailing private sector consensus forecast, Manitoba real GDP should be 2.3% in 2012 and 2.2% in 2013.
- Updated economic growth forecasts were not available in nominal terms.
- Core government revenues are expected to come in \$67 million higher than last estimated in the budget. Higher individual and corporate income tax revenues are now forecast.
- Greater-than-anticipated program expenditures are the reason for the larger overall shortfall. Four particular areas of government spending should now come in above target: public safety services (+\$38 million), disability programs (+\$28 million), child protection (+\$24 million) and forest fire suppression (+\$10 million).
- Summary net debt to GDP is forecast to be 27.1%, close to the budget estimate.

Bottom Line and Implications

- The Manitoba government has had difficulty keeping a lid on its overall shortfall. In the past few years, weather-related disasters were previously the culprits. In the case of today's fiscal update, the program expenditure line is to blame.
- Even with the slip, Manitoba's deficit-to-GDP places it in the middle of provincial fiscal performances. It performs slightly better in the summary debt-to-GDP metric.
- The 2013 real economic growth forecast assumed by the Manitoba government (2.2%) is noticeably more optimistic than our own (1.6%). In turn, we would not be surprised if there were some modest downside revisions incorporated into the medium-term fiscal plan come the 2013 budget.
- A return to surplus for the Manitoba government come fiscal 2014-15 remains doable, but a challenge. A worsened starting point in fiscal 2012-13 does not help matters. Second, we anticipate more modest economic growth for 2013 than the private sector consensus. Third, it is difficult to clamp down on program spending growth over an extended period.



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