

Isle of Man Chamber of Commerce Budget Breakfast | Post Event Briefing

FRIDAY 20 FEBRUARY 2026

Thank you to everyone who attended our 2026 Budget Breakfast.

Engagement in the room was strong. Questions were direct, commercially grounded and reflected the pressures currently facing business.

This note provides a structured summary of the Minister's key messages, followed by the themes raised through member questions and the Minister's responses. It is not a transcript. Unanswered questions will be formally shared for follow-up.

Key Highlights from the Treasury Minister

The Minister structured the Budget around three core priorities:

Stability

Stability in public
finances

Security

Security in
essential
infrastructure and
services

Confidence

Confidence in the
Island's economic
position

The structural deficit remains the central fiscal challenge. The Budget aims to reduce this over the five-year plan while maintaining core services and protecting the reserves position.

Healthcare Spending Pressures

Healthcare was identified as the principal driver of fiscal pressure.

Rising Costs

Healthcare costs have increased from under £300m to over £400m, with current trajectory approaching approximately £475m

Unsustainable Trajectory

If historic growth continued unchecked, projections suggest potential escalation to over £600m within five years

Reform Underway

Treasury is commissioning detailed analysis to determine controllable and uncontrollable cost drivers

Without reform, healthcare costs will crowd out investment in education, infrastructure and long-term growth.

The Manx Care Board will be expected to operate within tighter scrutiny. Service-level reviews are being undertaken to identify efficiencies.

Reserves Position

Current Position

While over £2bn is held in reserves, the Minister clarified that the majority is ring-fenced for pensions and social security. Government has largely been utilising investment returns rather than drawing down capital.

The Path Forward

If interest is not reinvested, the real value of reserves declines. The intention is to rebuild the reserves position by 2028. Capital spending is therefore being constrained to protect fiscal resilience.

Capital Programme and Project Controls

The Budget provides a structured capital allocation with robust project governance requirements.

£50m capital allocation this year
Immediate investment envelope for the current fiscal year

£250m over five years
Medium-term capital commitment across the planning period

Capital programme approaching £500m
Total scale of capital planning underway across Government

All major projects must now progress through the **Project Development Fund process**, designed to front-load risk assessment, reduce optimism bias, improve cost control, and ensure deliverability before full funding is committed. Castle Rushen High School was referenced as progressing but not fully funded until development stages are completed.

Taxation Policy

No New Taxes

The Minister confirmed that the Island's competitive taxation framework is retained with no capital gains tax, no inheritance tax, and no wealth taxes.

Key measures confirmed:

- Pillar 2 legislation expected to generate £31m initially, rising to £35m annually
- Personal tax allowances were increased, removing approximately 3,600 additional individuals from paying income tax
- This is described as income foregone rather than expenditure, designed to inject spending power into the local economy

Public Sector Pay, Efficiency and Connectivity

Public Sector Pay and Efficiency

Key figures presented:

- £36m forecast overspend on pay and pensions
- 2% pay allowance included in the new Budget
- Departments required to identify internal savings

The Minister confirmed that role reductions and service optimisation are under consideration, including review of centralised functions. Priority-based budgeting is being prepared to provide clearer cost-benefit analysis of public services.

Connectivity

Connectivity was recognised as a structural issue impacting growth and described as foundational to economic resilience.

Air: Ongoing recruitment of air traffic controllers, improvements in rostering, continued support mechanisms for airlines.

Sea: Government backing Steam Packet growth ambitions with a focus on reliability and passenger confidence.

Net Zero and Energy

1

Current Expenditure

Current net zero expenditure remains limited

2

Onshore Wind

Remains in planning; no committed capital

3

Offshore Wind

Presents potential but faces regulatory and structural barriers

4

Energy Security

Remains the immediate operational priority

Comprehensive cost-benefit analysis of net zero policy has yet been completed.



Member Questions and Minister Responses

Questions were submitted via Slido. The below gives an overview of the themes and response from the Treasury Minister.

1. Cost Pressures, Wage Policy and Business Viability

Member Concerns

- Cumulative cost pressures across wages, energy and compliance
- Median earnings being lower in real terms than pre-Covid
- Business confidence levels
- Risk that further cost absorption could lead to job losses

Minister Response

- The Minimum Wage Committee has been reinstated
- Automatic linkage to median earnings has been removed
- Wider economic conditions will now inform wage decisions
- Transitional support mechanisms for affected sectors are being developed
- Long-term confidence is dependent on economic growth and fiscal control

2. Healthcare Reform, Private Insurance and System Sustainability

Member Concerns

- Interaction between employer-funded private healthcare and public provision
- Economic impact of residents travelling off-Island for treatment
- Risk of private healthcare demand shifting back to the public system

Minister Response

- Detailed cost analysis is underway to assess controllable expenditure
- Treasury is demanding service-level financial clarity
- Reopening of the private wing at Noble's was welcomed
- Hospice and Braddan Roundhouse models highlighted as good examples
- The need to maximise local spend of private insurance was acknowledged

Member Questions and Minister Responses

3. Public Sector Payroll and Efficiency

Member Concerns

- £36m payroll overspend
- Sustainability of public sector growth
- Whether role reductions are realistic

Minister Response

- Role reductions are under active consideration
- Centralised functions are being reviewed
- Departments must identify savings
- Most public servants work in frontline services; significant reductions require political decisions on service standards
- Priority-based budgeting will support clearer trade-offs in future

4. Connectivity and Growth

Member Concerns

Members described connectivity as fundamental to:

- Recruitment
- Investment
- Visitor economy
- Business confidence

Minister Response

- **Air:** Recruitment pipeline improvements underway; rostering stability improving; airline support programmes in place
- **Sea:** Government ownership of Steam Packet enables growth focus; continued emphasis on reliability and passenger confidence
- Connectivity described as reprioritised within Government planning

5. Net Zero and Cost-Benefit Analysis

Member Concerns

Members questioned whether net zero commitments are supported by robust cost-benefit analysis and whether the Island risks committing capital prematurely.

Minister Response

- Current expenditure remains limited
- Onshore wind remains in planning
- Offshore wind requires significant regulatory progress
- Energy security remains the primary focus
- No full cost-benefit assessment has yet been completed

Member Questions and Minister Responses

6. Investment Management

Member Concerns

- The investment management tender
- Extent of local firm involvement
- Impact on local economic confidence

Minister Response

- The process preceded the Ministers tenure
- Some local managers remain involved
- Further clarification will be provided
- Additional tenders are expected

7. Data, Statistics and Credibility

Member Concerns

- Timeliness of GDP data
- Reliability of economic indicators
- Whether an independent statistical body is required

Minister Response

- Statistics Isle of Man operates under Treasury
- Data limitations arise from methodology and scale
- Quarterly GDP publication is structurally difficult
- Statistical sampling challenges exist in a population of 85,000
- Minister welcomed collaboration with industry on data development and policy

8. Economic Direction and Election Focus

Economic Contraction

GDP has contracted by 7.4% over two years. Key sectors including financial services and digital have seen decline. Public spending as a share of GDP is rising.

Minister's Acknowledgement

Personal income growth is central to economic resilience. Pillar 2 revenue offers opportunity. Fiscal discipline and economic growth must progress together.

Political Outlook

There was alignment that the economy will be central to political debate over the coming year.

Election Focus: The Economy at the Centre

Towards the end of the event, Chamber's Lead for the 2026 Election Taskforce, Chris Corlett, was invited to the stage to outline Chamber's approach to the forthcoming General Election and the formation of its Election Taskforce.

The economy must be the central issue of the 2026 election.

Chris highlighted that aggregated GDP data over the past two years shows a contraction of approximately 7.4%. The decline has been concentrated in key export-facing sectors such as financial services, e-gaming, insurance and ICT — sectors that traditionally drive growth, generate higher wages and support tax revenues.

When jobs are lost in these areas, the impact extends beyond the individual businesses concerned. Skilled workers often leave the Island, reducing local spending power and weakening demand across the domestic economy. Passenger volumes decline, connectivity becomes more fragile and the tax base narrows.

He stressed that public spending must be viewed in the context of economic output. If GDP contracts while public expenditure continues to rise, the relative burden on the private sector increases.

The purpose of Chamber's Election Taskforce is to ensure that this economic reality remains central to public debate. The aim is not to create alarm, but to ensure realism – and to focus attention on growth, competitiveness and long-term sustainability.

Chris also pointed to the need for credible and timely economic data. Current GDP figures are published with a significant lag, limiting their usefulness. Strengthening statistical capability and transparency would support better policy decisions and greater confidence.

Chris concluded by reinforcing that:

- Economic growth must underpin fiscal sustainability
- The Island must clearly define its competitive advantages
- Regulatory, legislative and promotional frameworks must support key sectors
- Business and government must work in partnership

If you would like to get involved in Chamber's 2026 Election Taskforce get in touch by emailing office@iomchamber.org.im

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