Economic Update
Topics for Today

- Overview of the Manitoba Economy
- Recent Economic Performance
- Economic Indicators
  - Population
  - Labour Market
  - Manufacturing Sales
  - Exports
  - Housing
  - Investment in Buildings
- Economic Outlook
Overview: Manitoba Economy

- Manitoba is centrally located in North America and has an extensive manufacturing, wholesale trade, transportation, and warehousing network that produces and distributes raw materials, manufactured goods and services across Canada and globally.

- Diversified industrial base, with a majority of medium-sized industries.

- Economic output and jobs are not concentrated in one particular sector or area. As a result, long-term progress is balanced by growth across different sectors.

- Almost half of the provincial exports are destined for foreign markets while the other half are destined for Canadian provincial markets. This distribution is the most balanced among provinces.

- **Diversity in markets and in production lowers Manitoba’s external trade exposure for locally produced goods and services as well as jobs.**
Manitoba Economy: Consistent Growth

- Manitoba generates relatively stable annual economic growth over time, even during periods of increased volatility in financial and commodity markets.
- Over the long-term, the province maintained consistent average annual growth in most key economic indicators.
- Manitoba’s 10-year average annual real GDP growth has been relatively stable over the last 15 years, while the national average has declined.

10-Year Average Annual Growth in Real GDP: Manitoba and Canada, 2002 - 2016
(Compounded Average Annual Per Cent)

Source: Statistics Canada
Strength in Industrial Diversity

GDP By Industry Shares, 2017

- Agriculture, Forestry and Fishing: 3.8%
- Mining, Oil and Gas: 4.7%
- Utilities: 3.0%
- Construction: 8.1%
- Manufacturing: 9.6%
- Wholesale: 6.3%
- Retail: 5.7%
- Transportation and Warehousing: 6.7%
- Finance and Insurance: 5.7%
- Real Estate, Rental and Leasing: 3.7%
- Information, Culture, Administration and Management of Companies: 4.8%
- Professional and Scientific: 3.1%
- Accommodation, Food, Arts and Entertainment and Other Services: 4.5%
- Public Administration: 7.6%
- Health and Social Services: 7.9%
- Education Services: 5.4%

Note: Excludes imputed rent

Sources: Statistics Canada and Manitoba Finance
Recent Economic Performance

- Momentum built following the oil/commodity price shock.
- Most key economic indicators showed improvement in growth in 2017.
- Factors contributing to growth:
  - Strengthening international and interprovincial exports.
  - Strong population growth.
  - Record capital spending on commercial, industrial, and residential properties.
  - Strong employment gains.
  - Bumper crop.
  - Canada Summer Games.

Manitoba Annual Real GDP Growth, 2011 – 2017 (Per Cent)

Source: Manitoba Bureau of Statistics
Industry Based Growth in 2017

- Agriculture, Forestry and Fishing: 8.6%
- Construction: 7.9%
- Wholesale: 5.3%
- Transportation and Warehousing: 4.9%
- Retail: 4.2%
- Real Estate, Rental and Leasing: 2.7%
- Health and Social Services: 2.3%
- Professional and Scientific: 2.1%
- Accommodation, Food, Arts and Entertain. and Other Services: 1.9%
- Manufacturing: 1.8%
- Public Administration: 1.5%
- Education Services: 1.3%
- Finance and Insurance: 0.7%
- Utilities: 0.4%
- Information, Culture, Admin. and Management of Companies: -0.2%
- Mining, Oil and Gas: -2.2%

Source: Statistics Canada
Population Boom

- Highest population growth in Canada over last three years.
- Population growth averaging 1.2% annually over past decade.
- Factors contributing to growth:
  - Successful Provincial Nominee Program.
  - Stable labour market.
  - Affordable living costs.
  - Baby Boom (echo cohort).

Source: Statistics Canada
Components of Population Growth

Total Net Migration, 2000 – 2017
(Persons)

Net Natural Increase, 2000 – 2017
(Persons)

Source: Statistics Canada
Labour Market

- Manitoba’s labour market is the most stable in Canada.
- Labour supply (labour force) and demand (jobs) growing at a steady 1.0% annual pace since 1976.
- Labour market is absorbing a record increase in workers, while maintaining a relatively low unemployment rate and a high labour force participation rate.
- Working age labour force population surpassed 1,000,000 workers in 2017.
  - Total employment up 10,500.
  - Private sector jobs up 11,800.
  - Full-time jobs up 9,200.
  - Part-time jobs up 1,300.

**Employment Level, Jan 2015 – Jun 2018**
(12-Month Moving Average in Number of Workers)

Source: Statistics Canada
Employment by Industry Change in 2017

Source: Statistics Canada
Employment by Industry Change in 2018

Year-To-Date Employment Change In 2018, (000`s)

- Other Services: 3,300
- Agriculture: 3,000
- Health Care and Social Assistance: 2,600
- Accommodation and Food Services: 2,300
- Educational services: 1,900
- Business, Building and Other Support Services: 1,000
- Transportation and Warehousing: 700
- Professional, Scientific and Technical Services: 200
- Information, Culture and Recreation: -300
- Public Administration: -600
- Finance, Insurance and Real Estate: -600
- Mining, Fishing and Forestry: -800
- Retail and Wholesale Trade: -1,200
- Construction: -1,700
- Utilities: -2,000
- Manufacturing: -2,900

Source: Statistics Canada
Significant Pick-Up in Manufacturing Sales

Manitoba Manufacturing Sales, Jan 2014 – May 2018
(A 12-Month Moving Total of Monthly Sales in Millions of Dollars)

Manufacturing sales rebound in 2017 and accelerate in 2018

Source: Statistics Canada
Manufacturing Sales Rebound in 2017

- Transportation Equipment (16%) 9.2%
- Fabricated Metals (5%) 9.1%
- Food (25%) 8.4%
- Total Sales 6.7%
- Chemicals (8%) 4.8%
- Primary Metals (11%) 4.7%
- Printing (3%) 1.6%
- Wood Products (2%) -0.6%
- Furniture (3%) -1.3%

Source: Statistics Canada
Strengthening Manufacturing Sales in 2018

Year-To-Date Manufacturing Sales in 2018, (%)

- Chemicals (8%) 23.2%
- Fabricated Metals (5%) 15.3%
- Food (25%) 12.9%
- Transportation Equipment (16%) 10.7%
- Total Sales 8.8%
- Machinery (11%) 3.8%
- Furniture (3%) 2.6%
- Electrical Products (1%) 1.0%
- Wood Products (2%) 0.9%
- Primary Metals (11%) 0.5%
- Printing (3%) -2.3%

Source: Statistics Canada
Growing Productive Manufacturing Capacity

Capital Investment In Manufacturing, 2006-2018i
(In Millions of Dollars)

- HyLife is expanding its Integrated Pork Production and Processing System. Adding more processing capacity and up to four finisher sites.
- Roquette is building the world’s largest pea-protein processing facility in Manitoba.
- Simplot plans to more than double its food processing capacity for frozen french fries and formed potatoes.

Increasing farm diversification and employment, especially in rural areas.

Broadening Manitoba’s export base and improving agriculture competitiveness and profitability.

Source: Statistics Canada

i – Capital spending intention for 2018
International Exports

Manitoba International Merchandise Exports, Jan 2014 – May 2018
(A 12-Month Moving Total of Monthly Export Sales in Millions of Dollars)

Increasing global demand lifting export sales

Source: Statistics Canada
New Housing

- Positive trend since the early 2000’s.
- Housing starts topped the 7,000 mark in 2012, 2013 and 2017, the strongest since the mid-1980’s.
- Factors contributing to momentum:
  - Record international immigration.
  - Echo boom purchasing homes.
  - Low mortgage rates and income growth.
  - Demand for independent housing for seniors.
  - General affordability of housing
- Housing starts should average 6,200 in 2018 and 6,500 in 2019.

Source: Statistics Canada
“Winnipeg was one of only two markets on our list that saw a small improvement in affordability in the first quarter [2018].”
Housing Trends and Affordability, RBC, July 2018.
Building Boom

Manitoba Investment in Non-Residential Building Construction, Q4 2013 – Q2 2018
(Quarterly at Annualized Total in Millions of Dollars)

Expanding productive capacity with investment in commercial and industrial buildings

<table>
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<tr>
<th>Year</th>
<th>Commercial</th>
<th>Industrial</th>
<th>Institutional and Governmental</th>
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<td>Q4 2014</td>
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<td>9.4%</td>
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<tr>
<td>Q4 2015</td>
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<td>-7.0%</td>
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<tr>
<td>Q4 2016</td>
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<td></td>
<td>9.6%</td>
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<tr>
<td>Q4 2017</td>
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Source: Statistics Canada
Following a recovery from a commodity price shock, growth expected to moderate in the near-term.

Sources: Statistics Canada, Manitoba Bureau of Statistics and Manitoba Finance Survey of Economic Forecasts

f – Forecast based on Manitoba Finance Survey of Economic Forecasts
## Economic Outlook, 2018f-2019f

### Manitoba Finance Survey of Economic Forecasts
(As at July 2018)

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<thead>
<tr>
<th></th>
<th>2018f</th>
<th></th>
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<th>2019f</th>
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<td>Manitoba</td>
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<td>Percent Growth Unless Noted</td>
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<tr>
<td>Real GDP</td>
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<td>Nominal GDP</td>
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<td>Employment</td>
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<td>Unemployment Rate (%)</td>
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<td>Consumer Prices</td>
<td>2.4</td>
<td>2.3</td>
<td>2.0</td>
<td>2.1</td>
<td></td>
</tr>
</tbody>
</table>

f – Forecast based on Manitoba Finance Survey of Economic Forecasts
Source: Manitoba Finance Survey of Economic Forecasts
Key Message

- Growth in Canada is forecast to slow in 2018 and 2019.
- Manitoba and Canada are both projected to grow at a similar pace.
- Economic indicators are showing mixed results in 2018, some strengthening (manufacturing, exports and vehicle sales), others at a similar pace to last year (average weekly earnings, labour income and building permits) and some slowing (housing starts, home sales, base metal output and employment).
- Primary production is expected to slow in 2018, due to mine closures and following a bumper crop.
- Several major projects and events support growth: Roquette’s new $400 million pea-protein production facility; Simplot’s $460 million expansion; Canadian National Railway’s announced $130 million in capital spending in 2018; and the Winnipeg Jets’ playoff run.
- Global growth is in line with expectations.
  - U.S. near-term growth is strengthening, but projections have been revised down for the euro area, Japan, and the United Kingdom.
Uncertainties

Potential Opportunities

- Stronger than expected increase in global demand.
- Stronger than expected support to domestic demand from strong population growth.
- Stable government infrastructure spending profile.
- Positive spillovers from U.S. fiscal stimulus (tax cuts)
- Higher base metal prices (+46%; nickel: +40%) have the potential to offer upside surprises to the economic outlook.

Potential Risks

- The U.S. decision to challenge Canada’s retaliatory tariffs at the World Trade Organization adds a new unexpected dimension to trade tensions.
- Rising interest rates and major tax changes in the U.S. and Canada could have a material impact on capital and labour mobility.
- NAFTA negotiations could significantly alter trade flows.
- Federal housing measures could destabilize a relatively balanced housing market in Manitoba.
- Extreme weather conditions.
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Thank you!