



A balanced economy with consistent long-term growth

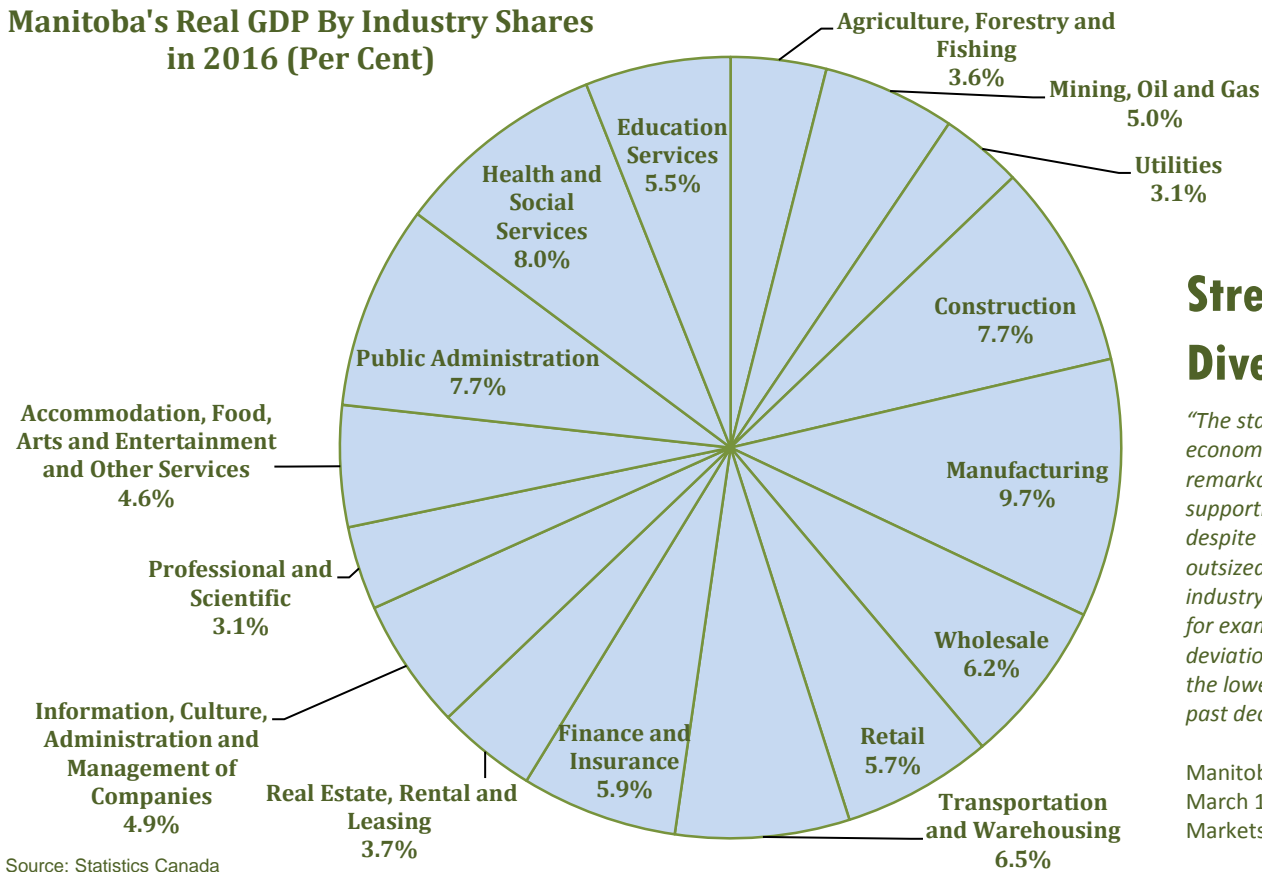
The Manitoba economy has a broad range of medium-sized industrial sectors. Economic activity and jobs are not focused on one particular sector or area; as a result, long-term progress is balanced by growth across different sectors.

The strength of the economy extends beyond its diverse economic base. Centrally located in North America, the province has a recognized and extensive manufacturing, wholesale trade sectors and a transportation and warehousing network that produces and distributes raw commodities and goods and services across Canada and globally. Almost half of Manitoba exports are destined for foreign markets while the other half are destined for provincial markets. This distribution is the most balanced among provinces.

Highlights:

- Manitoba's real GDP growth improved from a low of 1.3% in 2015 to 2.2% in 2017.
- Manitoba maintains the most consistent average annual long-term growth among provinces.
- Manitoba has been successful in attracting a record number of skilled workers, entrepreneurs and their families to the province, resulting in the fastest rate of annual population growth in Canada over the last three years.
- The labour market has shown resilience in absorbing a record increase in population, while maintaining the second-lowest unemployment rate and the third-highest labour force participation rate in Canada.
- Growth in population and domestic demand raised capital spending on industrial, commercial and residential properties to its highest annual level in 2017.
- Last year, the number of housing starts were the highest level since 1987.

Manitoba's Real GDP By Industry Shares in 2016 (Per Cent)



Strength in Diversity

"The stability of Manitoba's diverse economy has indeed been quite remarkable, and is one factor supporting the Province's credit despite recent troubles, with no outsized concentration in one industry (such as autos in Ontario, for example). In fact, the standard deviation of GDP growth has been the lowest in the country over the past decade."

Manitoba Budget Highlights - March 12, 2018, BMO Capital Markets

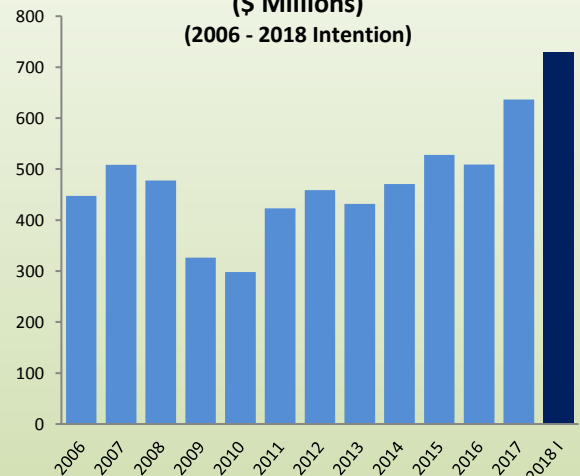
Source: Statistics Canada

Growing Productive Manufacturing Capacity

Central geographical location, close proximity to markets for a diverse range of crops and livestock, strong agronomic environment, skilled employee base and a competitive cost environment are supporting a rapid expansion of value added food processing in Manitoba.

- HyLife is modernizing and expanding its Integrated Pork Production and Processing System. The \$176 million investment plan has increased processing capacity by 100,000 square feet and added two new finisher sites to supply the new facility. Plans are underway for two more finisher sites in the province.
- Roquette is constructing the world's largest pea-protein processing facility in Manitoba. The \$400 million facility will have a capacity to process 120,000 tonnes of Canadian grown peas annually.
- Simplot announced a \$460 million plan to more than double its food processing capacity (from 180,000 to 460,000 square feet) for frozen french fries and formed potatoes.

Capital Investment in Manufacturing Capacity (\$ Millions)



¹ = Capital spending intentions for 2018
Source: Statistics Canada

These facilities not only provide opportunities for farm diversification and employment, especially in rural areas, they will broaden the export base and enable Manitoba's agriculture sector to improve competitiveness and profitability.



Competitive Business Environment

Manitoba remains competitive compared to key U.S. trading partners on the small business tax. Manitoba's small business tax rate is currently at 0% on income up to \$450,000, which will increase to \$500,000 in 2019.

Manitoba's general corporate income tax rate of 12% remains below the Canadian provincial average.

The combined Manitoba and federal general corporate income tax rate of 27% is comparable to the median of our ten largest U.S. state trading partners.

Manitoba has a number of targeted corporate and community development tax credits to support economic growth in the province.

- **Manufacturing Investment Tax Credit** for plant and equipment investment for first-time use in manufacturing or processing capacity.
- **Manitoba Research & Development Tax Credit** for scientific research and experimental development.
- **Manitoba Film and Video Production Tax Credit** for eligible production expenditures including eligible labour expenses.
- **Co-operative Development Tax Credit** for cooperatives and credit unions that make financial contributions towards cooperative development.
- **Community Enterprise Development Tax Credit** assists community-based enterprise development projects to raise local equity capital.

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

Affordable and Stable Housing Market

According to Royal Bank of Canada's *Housing Trends and Affordability* report, the average price of a single-family detached home and condominium in Winnipeg are \$314,900 and \$246,900, respectively, making them the third most and second most affordable in their respective categories among the cities tracked by the report.

Manitoba's housing market has been robust in 2017 driven by record immigration, echo boom cohort purchasing homes, low mortgage rates, increased demand for independent housing for seniors and general affordability of housing in the province compared to other regions of Canada.

With growing demand, new housing supply responded with starts increasing by 41% in 2017 to 7,501 units, the highest since 1987.

According to the forecast survey, housing starts in Manitoba should moderate, averaging 6,200 in 2018 and 6,500 in 2019.

Key Economic Indicators

(% change unless otherwise)

	2015	2016	2017	2018F	2019F
Real GDP	1.3	1.7	2.2	2.0	1.6
Nominal GDP	3.3	1.7	4.3	3.8	3.5
Employment	1.5	-0.4	1.7	0.8	0.5
Unemployment rate (%)	5.6	6.1	5.4	5.3	5.3
Population	1.2	1.3	1.6	2.1	2.1
Inflation	1.1	1.8	1.5	1.2	1.3

F – Forecast (As at April, 2018)

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



Improving Budgetary Performance

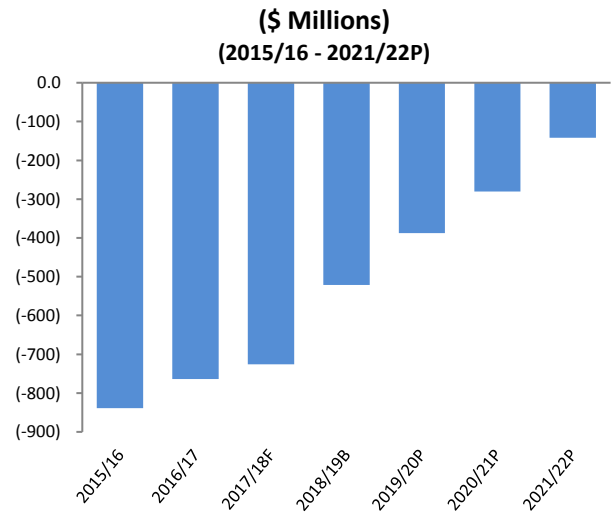
The Province of Manitoba budget balance is above expectation for the second year in a row:

- Budget 2016, tabled a deficit of \$911 million. Now stated at a deficit of \$764 million, \$147 million lower.
- Budget 2017, tabled a deficit of \$840 million. Now forecast at a deficit of \$726 million, \$114 million lower.

The latest budget tables a \$521 million deficit for 2018/19, a \$205 million improvement from the previous fiscal year.

With a comprehensive balanced long-term strategy to bend the capital cost curve, while providing lower taxes to Manitobans, the medium term projection shows the deficit gradually declining to \$142 million by 2021/22.

Province of Manitoba Summary Budget Net Income (Loss)



F = Forecast, B = Budget and P = Projection
Source: Manitoba Finance

Quick Facts

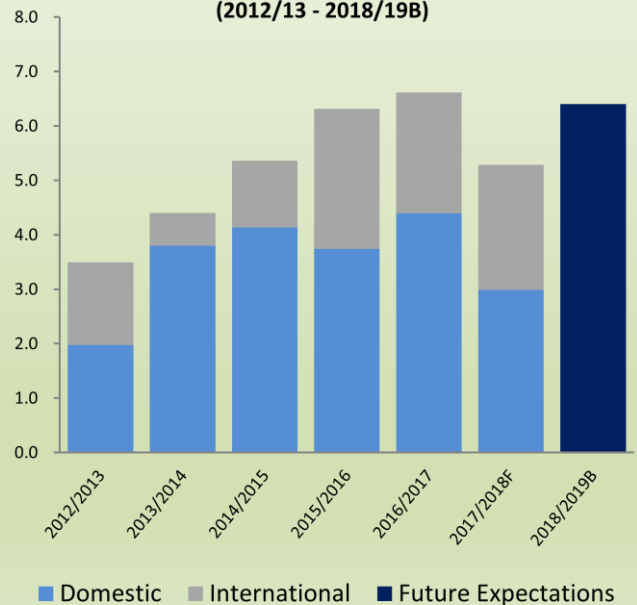
Premier:	The Honourable Brian Pallister
Minister of Finance:	Honourable Cameron Friesen
Governing Party:	Progressive Conservative Party of Manitoba
Next General Election:	October 6, 2020
Capital City:	Winnipeg
Population (2017):	1,338,109
Nominal Gross Domestic Product (2017):	\$70.4 billion
Quick Links	
Manitoba Finance:	
http://www.gov.mb.ca/finance/	
Manitoba Finance Economic Highlights:	
http://www.gov.mb.ca/finance/pubs/highlights.pdf	
Manitoba Finance Economic Statistics:	
http://www.gov.mb.ca/finance/pubs/statistics.pdf	
Manitoba's Provincial Budget:	
https://www.gov.mb.ca/budget2017/index.html	

Borrowing Program

Province of Manitoba borrowing requirements with respect to both general and self-sustaining annual borrowings is estimated at \$6.4 billion in 2018/19.

Province of Manitoba Borrowing (\$ Millions)

(2012/13 - 2018/19B)



F = Forecast and B = Budget
Source: Manitoba Finance

