

# *Budget 2016*



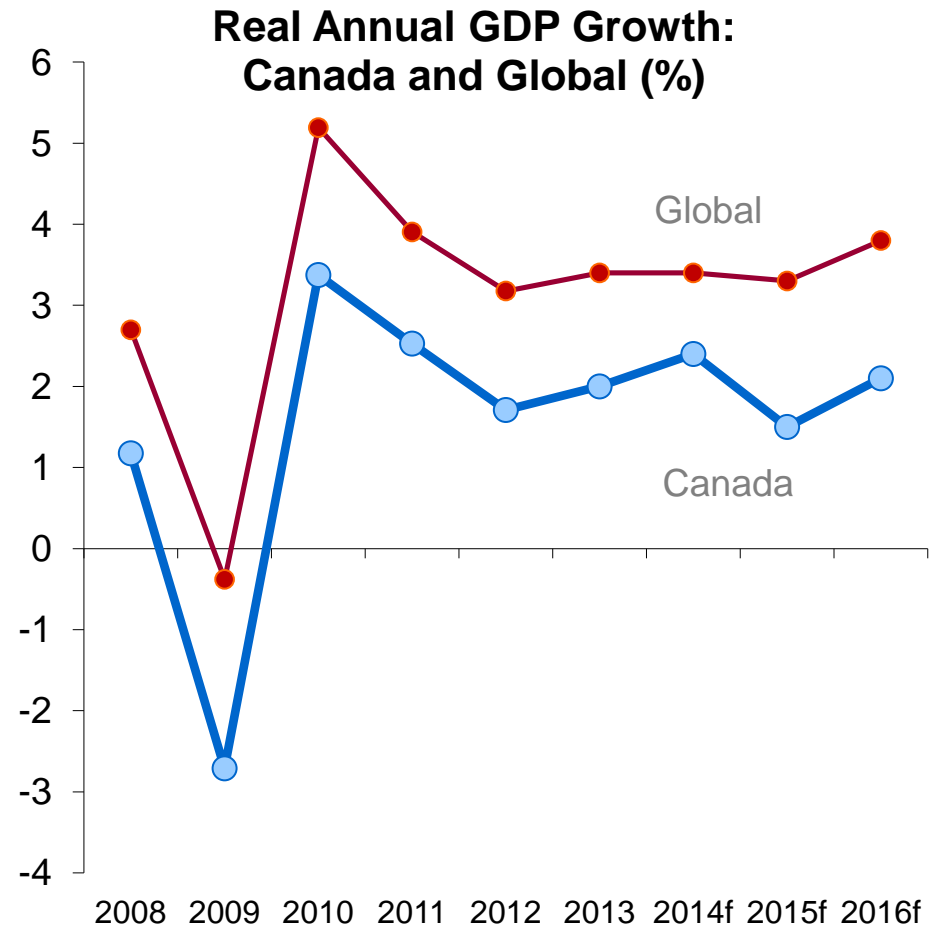
**Pre-Budget  
Consultation Meeting  
Fall 2015**

## ***Agenda***

- **Canada and the Global Economy**
- **Manitoba's Economic Performance**
- **Manitoba's Budget Plans and Our Balanced Approach:  
*Focused on What Matters Most***
- **Manitoba's Provincial Finances and Fiscal Position**
- **Challenges: Economic and Fiscal**
- **Your Advice**

## Canada and the Global Economy

- Canadian and Global growth has slowed since 2011
- Low oil price impacting Canadian growth
  - Sharp drop in energy sector investments
- Canadian labour market activity slowed in 2014
- Low dollar and strengthening U.S. expected to improve exports



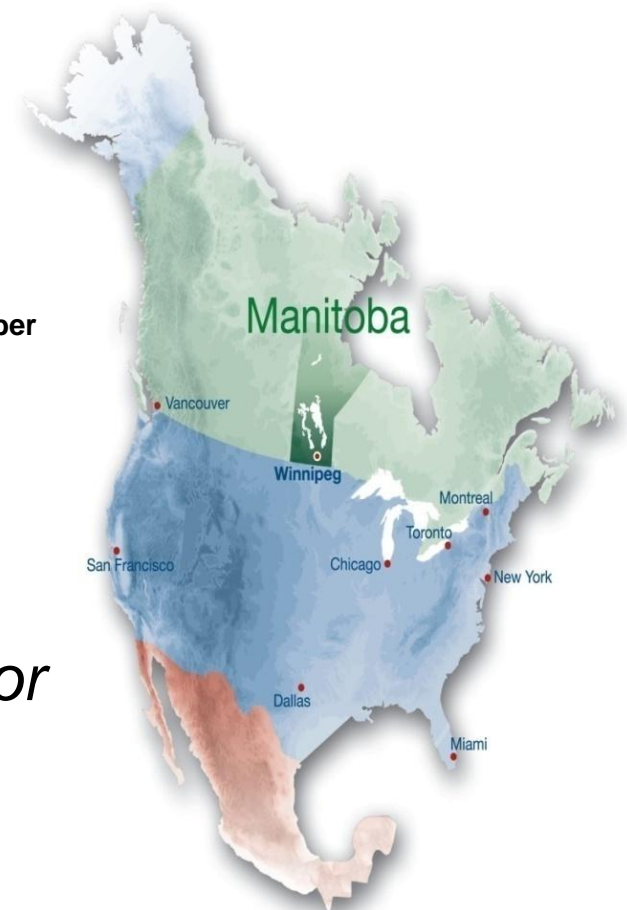
## *Global Economic Uncertainty*

- *“we expect global growth to remain moderate and likely weaker than we anticipated last July [2015]”*

Christine Lagarde, Managing Director International Monetary Fund , September 2015

- *“increased public infrastructure investment raises output in both the short and long term...the time is right for an infrastructure push”*

The International Monetary Fund – World Economic Outlook, October 2014

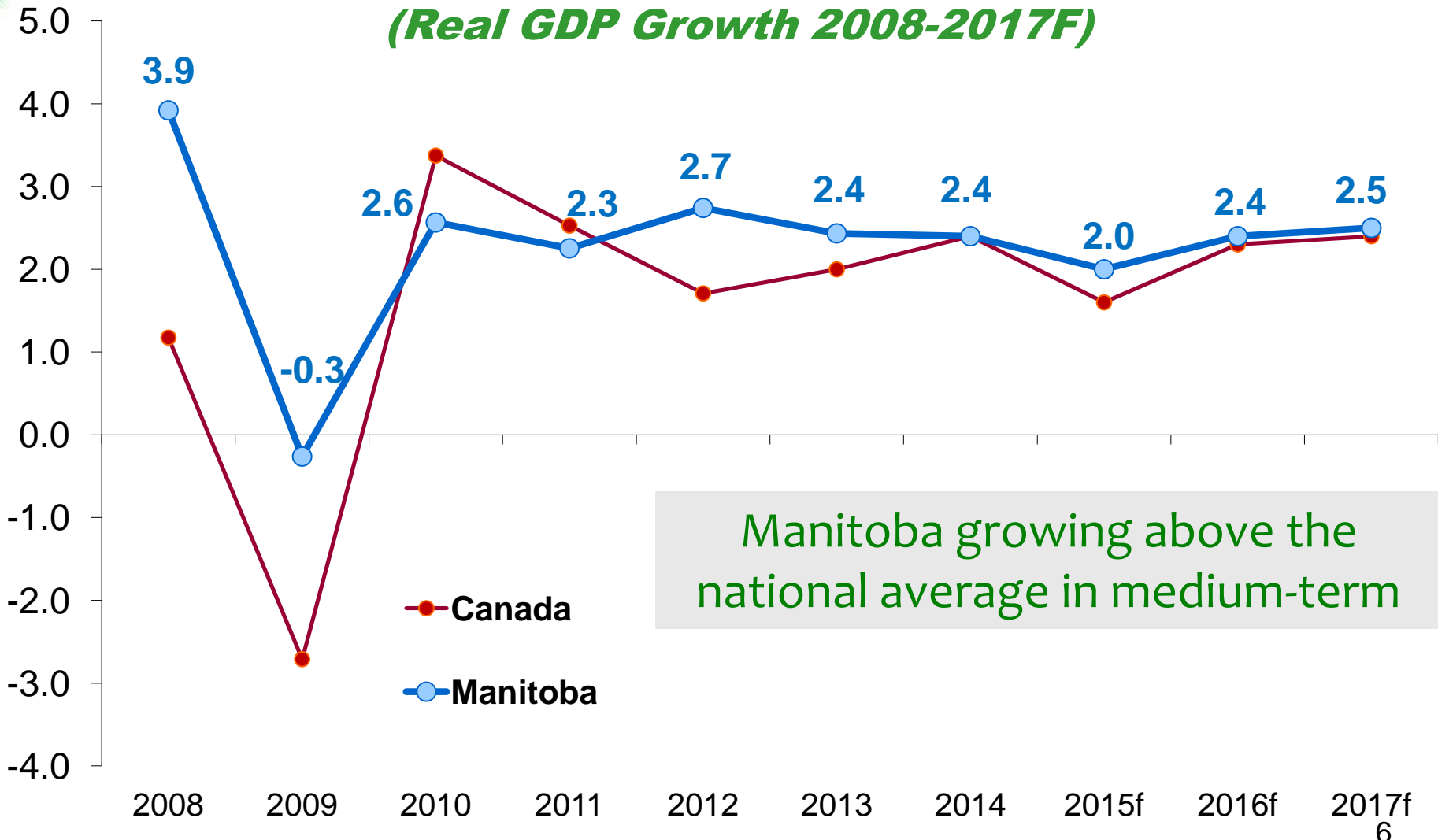


## *The Manitoba Economy*

- **Most stable** growth among Canadian provinces
- **Diversified economy** with major presence in manufacturing, mining, construction, transportation, wholesale trade, finance and insurance, agriculture
- **Balanced export market:** roughly 50% international, 50% rest of Canada
- **Broadening foreign markets:** increasing exposure to growing global regions
  - 33% sent to non-U.S. markets
- Most consistent growth in capital investment among provinces
- Third fastest population growth in Canada



# Stable and Steady Economic Growth (Real GDP Growth 2008-2017F)

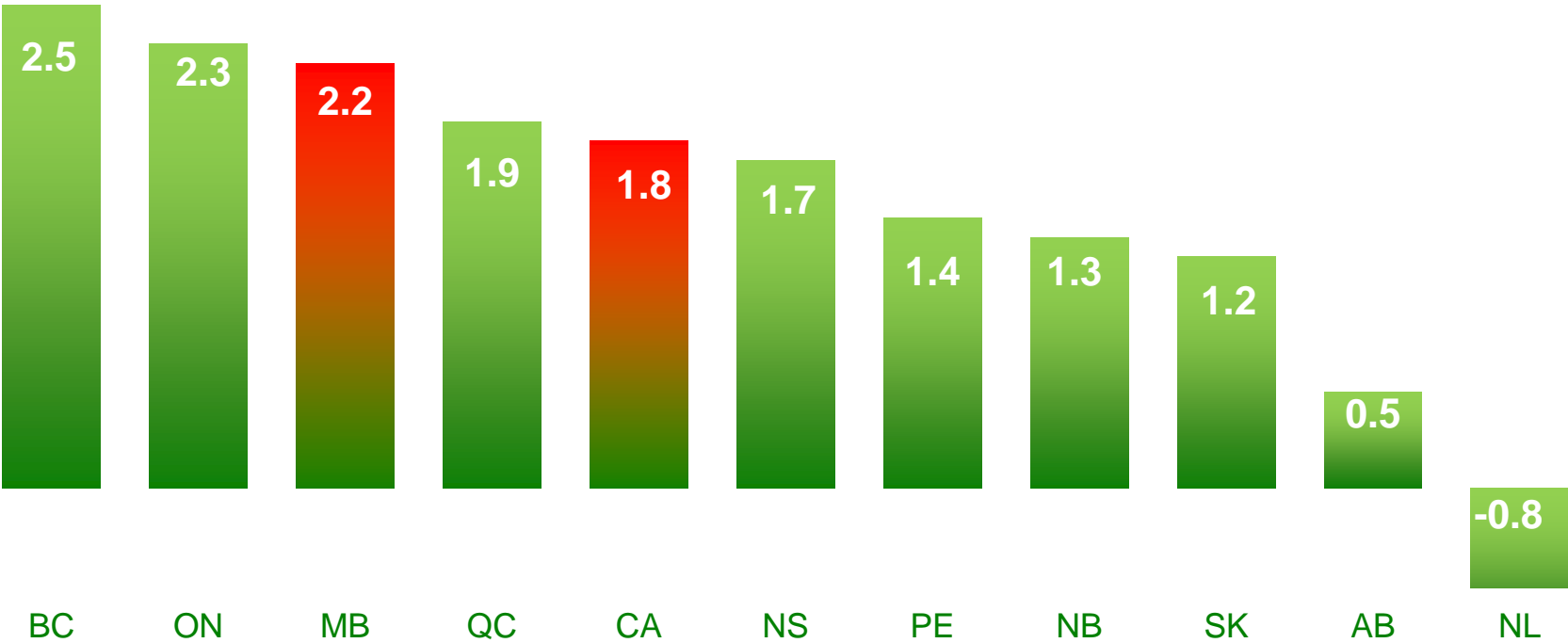


Manitoba growing above the national average in medium-term

f – Forecast based on Manitoba Finance survey of economic forecasters  
Sources: Manitoba Bureau of Statistics, Manitoba Finance, Statistics Canada

# ***Strong Economic Performance in Canada (2015 -2016 Combined Growth (%))***

Manitoba among growth leaders  
in 2015 and 2016

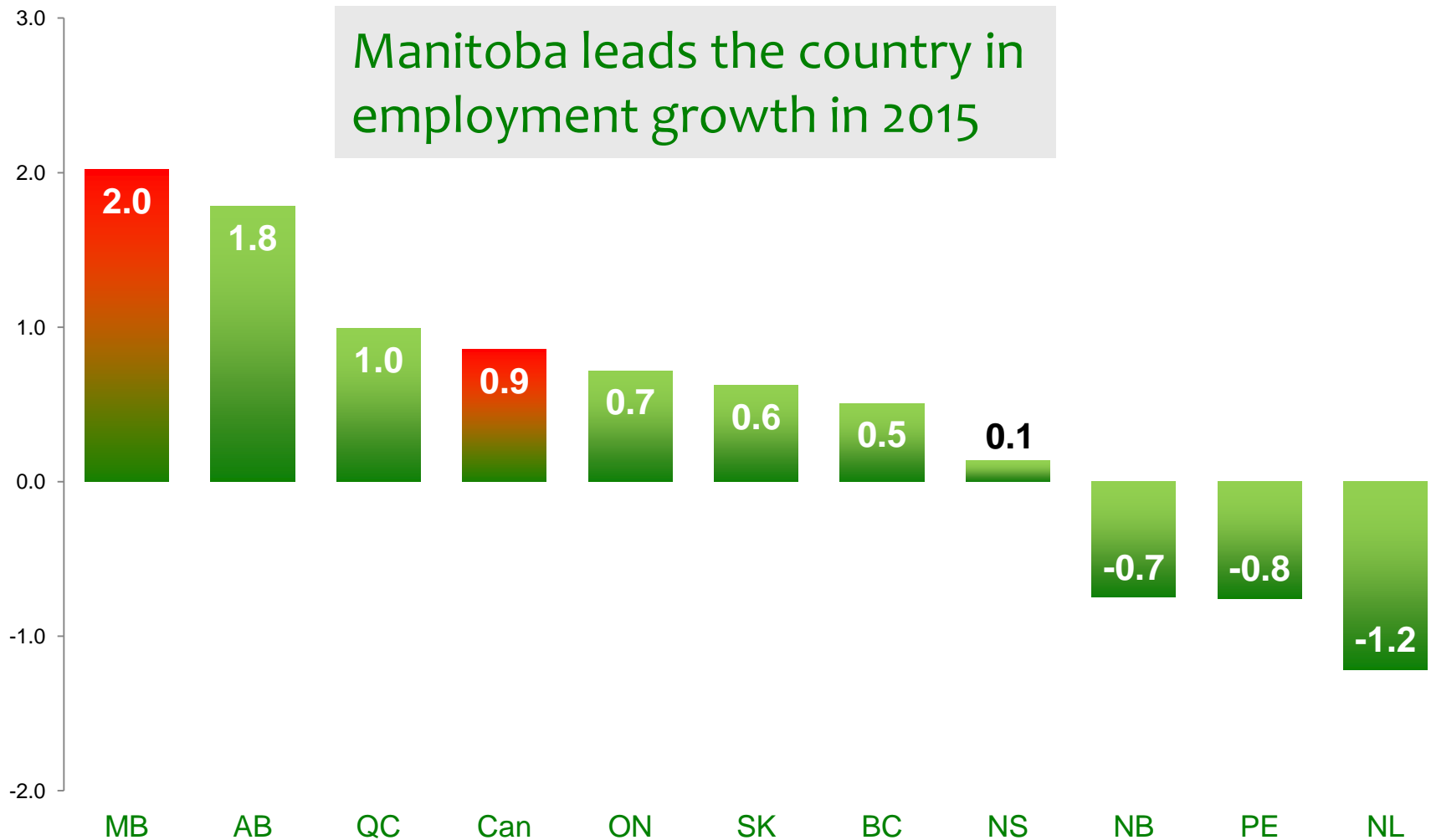


Sources: Manitoba Finance Survey of Economic Forecasts

# *Sound Labour Market*

## *(Year-to-date 2015 Growth (%))*

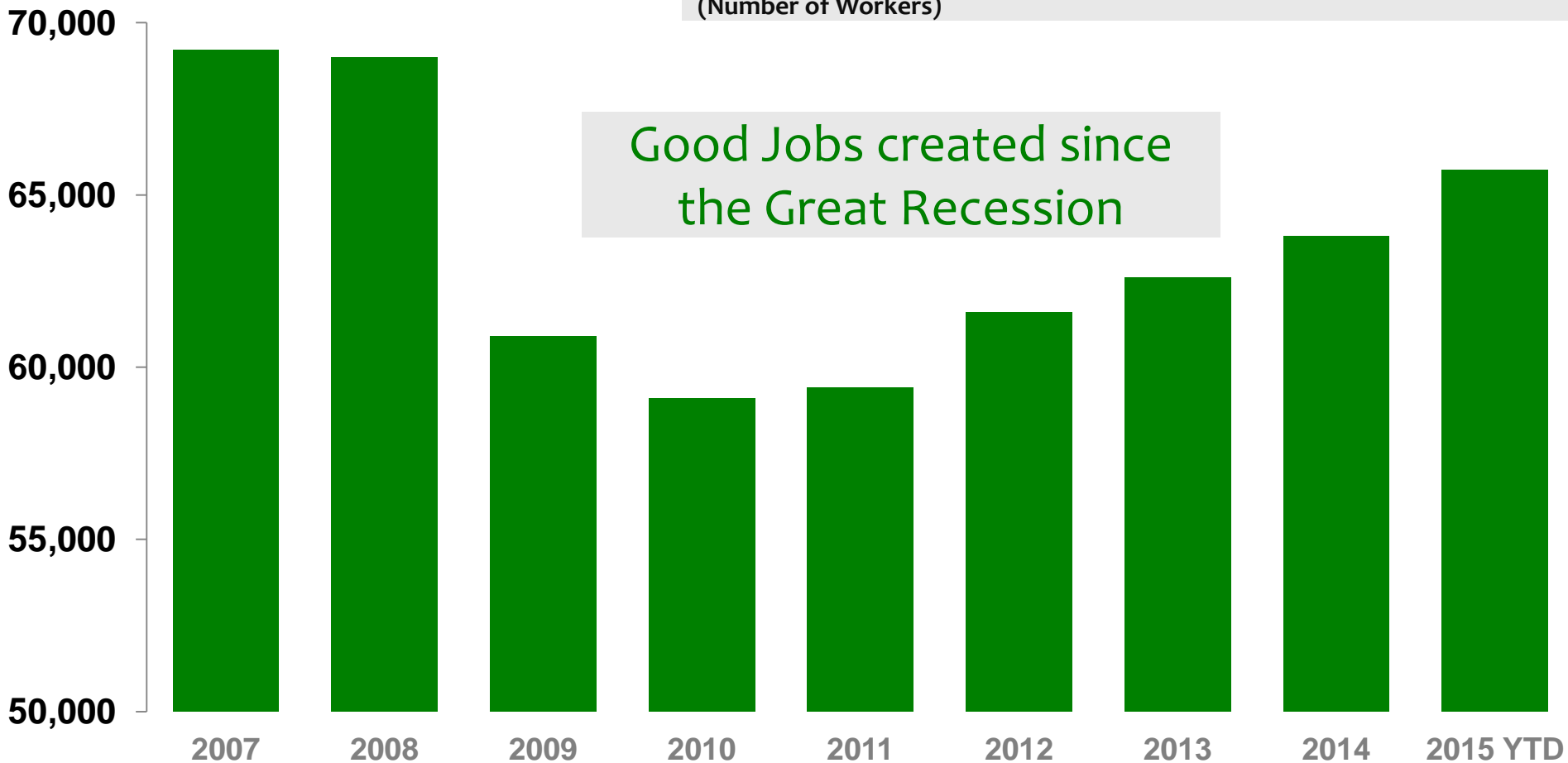
Manitoba leads the country in employment growth in 2015





# *Rebuilding Manufacturing Capacity*

**Manufacturing Employment, 2007-2015 YTD**  
(Number of Workers)



Source: Statistics Canada

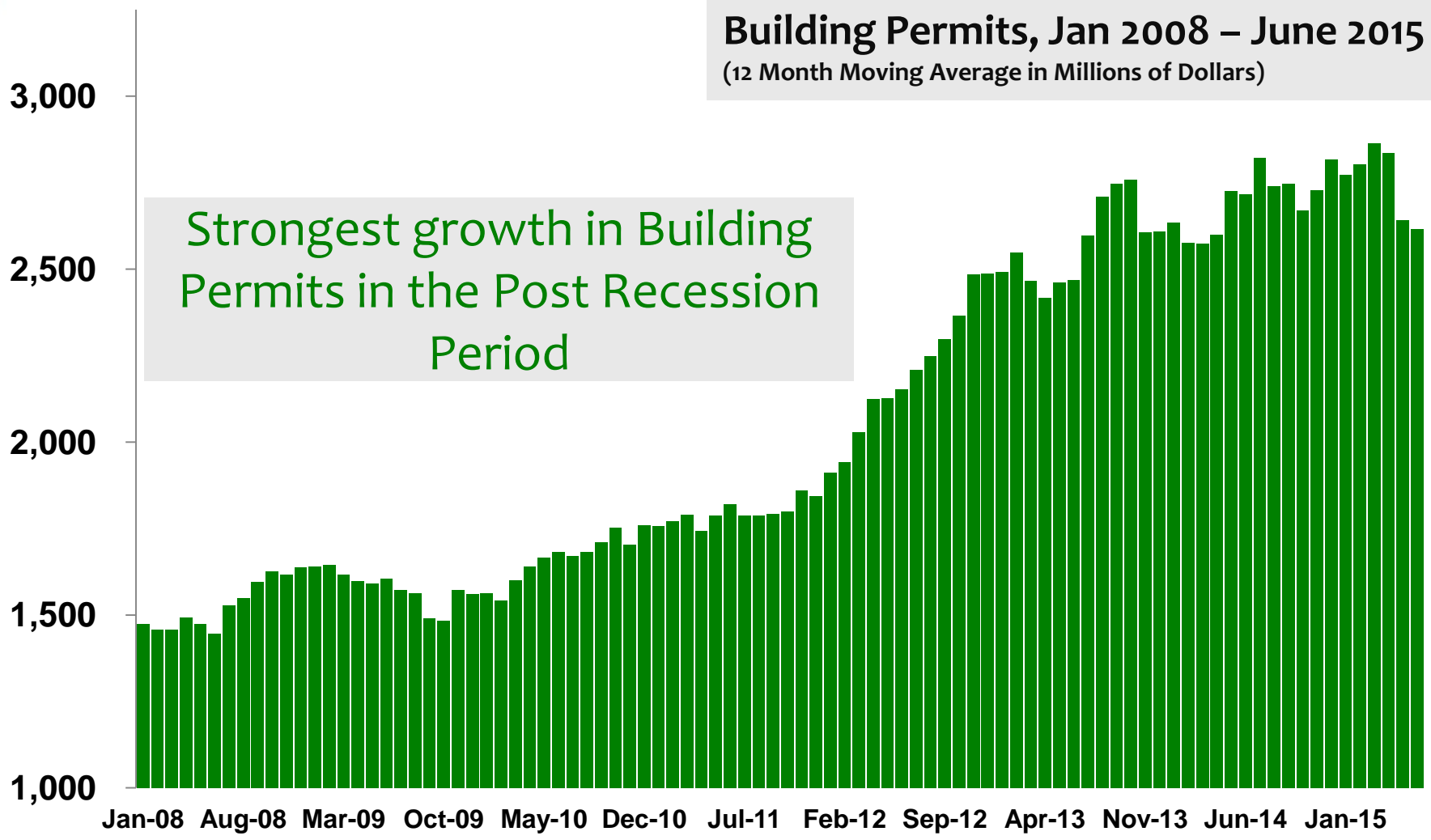
## ***Strong increase in income (2014 Annual Growth (%))***

Average weekly earnings  
growth: Best in Canada in 2014



# Business Confidence

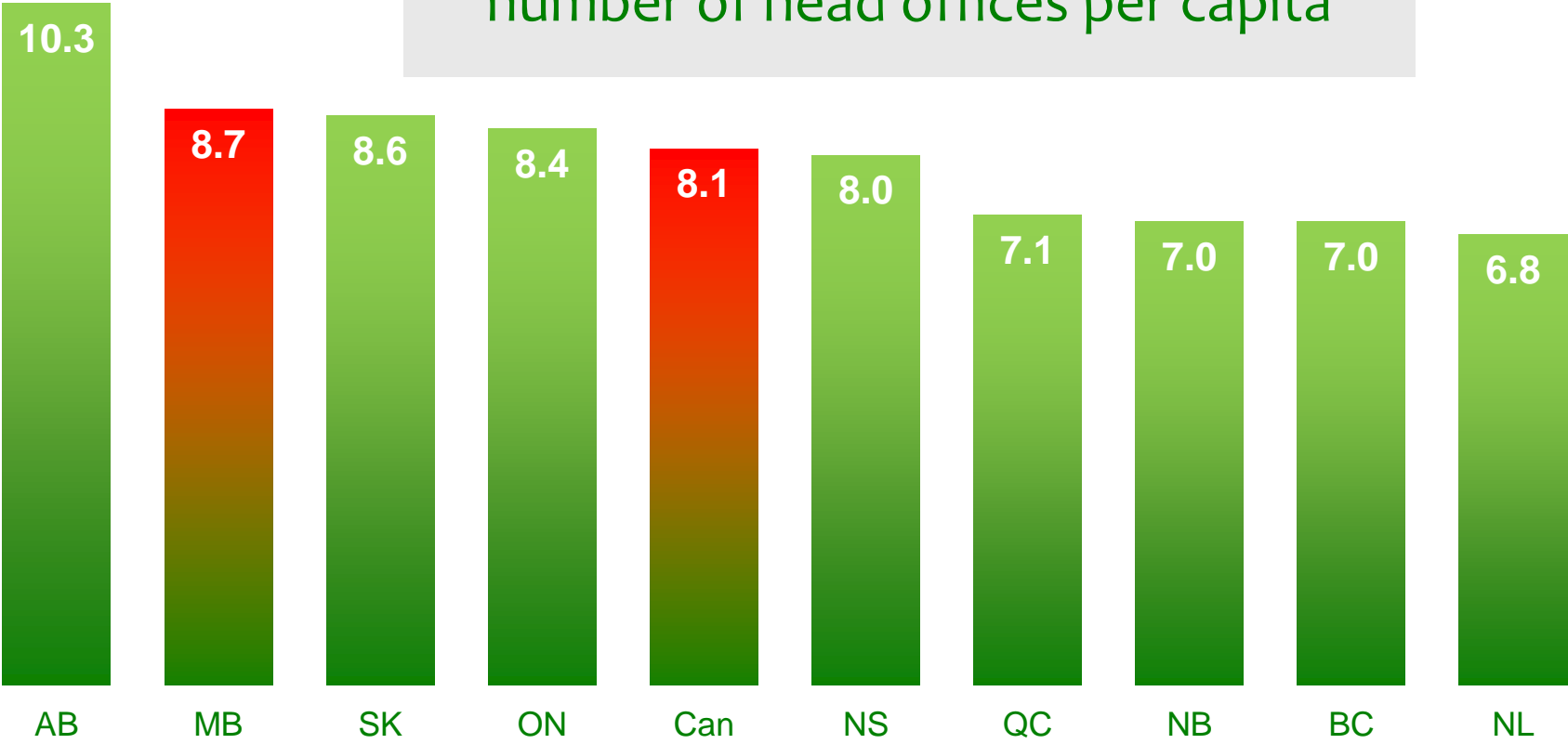
**Building Permits, Jan 2008 – June 2015**  
 (12 Month Moving Average in Millions of Dollars)



# *Manitoba: Head Office Hub*

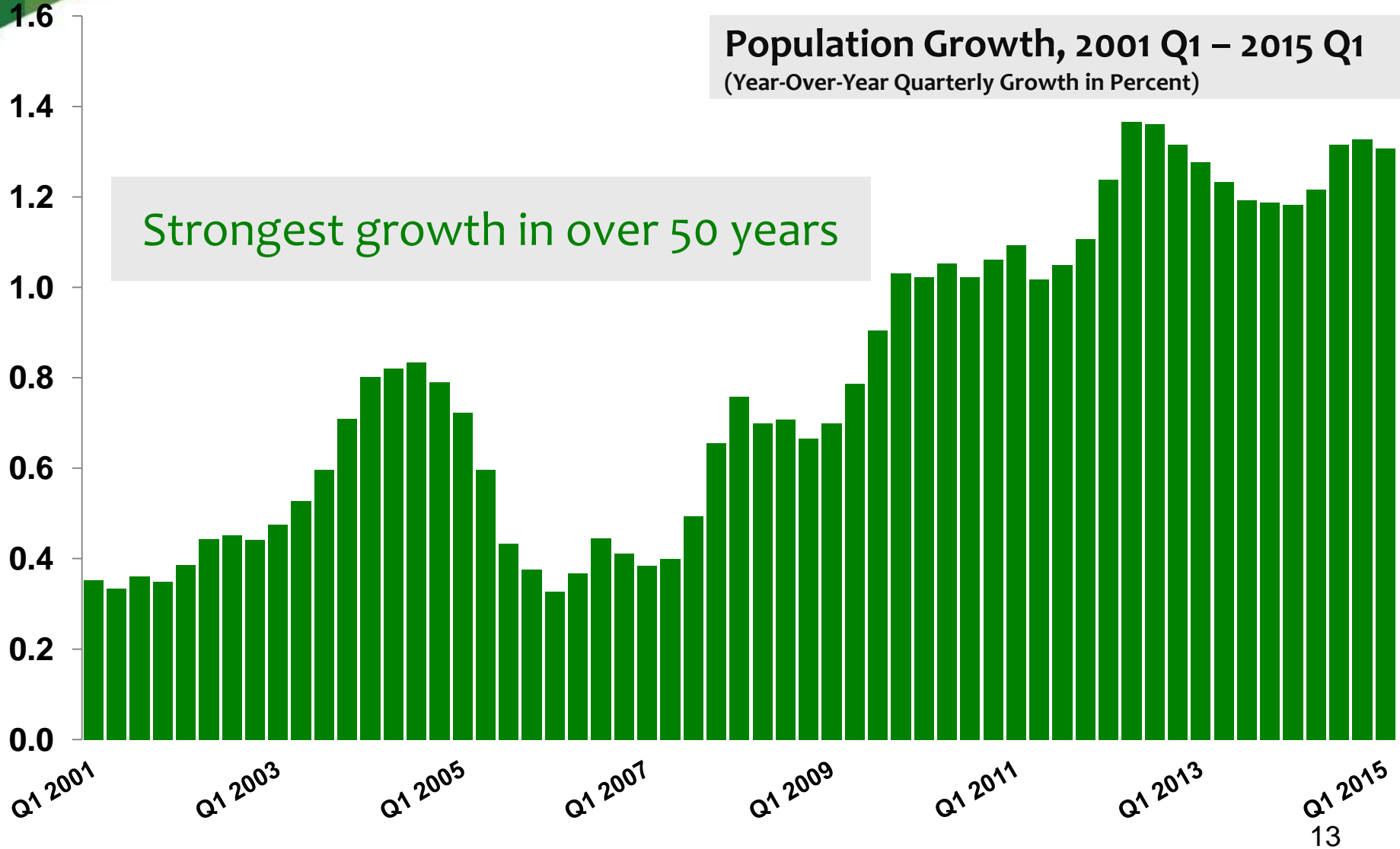
Number of Head Offices per 100,000 Population

Manitoba ranks second for highest number of head offices per capita



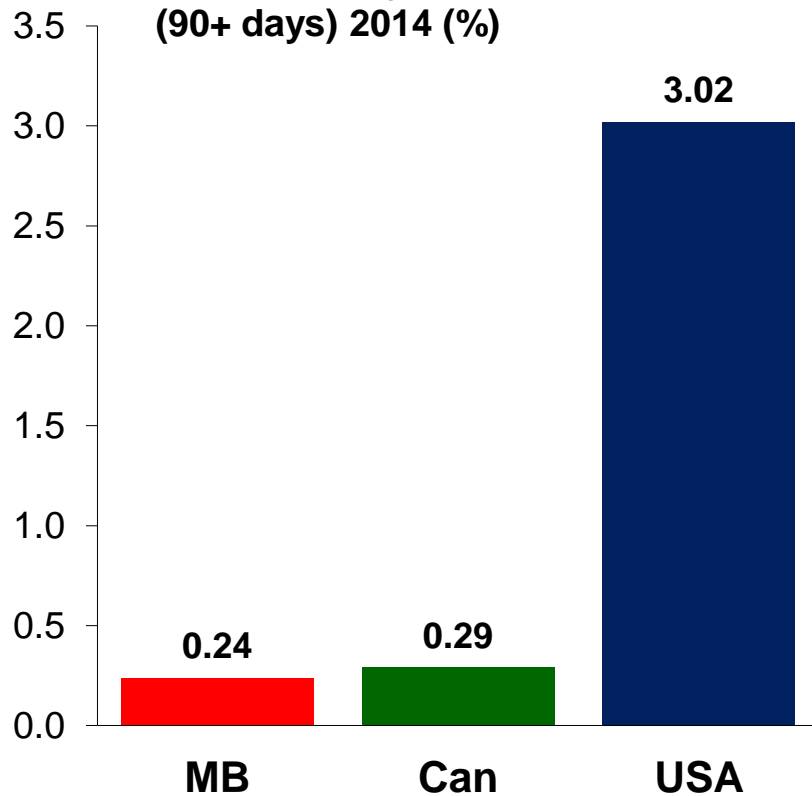
Source: Statistics Canada

# Continuous Growth in Manitoba Population

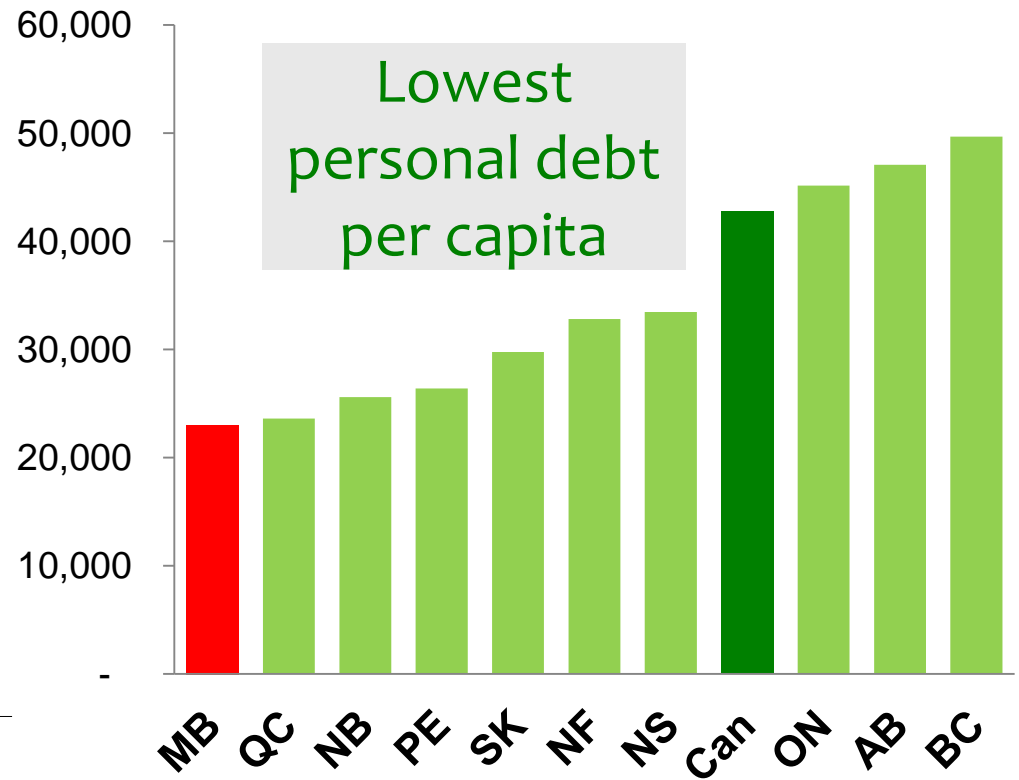


## ***Solid Household Finances***

**Mortgage Arrears  
Delinquency Rate  
(90+ days) 2014 (%)**



**Personal Debt per capita  
2014 (\$)**



## *Manitoba's Budget Plan*

### Steady Growth Good Jobs

- Given slow and uneven economic growth in Canada and globally, our plan has been to:
  - Provide a balance between **delivering public services** and **supporting the economy** with improved infrastructure for ongoing business productivity improvements.
  - Build Manitoba's economic strengths and continue to support job creation, **protect services** for families, **invest in training** for careers here at home and **improve infrastructure** across the province.

## ***Manitoba's Budget Plan***

- Manitoba is leading economic growth because of provincial support to business, communities, families and infrastructure
- Without provincial investment, the economy might have experienced a hard landing as in other jurisdictions
- During economic uncertainty, abruptly cutting off economic support could lead to a major slowdown and job losses in Manitoba
- Provincial support includes balanced investment in:
  - Productivity improving core infrastructure:
    - Efficient and safe roads, highways and bridges
    - Municipal Infrastructure
    - Flood and fire mitigation investments
  - Health, Education and Family Services
  - Business competitiveness (lowering taxes)
  - Family affordability (lower utility bundle)



## ***Our Approach: Focus of What Matters Most to Business and Families***

Our Budgets demonstrate a balanced approach by focusing on:

- **Supporting economic growth** and the creation of new job opportunities
- **Managing government spending** growth to the same as economic growth
- ***Reducing the deficit*** while continuing to invest in vital front-line services
- Continuing to **streamline government** services by expanding the use of lean processes in core government departments
- **Maintaining affordability** to keep Manitoba one of the best places to live, work and raise a family and retire

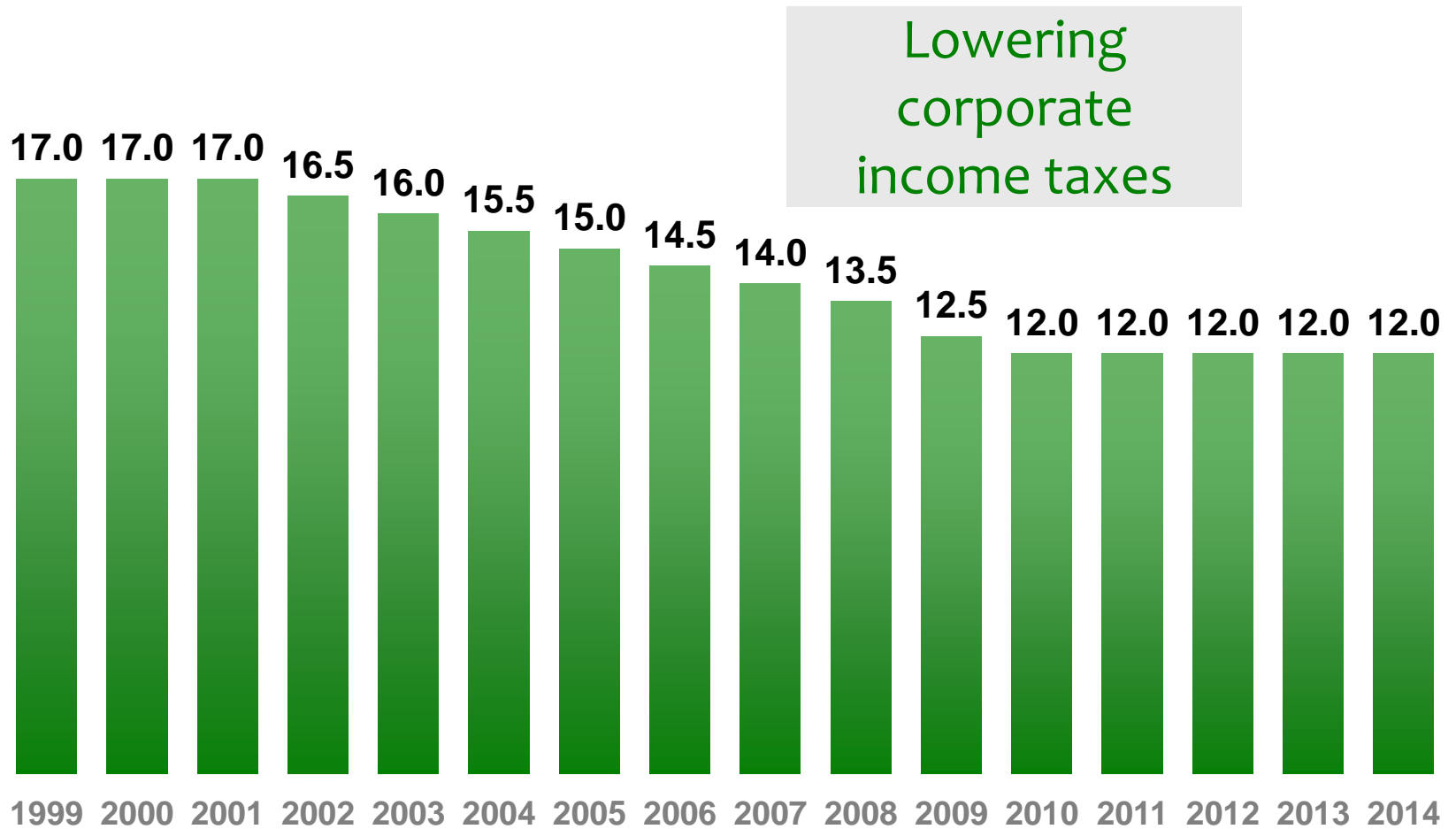
## *Supporting Business*

Manitoba has significantly reduced business taxes:

- Corporate Income Tax Rate down from highest in Canada in 1999 to a competitive 12%
- Eliminated the Small Business Income Tax Rate from the highest in Canada in 1999 to the only jurisdiction with no income tax for small businesses.
- Increased Research and Development Investment Tax Credit to 20%
- Increased and broadened the Manufacturing Investment Tax Credit by including investments in new and used buildings and equipment
- Introduced generous credits to hire high school, post-secondary students, apprentices and certified journey persons
- Encouraged youth retention through tuition fee rebates and employer hiring incentives

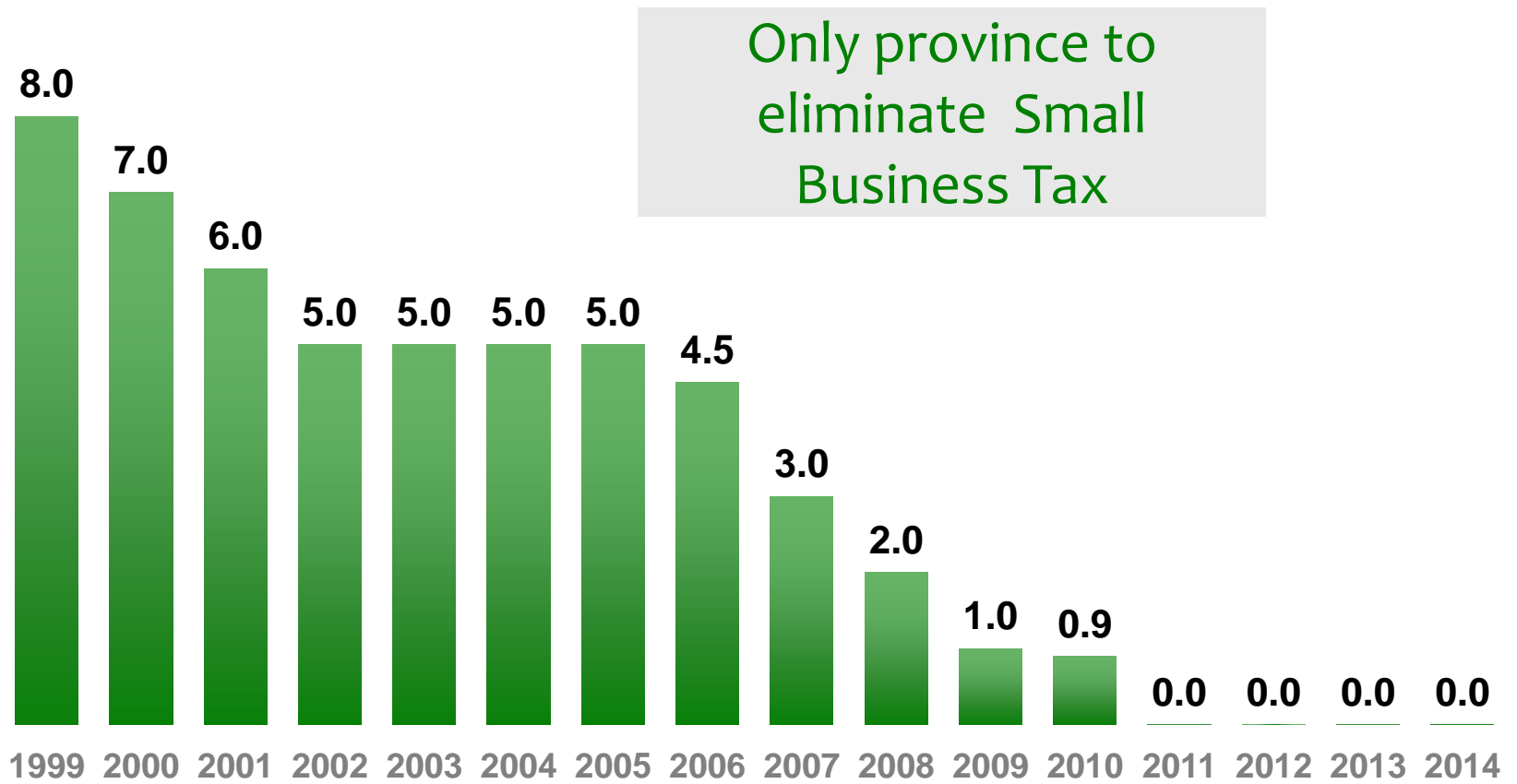
# *Manitoba's Business Competitiveness*

Corporate Income Tax Rate, Large (%), 1999-2014



# *Manitoba's Small Business Advantage*

Corporate Income Tax Rate, Small (%), 1999-2014



## *Improving Government Efficiency*

- Merged the Manitoba Liquor Control Commission and Manitoba Lotteries Corporation to reduce overhead and regulatory costs
- Expanded LEAN practices to increase productivity and lower costs
- Reduced the number of regional health authorities to 5 from 11 to streamline services
- Reduced the number of government-appointed agencies, boards and commissions
- Reduced the number of School Boards
- Reducing government footprint:
  - Reduced Civil Service by 600 workers
  - Reduced total office space by 140,000 square feet

## *Supporting Families*

- By cutting taxes and introducing new tax credits, **Manitoba families will save \$900 million this year**
- For an average family of four, this means \$4,272 in savings this year on their income and property taxes

### **Tax Savings for Manitoba Families**

#### **Income and Property Tax Savings:**

- ✓ Income Tax Exemption up 34%
- ✓ Property Tax Savings:
  - ✓ All households now save up to \$700 up from \$250
  - ✓ Seniors can save up to \$1,570 with increased Seniors' School Tax Rebate

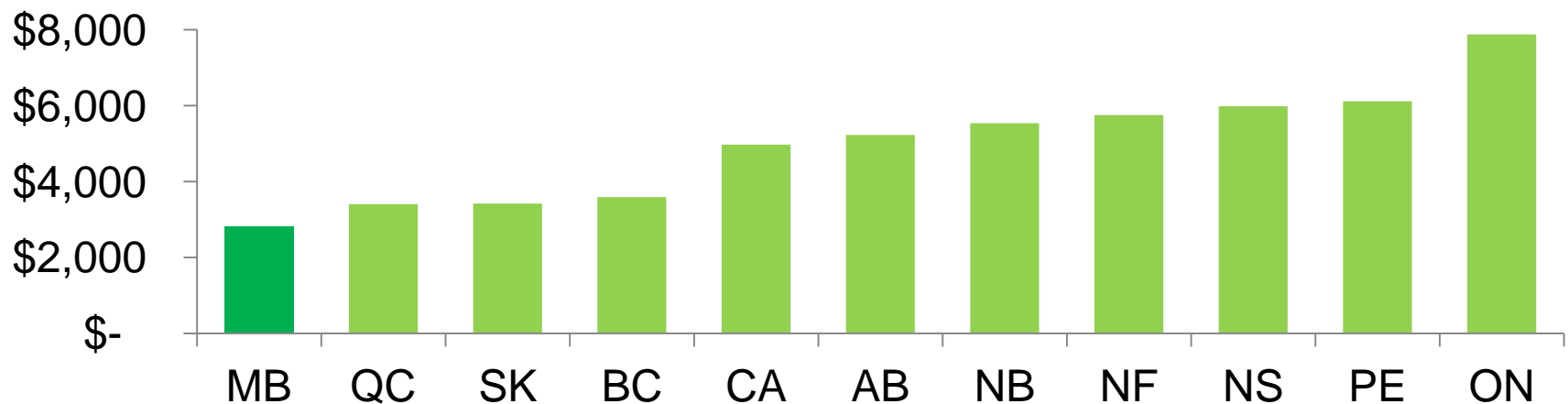
#### **New Tax Credits and Rebates:**

- ✓ Tuition Fee Rebate
- ✓ Primary Caregiver Tax Credit increased to \$1,400
- ✓ Fertility Tax Credit (\$8,000)
- ✓ Children's Arts and Cultural Activity Tax Credit
- ✓ **New** Volunteer Firefighters' and Search and Rescue Volunteers' Tax Credit

## ***Manitoba's Affordability Advantage***

- Affordability makes Manitoba a great place to live, work and raise a family
- Deloitte has confirmed that Manitoba has the lowest total costs for home heating, hydro and auto insurance in Canada:
  - The average household saves \$2,095 per year compared to the national average

**Combined Annual Cost of Home Heating, Hydro and Auto Insurance**



## *Provincial Finances: Budget 2015*

- **Balanced and Measured Approach**
  - Multi-year fiscal planning with prudent economic and fiscal assumptions to maintain a strong financial profile

### **Core Government Balanced Financial Strategy**

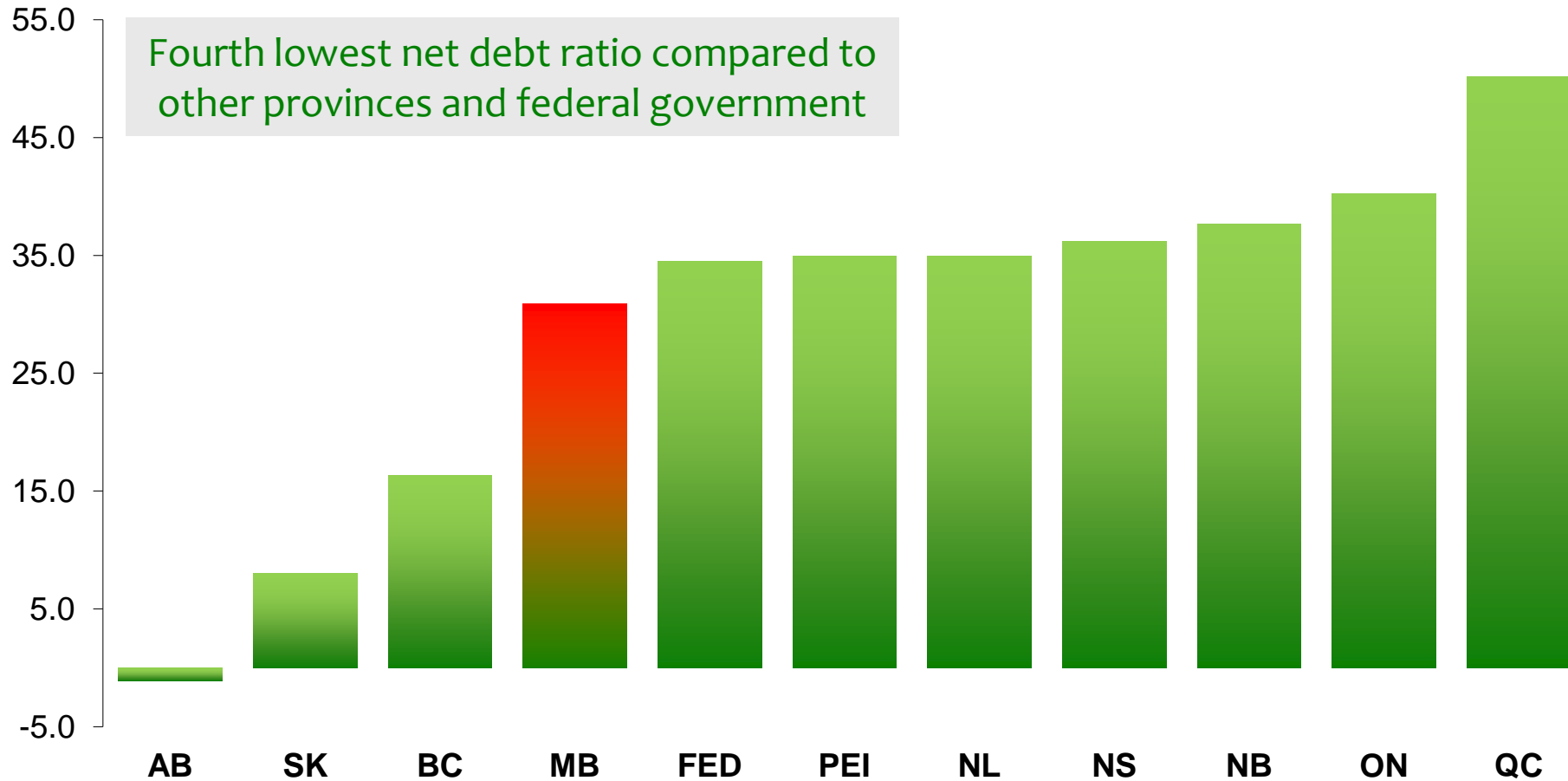
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b><u>Forecast</u></b>	<b><u>Budget</u></b>	<b><u>Projection</u></b>	<b><u>Projection</u></b>	<b><u>Projection</u></b>
<b>Revenue</b>	12,078	12,354	12,768	13,231	13,770
<b>Expenditure</b>	12,546	12,865	13,181	13,496	13,816
In-Year Adjustment/Lapse*	(17)	(70)	(70)	(70)	(70)
<b>Net Results</b>	(451)	(441)	(343)	(195)	24
Fiscal Stabilization Account Draw	0	(20)	(15)	(10)	0
<b>Surplus/Deficit</b>	<b>(451)</b>	<b>(421)</b>	<b>(328)</b>	<b>(185)</b>	<b>24</b>

\* In-Year Adjustment/Lapse could be an increase in revenue and/or decrease in expenditures



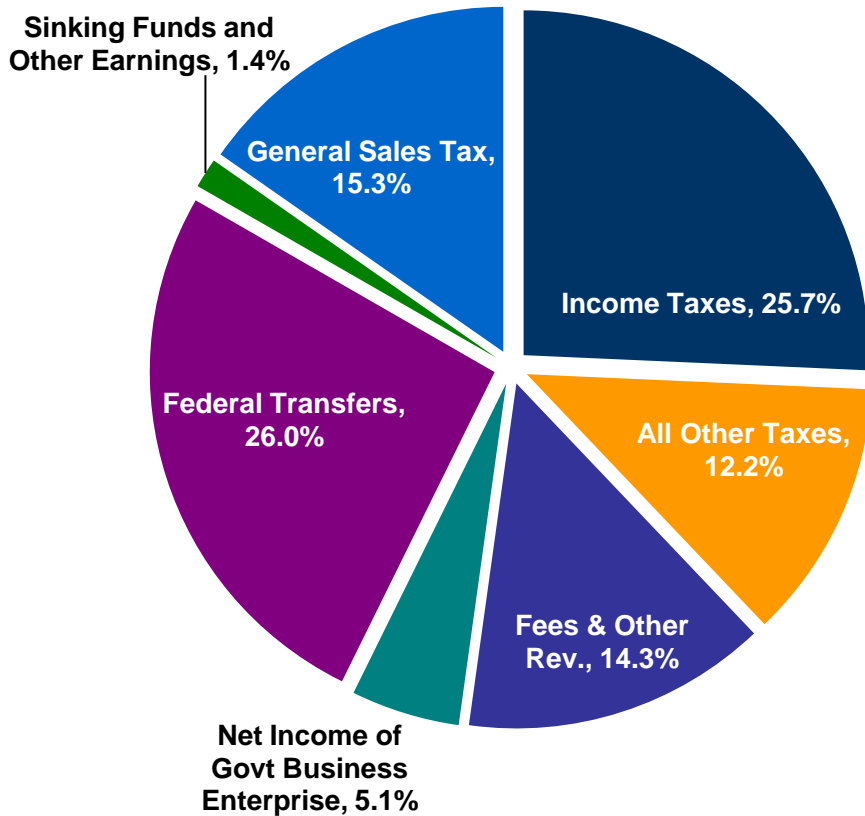
## *Fiscal Position*

**Net Debt-to-GDP Ratio, 2015/16B (%)**

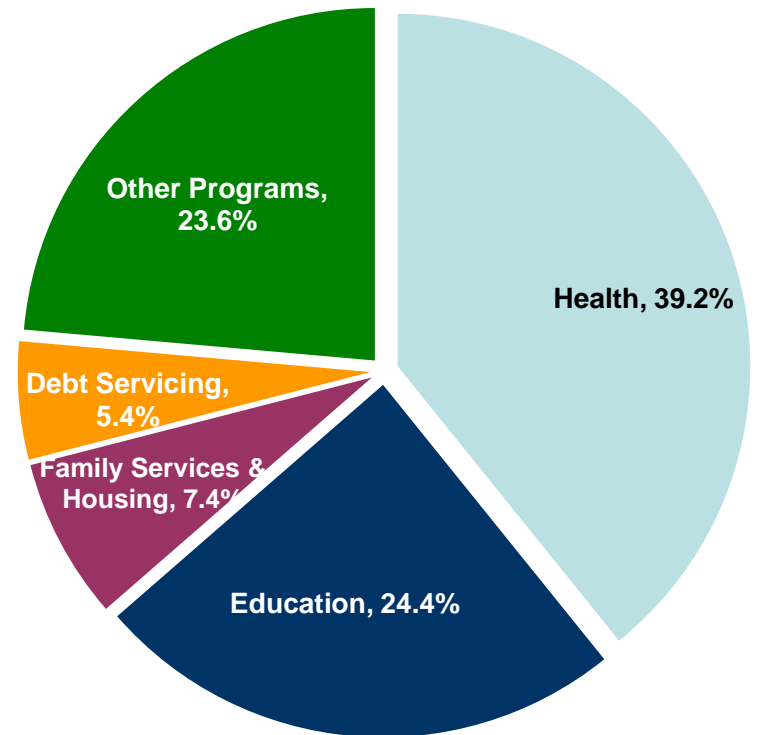


# Revenue & Expenditure Profile

## Revenues



## Expenses



## ***Balanced Budget Legislation***

- Manitoba implemented **Balanced Budget Legislation (BBL)** in the post recession recovery of the mid 1990s.
- It was intended to prevent deficit financing.
- In the fall of 2008, a financial crisis sent shockwaves through the global economy. Around the world, jobs were lost and many families saw their savings disappear.
- Around the world, economic pressures forced governments to wrestle with the challenge of protecting services and restoring economic growth while facing budget shortfalls.
- Following the original Balanced Budget Legislation would have worsened the impact of the recession on Manitoba - public services would have been cut, jobs would not have been created and infrastructure would have continued to crumble.

## ***Balanced Budget Legislation***

- The global and Canadian economies continue to be hard hit by consumer uncertainty, low oil prices, global terrorism, trade issues, weather disasters and the declining Canadian dollar.
- Manitoba has consulted with economic experts who believe:
  - Deep spending cuts when the economy is weak would lead to lay-offs, unemployment and reduced retail and housing activity
  - Economic conditions would get worse in Manitoba with cuts
  - Spending on core infrastructure when interest rates are at record low levels will support the economy, grow assets, with low cost

## *Our Balanced Approach*

# *Investments to Support Growth & Create Jobs*

### **Five-Year Plan to Build a Stronger Manitoba**

Manitoba's \$5.5 billion Five-Year Plan to build better infrastructure more than matches every dollar raised from the one-cent on the dollar increase in PST with new investments in core infrastructure including:

#### **Roads, Highways and Bridges:**

More than \$3.7 billion will be invested in Manitoba roads, highways and bridges to better connect communities and strengthen trade corridors.

#### **Flood Protection:**

\$320 million will be invested in flood defences to better protect more communities from flooding.

#### **Municipal Infrastructure:**

More than \$1.5 billion will be invested in municipal roads, clean water, active transportation and other municipal infrastructure to help meet the needs of Manitoba's many growing communities.



# Building Infrastructure Creates Jobs



These *investments* will stimulate Manitoba's economy.



## *Challenges:*

### **Global Economy Remains Uncertain**

- Slower than expected growth in the U.S. economy; stalling of the fragile economic recovery in the euro area; and further slowing in China.
- Prolonged low oil prices could have larger implications on interprovincial trade.
- Weather and commodity price volatility can quickly change the economic and financial market outlook.

### **Declining Support from Federal Government**

- Federal transfers to Manitoba for health, education and other frontline services have remained flat while other provinces have seen increases.
- Federal government has offloaded costs and responsibility for several services to provinces.

### **Canadian Provincial Government Budget Concerns**

- Growth remains uneven and demand for public services and infrastructure increase.

### **Cost Pressures in Providing Services for Manitobans**

- Continue to see cost pressures in health care, education, family services and policing.

## ***Your Advice is Valued***

- What government services are most important to you?
- Where do you think we can find efficiencies and savings?
- What should government priorities be?
- What can government do to help grow the economy and create good jobs?

***Thank You***