

MANITOBA

Facts for Investors – Spring 2014

The 2014 edition of KPMG's *Competitive Alternatives* report ranked Winnipeg as the most competitive city in the North American Midwest for conducting business.

Manitoba: A great place to work, invest and grow

The Province of Manitoba is among the most cost competitive jurisdictions to operate a business in all of North America. With a highly educated, multilingual workforce; access to a wide variety of training and apprenticeship opportunities; competitive tax rates and supportive tax credits, Manitoba is an excellent location to start and grow your business. Manitoba businesses enjoy Manitoba's broad industrial diversification, a stable labour force and steady economic expansion, well cushioned from the turbulence of the global economic situation.

Highlights:

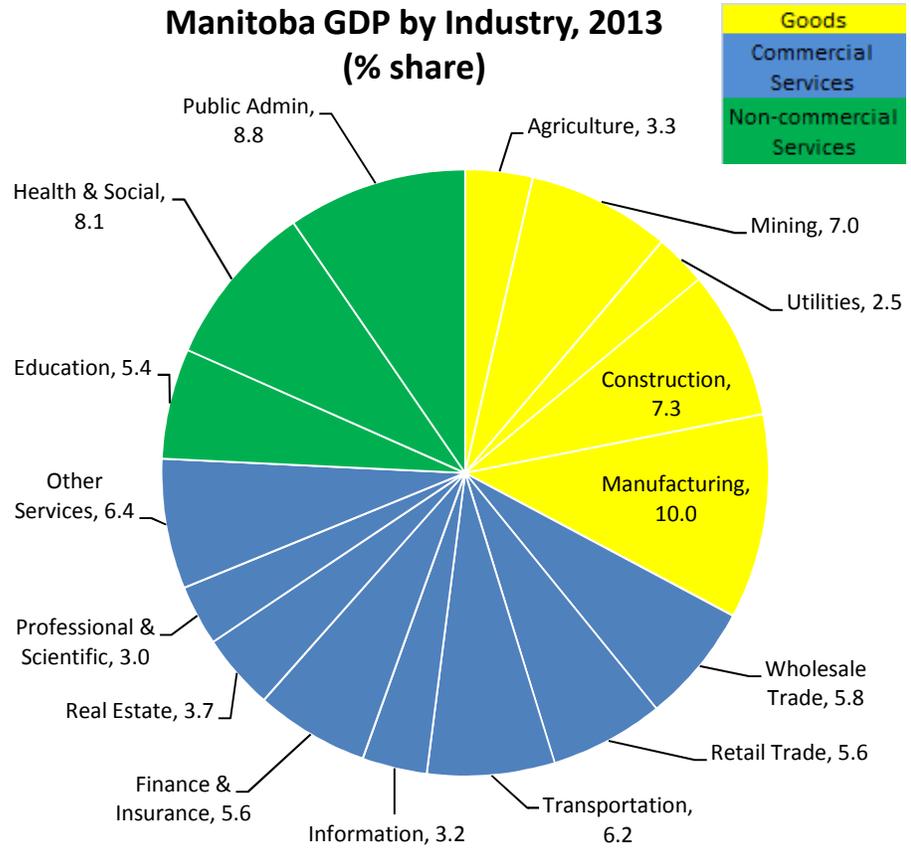
- Manitoba's real economic growth increased 2.4% in 2013, well above the Canadian rate of 1.7%.
- Independent forecasters predict Manitoba will grow in line with the Canadian average in 2014 and 2015.
- Despite fragile global economic conditions, Manitoba enjoyed the second-highest average annual growth among provinces over the last five years while Canada was the strongest among G7 nations.
- Manitoba has strong labour market fundamentals with the unemployment rate averaging the second lowest among provinces over the last five years.
- Manitoba's foreign merchandise exports increased 10.7% in 2013, highest among provinces.
- Strong population growth generated over 7,400 new housing units in 2013, the highest since 1987.
- Capital investment increased 26% over the last five years, almost double the national increase of 14%.
- Consistent annual increase in machinery and equipment investment has lifted Manitoba's labour productivity gains to the third highest among provinces over the last five years.

Diversity

The Manitoba economy is among the most diversified in Canada. It has a broad industrial base, dominated by medium-sized industries all contributing relatively equally to the overall economy. The province has 11 industries each accounting for more than 5% of GDP. The range in sector size from the largest industry to the smallest industry is narrowest among provinces. As a result of its diversity, Manitoba's economy and businesses enjoys clear benefits:

- Stable and consistent pattern of growth even through challenging economic conditions
- Reassuring balance provides confidence to expand, explore and innovate

Manitoba GDP by Industry, 2013
(% share)



Source: Statistics Canada, Manitoba Finance Calculations

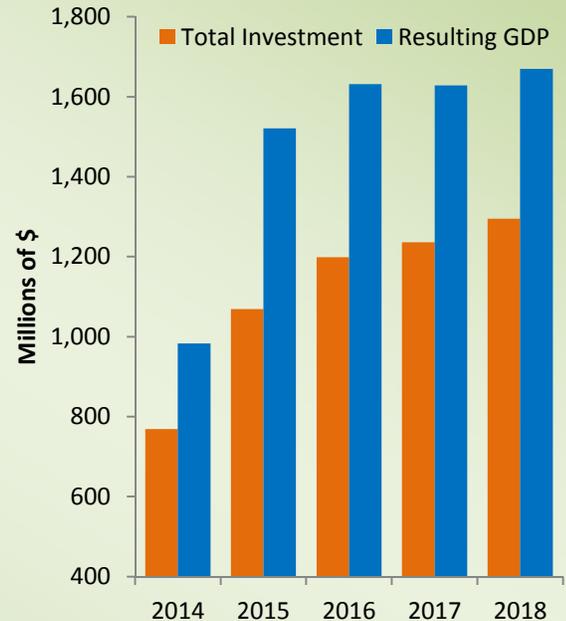
Infrastructure Investment

In 2014 the Government of Manitoba announced a five-year \$5.5 billion infrastructure expansion and renewal plan. Nearly 70%, or \$3.7 billion, will be spent on the province's roads, highways and bridges - the arteries of commerce. According to the Conference Board of Canada, Manitoba's \$5.5 billion dollar plan will boost overall GDP by \$6.3 billion, not including the long-term benefits of an improved infrastructure network. The same study suggests that nearly 60,000 direct and indirect jobs (in person years) will be created, generating \$1.4 billion in retail sales over the period and add \$1,100 to the average real income of working-age Manitobans over the next five years.

The infrastructure expenditure will be nearly matched by a resulting expansion of exports by \$5.4 billion over the same five-year period.

In addition, \$1.5 billion in municipal infrastructure renewal and \$320 million in flood protection will help to ensure both the economic health of Manitoba's cities, and the security of its citizens, businesses and infrastructure from natural disasters.

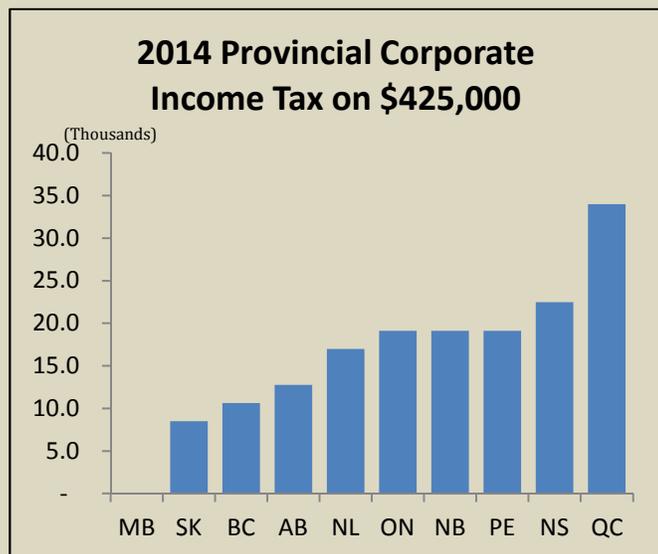
Economic Impact of Infrastructure Plan
(2014-2018)



Source: Conference Board of Canada

Competitive Business Environment

Manitoba has a competitive corporate income tax structure for small and medium sized businesses looking for a place to grow. Smaller companies in Manitoba pay the lowest corporate tax rate in Canada: 0% on their first \$425,000 of taxable income.



Source: Manitoba Finance

Manitoba's Manufacturing Investment Tax Credit generates a highly competitive after-tax cost of capital. In addition, Manitoba's Research & Development Tax Credit provides significant support. Further support for companies involved in film production or next generation digital media is offered through the Film and Video and Digital Media Tax Credits.

Manitoba is also committed to reducing the cost of labour for business by providing training and hiring tax credits.

All of this, combined with low industrial and commercial lands costs, and some of the lowest electricity rates in the world, makes Manitoba an advantageous place to start and grow a business.

Job Training Initiatives

A highly skilled, adaptable, multilingual and productive workforce is essential for business and industry to compete in a global economy, enter new markets, innovate and respond effectively to technological change. Through its 13 regionally-located Manitoba Jobs and Skills Development Centres, Manitoba offers a broad range of labour market programs for job seekers, apprentices, businesses and organizations to ensure Manitoba's workforce is equipped for success – now and in the future.

Manitoba supports business and industry in a number of ways including: assessing workforce training needs, and helping to implement short and long-term training strategies; supporting human resource planning and management; supporting new employee training in companies relocating to Manitoba or expanding their Manitoba operations; implementing Essential Skills training solutions; or assisting with connecting to and hiring new employees. Companies can also network with their peers and access industry-driven training through Manitoba's 16 Sector Councils.

Economic Statistics

	2011	2012	2013	2014f	2015f
Real GDP	1.7	2.4	2.4	2.2	2.4
Nominal GDP	4.3	5.3	3.7	3.5	4.4
Employment	0.8	0.9	0.5	1.0	1.3
Unemployment rate (%)	5.4	5.3	5.4	5.2	5.0
Population	1.0	1.3	1.2	1.2	1.1
Inflation	3.0	1.6	2.2	1.8	1.9

(% change unless otherwise noted)

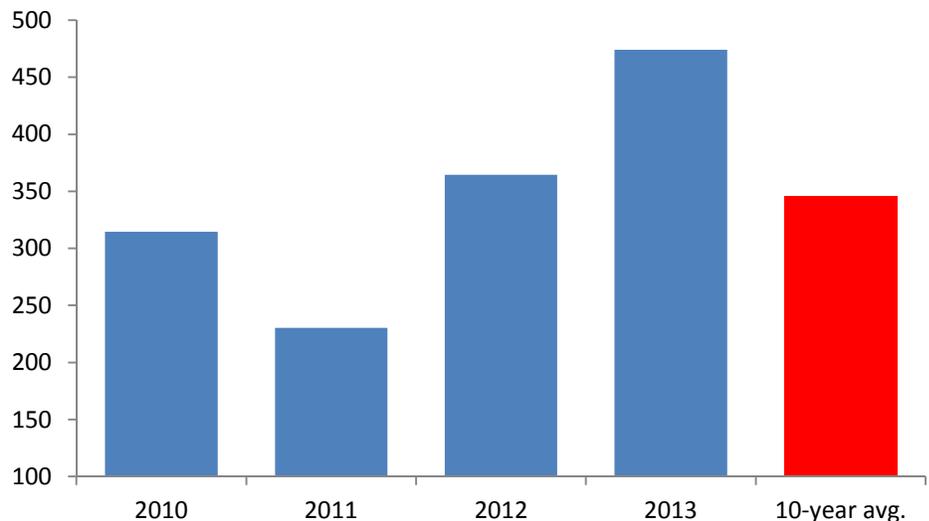
f – Forecast

Source: Statistics Canada, Manitoba Bureau of Statistics, Manitoba Finance Survey

Agriculture

With accessible connections to the transportation, food processing and finance sectors, agriculture have long been an important industry in Manitoba. Primary production of crop and livestock, combined with related food-processing businesses, represent over 25% of total provincial exports. In 2013, crop production in Manitoba reached record levels with more than 470 thousand bushels of grain harvested, up 30% from 2012.

Manitoba Total Crop Production (Thousands of Bushels)



Source: Statistics Canada

Quick Facts

Premier:	The Honourable Greg Selinger
Minister of Finance:	Honourable Jennifer Howard
Governing Party:	New Democratic Party
Next General Election:	October 2015
Capital City:	Winnipeg
Population (2013):	1,265,015
Gross Domestic Product (2013):	\$60.3 billion
Largest Industry:	Manufacturing (10% of GDP)
Manufacturing Sales (2013):	\$15.5 billion (aerospace products, transit buses, agriculture machinery and processed food products)
Mineral Production (2013):	\$2.9 billion (oil, nickel, copper and gold)
Foreign Merchandise Exports (2013):	\$12.6 billion

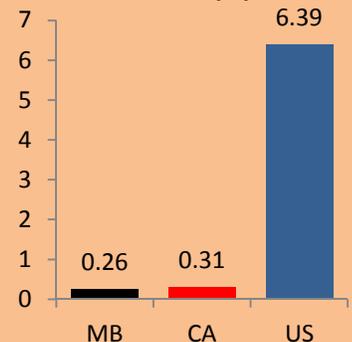
Quick Links

- Manitoba Finance Economic Highlights:**
<http://www.gov.mb.ca/finance/pdf/highlights.pdf>
- Manitoba Finance Economic Statistics:**
<http://www.gov.mb.ca/finance/pdf/statistics.pdf>
- Manitoba's Provincial Budget:**
<http://www.gov.mb.ca/finance/budget14/index.html>
- Manitoba Finance Tax News:**
<http://www.gov.mb.ca/finance/taxnews.html>
- Manitoba Jobs and Skill Development:**
<http://www.gov.mb.ca/mjسد>

Household Balance Sheets

Manitobans continue to hold among the soundest household balance sheets in Canada. According to the Canadian Bankers Association, Manitoba's rate of mortgages in arrears is only about two-thirds that of the rest of the country, while personal debt per capita was the lowest among all provinces.

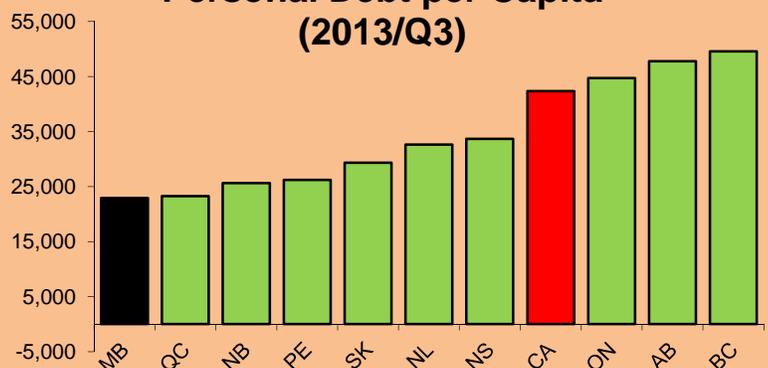
2013(Q4) Mortgages in arrears (%)



Source: Canadian Bankers' Association, BMO Capital Markets

This prudence reduces risk for both the consumer and the economy as a whole. Given the importance of retail sales and domestic demand, the well-positioned Manitoban represents an opportunity for economic growth.

Personal Debt per Capita (2013/Q3)



Source: Statistics Canada, Manitoba Finance Calculation