



Budget Paper A

---

THE  
ECONOMY

---

# THE ECONOMY

## Contents

CANADIAN ECONOMY.....	1
MANITOBA ECONOMY.....	3
Manufacturing.....	4
Agriculture .....	6
Minerals .....	7
Hydro-Electricity.....	9
Housing.....	9
Retail Sales.....	10
Tourism.....	10
Labour Markets .....	11
Population.....	13
Investment .....	13
Foreign Markets .....	16
THE MANITOBA ECONOMY: STRENGTH IN DIVERSITY .....	18
Manitoba Outlook at a Glance .....	19
Manitoba Economic Statistics .....	20

## CANADIAN ECONOMY

Like most industrialized economies, Canada was affected by significant global financial turbulence in 1998. Developments in the economies of Asia, Russia and Latin America weakened some of Canada's export markets, depressed commodity prices, and added to worldwide exchange rate instability.

Despite these problems, the Canadian economy had a good year, with strong employment growth and real Gross Domestic Product (GDP) growth of 3.0% in 1998 (see Chart 1). Strong growth in the United States, relatively low interest rates and a lower dollar, helped offset the negative effects of weakening economies in many of Canada's foreign export markets.

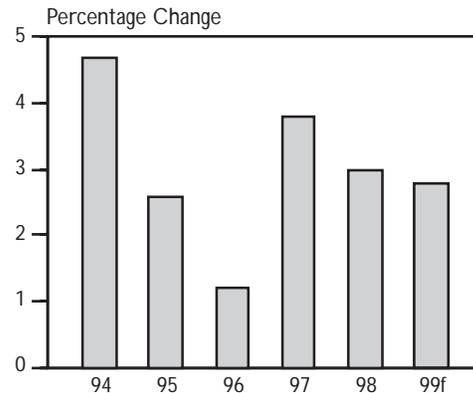
Canada's unemployment rate fell to 8.3% last year, its lowest level since 1990. Employment rose 385,800, up 2.8% from 1997. This was the largest annual increase in employment since 1988. A survey of private forecasters suggests that Canada's employment will grow by 2.7% in 1999 (see Chart 2).

Supported by strong employment growth, real personal expenditure increased 2.7%. Following 7.6% growth in 1997, retail sales grew 3.6% in 1998.

With robust 3.9% real growth in the United States, Canada's exports to the U.S. also continued to climb. Real exports of goods and services increased an estimated 8.1% in 1998, as strong growth in exports to the U.S. offset sharp declines in other countries, particularly in Asia. Canada's exports equaled about 40% of national GDP.

Strong growth in private sector investment continued last year, albeit at a lower pace than 1997. National Accounts data show that private non-residential capital investment grew 6.8% in 1998

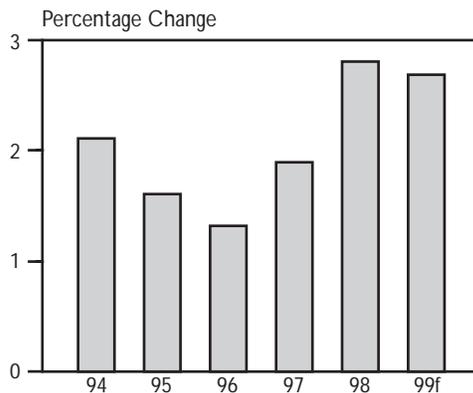
Chart 1  
Canada Real Gross Domestic Product



f - Forecast

Source: 1994-1998: Statistics Canada  
1999: average of seven private sector forecasts

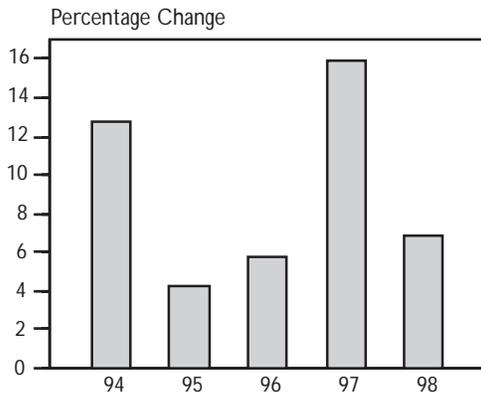
Chart 2  
Canada Employment



f - Forecast

Source: 1994-1998: Statistics Canada  
1999: average of seven private sector forecasts

**Chart 3**  
**Canada Business**  
**Non-Residential Investment**



Source: Statistics Canada

following a 15.9% increase in 1997 (see Chart 3). Weaker economic conditions affecting firms in the resource sector resulted in somewhat lower investment growth last year.

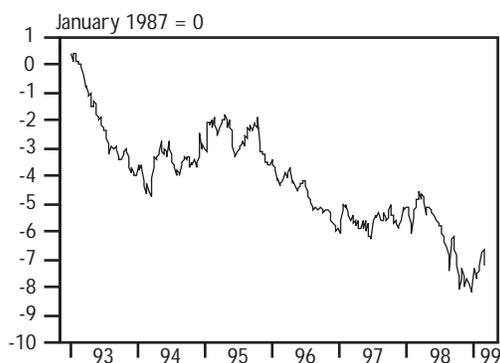
Inflation continued to be low in 1998, as the Consumer Price Index rose only 1.0%, its smallest increase in four years. The GDP deflator, which measures prices for all goods and services in the economy, actually declined slightly in 1998. Inflation is expected to remain low in 1999.

Monetary conditions continued to be expansionary, as the Monetary Conditions Index declined in 1998, reflecting low interest rates and currency devaluation (see Chart 4).

Canada's currency was subject to considerable downward pressure last year. The value of the Canadian dollar declined from over US\$0.70 in March 1998 to under US\$0.64 in August. At that point, the Bank of Canada intervened and raised the bank rate by 100 basis points to 6%. After a modest recovery, the dollar traded near US\$0.65 over the last quarter of 1998 as the Bank of Canada gradually lowered the Bank Rate by 75 basis points. By the end of 1998, the Canadian dollar had appreciated somewhat versus the U.S. currency, and traded between US\$0.65 and US\$0.67 through the first quarter of 1999.

Canada has now entered its eighth consecutive year of economic expansion. According to the survey of seven private sector economic forecasters, Canada's real GDP growth is expected to slow to 2.8% in 1999. Principal factors underlying the forecast include a possible deceleration of growth in the United States, slow economic recovery in Asia, Russia and Brazil, and continuing weak commodity prices. Nevertheless, the outlook for the Canadian economy remains positive, as evidenced by strong employment growth over the last few months and the economy's excellent performance in the last quarter of 1998.

**Chart 4**  
**Canada Monetary**  
**Conditions Index**



Source: Bank of Canada

Note: The index is a weighted average of interest rates and the exchange rate.

## MANITOBA ECONOMY

Manitobans enjoy a strong and stable economy. The province's diversified economic base and relatively large service sector ensure that Manitoba is less susceptible to large economic fluctuations than many other regions.

Manitoba continued to record robust economic growth in 1998. The Manitoba Bureau of Statistics estimates that Manitoba's real GDP grew 3.4% (see Chart 5). This is the third consecutive year that the economy has outperformed the national average.

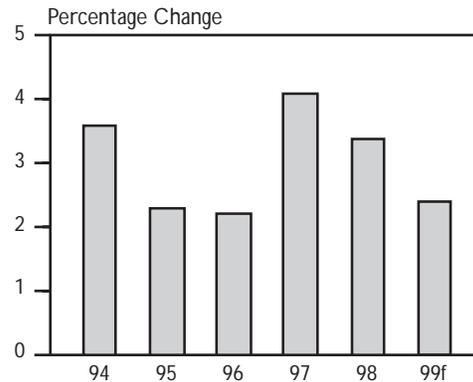
Manitoba's strong economic performance pushed down the unemployment rate last year to its lowest level since 1980. At 5.7%, Manitoba tied Alberta for the lowest rate in the country. Manitoba's youth unemployment rate also declined last year to its lowest level since 1981. The province's youth unemployment rate was the lowest in Canada.

Total capital investment increased 10.4% last year to \$5.1 billion. This was the second-highest rate of growth among provinces, and followed 12.7% growth in 1997. Driven largely by private sector confidence, total capital investment in Manitoba has grown 46% over the last five years. Private capital investment has increased in each of the last seven years.

At 7.0%, Manitoba also led the nation in manufacturing shipments growth, more than doubling the national rate. Over the last five years, manufacturing shipments have grown 42%, the second-highest growth among provinces.

Foreign exports of goods and services are equal to about one-third of Manitoba's \$30 billion economy. With its diverse economic base, Manitoba was the only western Canadian province in which foreign exports increased last year. Strong shipments to the United States more than offset weakness in other markets. Overall, foreign exports jumped 6.2% in 1998. This was the fifth year in a row that Manitoba export growth has exceeded the national average.

Chart 5  
Manitoba Real  
Gross Domestic Product



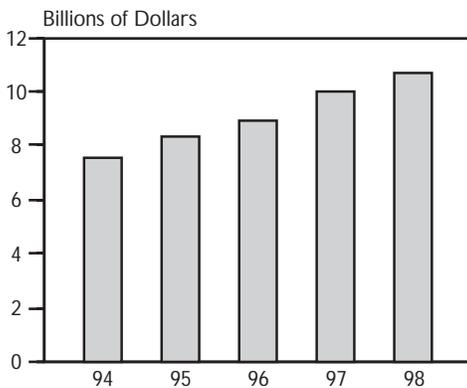
f - Forecast

Sources: 1994-1998: Manitoba Bureau of Statistics  
1999: average of seven  
private sector forecasts

*Manitoba's strong  
economic performance  
pushed down the  
unemployment rate last  
year to its lowest level  
since 1980.*

*With its diverse economic base, Manitoba was the only western Canadian province in which foreign exports increased last year. . . . This was the fifth year in a row that Manitoba export growth has exceeded the national average.*

Chart 6  
Manitoba Manufacturing Shipments



Source: Statistics Canada

Along with the rest of Canada, Manitoba's real GDP growth is forecast to moderate in 1999. The survey of seven private sector forecasters shows real GDP growth slowing to 2.4%. Many private sector forecasters note that the province's diversified economy and relatively modest reliance on primary commodities will help insulate Manitoba from negative international developments.

## ■ MANUFACTURING

Most of Manitoba's manufactured goods are destined for export. About 60% of Manitoba's commodity exports are manufactured goods. The strong growth and continued diversification in manufacturing industries in recent years has been a major factor in Manitoba's strong economic performance.

Manitoba's manufacturing shipments grew 7.0% in 1998, the highest growth among provinces and double the national average. Over the last five years, manufacturing shipments have increased 42% to \$10.7 billion, the second-highest growth among provinces over this period (see Chart 6).

Last year's growth in manufacturing shipments was broad-based, with two-thirds of the manufacturing industries posting higher shipments (see Chart 7).

Transportation equipment, the province's second largest manufacturing industry, recorded 26.9% growth in shipments to over \$2 billion. As well as being a major Canadian centre for aerospace manufacturing in Canada, Manitoba is also North America's largest bus manufacturer. In 1997, one Manitoba firm captured half the North American market for intercity buses. Strong growth of both bus and aerospace equipment shipments was the catalyst in doubling Manitoba's transportation equipment shipments over the past five years.

Manitoba's largest manufacturing industry is food processing. Over the last decade, this industry has grown and diversified, and now includes products

such as frozen french fries, processed meat and dairy products, and a variety of vegetables and grain/oilseed products. Shipments from this industry rose 6.1% last year, and 61% over the past five years. This diverse industry is expected to expand in 1999 as Maple Leaf Foods' hog processing facility in Brandon begins production. The new \$112 million facility will directly employ about 2,200 persons.

Machinery shipments slipped 10.6% in 1998 due to lower agricultural equipment production associated with the weaker world agricultural economy. The doubling in machinery shipments over the last five years has made this Manitoba's third-largest manufacturing industry.

The diversity in the manufacturing sector is apparent in its numerous medium-sized industries. Each of the seven medium-sized industries shipped between \$400 million and \$700 million worth of goods in 1998. Notable among these was clothing and textile manufacturing, which posted a 19.8% increase in shipments last year after 12.2% growth in 1997. The Manitoba fashion and apparel industry ranks as the third-largest in Canada. About 90% of garment production is destined for export. This sector produces a variety of high quality products including designer clothing, knitwear, outerwear and military apparel.

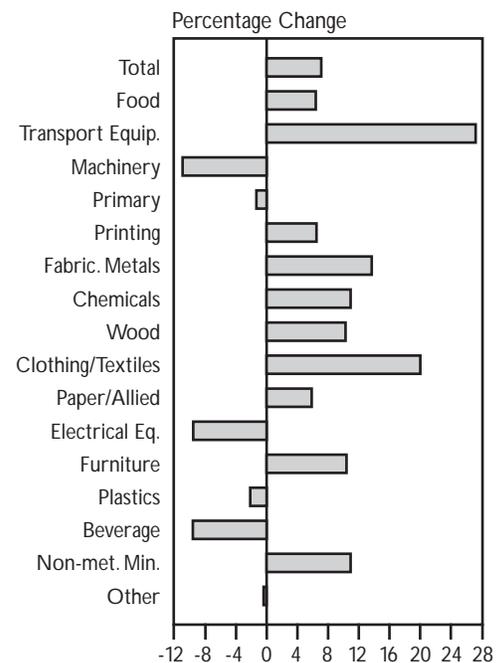
The strength in Manitoba's manufacturing shipments over the past several years reflects both growing export markets and strong manufacturing investment. Capital investment in manufacturing has grown by an average of 16% per annum over the last five years. More than \$2 billion was invested in manufacturing over this period.

Total manufacturing employment increased 6.8% last year, the largest growth among provinces. Employment in manufacturing reached 64,000 in 1998, after growing by 29% over the last five years.

The outlook for the manufacturing sector remains positive. High levels of investment attest to

*Strong growth of both bus and aerospace equipment shipments was the catalyst in doubling Manitoba's transportation equipment shipments over the past five years.*

Chart 7  
Manitoba Manufacturing Shipments by Industry\*, 1998



Source: Statistics Canada  
\* Ranked by size in descending order.

*High levels of investment  
attest to Manitoba's  
attractiveness as a  
manufacturing location.*

Manitoba's attractiveness as a manufacturing location. Manitoba's substantial competitive advantages for manufacturing are further enhanced by the Manufacturing Investment Tax Credit. Introduced in 1992, this program provides a 10% Tax Credit for investment in manufacturing plant and equipment in the province.

■ **AGRICULTURE**

Manitoba has a highly diversified agriculture sector. Crop production accounts for 56.8% of total farm cash receipts, while livestock production accounts for 40.1%. Within these sectors, Manitoba agricultural producers market a wide variety of crops and livestock.

After seven years of exceptionally strong performance, overall farm cash receipts slipped 7.2% last year to \$2.8 billion (see Chart 8). Market conditions for wheat and hogs were responsible for the decline.

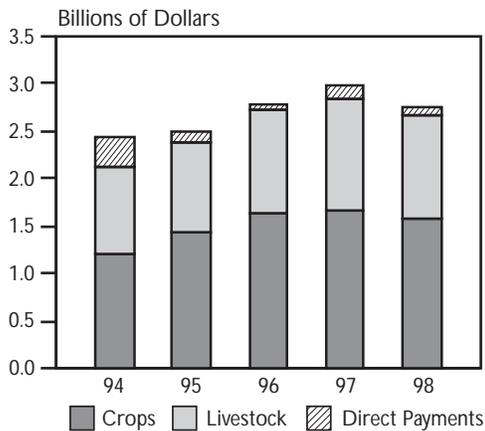
A 16% decline in seeded area, combined with a 13% decline in prices, reduced wheat receipts by 28.4% from 1997 levels.

However, the decline in wheat receipts was offset by a 37.9% increase in receipts from canola, as seeded area increased significantly. In 1998, Manitoba farmers boosted seeded hectares of canola by 16%, and stronger yields pushed up the total volume of canola production by 19%. Canola prices averaged 7% lower in 1998 than in 1997.

For the first time, receipts from canola exceeded wheat in Manitoba. In 1998, canola receipts accounted for 41% of Manitoba crop receipts, with wheat accounting for 30%. Just 10 years ago, canola accounted for just 17% of crop receipts.

Manitoba's other major crops include vegetables, flaxseed and barley, as well as numerous other smaller crop varieties. In aggregate, the value of production of these crops declined last year, largely because of weaker prices for flaxseed and barley.

Chart 8  
**Manitoba Farm  
Cash Receipts**



Source: Statistics Canada

Overall, crop receipts declined 6.2% in 1998 after a total 77% increase over the preceding five years. It should also be noted that, in 1998, Manitoba farmers deferred \$188.8 million in crop receipts to January 1999.

Manitoba's livestock producers saw mixed results last year with a 4.3% decline in farm cash receipts. Weak hog prices pushed cash receipts from hogs down 14%. This decline was partly offset by higher receipts from cattle and calves, dairy products and poultry.

In total, livestock producers received over \$1 billion from livestock sales last year.

Manitoba Agriculture forecasts that prices for both hogs and cattle/calves will increase in 1999. Manitoba agricultural producers will also benefit from the federal-Manitoba governments' farm aid program. The jointly-funded Agricultural Income Disaster Assistance program provides assistance to producers over the next two years to help offset the effects of low farm product prices.

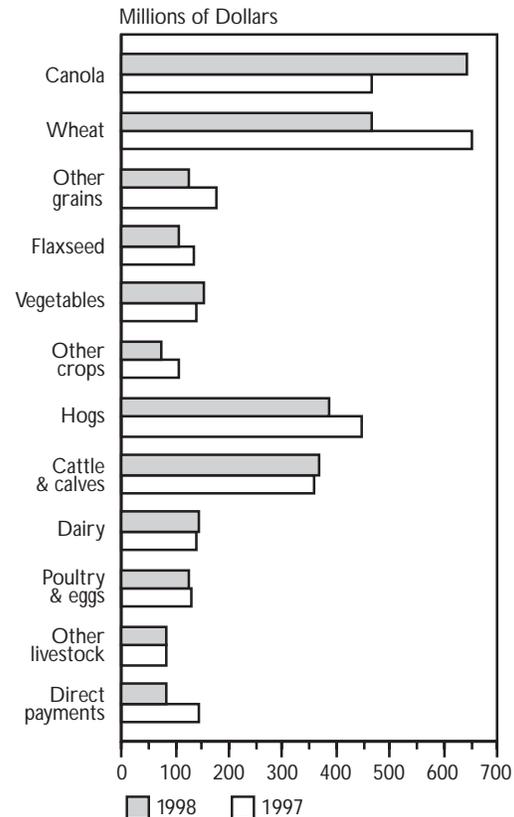
## ■ MINERALS

Mining plays a significant role in many areas of Manitoba. Though nickel, copper and zinc have traditionally been the mainstays of the industry, a resurgence in gold mining, as well as new production of different, more exotic minerals, have added to the industry's diversity.

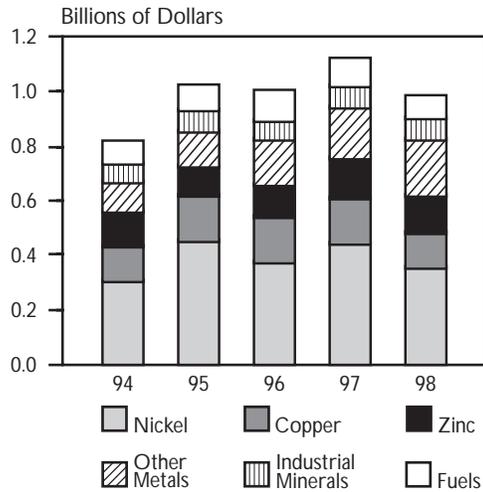
With continued weakness in metal markets in 1998 arising from reduced world demand, the value of mineral production declined 12.4% to \$986 million. Actual production volumes of four of the province's five major minerals increased, even though price declines lowered the value of production of all five (see Chart 10).

Manitoba's most important mineral is nickel, which accounted for 36% of the 1998 value of mineral production. The value of nickel production

Chart 9  
Manitoba Farm Cash Receipts  
by Product, 1997 and 1998

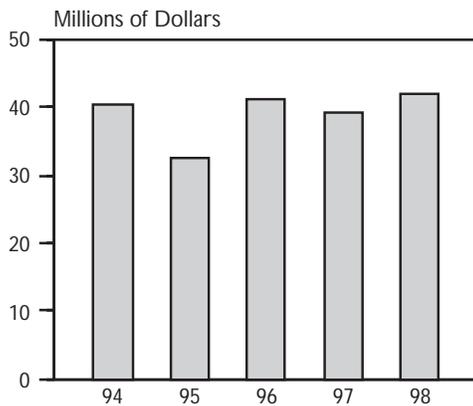


**Chart 10**  
**Manitoba Mineral Production**



Source: Statistics Canada

**Chart 11**  
**Manitoba Mining Exploration Expenditure**



Source: Manitoba Energy and Mines

declined 19.9%, as a 28% decline in average price offset an 11.5% increase in production volume.

For the first time in more than 30 years, zinc became Manitoba's second-largest source of mineral production, surpassing copper. In 1998, the value of zinc production declined 3.9% as lower prices offset a 16.2% increase in the volume of production. Copper production declined 25.3% in value as both price and volume of production decreased.

The value of gold production, Manitoba's fourth-largest mineral, declined 2.5%, the smallest decrease of the major minerals. There was a modest 2.7% increase in production volume despite the temporary closure of the Bissett gold mine. The mine was purchased by Harmony Gold of South Africa and is now in full production.

Low world oil prices reduced the value of fuel production in Manitoba by 26.9% to \$76.8 million. The value of industrial minerals – sand and gravel, peat moss, stone, and lime – increased 4.7%, reaching its highest value since 1992.

The total value of Manitoba's mineral production in 1999 is expected to remain stable. Relatively high world inventory levels are expected to dampen prices.

Mineral exploration expenditures increased 7.1% in 1998 to \$42.1 million (see Chart 11). This is the largest year-over-year increase in exploration investment in over a decade. A recent study has shown that the mining industry considers Manitoba to be among the top five most attractive jurisdictions in the Western Hemisphere for mining investment. The Government of Manitoba also offers incentives for mining exploration, including a three year, \$8 million commitment under the Mineral Exploration Assistance Program.

## ■ HYDRO-ELECTRICITY

Total sales of electricity increased for an eleventh consecutive year in 1998, growing 1.6% to approximately \$1.1 billion (see Chart 12). The gain was due to strong growth in export sales, which rose 11.2% to a record level of \$321.4 million. Of this total, \$288.7 million, or 89.8% was exported to the United States, with the remainder going mainly to Saskatchewan and Ontario. Sales in Manitoba were down 1.7%, as a cooler summer and milder winter reduced residential demand. Export sales accounted for 28% of total hydro-electricity sales in 1998, up from 9% in 1990.

Manitoba Hydro is recognized as one of North America's lowest-cost electricity producers. In 1997, Manitoba Hydro was Canada's largest electricity exporter.

## ■ HOUSING

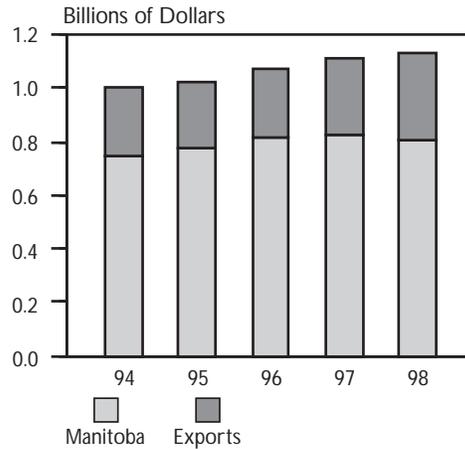
In 1998, housing starts in Manitoba increased 10.8% to 2,895, compared to a 6.5% decline nationally. This was the third consecutive year of double-digit growth and the third time in five years that Manitoba housing starts have grown at a higher rate than the national average (see Chart 13).

1998 was also the third consecutive year of increased urban area housing starts, and the most urban area housing starts since 1990. Total housing starts were at their highest level since 1994.

While the number of Multiple Listing Service sales was down 1.7% in 1998, the value of sales was up 1.0%.

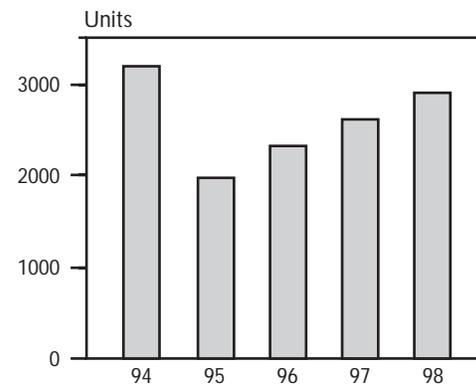
Statistics Canada's investment survey forecasts housing investment to increase 2.5% in 1999. Although the number of housing starts is forecast to decline, additional residential construction activity is expected as the renovation and retrofit of

Chart 12  
Manitoba Hydro-Electricity Sales



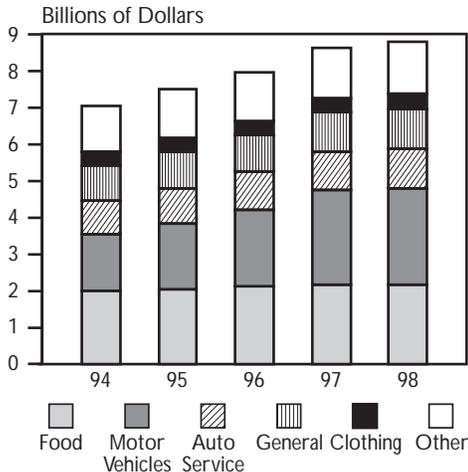
Source: Manitoba Hydro-Electric Board

Chart 13  
Manitoba Housing Starts



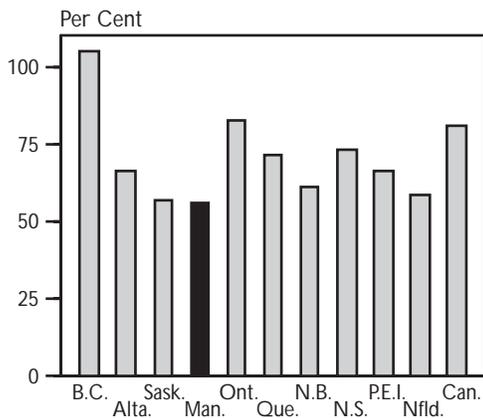
Source: Canada Mortgage and Housing Corporation

**Chart 14**  
**Manitoba Retail Sales**



Source: Statistics Canada

**Chart 15**  
**Household Debt to Income Ratio by Province, 1997**



Source: CIBC

existing homes increases. This trend in activity is to be expected as changing demographic conditions reduce household formation, and an aging population prepares for a retirement lifestyle.

## ■ RETAIL SALES

The value of retail sales reached a record \$8.8 billion in 1998, a 2.1% increase, following 8.4% growth in 1997.

The strong growth in retail sales experienced over the last few years resulted from positive economic conditions, including strong increases in provincial employment, rising earnings and low interest rates.

Sales of cars, trucks and recreational vehicles have accounted for a significant portion of the increases in Manitoba's retail sales over the past four years. Motor vehicle sales reached \$2.6 billion in 1998, almost double their value in 1993 (see Chart 14). Over the same period, Manitoba's total retail sales rose 32%.

Household furnishings and appliance sales increased 24% since 1993. This strong growth is consistent with the strength observed in the province's housing market.

Manitobans are relatively well positioned in respect of household finances. In 1997, the province's households had the lowest ratio of household debt to income in Canada. In 1997, personal debt – including mortgages and personal loans – equaled 56% of household income, compared to 81% nationally (see Chart 15).

## ■ TOURISM

Tourism experienced a banner year in 1998. Tourism activity increased 5%. The lower Canadian dollar contributed to increased travel from the U.S.; visitors staying in Manitoba for one or more days rose 6.9% while same-day visitors increased 11%. Other foreign visitors to Manitoba

increased 18.7% in 1998. Scheduled-flight traffic at the Winnipeg International Airport increased 18% last year. In 1998, Manitoba had the highest hotel accommodation occupancy rate among provinces at 74.1%, up from 69.2% in 1997.

Strong growth in the tourism and hospitality sectors is expected to continue as Manitoba hosts the Pan American Games in July and August of 1999. The Games are expected to be the largest multi-sport event ever held in Canada, and the third-largest ever held in North America.

## ■ LABOUR MARKETS

In 1998, Manitoba's unemployment rate fell to 5.7%, tied with Alberta for the lowest in Canada. Last year's unemployment rate was the lowest since 1980, and substantially below the rate for Canada as a whole (see Chart 16).

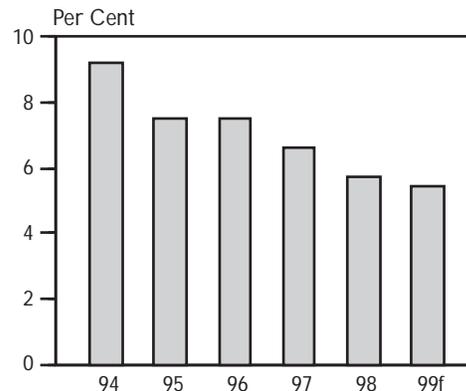
The total number of unemployed Manitobans declined 14.1% last year. In 1998, there were fewer people unemployed in Manitoba than at any time since 1981. Over the past two years, unemployment was reduced by almost 10,000, or 23.2%. This was the largest percentage decline in unemployment among provinces.

The youth unemployment rate also declined last year. At 10.6%, the youth unemployment rate was tied with Alberta for the lowest in Canada, and the best in Manitoba since 1981.

The survey of private sector forecasters shows that Manitoba's unemployment rate is expected to fall further in 1999 to 5.4%.

It is encouraging that these declines in the unemployment rate in 1998 occurred along with an increase in the labour force participation rate. The labour force participation rate reached 67.1% last year, its highest level in eight years.

Chart 16  
Manitoba Unemployment Rate

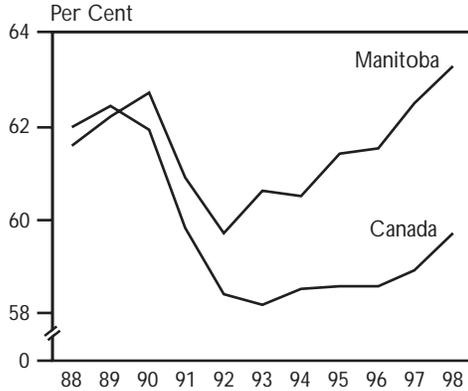


f - Forecast

Sources: 1994-1998: Statistics Canada  
1999 average of seven private sector forecasts.

*The youth unemployment rate was tied with Alberta for the lowest in Canada, and the best in Manitoba since 1981.*

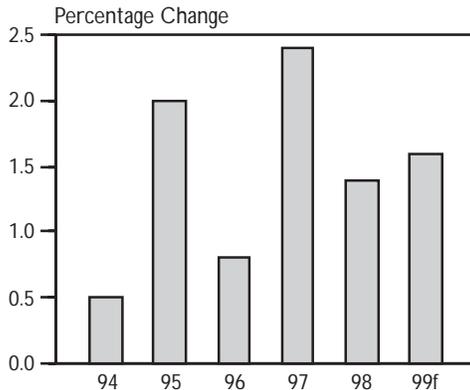
**Chart 17**  
**Manitoba and Canada**  
**Employment Rate**



Manitoba's employment rate reached a record level last year at 63.3%. The employment rate, which measures the ratio of employment to the total size of the working-age population, has increased steadily since 1994. The province's employment rate is second only to Alberta's, and is considerably higher than the Canadian average rate of 59.7% (see Chart 17).

As labour markets tightened, employment growth slowed to 1.4% in 1998 (see Chart 18). However, full-time employment grew 2.3% last year, while part-time employment declined. Employers appear to be dealing with tight labour markets by converting positions to full-time jobs where possible. Over the last two years, full-time employment rose by 24,700, or 6%. This was the third-highest growth among provinces in full-time employment.

**Chart 18**  
**Manitoba Employment**



f - Forecast

Sources: 1994-1998: Statistics Canada  
 1999 average of seven private sector forecasts

Manitoba's strong employment growth has largely been led by the private sector. Private employment grew 1.2% last year following 4.2% growth in 1997. Overall private sector employment was up 21,700, or 5.4% since 1996.

Manitoba led the country with 6.8% growth in manufacturing employment last year, up 4,100 jobs. Employment in manufacturing is likely to continue to grow strongly in line with high levels of manufacturing investment in the province (see Chart 19).

Employment in health services and education also increased significantly in 1998. Employment in this sector increased by 7,900, or 7.9% in 1998. Employment in construction also increased, up 13.8% versus 1997.

## ■ POPULATION

Manitoba's population on July 1, 1998 was 1,138,167 – up 0.2% from 1997. Manitoba's population growth in 1997 was also 0.2%.

Manitoba recorded its lowest level of net interprovincial out-migration of the decade last year. This re-establishes the longer-term trend to continuously lower levels of net out-migration. Since 1989, net provincial out-migration has fallen from just over 10,000 per annum to 2,617 in 1998 (see Chart 20). In 1998, Manitoba gained population from all provinces except Alberta and Saskatchewan.

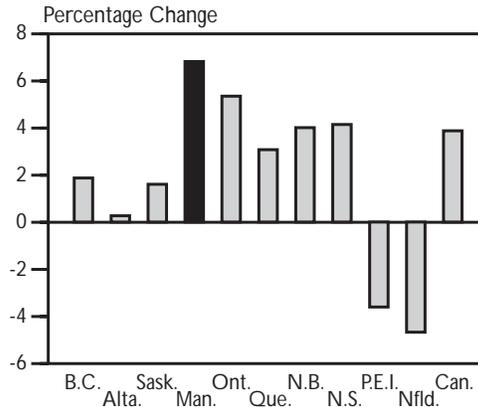
## ■ INVESTMENT

Manitoba's strong economic performance over the past several years has been fuelled by the private sector. One of the indicators of this business confidence is private investment. Provincial Accounts data for 1998 show that business investment accounted for approximately half of the growth in provincial GDP in 1998.

Manitoba has seen seven consecutive years of increasing private investment, a record matched only by Alberta. Last year, private investment grew 8.4%, compared to the Canadian growth of 1.5%. Over the last five years, private industry has invested \$15.1 billion in the Manitoba economy (see Chart 21).

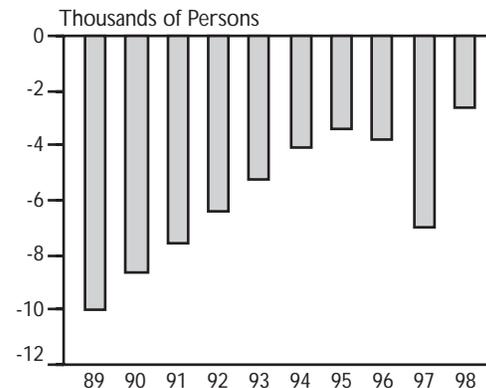
Total public and private capital investment increased 10.4% last year to \$5.1 billion. This was the second-highest rate of growth among provinces, and followed 12.7% growth in 1997. The level of capital investment in Manitoba in 1998 has grown for five consecutive years, increasing by 46% between 1994 and 1998. Capital investment growth was widespread, with eight of eleven industries posting investment growth.

Chart 19  
Manufacturing  
Employment, 1998



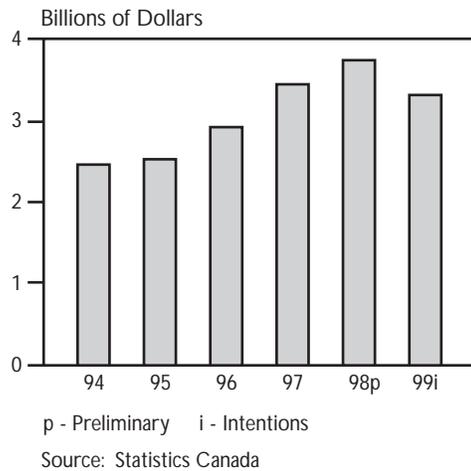
Source: Statistics Canada

Chart 20  
Manitoba Interprovincial  
Net Migration



Source: Statistics Canada

Chart 21  
**Manitoba Private Investment**



*Manitoba posted the highest growth in building permits among provinces last year.*

Manitoba posted the highest growth in building permits among provinces last year. In 1998, the value of building permits issued increased 49.6%, significantly higher than the 6.3% growth for Canada overall. 1998 was the third consecutive year of strong increases in building permits, and the overall value of permits issued has doubled between 1995 and 1998.

Statistics Canada's survey of investment intentions suggests that overall private capital investment will decline next year. This reflects the completion of a number of large private investment projects next year, particularly in pipeline construction and manufacturing. However, private capital investment in 1999 is expected to remain above levels of all but the last two years.

Manufacturing investment dipped slightly in 1998 after increasing by 50.5% in 1997. The level of manufacturing investment in Manitoba over the last two years are all-time highs and are substantially higher than previous years. High levels of capital investment in manufacturing provided impetus for growing manufacturing exports and manufacturing employment.

In 1999, manufacturing capital investment is projected to decline 22%, based on Statistics Canada's survey of investment intentions, as a number of major manufacturing investment projects are completed. Still, 1999 manufacturing investment is expected to be the third-highest on record (see Chart 22).

The following are some examples of investment projects announced or undertaken in 1998 and 1999.

**Maple Leaf Foods** has commenced construction of a \$112 million hog processing facility in Brandon. At full capacity the plant will employ approximately 2,200 people.

**Monsanto Canada Inc.** will create 30 new technological jobs over the next two years and invest \$10 million in a crop development centre to be located at the University of Manitoba. The centre, which will focus its research on some of Canada's most important crops, will be one of the largest independent crop development facilities of its kind in Canada.

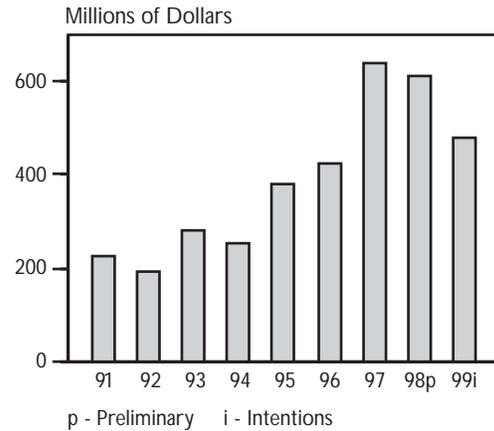
**Cangene Corporation** has opened the first phase of a \$15 million health biotechnology research and development facility that will create 60 new jobs over the next three years.

**American Bixis Inc.**, a joint venture between Winnipeg's Winpak Ltd. and Japan's Nichimen Corporation, are constructing a \$25 million facility in Winnipeg to manufacture nylon film, creating 30 jobs.

**Acrylon Plastics Ltd.**, a major custom plastics manufacturer, is in the process of completing its second major expansion to its production facility in Winkler, an investment worth close to \$5 million in two years. Acrylon currently has more than 100 employees and will create as many as 20 more jobs as a result of its latest expansion.

**Inmetal North America Ltd.** announced that a new \$2.6 million metal casting facility will be established in Pierson, creating 40 new jobs over the next four years.

Chart 22  
Manitoba Manufacturing  
Investment

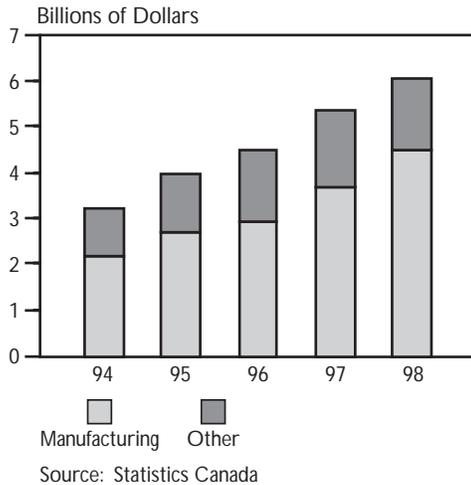


Source: Statistics Canada

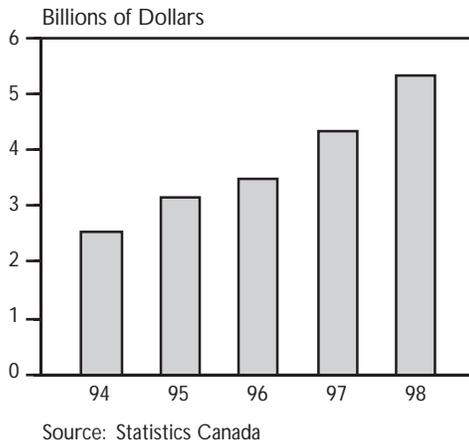
*Spurred by rising activity in its food processing and transportation equipment industries, Manitoba's economy will grow at a rate above the national average for a fifth year in a row.*

TD BANK, MARCH 1999

**Chart 23**  
**Manitoba Exports to the United States**



**Chart 24**  
**Manitoba Manufacturing Exports**



## ■ FOREIGN MARKETS

With its diversified economic base, Manitoba was the only western Canadian province to experience commodity export growth in 1998. Strong shipments to the United States more than offset weaker exports to non-U.S. markets.

Overall, the value of foreign exports jumped 6.2% in 1998. This was the fifth year in a row that the province's export growth has exceeded Canada's. The increase in Manitoba's exports over those five years totals 72%, compared to national growth of 40%.

Exports to the United States grew 13.1% in 1998 to \$6.1 billion (see Chart 23). Exports to the United States have increased by 86% over the last five years, almost double the national growth over this period. Over three-quarters of provincial commodity exports are shipped to the United States.

Foreign exports have accounted for a growing share of total output in Manitoba over the past several years. In 1998, it is estimated that foreign exports were equal to 33% of GDP, up from just 19% in 1992. About 69% of total foreign commodity exports are manufactured goods, and manufacturing exports continue to grow robustly (see Chart 24). Agriculture industry exports are next highest in relative importance at 19%.

Manitoba's foreign exports reflect a diverse mix of goods. A variety of manufactured products, agricultural goods, minerals and electricity are reflected among the province's main commodity exports.

## Manitoba's Major Foreign Exports, 1998

	<u>\$ Millions</u>	<u>Per Cent</u>		<u>\$ Millions</u>	<u>Per Cent</u>
Motor Vehicles and Parts	872.1	11.3	Meat	192.0	2.5
Oilseeds	514.4	6.7	Electrical Products	184.0	2.4
Cereal Grains	481.8	6.2	Plastic Products	179.7	2.3
Aircraft Components	453.4	5.9	Processed Vegetables	140.5	1.9
Fats and Oils	415.9	5.4	Computer Equipment	121.8	1.7
Live Animals	414.3	5.4	Vegetables & Fruits	99.5	1.3
Other Machinery & Appliances	403.3	5.2	Apparel & Accessories	93.6	1.2
Copper Products	370.3	4.8	Iron & Steel	88.9	1.2
Electricity	355.3	4.6	Books & Newspapers	87.5	1.1
Furniture	245.9	3.2	Top Commodity Groups	6,404.4	83.0
Wood Products	239.6	3.1	Other Commodities	1,326.9	17.0
Paper Products	235.2	3.0	Total Exports	7,731.4	100.0
Nickel <sup>1</sup>	215.5	2.8			

Source: Statistics Canada

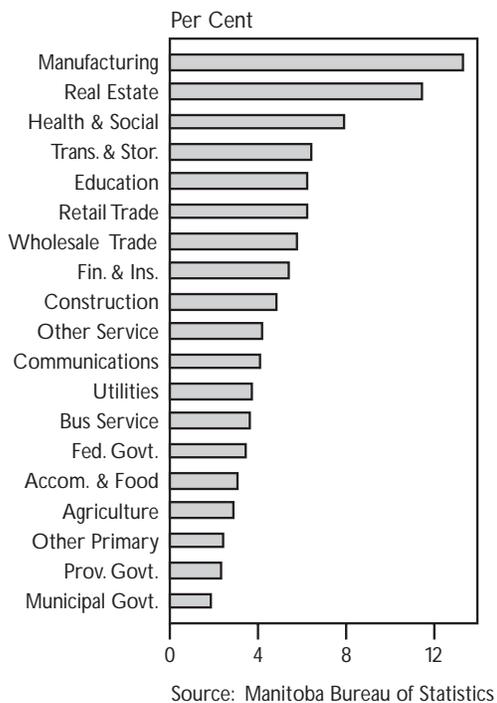
<sup>1</sup> Most export data are based on port of exit information. It is estimated that an additional \$103.3 million of nickel is exported through Ontario.

## Manitoba Major Export Destinations

	<u>1997</u>	<u>1998</u>	<u>Change</u>	<u>Percentage Change</u>
	(Millions of Dollars)			
United States	5,362.7	6,064.3	701.6	13.1
Japan	435.3	319.3	-116.0	-26.6
Hong Kong	26.9	193.6	166.7	620.2
China	147.1	143.3	-3.8	-2.5
Belgium	148.4	118.5	-29.9	-20.2
United Kingdom	78.4	119.7	41.3	40.0
Mexico	92.7	105.7	13.0	14.0
Taiwan	47.4	64.3	16.9	35.8
Netherlands	33.8	52.8	19.0	56.1
Malaysia	14.1	52.1	38.0	268.8

Source: Statistics Canada

Chart 25  
**Shares of Manitoba  
 Gross Domestic Product, 1998**



## **THE MANITOBA ECONOMY: STRENGTH IN DIVERSITY**

Manitoba's economy has long been recognized for its diversity. While agriculture, mining and other resource industries remain important elements of the province's economic structure, the relative importance of other key sectors has grown. Diversity serves to provide greater stability and certainty for Manitobans in the face of changing economic conditions.

Developments in primary commodity industries – such as agriculture, mining and forestry – have expanded the variety of products produced in Manitoba. Manitoba's manufacturing sector has benefited from a significant increase in investment since the early 1990s. New facilities, new products and new markets have all contributed to rapid growth and greater diversity in the manufacturing sector.

As a share of the economy, manufacturing now accounts for 13.3% of output, up from 11.3% in 1994. This is the largest gain in share of GDP by any industry, although wholesale and retail trade, business services, and finance and insurance have also posted significant increases.

One of the factors that has provided Manitoba with strong economic stability is the relatively large service sector. Service-producing industries account for 73% of GDP, higher than the Canadian average of approximately 67%.

Manitoba's service sector tends to be less susceptible to fluctuations through the business cycle than most goods-producing industries. The province is home to many large-scale service sector operations. Canada's largest life insurance company, Canada's largest mutual fund company, and Canada's largest call centre operation are all headquartered in Winnipeg. The head offices of many national trucking companies are located in

Winnipeg, as is the Canadian Wheat Board. Overall, service-producing industries account for 74% of Manitoba's total employment.

Scientific and technological research and development activities have expanded rapidly in Manitoba. Manitoba is home to the National Research Council's Institute for Bidiagnostics, and Canada's Centre for Disease Control Virology Lab. Manitoba is also a locus for research activity in a wide array of other scientific and industrial matters, including telecommunications, agriculture and agri-food, medicine, nuclear energy, and civil engineering.

These developments are reflected in the changing composition of Manitoba's employed labour force. Over the past five years, the number of Manitobans employed in professional, scientific and technical services soared 71.7%. Over the same period, total employment in manufacturing has increased 29%. In 1998, 11.7% of the employed labour force worked in manufacturing, up from 9.8% in 1993.

Manitoba's strong and diverse economic base continues to serve Manitobans well. New industries continue to build upon the rich enterprise base, ensuring continued opportunities for investment and trade well into the 21<sup>st</sup> century.

*Manitoba's economy boasts an increasingly diversified manufacturing and agriculture sector, which contributes to greater economic stability.*

STANDARD & POORS'S, NOVEMBER 1998

## Manitoba Outlook at a Glance

	1998	1999	2000
	(Percentage Change Except as Noted)		
Gross Domestic Product			
Nominal	3.0	2.4	3.8
Real	3.4	2.4	2.2
Employment	1.4	1.6	1.2
Unemployment Rate (%)	5.7	5.4	5.3

Sources: 1998 are actual, 1999 and 2000 are average of private sector forecasts

## Manitoba Economic Statistics, 1994 to 1998

	1994	1995	1996	1997	1998
	(Millions of Dollars)				
<b>SECTORS</b>					
Farm Cash Receipts	2,441	2,508	2,778	2,975	2,762
Crops	1,217	1,428	1,628	1,673	1,570
Livestock	909	960	1,093	1,158	1,107
Direct Payments	314	120	56	145	85
Manufacturing	7,542	8,334	8,973	10,002	10,705
Mineral Production	820	1,022	1,002	1,126	986
Electric Power Sales	1,004	1,026	1,073	1,111	1,130
Export Sales	256	249	257	289	321
Housing Starts (no. of units)	3,197	1,963	2,318	2,612	2,895
Retail Trade	7,020	7,432	7,920	8,589	8,772
<b>FOREIGN EXPORTS</b>					
Total Exports	4,502	5,456	6,216	7,282	7,731
USA	3,258	3,957	4,508	5,363	6,064
<b>GROSS DOMESTIC PRODUCT</b>					
Nominal	26,169	27,434	28,661	29,612	30,496
Real	25,389	25,974	26,540	27,637	28,564
<b>BASE RATE WAGE SETTLEMENTS (%)</b>					
Public	1.4	0.3	0.0	1.0	1.4
Private	1.9	0.8	2.1	1.8	1.6
Total	1.6	0.4	0.2	1.1	1.5
<b>INVESTMENT</b>					
Total	3,490	3,748	4,098	4,619	5,097
Private	2,462	2,528	2,924	3,462	3,753
Public	1,028	1,219	1,175	1,157	1,344
Non-residential	2,644	3,032	3,308	3,800	4,223
Housing	845	716	790	819	874
<b>POPULATION</b>					
July 1 (000's)	1,124	1,130	1,134	1,137	1,139
<b>LABOUR MARKET</b>					
Labour Force (000's)	563.1	563.4	568.2	576.4	578.9
Employment (000's)	511.1	521.4	525.5	538.3	546.1
Participation Rate (%)	66.6	66.3	66.5	66.9	67.1
Unemployment Rate (%)	9.2	7.5	7.5	6.6	5.7
<b>CONSUMER PRICE INDEX</b>					
(Index, 1992=100)	104.1	106.9	109.2	111.6	113.0
<b>BANKRUPTCIES</b>					
Business	225	210	293	292	266
Farm	7	10	24	19	27
Personal	2,252	2,496	2,747	2,770	2,422

Source: Statistics Canada and the Manitoba Bureau of Statistics

1994	1995	1996	1997	1998	
(Annual Percentage Change)					
2.5	2.8	10.7	7.1	-7.2	<b>SECTORS</b>
14.2	17.3	14.0	2.8	-6.2	Farm Cash Receipts
-2.1	5.6	13.9	5.9	-4.3	Crops
-19.0	-61.7	-53.2	157.4	-41.5	Livestock
13.7	10.5	7.7	11.5	7.0	Direct Payments
-4.8	24.6	-2.0	12.4	-12.4	Manufacturing
5.6	2.3	4.5	3.6	1.6	Mineral Production
21.7	-2.8	3.3	12.5	11.2	Electric Power Sales
31.8	-38.6	18.1	12.7	10.8	Export Sales
4.9	5.9	6.6	8.4	2.1	Housing Starts (no. of units)
					Retail Trade
					<b>FOREIGN EXPORTS</b>
22.4	21.2	13.9	17.1	6.2	Total Exports
30.0	21.5	13.9	19.0	13.1	USA
					<b>GROSS DOMESTIC PRODUCT</b>
5.7	4.8	4.5	3.3	3.0	Nominal
3.6	2.3	2.2	4.1	3.4	Real
					<b>BASE RATE WAGE SETTLEMENTS (%)</b>
-	-	-	-	-	Public
-	-	-	-	-	Private
-	-	-	-	-	Total
					<b>INVESTMENT</b>
-0.8	7.4	9.4	12.7	10.4	Total
6.6	2.7	15.6	18.4	8.4	Private
-14.9	18.7	-3.7	-1.5	16.2	Public
-6.7	14.7	9.1	14.9	11.1	Non-residential
24.0	-15.3	10.4	3.6	6.8	Housing
					<b>POPULATION</b>
0.5	0.5	0.4	0.2	0.2	July 1 (000's)
					<b>LABOUR MARKET</b>
0.4	0.1	0.9	1.4	0.4	Labour Force (000's)
0.5	2.0	0.8	2.4	1.4	Employment (000's)
-	-	-	-	-	Participation Rate (%)
-	-	-	-	-	Unemployment Rate (%)
					<b>CONSUMER PRICE INDEX</b>
1.4	2.7	2.2	2.2	1.3	(Index, 1992=100)
					<b>BANKRUPTCIES</b>
-15.4	-6.7	39.5	-0.3	-8.9	Business
-46.2	42.9	140.0	-20.8	42.1	Farm
-4.5	10.8	10.1	0.8	-12.6	Personal