

Manitoba Budget 2020

March 20, 2020

Budget figures a moving target in light of pandemic impact

- Smaller deficit expected for FY 20/21
- Fiscal impact of COVID-19 expected to be between \$160-\$680 million
- Province still expects nominal GDP to grow slightly in 2020

Budget released with supplementary COVID-19 document

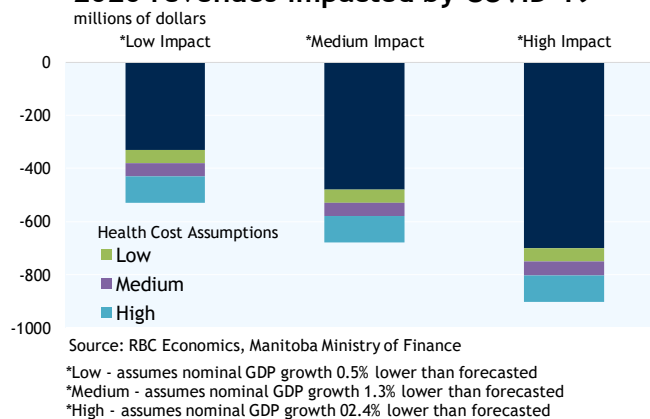
After being delayed by a week, Manitoba's budget was finally released on March 19th. The main budgetary document was prepared in a world where the coronavirus wasn't a threat and given the disruption of past weeks means the government will have to reassess. The government provided a supplementary document that includes estimates of the impact of the pandemic on the revenue, expenditure and overall economic growth outlook. Provincial governments that haven't released their budgets so far in 2020 have been in a tricky position and have taken different routes. Saskatchewan released their spending plan earlier this week and delayed putting any revenue estimates in lieu of how imprecise those estimates might turn out to be. Ontario is foregoing a full budget release and will instead put out a fiscal update on March 25th.

In the main budget, the government expects a deficit of \$220 million and net debt-to-GDP ratio of 34.2% in FY 20/21. The base case assumption for nominal and real GDP growth is 3.3% and 1.3% in 2020. However we expect these numbers to change by the end of the year as the effect of the pandemic alters the fiscal course.

Scale of fiscal impact hard to pin down

The supplementary document estimates fiscal impact in the range of \$160 to \$680 million based on different scenarios (low with GDP growth of 2.8%, medium with GDP growth of 2%, high with GDP growth of 0.9%). And it estimates that a 1% drop in nominal GDP shaves \$200 million from revenues. The document also mentions that the \$6.7 billion health spending will be significantly impacted but doesn't provide detailed estimates. The federal government's aid to Manitoba of \$18 million is likely only the first step as that constitutes one-half of the cost of emergency procurement order of supplies the government announced last week. The province has a Rainy Day Fund currently funded to \$571 million, which provides some degree of cushion.

2020 revenues impacted by COVID-19



Manitoba Budget Balance

