

# Manitoba <sup>Spring</sup> 2009

## Economic and Fiscal Facts

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### Strength in Diversity

Manitoba is expected to post one of the best economic performances in Canada in 2009. Independent forecasters predict the province's economy will outperform Canada's for the fourth consecutive year, remaining relatively stable this year even as the global economy contracts. In 2008, Manitoba's economy grew 2.2%, well above the national increase.

Manitoba's economy has been the most stable in Canada over the last decade with continuous, steady growth. This economic stability is based on a number of important factors including a diversified economic base producing a wide range of consumer and industrial goods, a relatively large service sector that tends to be more stable through the business cycle, and more diversified export markets.

Manitoba continues to offer considerable advantages as a place to live, work and invest. These advantages include some of the most competitive business costs and affordable living costs in Canada. These cost advantages, coupled with other significant advantages for business investment, have attracted consistent growth in capital investment. Manitoba is the only province in Canada to enjoy 17 consecutive years of private capital investment growth. Over the last three years, private capital investment in the province has been particularly strong, increasing by 42%, double the national increase.

Manitoba enters this period of international economic uncertainty in a position of considerable economic strength. Manitoba's unemployment rate in 2008 was 4.2%, the lowest rate in over thirty years. Both the employment rate and labour force participation rate reached record high levels. Overall labour income grew 6%, helping boost retail sales by 7.2% and cutting consumer bankruptcies to their lowest level in almost two decades.

Manitoba's economic stability is mirrored in the province's financial stability. One of the reasons Manitoba is in a position to deal with the weaker economic conditions is the sound financial management practiced over the past decade. In March, the government introduced our tenth consecutive balanced budget. Budget 2009 projects positive net income of \$48 million in 2009/10. Total capital investment is budgeted to rise to \$1.6 billion in the new fiscal year, with major new investments in transportation, education facilities and health care facilities.



# Message From The Premier



In March, we introduced our tenth consecutive balanced budget. Balance is the theme of Budget 2009, with a continued prudent mix of tax reductions, strategic spending increases and debt and pension liability reductions.

With the weakening global economy, Budget 2009 commits \$1.6 billion to capital investment. In the short term, the additional economic stimulus delivered through these investments will generate 10,000 person-years of employment; over the longer term, these infrastructure investments will pay dividends through increased economic and social benefits, making the province even more competitive and boosting Manitobans' quality of life.

Manitoba's economy continues to outperform most other provinces and Canada as a whole. Budget 2009 builds on this strength with additional investments in research and innovation, continued tax reductions for both individuals and small business and increased access to credit for growing Manitoba companies.

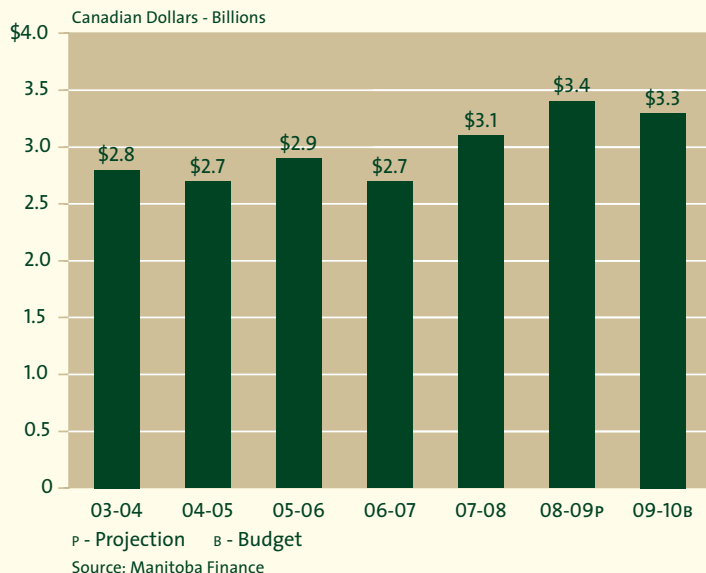
We can respond to today's challenges in a meaningful way because of the sound financial management practices implemented over the last decade. We continue to promote responsible finances as the budget projects positive net income of \$48 million while leaving Manitoba's Fiscal Stabilization Account with a projected balance of \$634 million in 2009/10.

In the face of international economic and financial uncertainty, Manitoba is well-positioned to weather the challenges ahead. I invite you to find out more about Manitoba's considerable advantages!

Gary Doer  
Premier

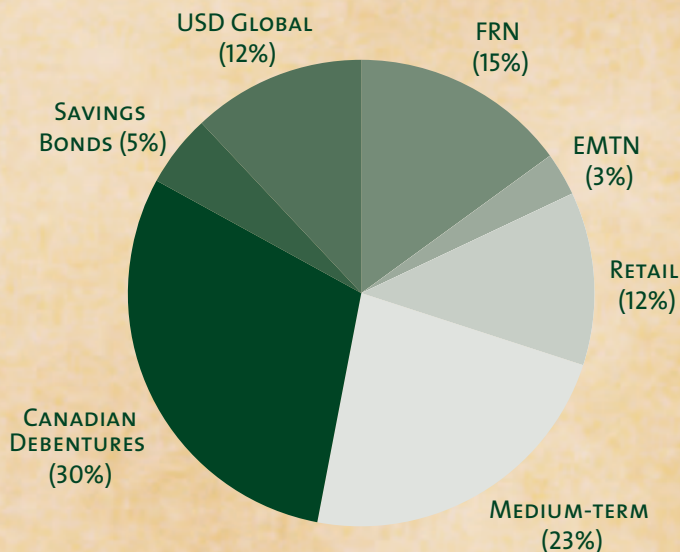
“Manitoba’s FY2009/10 budget takes a balanced approach against a weakening economic backdrop.... Longer term, the Province is committed to keeping the bottom line in the black, with another small surplus projected in FY2010/11.” BMO Capital Markets, March 2009

## Manitoba Long Term Borrowing Program



## Funding Sources

April 2004 to March 2009



“Focused on a Steady Course- Manitoba presents a carefully managed plan to further its longer-term policy objectives, aided by its diversified economy that is noted for its resilience. In FY10, the government will continue to pursue fiscal repair, enhance key services and trim the provincial tax burden.” Scotiabank Group, Global Economic Research, March 2009

# Manitoba's Finances: Balanced and Responsible

The government introduced its tenth consecutive balanced budget on March 25, 2009. The focus of the budget was maintaining a positive balance and providing additional stimulus to the economy through capital investments in priority infrastructure and capital asset renewal.

The Budget projects a positive net income of \$48 million in 2009/10 with a further positive balance of \$34 million forecast for 2010/11.

Several personal and business tax reductions were introduced in Budget 2009. Combined with previously announced tax reductions to take effect in 2009 and 2010, Manitoba taxes will be lowered by \$111 million in 2009/10 and \$164 million in 2010/11. Notable among these changes is the complete and permanent elimination of the small business income tax in 2010.

Manitoba continues to promote affordable government with a budgeted expenditure increase this year of 1.8%. Together, health

and education account for two-thirds of provincial program expenditure. With average spending growth among the lowest in Canada over the last decade, spending priorities have focused on key services to people.

Like all Canadian provincial governments Manitoba projects an increase in net debt relative to GDP in 2009. Manitoba's net debt-GDP ratio will increase to 23% in 2009/10, up from 21.6% in 2008/09, but well below the 31.7% ratio of a decade ago. Over the longer term, the government remains committed to reducing the net debt-GDP ratio further.

“Manitoba will be rare among the provinces in staying in surplus in 2009/10, as its diversified economy sees a smaller hit from the global downturn.”

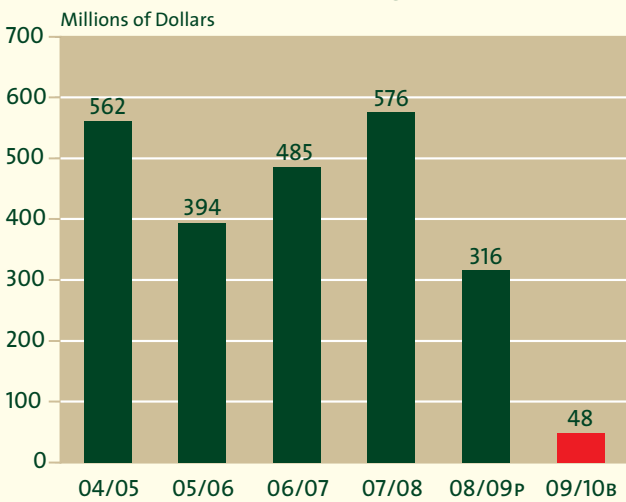
CIBC, Economics & Strategy, March 2009

## Manitoba Credit Ratings

Manitoba has a high-quality provincial credit rating. Credit rating agencies have recognized the province for its sound financial management with several credit rating actions over the past five years. Most recently, Standard & Poor's boosted the Province's credit rating to AA.

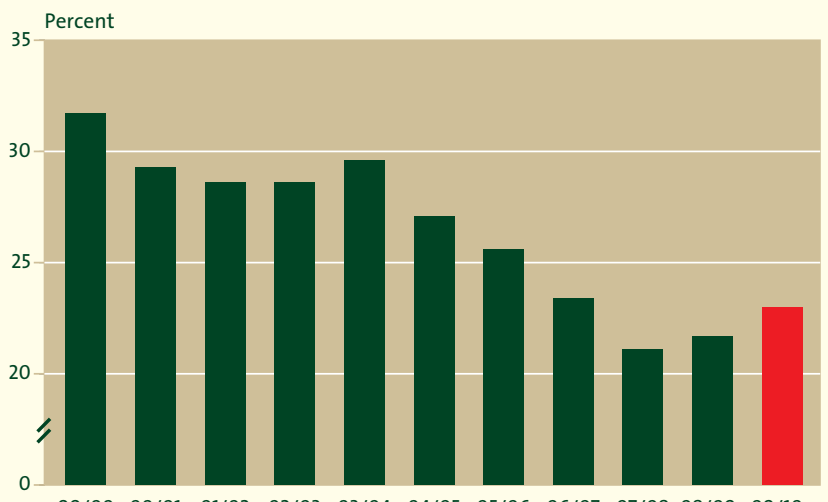
Moody's Investors Service .....	Aa1
Standard & Poor's .....	AA
Dominion Bond Rating Service .....	A (high)

## Manitoba Summary Net Income



<sup>P</sup> - Third Quarter Report Projection    <sup>B</sup> - Budget 2009 Projection  
 Note: Historical information restated to be consistent with current accounting policies.  
 Source: Manitoba Budget 2009

## Manitoba Net Debt - GDP Ratio



<sup>F</sup> - Forecast    <sup>B</sup> - Budget  
 Source: Manitoba Budget 2009

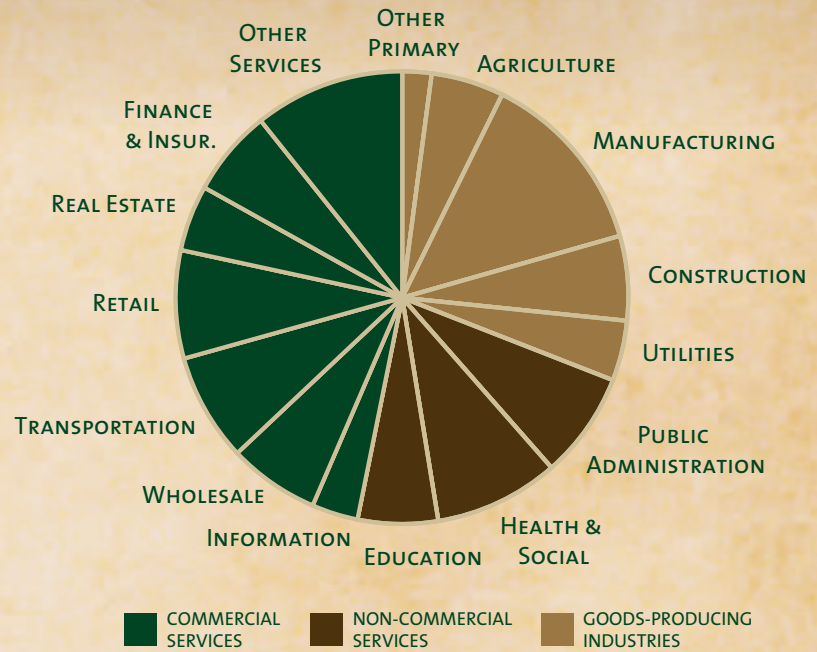
“From a longer-term perspective, the province's sound fiscal management – not to mention its steadily improving tax competitiveness – will stand it in particularly good stead.” TD Bank Financial Group, March 2009

## Manitoba Economic Performance, 2006-2008

GROWTH RATES UNLESS SPECIFIED	2006	2007	2008
Real GDP	3.9	3.1	2.2
Retail Sales	3.9	8.8	7.2
Employment	1.2	1.6	1.7
Unemployment Rate (%)	4.3	4.4	4.2
Average Weekly Earnings	2.9	5.9	2.7
Foreign Exports	9.6	19.6	5.1
Capital Investment	14.6	13.6	16.7
Housing Starts	6.3	14.1	-3.5
Manufacturing Sales	8.4	8.5	1.8
Building Permits	22.2	7.3	10.6
Consumer Price Index	2.0	2.0	2.3
Farm Cash Receipts	-3.1	17.0	9.1
Population (July 1st)	0.5	0.8	1.2

Sources: Statistics Canada and Manitoba Bureau of Statistics

## Manitoba's Economy by Industry, 2008



“Supported by multi-year fiscal plans, improved financial reporting and renewed balanced budget legislation that requires consolidated balance over a rolling four-year period, the Province continues to exhibit prudent fiscal management practices.”

DBRS, December 2008

## Quick Facts

Premier	Honourable Gary Doer
Minister of Finance	Honourable Gregory Selinger
Governing Party	New Democratic Party
Date of Next General Election	October 2011
Capital City	Winnipeg
Population (January 1, 2009)	1,213,800
Gross Domestic Product (2008p)	\$51.3 billion
Largest Industry	Manufacturing, 12% of GDP (\$16.4 billion sales)
Farm Cash Receipts	\$4.7 billion (Principally wheat, oilseeds, hogs and cattle)
Mineral Production	\$2.5 billion (Principally oil, nickel, copper and zinc)
Foreign Merchandise Exports	\$12.8 billion (USA 69%; Japan 5%; China 5%)

## Current Manitoba Economic Forecasts

PERCENT CHANGE UNLESS NOTED	2008	2009f	2010f
Real GDP	2.2	-0.2	2.1
Nominal GDP	6.3	-1.9	3.6
Employment	1.7	-0.3	0.4
Unemployment Rate (%)	4.2	5.4	6.0
Consumer Price Index	2.3	0.6	2.0

Sources: Statistics Canada, Manitoba Bureau of Statistics (2008) and Manitoba Finance Survey of Private Economic Forecasts, April 29, 2009 (2009 & 2010)

“The balance we observe in Manitoba’s diversified economy should help it weather the storms ahead and post growth higher than the Canadian average.”

Canada West Foundation, December 2008