

Budget Paper A

**THE
ECONOMY**

THE ECONOMY

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■ CANADIAN ECONOMY

Canada's economy entered into a recession in the fourth quarter of 2008, contracting at an annualized rate of 3.4% (see Chart 1). Growth is likely to remain negative in the first quarter of 2009. Most economic forecasters expect the current downturn will not ease until later in 2009. Overall, Canada's real Gross Domestic Product (GDP) grew by 0.5% in 2008, down from 2.7% growth in 2007, its slowest growth since 1991.

Canada's uneven economic performance in 2008 stemmed largely from significant international economic and financial developments especially in the U.S., Canada's largest export market. According to the National Bureau of Economic Research, the U.S. economy began contracting in early 2008 after a six-year expansion. Real GDP declined by an annualized rate of 0.5% in the third quarter then plummeted in the fourth quarter by 6.2%, the worst quarterly performance since the first quarter of 1982. The financial crisis in the U.S., a collapse of the housing market and significant retrenchment of consumer spending due to the battered labour market and significantly lower confidence all contributed to make the U.S. economic environment one of the most turbulent in a generation. Particularly dramatic has been the large ongoing string of U.S. job losses, as employment declined by 4.4 million between the start of the recession in December 2007 and February 2009.

The financial and economic turmoil in the U.S. has led to a dramatic weakening of global economic growth, with the International Monetary Fund (IMF) and World Bank both projecting world GDP growth in 2009 will be the worst since the Second World War. Recent economic and financial developments are largely unprecedented in modern times, causing considerable uncertainty about the likely severity and potential duration of the recession. The IMF, G20 and other international organizations have called on national governments to both increase fiscal stimulus to boost demand and adopt measures that would facilitate greater financial system liquidity and ease credit market conditions. Many countries, including Canada, have responded to these calls for action. New measures to address credit market difficulties and support growth will continue to be introduced.

The significant deterioration in the Canadian economic situation and outlook prompted the Bank of Canada to cut interest rates sharply throughout 2008. Between December 2007 and March 2009, the Bank of Canada reduced the overnight target rate 400 basis points (bps) to the present historically low level of 0.5%. In large measure, the Bank's actions paralleled those in the U.S., where the U.S. Federal Reserve cut the U.S. Fed Funds rate to 0.25% in December 2008, down 425 bps from December 2007 (see Chart 2).

Chart 1

Canada-U.S. Real GDP Growth

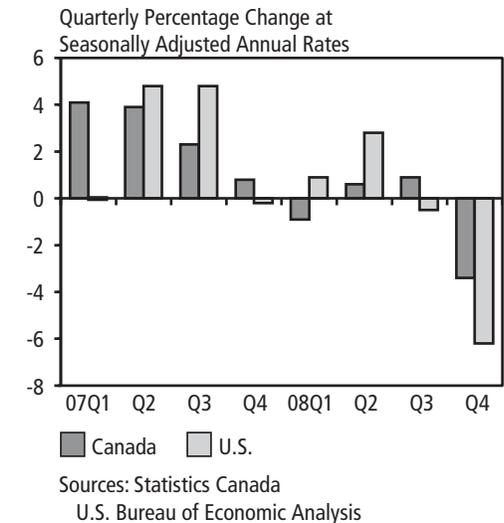


Chart 2

Canada and U.S. Interest Rates

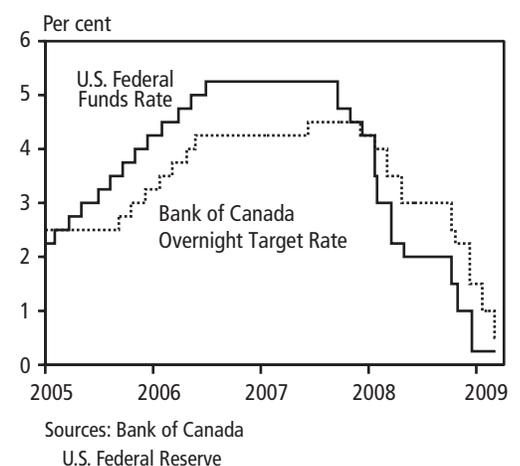


Chart 3
Canada-U.S. Exchange Rate

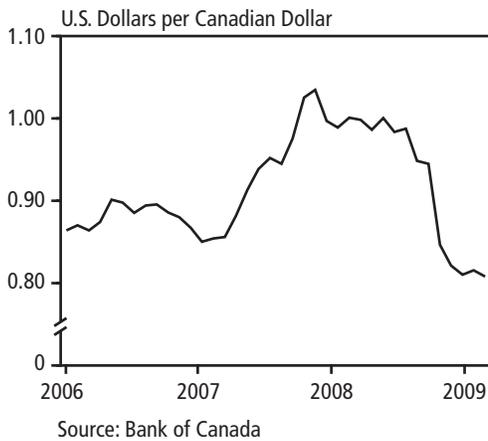
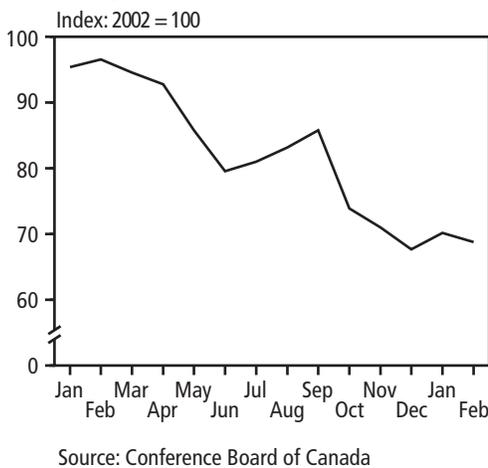


Chart 4
Canadian Index of Consumer Confidence, January 2008 to February 2009



Collapsing primary commodity prices later in 2008 and falling demand conditions have reduced inflationary pressure in Canada despite these interest rate reductions. Canada's Consumer Price Index (CPI) increased 2.3% in 2008, up marginally from 2007 but within the Bank of Canada's 1-3% target band for CPI inflation.

The volatile global economy in 2008 dominated commodity market conditions as prices for most commodities generally rose through the first half of 2008 then collapsed dramatically in the latter part of the year. Between July 2008 and February 2009, prices have fallen for crude oil by 71%; for natural gas by 53%; for agricultural products by 29%; and for metals and minerals, by 27%. While producers of many of these products enjoyed a strong escalation of commodity prices over the past several years, the speed and severity of the commodity price declines toward the end of last year had a large and negative impact on many primary industries. In particular, capital investment plans for many commodity producers were scaled back dramatically as a number of projects became no longer viable at current price levels.

Falling commodity prices played a significant role in the decline of the Canada-U.S. dollar exchange rate in 2008. From a high of US\$1.029 in February 2008, the Canadian currency fell sharply beginning in September, closing 2008 at approximately US\$0.82. Overall, the Canadian dollar averaged US\$0.938, little changed from 2007 (see Chart 3). This follows several years of strong appreciation in the Canadian currency, with the annual value of the Canadian dollar increasing 46% relative to the U.S. currency between 2002 and 2007.

One of the most dramatic developments in Canada's economy has been the sharp job losses incurred since October 2008. Through to February 2009, employment declined 295,000 jobs, erasing all of Canada's job gains for the previous 14 months and pushing Canada's unemployment rate up to 7.7%, well above the 2008 average of 6.1%. Particularly hard hit was central Canada, where losses in manufacturing employment continued for the fourth consecutive year in 2008.

Uncertainty in the labour market, declining values of personal assets and slowing income growth all had a negative impact on consumer activity last year. Retail sales advanced 3.2%, the weakest growth since 1992. Weakness was more evident near the end of the year with December's decline of 5.4% the largest monthly decline in over 15 years. The number of new motor vehicles sold in Canada declined 0.9% after three consecutive years of growth. Housing starts fell 7.6% to the lowest level in six years. Both the level of residential resales and the average residential resale price in Canada declined last year, with particular weakness in Alberta and Ontario. Canada Mortgage and Housing Corporation projects that housing starts will decline a further

24% in 2009, and residential resales will continue to slide this year, falling 14.6% after a 17.1% decline in 2008.

Led by public sector spending, Canada posted a 5.2% gain in capital investment in 2008. However, private capital investment grew by only 1.6%, the smallest increase since 1995. For 2009, Statistics Canada's survey of private and public investment intentions indicates that Canada's capital investment is expected to decline 5.4%, the weakest performance since the survey started in 1992. Private capital investment is expected to fall 9.3%, also the steepest decline since 1992, while public capital investment is expected to increase 9.5%.

Projections for Canada's economy in 2009 point to continuing weakness. Most forecasters do not expect an appreciable economic recovery until later in 2009 or in 2010. Manitoba Finance's survey of private economic forecasters shows that Canada's real economic output will decline 1.8% this year, the worst performance since 1991. Nominal GDP growth will contract even more, by 2.4%, with continuing weakness in prices undermining growth; similarly, Canada's CPI is projected to increase by only 0.3%. This would be the smallest annual increase in consumer prices since 1994. Employment is expected to contract 1.5%, while Canada's unemployment rate is projected to increase to 8.1%.

■ THE MANITOBA ECONOMY

The uncertainty about the depth and extent of global financial conditions coupled with an economic recession, in both Canada and the U.S., are beginning to weigh on the Manitoba economy. After several years of solid growth, recent economic indicators suggest a softening in both domestic and external markets.

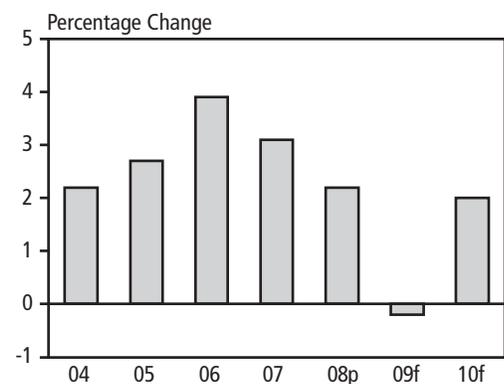
In 2008, the Manitoba economy remained resilient in the face of a weakening external economic environment. Preliminary estimates show real output grew 2.2% last year, surpassing Canada's growth for the third consecutive year. Manitoba posted solid growth of 3.9% and 3.1% in 2006 and 2007, respectively (see Chart 5). Incomes generated in Manitoba slowed slightly with nominal GDP growth estimated at 6.3%, down from 7.8% in 2007.

Supported by double-digit annual growth in construction and agriculture industries, Manitoba's goods-producing sector expanded 3.1% in 2008 (adjusted for inflation). Due to a contraction in global demand, output in both mining and manufacturing declined last year. The service-producing output increased 1.8% last year, with almost all service industries showing relatively modest growth. Retail was the strongest service-producing sector in

Despite a slower pace of economic growth, a number of major capital projects will ensure Manitoba remains among Canada's top economic performers in 2009 and 2010.

Canada Mortgage and Housing Corporation, February 2009

Chart 5
Manitoba Real Gross Domestic Product



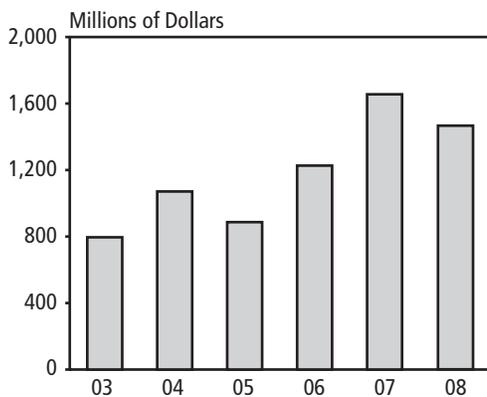
p - Preliminary f - Forecast

Sources: 2004-2008: Manitoba Bureau of Statistics
2009-2010: Manitoba Finance, survey of economic forecasters

While the global recession will slow Manitoba's economy, sectors that propelled the province in the past few years will continue to support economic activity. Large public and private capital projects, a resilient labour market, and personal income tax cuts will lift Manitoba's economy....

Conference Board of Canada,
March 2009

**Chart 6
Manitoba Labour Income,
Annual Increase**



Source: Statistics Canada

2008, expanding 4.0%. The strong real estate market buoyed growth in both owner-occupied dwellings and real-estate sectors last year.

Generally, most key economic indicators posted solid gains through the first nine months of 2008, but softened toward the end of the year. Business and consumer expenditures supported above-average growth in domestic demand. Solid personal income growth lifted retail sales growth to 7.1% in 2008. Investment expenditures on commercial and residential structures, repair and renovations, and machinery equipment remained firm. Due to expanding local demand and declining foreign demand, imports outpaced exports, dampening overall economic growth.

Manitoba's labour market marked its best growth in six years with the number of jobs expanding by 10,200, or 1.7%, slightly above the national growth of 1.5%. At 4.2%, Manitoba's unemployment rate in 2008 was the lowest in over thirty years. The positive labour market activity contributed to the 6.0% gain in labour income, the second-highest rate in 24 years. Recent data show that Manitoba's labour market conditions softened somewhat in late 2008 and early 2009.

In contrast to deteriorating housing market conditions in other regions, Manitoba's new housing construction has experienced only modest softening. Supported by strong population growth, low interest rates and a strong labour market, the number of new housing starts slipped 3.5% in Manitoba compared to a 7.6% drop in Canada. The resale market continues to set record dollar value sales, although the number of units sold modestly declined, suggesting that the sector is moving from a "seller's" to a "balanced" market.

Despite declining economic activity in the U.S. and Canada in 2008, Manitoba's manufacturers increased sales to a record \$16.4 billion. Manufacturing sales growth has far exceeded the national average in all of the past eight years. With a sharp increase in the spring, the value of Manitoba sales increased 1.8% in 2008 even as national sales fell 0.5%. Since September, Manitoba's manufacturing sales have declined but not as fast as national sales.

Manitoba is a key producer of nickel, copper, zinc and gold. As base metal prices sharply retreated in 2008, the total production value of these key metals fell 36%. All key metals experienced a reduction in output except gold. Supported by strong prices and moderate growth in the quantity extracted, Manitoba's value of gold production increased 26.5% to \$113.4 million in 2008.

Results from Manitoba's diversified agriculture sector were mixed in 2008. The grains and oilseeds harvest was above average and prices through the first half of the year were strong in response to increased demand from Asia and from ethanol producers. Livestock producers, on the other hand, experienced

Manitoba Real Gross Domestic Product, at Basic Prices by Industry, 2007 and 2008p

(Millions of Chained 2002 Dollars)

	2007	2008p	Percentage Change
Goods	10,559	10,882	3.1
Agriculture	1,662	1,836	10.4
Mining	686	640	-6.7
Other Primary	78	69	-12.2
Manufacturing	4,690	4,669	-0.4
Construction	1,894	2,144	13.2
Utilities	1,549	1,524	-1.6
Services	27,278	27,778	1.8
Transportation & Warehousing	2,666	2,695	1.1
Information & Culture	1,182	1,166	-1.3
Wholesale Trade	2,271	2,294	1.0
Retail Trade	2,618	2,722	4.0
Finance & Insurance	2,139	2,154	0.7
Real Estate	1,620	1,652	2.0
Imputed Rent	3,208	3,288	2.5
Professional Services	980	1,002	2.2
Other Business Services	682	698	2.3
Federal Government	1,233	1,256	1.9
Provincial Government	866	878	1.4
Municipal Government	511	523	2.4
Education Services	1,975	2,015	2.0
Health & Social Services	3,058	3,130	2.4
Arts, Entertainment & Recreational	372	379	2.0
Accommodation & Food	789	797	1.0
Other Services	1,110	1,129	1.7
Real GDP at Basic Prices	37,837	38,660	2.2

p - Preliminary

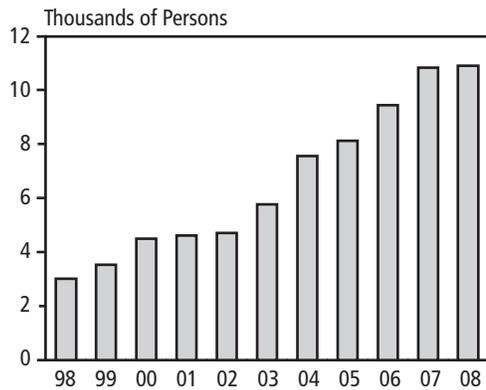
Source: Manitoba Bureau of Statistics

Totals may not add due to rounding and chained.

Percentage change based on unrounded data.

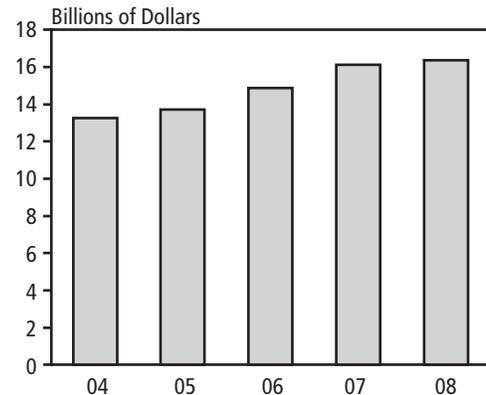
deteriorating market conditions as feed, fuel and other costs increased while demand for their products waned from slower export growth, especially to the U.S. Overall farm incomes posted good gains, with the positive performance in the crops sector more than offsetting weaker conditions for livestock producers.

Chart 7
Manitoba Immigration, 1998 to 2008



Note: October 1 annual data
Source: Statistics Canada

Chart 8
Manitoba Manufacturing Sales



Source: Statistics Canada

Consumer prices, like many industrial prices, increased through the first nine months of 2008 and then decreased as global economic weakness precipitated a correction in energy demand. From September 2008 to February 2009, consumer prices fell by 1.8%. On average in 2008, consumer prices increased 2.3%, equal to Canada, with shelter and food prices rising the fastest and clothing and footwear prices falling.

Manitoba has been proactive and successful in expanding its population base at a critical period when labour shortages were developing in many sectors of the economy. During a period of weaker economic growth, workers and families tend to move to where the jobs are. With continuing employment opportunities in Manitoba, especially in construction and other highly skilled sectors, Manitoba seeks to attract increasing number of new migrants in 2009. The Province is currently facilitating efforts by Manitoba employers to recruit the necessary skilled workers from around the world, most recently from Iceland where there is an acute unemployment problem. Manitoba will continue to implement measures which support the training, recruitment and retention of skilled workers.

Manitoba Finance conducts a survey of independent forecasters in order to establish a consensus economic projection for Manitoba. Due to increasing uncertainty generated by global developments, the consensus among forecasters for 2009 performance has tended to weaken steadily over the past year.

Currently, Manitoba's real GDP is expected to contract 0.2% in 2009, the weakest performance since the 3.4% decline in 1991. Partly due to Manitoba's diversified industrial base and its relatively large service sector, the province's growth in 2009 is still projected to be the second best in Canada. With almost all Canadian provinces expected to contract in 2009, Canada's real GDP is forecast to decline 1.8% this year.

Manufacturing

Manitoba has a relatively large and diverse manufacturing base. This base provides stability and overall economic growth in the province. Manufacturing is Manitoba's largest sector, generating over 12% of total GDP and providing almost 12% of total employment and wages and salaries in the province. Manitoba has the third-highest manufacturing employment share among provinces, following Ontario and Quebec.

In the past eight years, growth in Manitoba's manufacturing sales performance exceeded the national growth. Over this period, sales of value-added manufactured products rose an average 4.6% annually, while Canadian sales increased 0.9% annually.

The year-long recession in the U.S., combined with the onset of recession late in the year in Canada, led to mixed results for Manitoba's manufacturing sector. Growth in sales accelerated in the first eight months followed by a gradual contraction. With the strength at the beginning of the year, Manitoba's manufacturers set a record for the value of sales at \$16.4 billion in 2008 (see Chart 8). Manufacturers shipped a monthly average of \$1.4 billion worth of products last year. Total sales of manufactured goods rose 1.8% in 2008, well above a national contraction of 0.5%. Seven of 12 manufacturing industries posted increased sales last year.

The optimism in agriculture generated by a sharp increase in crop prices earlier in 2008 helped boost sales of chemical products (especially fertilizers) by 35.6% in 2008. Machinery receipts jumped 29.7% last year as sales of farm implements expanded (see Chart 9).

The province-wide growth in residential and non-residential construction activity last year buoyed sales of electrical and fabricated metal products by 16.5% and 14.3%, respectively. Food product sales, which are less sensitive to recessionary conditions and which account for over 22% of manufacturing sales, increased by 2.1% in 2008. The sudden fall in base metal prices significantly lowered the value of primary metal shipments from Manitoba last year.

Since September 2008, the factors identified as limiting sales growth include tighter financing conditions, declining demand for products (especially for home construction and home furnishing materials in the face of the U.S. housing slump), continued aggressive competition from foreign producers and volatile currency markets.

Some manufacturing establishments closed in 2008 but most are preparing for a period of economic slowdown by continuing to enhance productivity and scaling back staff and production. Last year, employment in manufacturing fell by 2.7%, or 1,900 positions, after increasing by 6.0% or 4,000 positions in 2007. However, Manitoba's employment loss is not as severe compared to the national loss of 3.6% or 74,600 jobs.

One of the keys to increased productivity by Manitoba manufacturers has been the higher level of the Canadian currency. While the stronger Canadian currency hurts Canadian manufacturers in export markets, it makes imported machinery and equipment more affordable. With the stronger Canadian dollar over the past several years, Manitoba manufacturers increased their investment in new production technology to enhance efficiency and lower costs. Capital investment in manufacturing machinery and equipment jumped almost 36% since 2006 (see Chart 10).

Chart 9
Manitoba Manufacturing Sales by Industry, 2008

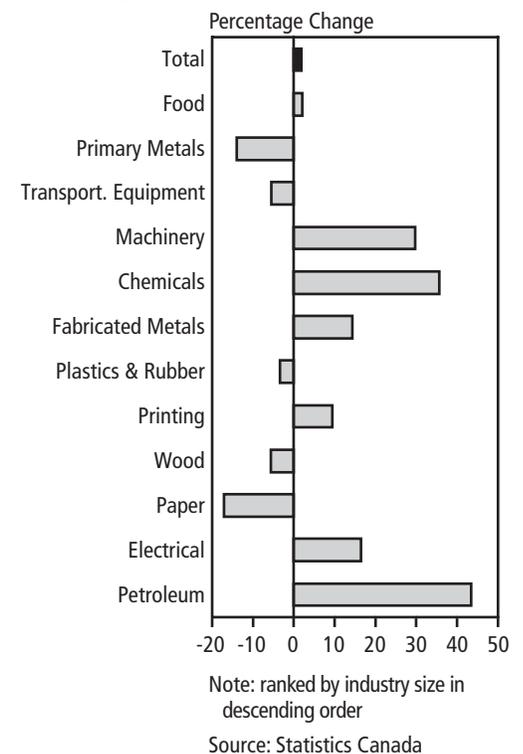


Chart 10
Manitoba Manufacturing Machinery and Equipment Investment

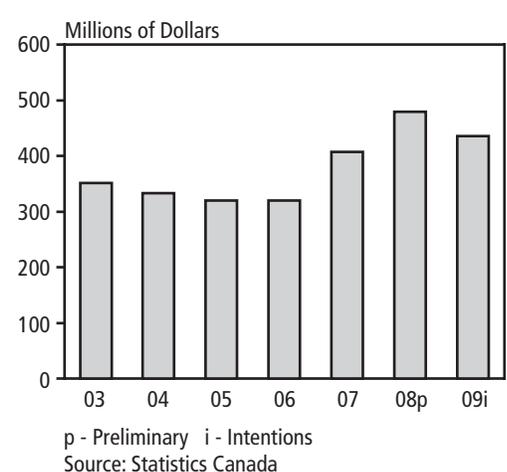


Chart 11
Manitoba Farm Cash Receipts

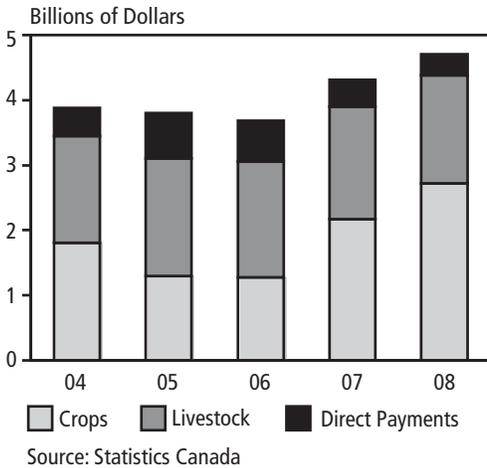
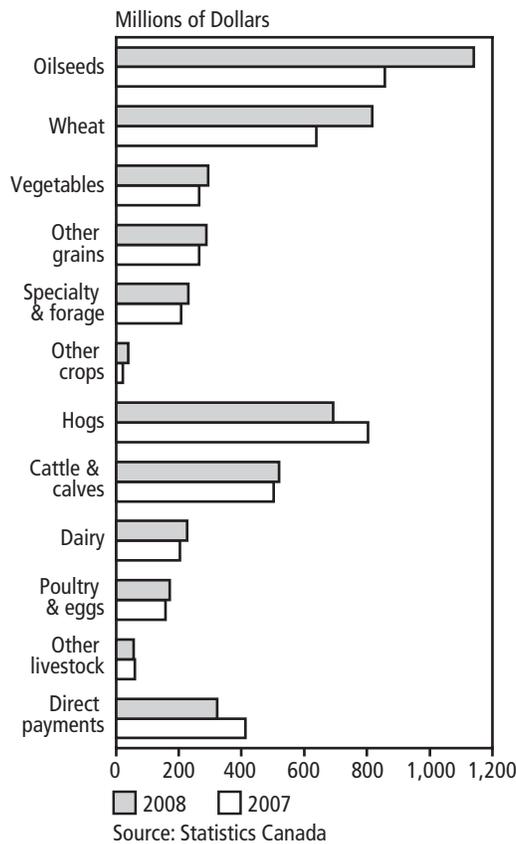


Chart 12
Manitoba Farm Cash Receipts by Product, 2007 and 2008



The changing market conditions are clearly evident in a December 2008 survey by the Canadian Manufacturers and Exporters. The survey indicates that many Manitoba manufacturing and export firms have fewer orders since September 2008 and most firms expect fewer new orders and a lower number of workers in their operations in the first quarter of 2009. The survey also looked at business financing conditions. Manitoba fared relatively well with 28% of businesses indicating difficulty in accessing financing compared to the national average of 34%.

Despite these circumstances, many Manitoba manufacturers are maintaining or expanding sales. Several transportation equipment makers, including New Flyer Industries and Bristol Aerospace, have secured long-term contracts that will maintain stable production levels. Processed food shipments are expected to increase as Maple Leaf in Brandon is operating a second shift. There are many construction projects in the province, ongoing or in the planning stages, which will buoy fabricated metal and electrical products in 2009.

Agriculture

Agriculture is a cornerstone for considerable economic activity in Manitoba. Large scale production of grains, oilseeds, vegetables, specialty crops and livestock influences a large portion of Manitoba's economy and is particularly important in rural Manitoba. The key "backward" linkages from agriculture are seed production, farm machinery and equipment manufacturing, vehicle dealerships, fertilizer production, agricultural research, credit financing and insurance. "Forward" linkages include transportation and warehousing, food and confectionery processing, retail and wholesale trade as well as restaurant services. Since Manitoba produces a surplus of agricultural commodities, the sector accounts for a sizable portion of the province's exports.

Through direct production of agricultural commodities, the sector generated over \$4.7 billion in cash receipts and has grown by 28% in the last two years (see Chart 11). Agricultural revenues are relatively evenly distributed between crop and livestock production. The 10-year average cash receipts show that crop and livestock categories of operations averaged \$1.7 billion and \$1.6 billion in annual receipts, respectively.

The surge in demand for primary products boosted most commodity prices over the last two years. This surge significantly influenced crop prices. With variable global production levels and an increased demand for grain as a gasoline substitute through ethanol production, crop prices rose sharply in early 2008. But as the financial crisis heightened in September 2008, primary commodity prices fell. Crop prices declined to levels which prevailed prior

to the 2007-2008 spike. Restrained by oversupply and declining demand, livestock prices remained comparatively flat through much of 2008.

Manitoba crop operators produced a relatively good harvest in 2008. Wheat production turned around and increased by 33.3% while canola output increased by 32.1% (see Chart 12). The fall rye and flaxseed harvests both increased by over 50%, but barley production was down by 6.2% due to lower seeded area. With the sharp up-and-down price cycle, crop cash receipts rose by 25% in 2008 following a large 70% increase in 2007. Receipts from all the major grains and oilseeds sales rose by double-digit growth rates in the last two years.

Hog and cattle producers are reducing the number of livestock on Manitoba farms as the industry adjusts to increasing input costs, shrinking demand and the uncertainty created by the new U.S. country of origin labeling (COOL) rules. The number of hogs on farms fell 4.6% in 2008 and production was down 3.3% to 9.2 million hogs. The number of hogs exported fell 10% as many U.S. buyers are reluctant to buy from Canada. The number of cattle on Manitoba farms fell 5.5% in 2008. However, cattle production increased 5.4% but the herd size shrank due to a 16.2% increase in interprovincial and international exports.

Given that Manitoba produces most of its livestock for export, the contraction in hog export contributed to a 14% decline in livestock cash receipts from hog production in 2008. Cattle cash receipts increased by 3.5% in 2008.

The uncertainty and market disruptions generated by frequent introduction of new rules and regulations for livestock exports to the U.S., including COOL, has led to new business initiatives in Manitoba. Last September, Maple Leaf's Brandon plant increased production to 85,000 hogs per week. Keystone Processors is developing a federally inspected modern beef slaughtering and processing facility in Winnipeg. In addition, Hytek Ltd. is expanding its hog processing facility in Neepawa to handle approximately 27,000 hogs per week.

The agricultural outlook for 2009, like the general forecast for the overall economy, remains very uncertain. Just prior to seeding, crop producers are looking at very indecisive market conditions. Crop prices are reacting to the latest information on weather conditions in key growing regions, to the expected harvest and to inventory levels.

Weather forecasters project a La Nina phenomenon will develop this year. This condition tends to reduce the size of southern hemisphere crops. Concurrently, the U.S. Department of Agriculture (USDA) is projecting a 4.0% hike in food prices in 2009. The USDA also projects that the U.S. wheat harvest will decline by 4.1%, due to higher than expected inventories. These conditions bode well for prices this summer.

Chart 13
Manitoba Market Receipts by Commodity

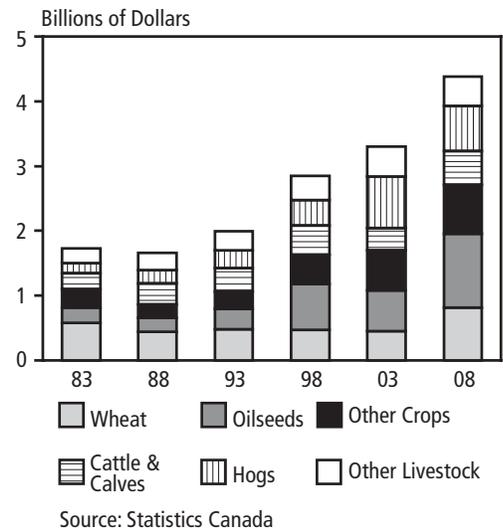


Chart 14
Manitoba Agricultural Price Index

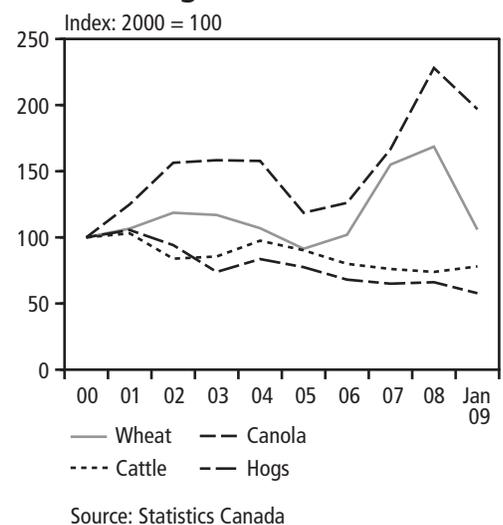
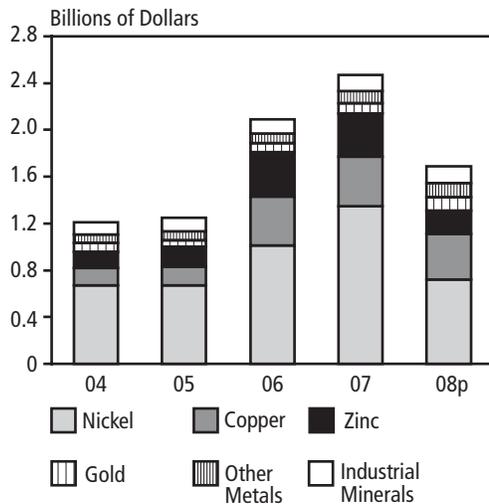


Chart 15
Manitoba Mineral Production



p - Preliminary

Note: excludes petroleum

Source: Natural Resources Canada

Livestock producers are not expecting a significant turnaround in demand. Lower feed costs and a lower dollar provide some relief but the shrinking global demand for meat may continue to hamper production. Over the longer term, as the global economy moves back into an expansionary phase and demand for meat products increase, the ongoing reduction in supply should boost prices.

Minerals

Minerals are a key contributor to the Manitoba economy and are the province's second-largest primary resource industry. Most jobs in the minerals sector are based in Northern Manitoba and offer among the highest wages. In 2008, employment in the industry increased 2.0%. Manitoba's principal mineral resources are oil, nickel, copper, zinc and gold. With the exception of gold, these commodities ended 2008 with prices that were significantly lower than 2006 and 2007 levels.

The total value of production for Manitoba's minerals, including mined metals, industrial minerals and petroleum, totalled \$2.5 billion in 2008, down 17.9% from 2007 due largely to price declines. The value of Manitoba's metals totalled \$1.5 billion, declining 33.6% in 2008 (see Chart 15). The depreciation of the Canadian dollar provided only a small offsetting benefit to producers.

In 2008, the international market for Manitoba's base metals sharply reversed the significant price gains from previous years as global demand fell and inventory levels rose substantially. For nickel and zinc, data show tight inventory levels through 2006 and into 2007. Copper stocks were low since 2003. However, as demand for metals quickly evaporated in 2008 in the face of the international economic slowdown, inventories began to accumulate. Nickel stocks jumped to their highest level in nine years and copper to the highest level in five years. Zinc inventories built up by 161% from January to December of last year.

The higher stocks pushed many base metal prices down to levels near historical averages which prevailed prior to the spike. The price of nickel fell from an average of C\$12.70 per pound in January 2008 to C\$5.43 in December, a drop of 57.3%, but slightly above its historical average of C\$5.33 between 1996 and 2005. For copper, prices fell by 46.8% from C\$3.24 per pound in January 2008 to C\$1.72 in December, but since prices fell late in the year, the average annual decline was only 4.9%. Similar to nickel, zinc prices declined steadily from C\$1.59 per pound in 2007 to an average of C\$0.62 in December 2008 and near its historical level.

Manitoba produces approximately 12% of Canada's nickel output and nickel is the province's most valuable metal. Manitoba's nickel is recognized as being

one of the highest quality in the world. With declining demand, Manitoba nickel production fell by 8.3% in 2008 to 30.8 kilotonnes (kt). Combined with weaker prices, the value of production was lowered to \$720.6 million, a 46.5% decline.

The province's copper production declined in 2008 after achieving a record level in 2007. The volume of copper output was down 7.2% to 51.5 kt, coming off of a record high in the previous year. Production value in 2008 was \$393.2 million, down 7.4% from \$424.7 million in 2007. Manitoba's copper comprises 9% of Canada's total output.

Manitoba's zinc production, which accounts for 16% of national output, fell to 98.3 kt, a decrease of 6.9% after advancing modestly over the past few years. Similar to nickel output, the value of zinc production declined 46.1% to \$198.2 million in 2008.

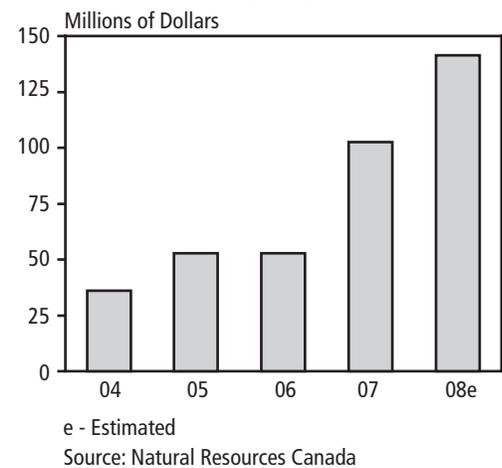
Unlike base metals, gold prices increased in 2008. Gold averaged C\$925 per ounce in 2008, up 24.2% over 2007. Being increasingly used as a safe haven for investors, and in part due to a lower Canadian dollar, gold averaged over an unprecedented C\$1,000 per ounce in December 2008, and has averaged over C\$1,100 in the first two months of 2009.

Gold output in the province increased substantially in 2006 and continued to rise in 2007. Production volumes in 2008 posted a 2.3% increase. In addition to slightly higher output, prices increased the overall value of gold production by 26.5% in Manitoba to \$113.4 million. San Gold Corporation, at its Rice Lake mine in Bissett, continues its surface drilling to define and extend its gold discovery zone this year. Other companies have completed successful drilling campaigns and discovered greater gold resources and reserves in different parts of the province. Manitoba produced 4% of all gold mined in Canada in 2008.

Mineral exploration is essential to the long-term viability of the mining sector. In Manitoba, exploration investment has generated positive results. While HudBay Minerals Inc. shut its Snow Lake mine due to collapsed prices, its Lalor Lake discovery garnered the 2009 Prospectors and Developers Association of Canada's award for the most significant Canadian mineral discovery. The Flin Flon Greenstone Belt deposit has millions of tonnes of zinc-rich minerals, both indicated and inferred, and HudBay has also discovered a new gold zone at Lalor in addition to its copper and zinc deposits.

Total Manitoba exploration investment is estimated at \$141.5 million in 2008, up 37.9% from \$102.6 million in 2007 (see Chart 16). Although total exploration was largely focussed on base metals, increasing 21.1% in 2008, precious metal exploration rose by almost three-quarters compared to 2007. A Statistics Canada survey of investment intentions shows that mining investment (including oil and gas investment) in Manitoba is expected

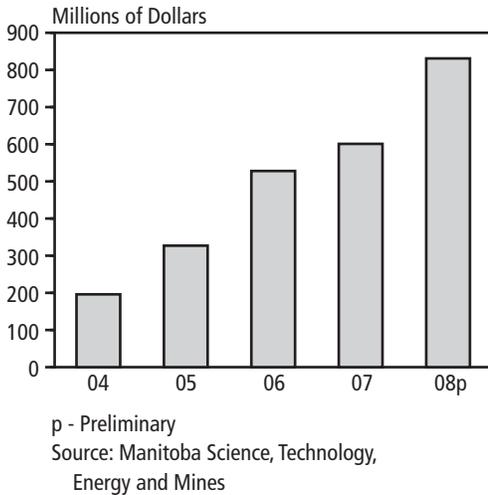
Chart 16
Manitoba Mining Exploration



Manitoba - Weathering the storm

RBC Economics, March 2009

Chart 17
Manitoba Petroleum Production Value



to decline 58% in 2009. This follows a 129% increase in mining capital investment between 2004 and 2008, the second-highest increase among provinces.

For the petroleum industry, 314 total wells were drilled, a high level but down 3.1% from 2007. Manitoba's oil production volume increased 3.7% with 1.3 million cubic metres of output, while oil prices increased to \$97.27 per barrel, on an annual average basis, from \$72.52 in 2007. Oil prices were volatile last year, finishing at \$38.70 on average for December 2008. The value of production increased to \$830.6 million in 2008, up 38.2% over 2007 (see Chart 17).

In addition to rich mineral deposits, Manitoba has a number of economic factors that support the mining and minerals sector including varied geology with high mineral resource potential, a comprehensive geoscience knowledge base, mineral exploration and petroleum drilling incentives, a transparent land tenure system, competitive business costs, skilled labour, high-quality transportation infrastructure, access to a sea port, and reliable low-cost electricity.

Electricity

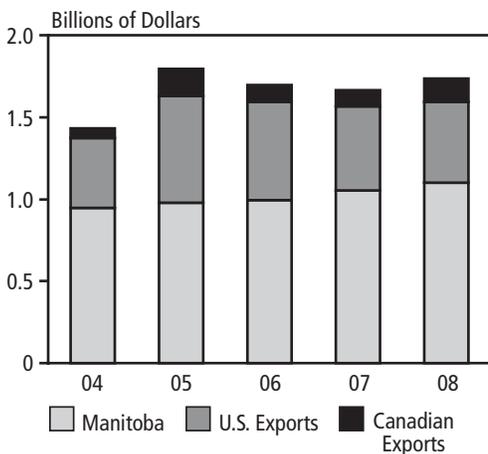
Manitoba Hydro is owned by the Provincial Government and is responsible for electricity generation, transmission and distribution within the province. Virtually all electricity produced in Manitoba is generated from water power, a renewable, clean source of energy. The province has 14 hydro-electric generating stations, primarily on the Winnipeg, Saskatchewan and Nelson Rivers. These stations have a capacity of approximately 5,000 megawatts (MW). Additional generating capacity of 462 MW is available from steam and combustion turbines in Brandon and Selkirk.

Manitoba Hydro also has a long-term purchase agreement for electricity generated at the St. Leon wind farm. Completed in 2006 with 63 turbines, the 99 MW wind farm is the first in Manitoba. Manitoba Hydro is currently in discussions for the establishment of a new wind farm at St. Joseph with an additional wind generating capacity of 300 MW.

Electricity sales grew 4.2% last year. Manitoba sales, which account for approximately 63% of total sales, grew 4.7% while sales outside the province (to Ontario, Saskatchewan and to the U.S.) grew 3.4%. The peak season for U.S. sales is in the summer to meet higher demand for air conditioning and other seasonal load.

Growth in demand for electricity and expected load growth has prompted the addition of new generating capacity. Construction is now under way on the Wuskwatim generating station, a low-impact hydro-generating unit scheduled

Chart 18
Manitoba Hydro-Electricity Sales



Source: Manitoba Hydro

to be completed by late 2011. The project involves establishing a 200 MW generation station at Taskinigup Falls on the Burntwood River. The business model for this project is unique in that it represents the first time Manitoba Hydro has entered into an equity partnership with a First Nation. The project is being managed by the Wuskwatim Power Limited Partnership, an equity partnership between Nisichawayasihk Cree Nation and Manitoba Hydro. The estimated cost for Wuskwatim is approximately \$1.6 billion. This project has supported almost 2,000 construction-related person-years of employment with about 2,800 more created by suppliers and through indirect benefits.

Manitoba Hydro plans to invest approximately \$15 billion in capital for major new generation and transmission projects over the next 10-15 years, including projects like Wuskwatim, Bipole III, Keeyask and Conawapa. These projects will serve the growing needs of Manitoba customers as well as meet Hydro's export market opportunities.

One of these projects, Keeyask, is a 695 MW facility that would be built about 725 kilometres northeast of Winnipeg on the lower Nelson River, 35 kilometres upstream of the existing Kettle generating station. It is estimated that the project would generate approximately 10,500 person-years of employment and could be in place by 2018. Like the Wuskwatim agreement, the Joint Keeyask Development Agreement provides for the four First Nations to collectively own 25% of the hydro dam.

The Conawapa generating station is also being planned. Though a schedule for this project has not been announced, preliminary engineering and environmental work on Conawapa has begun. This station would be the largest hydro-electric project ever built in Manitoba. On the Lower Nelson River, 28 kilometres downstream from the existing Limestone generating station, Conawapa would have a generating capacity of 1,485 MW. The water storage for the station is designed to remain almost entirely within the natural banks of the Nelson River, significantly limiting flooding. The generating station has a construction period of 8-8.5 years, with the earliest possible in-service date projected to be 2020. The project will create about 13,000 person-years of direct and indirect employment over its construction period.

Pointe du Bois generating station, the oldest hydro-electric plant operating in Manitoba, began producing electricity in 1911. A complete reconstruction of the station is being planned. Manitoba Hydro would construct a new powerhouse, spillway and dam with modern operating and safety standards. The capacity of the station would be increased from 78 MW to approximately 120 MW. The existing structure would be decommissioned on completion of the new station.

Manitoba Hydro Generating Stations

Station	MW
Limestone	1,340
Kettle	1,220
Long Spruce	1,010
Grand Rapids	479
Kelsey	234
Seven Sisters	165
Great Falls	132
Jenpeg	128
Pine Falls	89
Pointe du Bois	74
Slave Falls	67
McArthur Falls	55
Laurie River 1 & 2	10
Total Hydraulic Capacity	5,003

Source: Manitoba Hydro

Chart 19
Manitoba Housing Starts

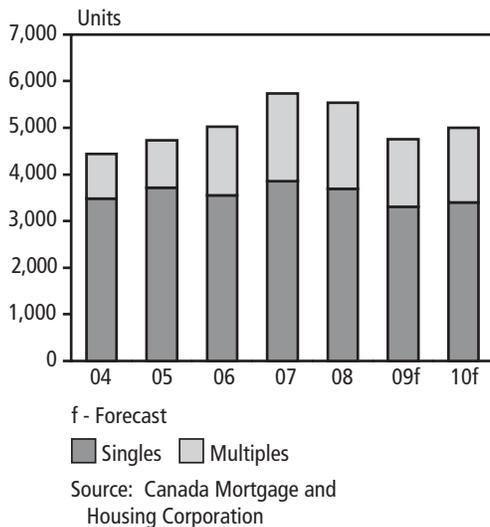
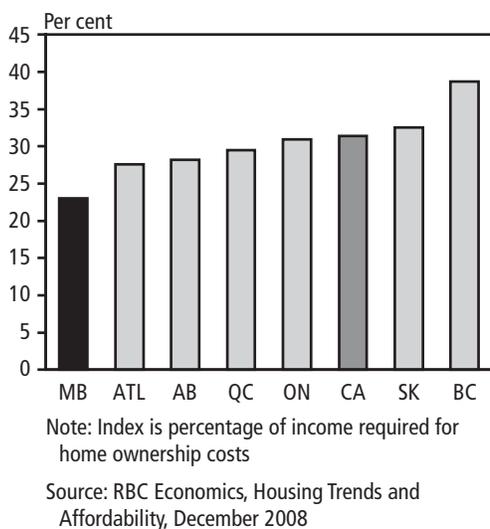


Chart 20
Housing Affordability,
Standard Condo



Housing

In contrast to sharply weaker housing market conditions in other regions, Manitoba's housing sector has experienced only modest softening. Last year, the number of new housing units constructed in the province eased from a two-decade high in 2007 and resale activity moderated. With rising average incomes, housing remained affordable amid continued price appreciation and the value of issued building permits progressively increased throughout the year.

Housing starts in Manitoba slipped 3.5% in 2008, better than Canada's 7.6% decline. Despite the slip, Manitoba starts were at the second-strongest level since 1987. Residential single-detached bungalow starts were down 4.3%, but achieved the third-highest level in 21 years. Starts of multiple units declined 1.8% after two years of large gains, with a shift to new row housing almost offsetting the decrease in apartment construction. Multiple-unit construction was at the second-highest level in two decades.

The value of residential building permits issued increased 14.4% in 2008, almost matching the annual average increase since 2000. Gains in building activity came from a variety of sources as industrial, commercial and residential permits increased while institutional and government permits declined. Manitoba experienced two surges in building permits in 2008. While the first half of 2008 gained a respectable 8.3% over the first six months of 2007, the latter half of 2008 experienced a 20.5% surge in building permits over the same period in 2007. Notable is the non-Winnipeg increase for 2008 where permits rose 19.3%, greater than the 11.3% growth of Winnipeg permits.

Multiple Listing Service (MLS) resale activity indicates a drop in the number of sales in 2008, down 3.4% from a record high in 2007 to 12,630 unit transactions. However, prices still gained as the total dollar volume of these transactions rose 8.6%. The weighted average of prices by neighbourhood for Winnipeg shows prices accelerated to 14.5% for single-detached homes in 2008. The number of MLS listings was up 10.9% in 2008.

Prices gained for new home construction as well, particularly for land. New home prices in Manitoba increased 10.2% in 2008, third highest among provinces, while the land component rose 19.7%. Growth in renovation investment spending in Manitoba was the highest among provinces last year at 12.9%, double the national increase.

Despite the price gains, Manitoba's housing remains among the most affordable in Canada. Manitoba has the most affordable townhouses and condos among Canadian regions and the third-best affordability score for detached bungalows and two-storey houses. Price increases were among the

highest for all four housing types tracked by the RBC Housing Trends and Affordability publication, but they have been offset by increasing incomes.

RBC cites only a modest risk of Manitoba households being overextended. The affordability index is not far above long-term averages, especially relative to other provinces. In addition, Manitoba had the lowest rate of mortgages in arrears at the end of 2008 according to the Canadian Bankers Association (see Chart 21). Home equity has risen in Manitoba to record levels among mortgage holders relative to housing prices, says the Canada Mortgage and Housing Corporation (CMHC), and Manitoba has among the highest equity-to-price ratios in the country, indicating that Manitoba is well positioned to weather uncertainty in the housing market.

Most forecasters predict a housing market contraction in 2009 for both Manitoba and Canada. Although mortgage rates fell during 2008, chartered banks added premiums to the prime lending rate instead of discounts. For the construction of multiples, developers are expected to face more stringent lending requirements going forward.

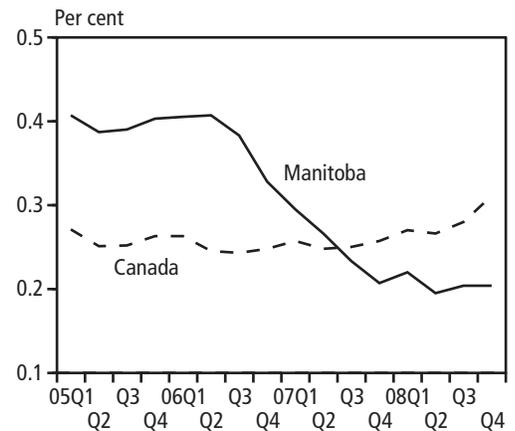
Compared to the national average, Manitoba is projected to experience a more muted housing adjustment. Although unit starts are forecast to decline 14.2%, CMHC projects the reduction to be the second-smallest decline among provinces. Canada is forecast to contract by almost a quarter in 2009. CMHC also forecasts average prices for Manitoba to slip 3.3% in 2009 after gaining 12.5% in 2008 and a significant increase of 109.4% since 2000. Canada's home prices are projected to decrease 5.2% in 2009 after a 0.7% drop in 2008.

According to Statistics Canada, Manitoba's 60.4% rise in housing investment over the past five years has been the third-highest growth in the country. Capital investment in housing grew at the third-highest rate among provinces in 2008 and a Statistics Canada survey of investment intentions projects Manitoba will have the highest increase in 2009 at 3.2%. Only two other provinces are expected to increase housing investment during 2009, with Canada's investment expected to contract 1.8% overall.

Retail Trade

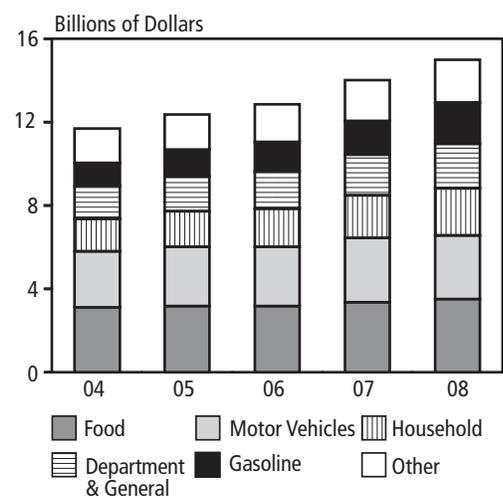
Manitoba retail sales increased to \$15.0 billion, or 7.1%, in 2008 (see Chart 22). Manitoba's growth in retail sales was third highest among provinces and ahead of Canada at 3.2%. Retail trade has expanded at a robust pace in Manitoba, growing 28.3% over the past five years, the third-highest increase in Canada.

Chart 21
Mortgages In Arrears Rate, Quarterly, 2005 to 2008



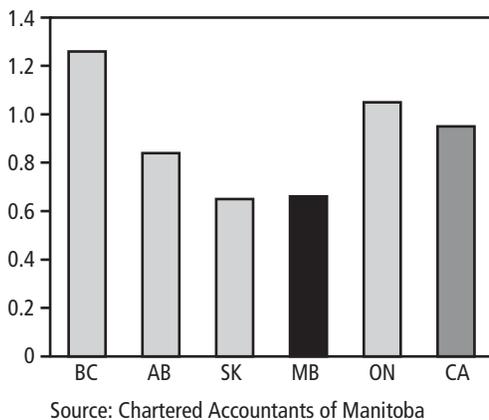
Source: Canadian Bankers Association

Chart 22
Manitoba Retail Sales by Type



Source: Statistics Canada

Chart 23
Ratio of Total Personal Debt to Personal Disposable Income, 2007



As new and existing home prices rose in 2008, the wealth effects of rising real estate prices, as well as demand for goods related to new home construction, encouraged spending. Household-related spending (home furnishings, specialized building materials and garden supplies, furniture, and home electronics and appliances) were among the fastest-growing sectors, increasing 10.5%.

The largest gain in retail sales came from higher gasoline prices which contributed to a 22.9% increase in gas sales. The average retail price for regular gasoline in Manitoba was over \$1.16 per litre in 2008, pushing the gasoline component of the CPI up 13.7% from 2007. Gasoline sales account for over 13% of all Manitoba retail sales.

New car dealers saw a 2.6% decline in the dollar value of sales in 2008 even as the number of units sold increased. Bucking the national trend of falling new motor vehicle unit sales, Manitoba sales increased 2.0% compared to 2007, up to 48,048 units.

Car buyers responded to gas prices by moving to passenger cars from larger, more expensive trucks, which include SUVs and minivans. Car sales increased 7.6%, more than offsetting the 2.1% decline in truck sales. Truck units sold represented the majority of new motor vehicle purchases in 2008 at 55%, while car sales gained market share on trucks for the first time in seven years.

Used and recreational vehicles and parts sales gained 4.8%, after growing at an annual average rate of 18.8% since 2000, the fastest-growing retail sector over that period.

While Manitoba's retail sales performance was robust, sales growth weakened in the last two months of the year. November and December 2008 sales showed no gain compared to the same period in 2007, while Canada's sales in the same period fell 3.9%.

Manitoba continues to have among the lowest ratios of personal debt to personal disposable incomes in Canada. In 2007, Manitoba debt-income ratio was 66%, well below the Canadian average of 95% (see Chart 23). The low level of Manitobans' personal debt relative to incomes suggests consumer activity will not be as adversely affected in an economic slowdown relative to those jurisdictions where household finances are more highly leveraged.

Tourism

Manitoba relies more heavily on U.S. tourists than Canada as a whole and both tourism industries were not immune from the downturn in the U.S. economy. In spite of the difficult economic context, Manitoba tourism had several bright spots.

The total number of non-resident travellers entering the country in Manitoba fell 11.8% in 2008, while Canada overall fell 9.9%. The number of U.S. travellers fell 12.6% for Manitoba and 12.0% for Canada. Auto travellers faced a higher currency for most of the year and gasoline prices were in excess of US\$4 per gallon for a large part of the summer driving season, exerting a drag on visits. The latest state-level data show North Dakota and Minnesota comprised almost 60% of the visitors to Manitoba in 2007 but only 30% of receipts, while tourists from the rest of the U.S. provided 70% of tourism receipts.

Overnight trips to Manitoba by U.S. residents were down 9.8%. Same-day trips were particularly weak, down 16.0%. Sensitivity to gas prices and the exchange rate were factors, as gas prices were high throughout the first three quarters of 2008 and the Canadian dollar hovered near par relative to the U.S. dollar for the first half of 2008. The average exchange rate value of the Canadian currency for the first three quarters was up 5.0% compared to the 2007 average.

While U.S. visitations were down in 2008, non-U.S. visitors to Manitoba surged in 2008, increasing 14.4%, while Canada saw this group increase only 1.8%. In 2007, the largest source countries for Manitoba visitors were the United Kingdom, Germany and Japan, according to the latest available data.

According to Statistics Canada, growth of tourism expenditures in 2007 was the highest in Canada. Manitoba's growth of 10.4% was well above the 2.2% national increase.

The domestic tourism market was buoyed by Manitoba's popular festivals and events in 2008. For example, Folklorama, North America's largest and longest-running multicultural celebration, drew 446,000 visits to its 44 pavilions, down 2.8% from a large attendance in 2007. The Winnipeg Fringe Festival attained a new paid attendance record at 72,699 for the 12-day event. The Winnipeg Folk Festival reported 45,325 concert-goers, also achieving a new attendance record.

Passenger traffic at Winnipeg's James Armstrong Richardson International Airport was steady in 2008 after a record year in 2007, with a drop in domestic flights offset by a large pick-up in international air traffic.

Although the number and value of meetings and conventions dropped in Winnipeg, hotel occupancy rates rose to 68.9% last year. For Manitoba, the occupancy rate rose to 67.1%, average daily room rates were up 6.8%, and revenue per available room also increased, by 9.8%. Overall, Manitoba outperformed Canada with increased domestic and overseas travel to Manitoba offsetting lower U.S. volumes.

Manitoba's economy has proven very resilient over the past ten years and has generated steady growth. With a fairly diversified manufacturing base and meaningful finance, insurance, health care, government and transportation sectors, the provincial economy shows less volatility than its manufacturing and resource-reliant neighbours. The Province has one of the lowest unemployment rates in the country and a below-average reliance on international exports.

DBRS, December 2008

Chart 24
Manitoba Employment and Unemployment Rate

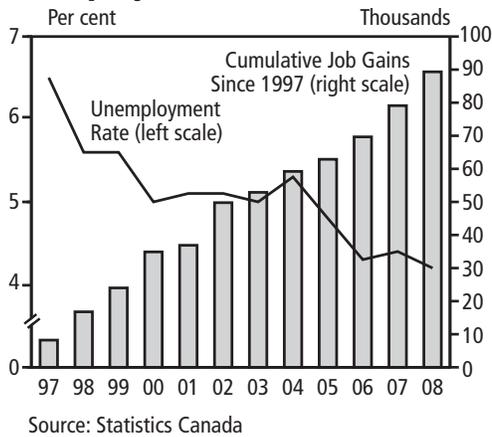
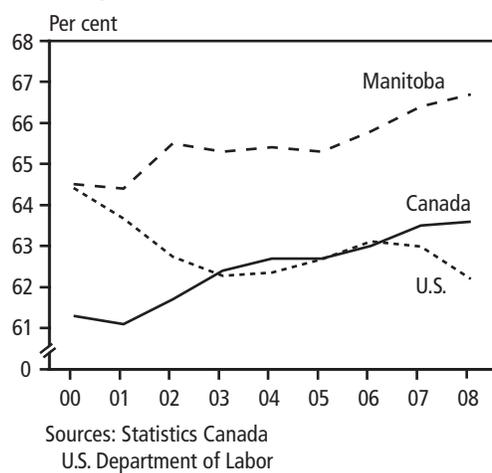


Chart 25
Manitoba, Canada and U.S. Employment Rates



Manitoba's decline in U.S. tourists is part of a general nationwide trend. Canada and Manitoba have seen declining volumes over the past several years. Canada's U.S. visitors have declined every year since 1999, and for Manitoba, since 2000, exacerbated by the September 2001 terrorist attacks and the ascent of the loonie beginning in 2003. The number of visitors in 2008 is the lowest level on record dating back to 1972 for both Canada and Manitoba. In contrast, non-U.S. visitors have generally increased. The past five years have seen continued gains in non-U.S. visitors for both Canada and Manitoba.

The Conference Board of Canada estimates gains for domestic overnight visits to Manitoba at 4.0% in 2008 and total overnight visits at 3.0%, both ranking among the best performances in Canada. Manitoba's tourism sector is expected to outperform most other provinces again in 2009, due to the province's relatively good economic performance, and will rank second for growth in total overnight visits.

Domestic visits to the province are projected by the Conference Board to be boosted by business travel and supported by pleasure trips. Visits by U.S. and overseas residents are expected to fall in step with the national declines, but total travel receipts are forecast to grow 3.3%, second best among provinces. Next year, the province will host Manitoba Homecoming 2010, a year-long celebration of Manitoba's 140th birthday.

Labour Markets

Last year was a strong year for Manitoba's labour market. Employment expanded by 10,200, or 1.7%, slightly above the national average growth of 1.5% and fourth best among provinces. This was Manitoba's best provincial employment growth rate in six years.

Manitoba continued to see sharp increases in full-time employment in 2008, as full-time job growth accounted for virtually all of the net new job gains in the province. Over the last two years, the province generated 20,400 full-time positions, while posting a reduction in 700 part-time positions.

Increasing job opportunities throughout the province attracted 9,100 new workers into the labour force and helped push the unemployment rate down to 4.2%, the lowest in over 30 years. The number of unemployed workers fell by 1,100, down 4.0%, the largest reduction of unemployed workers among provinces. Notably, the Manitoba unemployment rate declined from 4.4% to 4.2%, its lowest level in over 30 years.

The labour force participation rate and the employment rate illustrate the level of engagement of the population in the labour market. Last year, both rates in Manitoba rose to historical record-high levels (see Chart 25).

Employment growth in 2008 was particularly strong in the goods-producing sector, where the number of jobs expanded by 2.2%. Construction employment increased by 3,800 positions and utilities employment increased 1,200 positions. Agricultural employment increased slightly but manufacturing and mining (including forestry and fishing) employment fell. Overall, manufacturing employment declined by 1,900.

Employment growth in the service-producing industries was driven by an increase in health care (3,200) and finance, insurance and real estate (1,700). Retail and wholesale trade, and transportation and warehousing also reported employment gains. Public administration (-1,800), information and culture (-1,400) and accommodation and food services (-1,200) shed jobs last year.

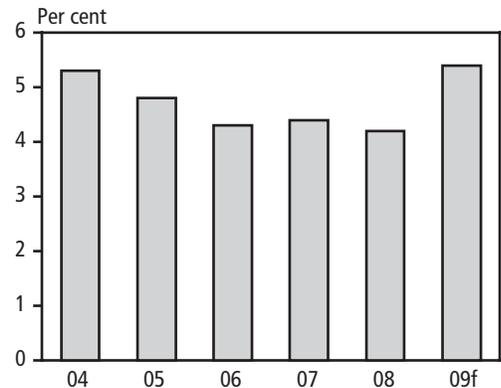
With a severe recession in the U.S. labour market and a sharp reduction in Canadian employment over the past four months, the employment prospects for 2009 remain extremely uncertain. Private economic forecasters, the federal government and the Bank of Canada have all progressively revised down the Canadian outlook for 2009.

Most recently, Manitoba's employment levels have shown little change in the last quarter of 2008 and into early 2009. This follows rapid growth of employment in the first part of 2008. Similarly, the positive trend in the number of reported hours worked has slowed.

The current Manitoba Finance survey of private sector economic forecasts indicates a 0.4% loss in employment in 2009, the second best among provinces. National employment is expected to fall by 1.5% or 257,000 positions. The survey shows declining employment in all provinces except Saskatchewan.

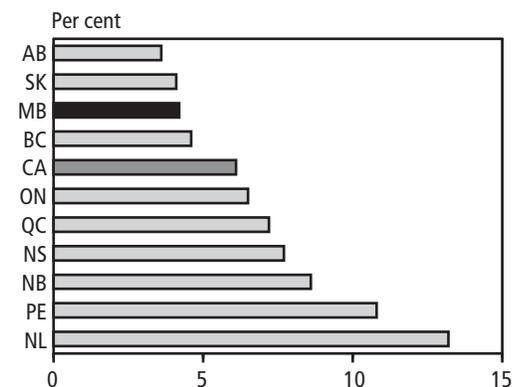
Manitoba's unemployment rate is expected to climb to 5.4% in 2009, tied for second lowest among provinces, and well below the national average of 8.1%.

Chart 26
Manitoba Unemployment Rate



f - Forecast
Sources: 2004-2008: Statistics Canada
2009: Manitoba Finance, survey of economic forecasters

Chart 27
Unemployment Rate by Province, 2008



Source: Statistics Canada

Labour Market Definitions

Employment: Number of non-institutionalized, civilian working-age adults (15 years of age and older) working at paid jobs plus those who are self-employed, including unpaid workers who contribute to the family's farm or other business.

Unemployment: People without work who are available for work and are actively looking for jobs, or have looked for work in the previous four weeks.

Labour Force: The sum of employed and unemployed. Excludes those who are not employed and who are not looking for work.

Participation Rate: Labour Force as a percentage of working-age adults.

Employment Rate: Employment as a percentage of working-age adults.

Chart 28
Manitoba Total Capital Investment

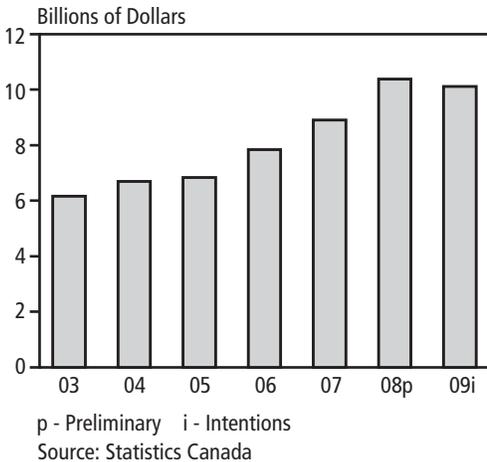
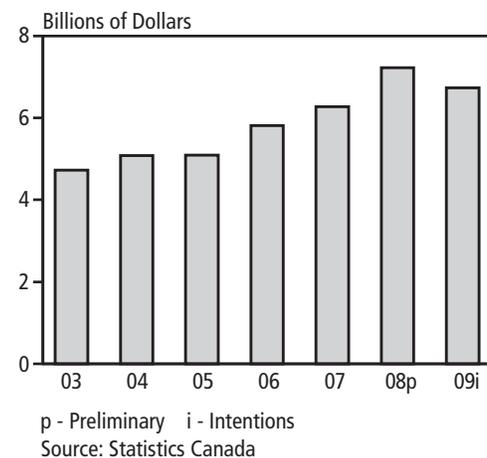


Chart 29
Manitoba Private Capital Investment



Investment

In 2008, capital investment in Manitoba grew at a strong pace. Total capital investment increased by 16.7%, second best in Canada (see Chart 28). Manitoba led all provinces in Canada with a 15.2% increase in private investment (see Chart 29). The \$954 million increase in private capital spending was the largest annual increase recorded in Manitoba in over 16 years. However, with the current global economic uncertainty, tighter credit conditions and completion of several major projects, the level of capital spending is expected to decline in 2009.

The positive momentum in capital spending began in 2004, when real business capital investment exceeded the \$6 billion threshold (inflation adjusted to 2002 dollars). Within the next three years, real annual investment levels rose to \$7.4 billion. Current preliminary estimates show private capital investment reaching \$8.3 billion in 2008.

Private capital investment is broken down into three categories; residential construction, non-residential construction (commercial buildings) and machinery and equipment. During the current capital investment boom, all three categories have grown substantially since 2003: real residential construction expanded 44%, non-residential construction expanded 65% and machinery and equipment spending increased 38%.

The capital spending has been broadly distributed among industries, with transportation and storage and utilities leading non-residential construction spending, and mining, oil and gas extraction and the construction sector itself leading in machinery and equipment spending.

While private investment has posted good growth over the past several years, public investment has significantly increased, facilitating infrastructure development in the province. Over the last four years, in real 2002 dollar terms, government capital investment increased from \$816 million in 2003 to an estimated \$1,550 million in 2008.

The new investment generated by private and public capital projects has vaulted capital spending from 17% of total Manitoba GDP in 2003 to almost 23% in 2008.

The outlook for business and government investment in 2009 is reflected in Statistics Canada's 2009 Private and Public Investment in Canada, Intentions survey. The survey projects reduced investment activity in almost all provinces. Capital investment in Manitoba is expected to decline 2.6%, sixth among provinces and less than half the national decrease of 5.4% (see Chart 30).

The survey indicates continued increases in housing-related investments at 3.2% in 2009, following 16% annual growth in the previous two years. Total capital expenditures are projected at \$10.1 billion in 2009, down from \$10.4 billion in 2008. Manitoba's five-year average investment level is \$8.1 billion.

Overall, Manitoba's private capital investment is expected to decline 6.8%, more muted than the projected national decline of 9.3%. Public investment is projected to grow 7.0%, below the national increase of 9.5%.

Among industries, the decline in capital spending is relatively broad based with mining exploration and forestry taking a large impact. With several new hotels planned for the near term, accommodation and food services industry capital investment is expected to increase 16.7%. Investment in the utility sector is expected to increase 10.3%.

Several major capital projects have just been completed, are under way or are being planned. Examples include the following.

- **Magellan Aerospace** is investing up to \$120 million in new equipment, research and training over the next five to seven years to facilitate work on the Joint Strike Fighter military jet program in development for the U.S. military.
- **Standard Aero** is spending more than \$20 million on a plant expansion that could create more than 300 jobs over the next six years. The aircraft-engine repair company is building an 80,000-square-foot addition to its division that does the maintenance, repair and overhaul on General Electric engines that power Bombardier Regional Jets and similarly sized Embraer jets from Brazil.
- **TransCanada Corporation** is building its \$5.2 billion Keystone Pipeline, a crude oil pipeline stretching from Hardisty, Alberta through Manitoba to the U.S. Midwest markets at Wood River and Patoka, Illinois. The Manitoba component of the pipeline is estimated to cost over \$400 million.
- **Hytek Ltd.** is investing \$59 million in its **Springhill Farm** hog-processing facility in Neepawa, Manitoba. This will enable the processing facility to increase production from 800,000 hogs a year to 1.4 million.
- **Keystone Processors** (formerly Natural Prairie Beef) is converting the former Maple Leaf pork processing plant in Winnipeg into a beef processing facility. The company will initially use the plant to process cuts of premium-brand naturally raised beef and eventually to turn the plant into a federally inspected, modern beef slaughtering and processing facility.
- **Weston Bakeries** is currently building a new \$25 million manufacturing plant in Winnipeg.

Chart 30
**Total Capital Investment
Growth, 2006 to 2009i**

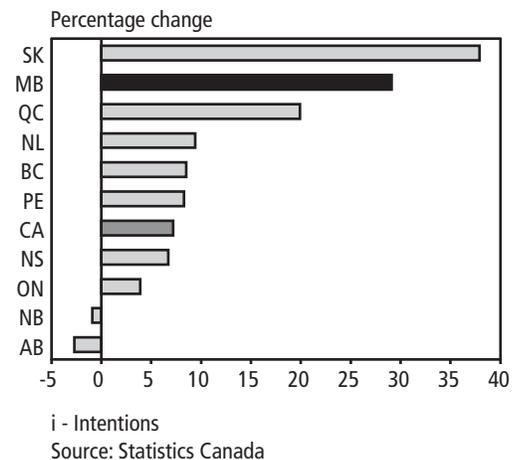
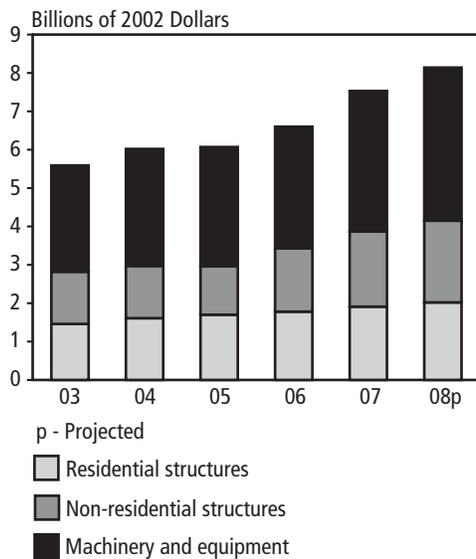


Chart 31
Real Capital Expenditures by Category



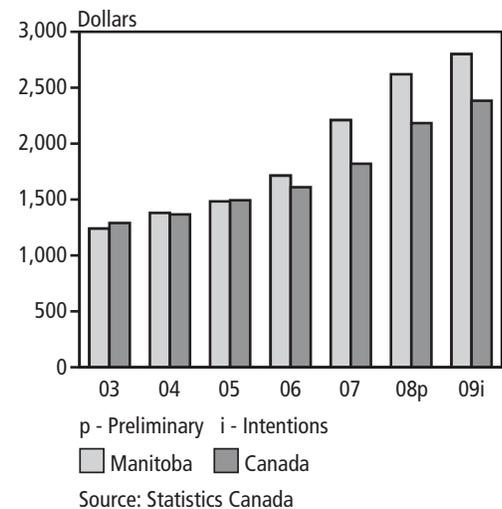
Source: 2003-2007: Statistics Canada
 2008: Manitoba Bureau of Statistics

- **Sunbelt Prairie Products** is expected to process pulse crops in June in its new \$9.0 million manufacturing facility in Altona. The facility will clean, size, and bag 20,000 tonnes of pulse crops a year, including lentils, dry beans, and chickpeas for shipment worldwide.
- **Vale Inco** is working to advance a business plan that will see the company continue to undertake mining and processing operations in Thompson to 2027 and beyond. In 2008, Vale Inco undertook \$240 million in capital expenditures at its Manitoba operations that included investments in enhanced environmental controls and the modernization of its surface plants.
- **Steinbach Credit Union** is constructing another large branch in the northeast part of Winnipeg. The new 43,000-square-foot building will cost \$10 million and will employ up to 100 people.
- **Shindico Realty Inc.** will spend between \$30 million and \$35 million to develop a shopping centre near the existing Kildonan Place Shopping Centre. Construction is expected to begin in 2010.
- **Centre Venture Development Corporation** and the Resolve Group are constructing a \$30 million, four-storey, and 80,000-square-foot office, retail and parking complex in Winnipeg. The building will be completed by July 2009 and house the offices of the Winnipeg Regional Health Authority.
- **Marmon/Keystone Canada Inc.** has begun construction of an \$8 million service centre at the new Headingley Business Park. The 60,000-square-foot distribution centre is scheduled for completion late summer on 2009.
- **IKEA** announced plans to open a retail store sometime between late 2011 and early 2013. The Winnipeg IKEA will be one of the largest in Canada and will create both construction and retail jobs. The expansion into Winnipeg is conditional on municipal and provincial government approvals.
- **Manitoba Public Insurance** will spend \$35 million over the next two years to build four new full-service centres, and to convert existing claims centres to full-service centres. Three centres will be built in Winnipeg and one in Selkirk.
- **Sport Manitoba** is undertaking a \$16 million renovation of a five-storey building in Winnipeg's eastside Exchange District which will house the offices for provincial sport organizations and the Manitoba Sports Hall of Fame. Sport Manitoba expects to move into its new location in December 2009.
- Winnipeg-based **Corporate Hotels** has finalized its plans to build a \$55 million condominium complex five kilometres north of Gimli.

The completed plan calls for eight buildings with each containing 30 condos.

- **Lakeview Management Inc.** is constructing a new \$20 million, seven-storey 100-room luxury hotel located directly across from the new Winnipeg airport terminal building. The completion date is late 2009 or early 2010.
- **Place Louis Riel All-Suites Hotel** is undergoing a \$15 million renovation to accommodate growing demand. The project will be completed by late 2009 or early 2010.
- A new \$10 million six-storey hotel complex is scheduled to be built in Winnipeg. Work on the proposed project could start as early as the spring of 2009. Although the name of the hotel has not been officially announced, it is reported to be a **Holiday Inn or a Marriott** (Fairfield Inn & Suites).
- Renovations are under way for a new **Four Points by Sheraton** hotel in Winnipeg South. The expansion will add new floors to the hotel to increase the number of guest rooms. Plans also include high-end conference facilities, a swimming pool with solarium windows, and a 600-square-foot exercise centre.
- **B M Lands** is undertaking an extensive housing development project which includes establishing 336 two- and three-bedroom rental units. The project will redevelop 12 run-down buildings and construct six new buildings. The development is thought to be the first community geothermal system in Manitoba.
- A new **Women's Hospital** is being planned next to the Children's Hospital. The hospital will use leading-edge technology to expand the range of medical expertise available to birthing centres in rural and northern Manitoba.
- Construction continues on the **Wuskwatim** generating station, a 200 MW generating unit scheduled to be completed by late 2011 or early 2012. The project is being managed by Wuskwatim Power Limited Partnership with an estimated cost for Wuskwatim of approximately \$1.6 billion. The project has supported almost 2,000 person-years of employment in construction jobs with about 2,800 more created by suppliers and through the indirect project impacts.
- **Manitoba Hydro** is in the planning stages for the construction of the **Conawapa** generating station. With a net capacity of 1,485 MW, the project would be the largest generating station in Manitoba. The project would create about 13,000 person-years of direct and indirect employment over the planned eight-year construction period.

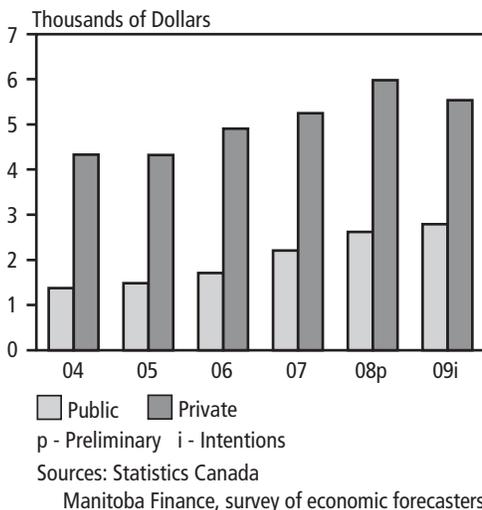
Chart 32
**Public Capital Investment
Per Capita**



**Supported by the
Wuskwatim dam project,
Manitoba Hydro's
converter station, and the
government's initiative
aimed at turning Manitoba
into a North American
transportation hub, the
construction sector will
continue to fuel the
provincial economy.**

Conference Board of Canada,
March 2009

Chart 33
Manitoba Private and Public Investment Per Capita

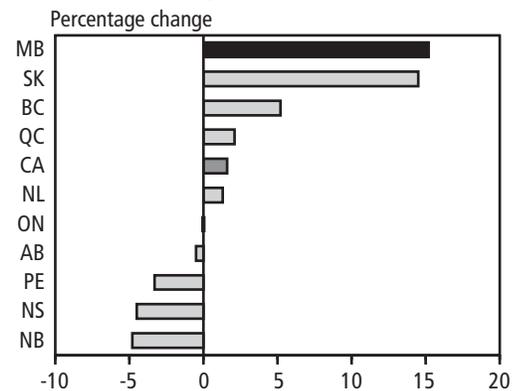


- **Keeyask** is a 695 MW hydro generating facility that could be built about 725 kilometres northeast of Winnipeg on the lower Nelson River, 35 kilometres upstream of the existing Kettle generating station. The project could be in place by 2018 and would generate an estimated 10,500 person years of employment.
- **Manitoba Hydro** is planning to reconstruct the **Pointe du Bois** generating station. The modernization will entail the construction of a new powerhouse, spillway and dam and increase the capacity to 120 MW.
- Construction is continuing on the \$665 million **Red River Floodway Expansion**. The expanded waterway will protect the City of Winnipeg from a one-in-700-year-level flood. The completion date for the project is 2010. Over 2,500 people have been employed by the project including many who continue to work on the Floodway today.
- The federal government has declared the **Canadian Museum for Human Rights** a federal institution and it will be the first national museum outside of Ottawa. The \$265 million museum in Winnipeg is scheduled to open in 2012.
- **Old Market Square** is currently getting upgraded. The \$3.3 million project will include a new stage, public art, and winter amenities such as a curling rink and a 10-metre wide skating oval and pavilion.
- **Central Park** in downtown Winnipeg will receive a \$5.6 million renovation. New amenities, more lighting, better landscaping and a refurbished fountain are some of the improvements
- Construction started on the \$5.5 million **North End Wellness Centre**. The Centre will offer a climbing wall, portable skateboarding facilities, a youth-oriented weight room, a gymnasium, and a community kitchen. The Centre is expected to open in 2009.
- A new \$6.5 million **recreational facility** is being built in East Kildonan. The facility includes a community centre, senior centre, gymnasium, a multi-purpose room, classrooms, meeting rooms, offices and home improvement and creative arts lab.
- **Portage la Prairie's** new regional sportsplex is currently under construction with the assistance of the federal and provincial \$8.3 million funding contribution to the project.
- **YMCA** is restructuring and expanding its Brandon facility at an estimated cost of \$16.5 million, with completion date set for December 2010. The Province of Manitoba is contributing a further \$1.7 million to this project through the Building Manitoba Fund.

- The **University of Manitoba** announced “Project Domino,” a series of capital projects valued at over \$100 million. The five-year project will affect 13 faculties, construction of a 350-bed residence, and renovation of several other structures including the conversion of an existing auditorium into a 400-seat performing arts theatre.
- **University College of the North, Thompson** campus construction project includes a teaching facility, housing units and child-care facility. Construction is scheduled in phases, with completion over the next three years.
- **University College of the North, The Pas** campus capital projects include the development of a resource library for teaching and research, and a student services centre.
- The **University of Winnipeg** campus and community redevelopment plan includes the following capital projects update:
 - McFeetors Hall (\$12.5 million): Great-West Life Student Residence: construction began in July 2008 for an August 2009 completion date.
 - Richardson College for the Environment and Science Complex (\$25 million): Construction began in fall 2008 for a late spring 2010 completion.
 - New Day-Care Centre: Construction begins in March 2009 for an August 2009 completion.
- **The Canwest Centre for Theatre and Film:** Work on most of the teaching areas, labs and studio was completed in September 2008. The interior finishing, the fully equipped flexible studio and landscaping will be completed by April 2009.
- **Assiniboine Community College** will expand its trade apprenticeship opportunities by relocating to a new facility in Brandon. The total cost for the expansion project is estimated at \$45 million, and construction costs are estimated at \$36 million of the total.
- Construction of the \$585 million **Winnipeg James Armstrong Richardson International Airport** terminal is ongoing. The project is expected to be completed later this year.
- **Thompson Regional Airport Authority** plans to build a new terminal at a cost of \$12 million to \$15 million including infrastructure. Construction would likely begin by September 2009.
- **Via Rail** is undertaking a major upgrade of the train station in downtown Winnipeg. The station upgrade will be completed this year. Major projects will include improvements to platform areas, lounges and lighting as well as general interior and exterior renovations.

Chart 34

Total Private Investment Growth, 2008p



p - Preliminary

Source: Statistics Canada

Capital investment in housing grew at the third-highest rate among provinces in 2008 and a Statistics Canada survey of investment intentions projects Manitoba will have the highest increase in 2009 at 3.2%.

Chart 35
Manitoba Foreign Merchandise Exports

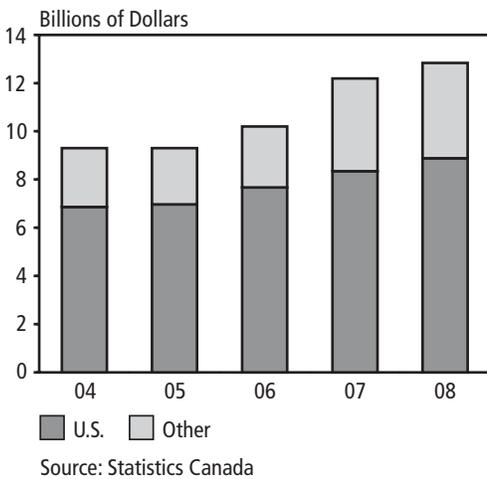
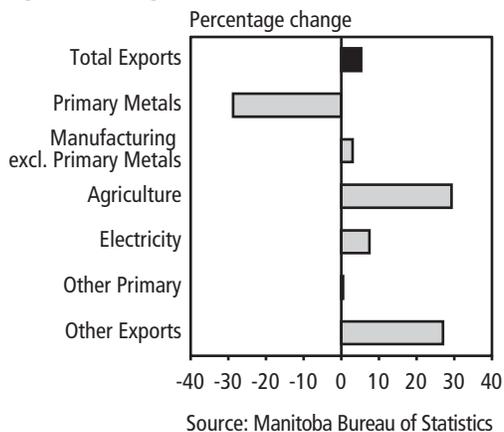


Chart 36
Manitoba Foreign Exports by Industry, 2008



- **Greyhound Canada** is currently constructing a \$6.3 million bus terminal adjacent to the Winnipeg James Armstrong Richardson International Airport. The new terminal is expected to open in mid-August 2009.
- **Canada Post** plans to build its new state-of-the-art mail-processing plant near the east entrance to the Airport. The \$50 million plant is expected to be completed in late 2009 and be operational by June 2010.
- The **City of Winnipeg** and the **Province of Manitoba** signed a \$138 million deal to build a rapid transit corridor in Winnipeg. Construction could start as early as the first half of 2009 and be completed in 2011.
- **CentrePort Canada**, Manitoba's inland port, builds on the province's already well-established system of air, rail, sea and trucking routes. CentrePort consists of 20,000 acres of land in the vicinity of the Winnipeg James Armstrong Richardson International Airport that will serve as a transportation, trade, manufacturing, distribution, warehousing and logistics centre. The project undertakes capital investment to create a link of the airport, industrial lands and intermodal rail facilities in the Northwest quadrant of Winnipeg with the Trans-Canada Highway to expedite the movement of goods to international and domestic markets. This linking project alone is expected to generate up to 1,800 direct and indirect person-years of employment. The federal government has indicated its support in partnering with Manitoba and named CentrePort Canada as one of its priorities in Budget 2009. Manitoba's position as an international transportation and distribution gateway is also supported by the Churchill Gateway Initiative, a \$68-million partnership with OmniTRAX and the federal government to enhance the port of Churchill and the Hudson Bay Railway. This unique gateway connects the CentrePort with the deepwater subarctic port of Churchill.
- The **RM of Alexander** outlined their plans to construct a \$10.3 million new water plant and sewer system. Construction should be completed by 2012.

Foreign Markets

The value of Manitoba's foreign merchandise exports increased 5.3% to \$12.8 billion in 2008 (see Chart 35). Manitoba sales to both U.S. and non-U.S. markets increased, with gains concentrated in agriculture goods. A large decline in global demand for primary metals significantly slowed growth in total exports (see Chart 36).

Manitoba foreign exports are less reliant on the U.S. market than Canada, as Manitoba sends a greater share of its exported goods, 30.8%, to non-U.S. destinations compared to Canada at 22.4%. Exports to the U.S. were up

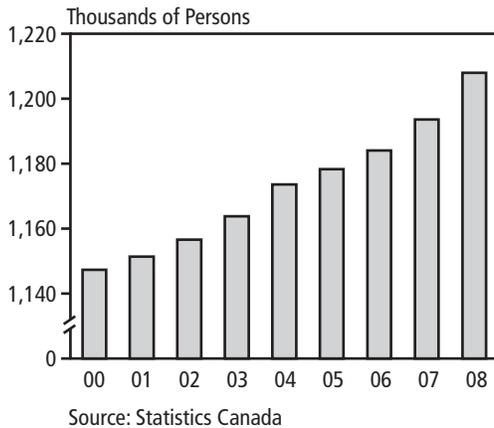
Manitoba Foreign Exports

	2004	2005	2006	2007	2008p	2008 Share
BY INDUSTRY	(Millions of Dollars)					(%)
Manufacturing						
Primary Metals	963.0	1,040.3	1,761.8	2,717.7	1,938.3	15.1
Food	1,195.4	1,083.5	1,056.9	1,226.8	1,485.8	11.6
Transportation Equipment	931.3	1,007.2	1,072.1	1,141.5	965.5	7.5
Machinery	728.3	777.1	746.2	779.1	994.2	7.7
Chemical Products	457.8	459.9	955.2	704.1	617.3	4.8
Wood	638.4	623.0	502.5	434.2	304.1	2.4
Paper	300.5	294.2	268.1	246.1	277.7	2.2
Electrical and Electronic	192.4	238.0	220.0	239.8	273.5	2.1
Plastics	233.9	242.3	248.4	234.5	237.1	1.8
Fabricated Metal	130.8	163.1	156.9	206.6	291.8	2.3
Printing and Publishing	183.9	189.4	186.7	150.4	132.5	1.0
Petroleum	166.4	97.9	91.2	117.0	112.0	0.9
Clothing and Textiles	99.0	74.8	65.6	58.6	28.1	0.2
Furniture and Fixtures	111.1	94.9	76.2	58.0	44.6	0.3
Other Manufacturing	166.2	148.5	147.9	129.8	132.7	1.0
Total Manufacturing	6,498.3	6,534.2	7,555.7	8,444.3	7,835.1	61.1
Agriculture	1,959.4	1,720.0	1,595.1	2,533.4	3,276.9	25.5
Electricity	379.7	539.8	507.8	480.0	515.9	4.0
Crude Petroleum	106.5	83.9	92.6	289.1	658.9	5.1
Other Primary	30.2	46.5	41.1	75.7	76.1	0.6
Other Exports	322.7	376.2	402.8	369.2	468.8	3.7
Total Exports	9,296.9	9,300.5	10,195.1	12,191.6	12,831.8	100.0
BY DESTINATION						
United States	6,858.5	6,972.8	7,670.8	8,347.5	8,877.5	69.2
Japan	455.0	476.6	386.6	517.5	638.9	5.0
China, P. Rep.	413.9	317.6	430.8	761.3	614.9	4.8
Mexico	255.0	176.2	152.9	218.8	310.5	2.4
Hong Kong	171.7	142.4	217.4	303.6	258.3	2.0
United Arab Emirates	14.8	7.9	26.8	73.4	121.0	0.9
Iran	7.7	13.9	22.2	18.6	119.2	0.9
Russia	8.2	26.4	59.3	40.7	114.2	0.9
Indonesia	40.9	47.4	55.7	85.8	98.5	0.8
Taiwan	61.8	64.2	101.6	220.8	96.5	0.8
Other countries	1,009.4	1,055.1	1,070.8	1,603.7	1,582.3	12.3
Total Exports	9,296.9	9,300.5	10,195.1	12,191.6	12,831.8	100.0

Note: Totals may not add due to rounding.

Source: Manitoba Bureau of Statistics

Chart 37
Manitoba Population



**(Provincial Nominee)
Program improvements,
coupled with an attractive
labour market and positive
growth, will keep the flow
of international immigrants
near record highs.**

**Canada Mortgage and Housing
Corporation, February 2009**

6.3% in 2008. Gains in non-U.S. markets were up 2.9% overall. Exports to Manitoba's second-largest market, Japan, increased by 23.5% while shipments to China slipped after several years of strong increases. Other major countries that purchased more from Manitoba in 2008 include Russia, United Arab Emirates, and Mexico.

In 2008, exports were largely boosted by agricultural commodities and related manufactured goods. Agricultural exports gained 29.1%, with increased oilseeds exports sent to China, the United Arab Emirates, Belgium, Mexico, the U.S. and Japan. Sales of Manitoba wheat increased 46.2%, with exports rising in established markets, such as the U.S., Japan, Sri Lanka, and Indonesia, and Iran and Pakistan becoming large wheat customers in 2008. For livestock, the value of beef and cattle exports increased 9.4%, but hog exports declined 31.1%.

Manufactured goods related to agriculture also increased. Canola oil saw a 72.4% increase. Russian and American purchases led to a substantial 53.6% gain in agricultural machinery exports. Midwestern states comprised the bulk of a 17.2% increase in demand for Manitoba fertilizer.

While Manitoba exports of metal smelting and refining products gained 176.5% between 2005 and 2007, 2008 saw a 32.3% drop in the value of these exports. Excluding the reduction in metals exports, all other manufacturing exports gained 8.6%. The sharpest and largest declines of smelted and refined metals exports came from China, the U.S. and Taiwan. Despite the drop, last year's metals exports were still at the second-highest level in the past decade.

Population

Manitoba's population increased by a record 14,445 persons in 2008 or 1.2% (see Chart 37). Population for 2008 is estimated at 1,207,959 persons, the fifth largest among provinces. (Note: the July 1 estimate is considered the official annual population.) For the first time since 1992, every region of the country experienced growth in population.

Manitoba's population as at October 1, 2008 is estimated at 1,210,547, up 2,588 persons from the previous quarter.

Manitoba has been very successful in growing its population base at a critical time, as labour shortages develop in many sectors of the economy. Over the last five years to October 2008, population grew by 44,800 persons compared to 27,400 persons in the previous five-year period and 19,700 persons in the five-year period before that.

The success of the increasing population base can largely be attributed to the Manitoba Provincial Nominee Program (PNP). This program

provides a broad framework to recruit and nominate skilled workers and business immigrants who have a strong likelihood of becoming successfully established and make a positive contribution to the province. This program helps co-ordinate business, labour and government interests in expanding employment and business enterprises in Manitoba through immigration.

A salient feature of Manitoba's PNP is its emphasis on settling, integrating and retaining immigrants. The program commits to providing responsive settlement services that assist immigrants at each stage of the immigration process. It ensures that immigrants have the best information to participate fully in Manitoba's labour force and community life. Through this program, solid population gains are occurring not only in Winnipeg, but in several other smaller communities like Steinbach, Brandon and Winkler. In 2007, 28.5% of Manitoba immigrants landed as provincial nominees decided to settle in communities outside of Winnipeg.

Competition among provinces to attract and retain skilled foreign workers continues to grow. However, Manitoba has steadily boosted its share of national immigration to 4.5% in 2008, the second-largest share of total Canadian immigration in over 25 years. In 2008, Manitoba immigration increased by 2.5%, reaching 11,230 persons (preliminary annual estimate).

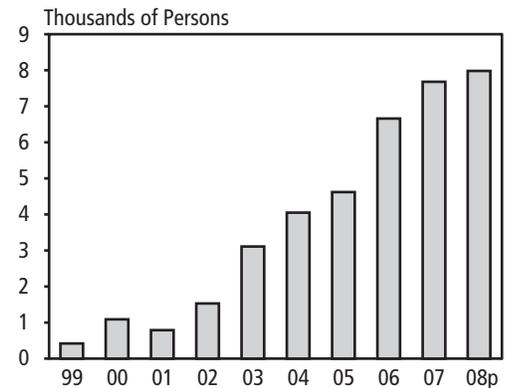
Other components of population growth have also been positive for the province. In October 2008 on an annual basis, net interprovincial migration improved to a net loss of 1,717 persons, the lowest level in over 20 years. Interprovincial in-migration increased by 3,093 persons to 17,775 persons, the highest level since 1990 and 24% higher than the 10-year average. Interprovincial out-migration also increased last year to 19,492 persons, 9% above the 10-year average.

Because of years of strong immigration and the "echo-boom" generation entering adulthood, the annual number of births in Manitoba has increased in the past six years. In 2008, the number of births was estimated at 14,800, the highest in 12 years.

Historical data suggest that after a recession in Canada, interprovincial out-migration sharply decreases and in-migration improves somewhat in the province. The recent improvement in interprovincial net migration and increasing natural growth (births minus deaths) are encouraging signs for continued population growth in Manitoba.

Manitoba Finance's survey of demographic forecasters shows that Manitoba's annual population growth is projected to increase by 7,271 persons in 2009 and by 9,051 persons in 2010.

Chart 38
Manitoba Provincial Nominee Program



p - Preliminary

Note: Provincial Nominees are a subcategory of Economic Class Immigrants

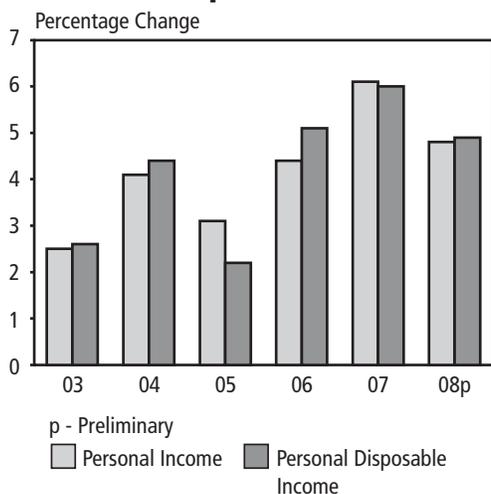
Source: Citizenship and Immigration Canada

For two years in a row, the number of Albertans moving to Manitoba has jumped while the number of Manitobans moving to Alberta declined.

**Canada West Foundation,
December 2008**

Chart 39

Manitoba's Personal Income Per Capita and Personal Disposable Income Per Capita



Sources: Statistics Canada
 Manitoba Bureau of Statistics

■ HIGHER INCOMES

One of the principal benefits of a growing economy is growing incomes. Higher incomes promote savings and investment, along with higher personal consumption and increased living standards.

Personal income (PI) and personal disposable income (PDI) are two principal measures of overall economic well-being. PI includes wages and salaries, investment income and transfers from government (for example, employment insurance benefits and CPP income). PDI is personal income less personal income taxes and social security programs contributions. Broadly, PDI is the income left to individuals after their personal taxes have been paid.

Despite a sharp increase in population in 2008, Manitoba's PI per capita increased at its third-highest rate in 18 years, following a large gain in 2007, and Manitoba's PDI per capita grew at the second-highest rate in 18 years. Manitoba's PI per capita grew 4.8% and PDI per capita rose 4.9% (see Chart 39), both greater than Canada and bolstered by an increase in total wages and salaries of 6.4%. The increase in wages and salaries was the second highest in 24 years; they have grown more than 4% annually for seven consecutive years.

After adjusting for inflation, 'real' PI has also increased favourably in comparison to other provinces, according to the latest available interprovincial data (2007). From 1999 to 2007, real PI per capita growth significantly outperformed the previous eight-year period, from 1990 to 1998.

Real PDI per capita ranked ninth among provinces in the 1990-1998 period, in contrast to the sixth-highest rank during the 1999-2007 period (see table). Real PDI per capita contracted 4.7% between 1990 and 1998 compared to Canada's decline of 1.9%. Between 1999 and 2007, real PDI per capita advanced 14.0%, compared to Canada's 15.9% increase.

Real PI per capita has increased 9.4% over the past five years. In the past 28 years since these data series were established, real PDI per capita of Manitobans has never been higher (see Chart 40).

Real Personal Disposable Income Per Capita

	2007		% change	
	\$ per capita	% change	1990-98	1999-2007
Canada	24,470	2.4	(1.9)	15.9
Manitoba	22,527	3.9	(4.7)	14.0
MB Rank*	4	2	9	6

*1=Highest among provinces; 2008 data for other provinces is not available.

Source: Statistics Canada

Looking ahead, a consensus survey of private economic forecasters indicates a positive outlook for income in 2009 with Manitoba growth exceeding the national forecast. With both employment and wages expected to grow, PDI per capita is estimated to rise 2.1%, well ahead of Canada's estimated 0.9% growth. Despite global economic challenges, continued growth in real PDI per capita for Manitobans is projected in 2009 at 0.9%, above the 0.1% forecast for Canada.

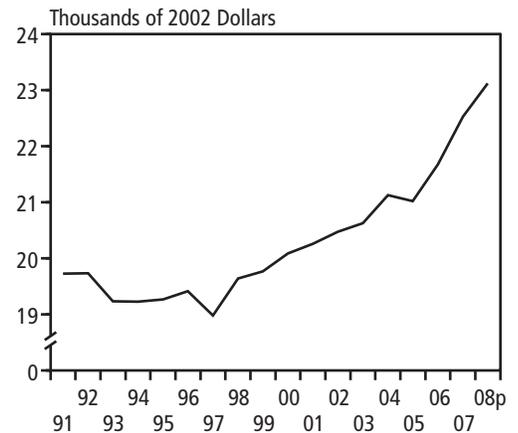
MANITOBA OUTLOOK

Manitoba Finance surveys several independent forecasting agencies regarding their economic projections for Manitoba, other provinces and Canada. The survey is used to establish a consensus for the economic outlook.

The combination of international financial turmoil, economic recession and an increasing interdependency on international trade has complicated the usual task of economic forecasting. Finding a consensus view among forecasters has become harder because of constant revisions to forecasts. Many agencies have had to substantially change their outlooks over the past year.

In reviewing these forecasts, it is clear that professional economic forecasters' views of the global recession vary considerably. Some expect a short but steep downturn through to the middle of 2009 and a strong recovery in late 2009 and 2010. Others suggest that, due to the deep and broad nature of the downturn, slower growth will persist through 2010 before a recovery takes hold.

Chart 40
Manitoba Real Personal Disposable Income Per Capita, 1991 to 2008p



p - Preliminary
Sources: Statistics Canada
Manitoba Bureau of Statistics

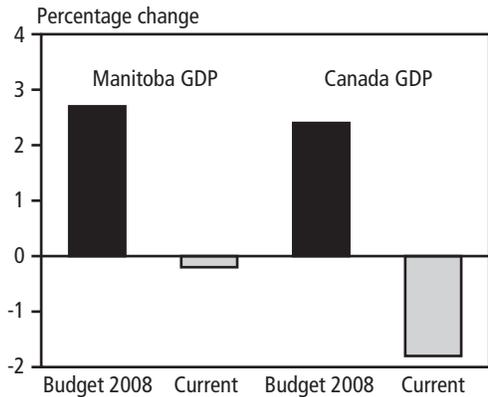
Manitoba Outlook at a Glance

	2008	2009f	2010f
		(% change)	
Gross Domestic Product			
Real	2.2	-0.2	2.0
Nominal	6.3	-1.9	3.6
Employment	1.7	-0.4	0.4
Unemployment Rate (%)	4.2	5.4	6.0
CPI	2.3	0.6	2.0
Population	1.2	0.6	0.7

f - Forecast

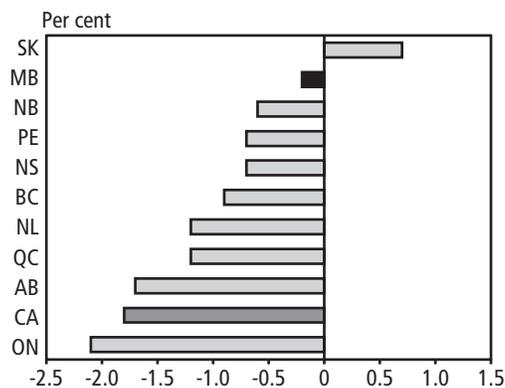
Sources: 2008: Statistics Canada and Manitoba Bureau of Statistics
2009-2010: Manitoba Finance, survey of economic forecasters

Chart 41
2009 GDP Forecast Change
Between Manitoba Budget 2008
and Current Forecast



Sources: Manitoba Budget 2008,
 Manitoba Finance, survey of economic
 forecasters

Chart 42
Real GDP Growth Forecast by
Province, 2009



Source: Manitoba Finance, survey of
 economic forecasters

Based on current forecasts, the consensus is leaning toward a substantially weaker economy in 2009 and a recovery in 2010. Manitoba's real GDP is expected to decline 0.2% in 2009, down from a projection of 2.7% in last year's Manitoba Budget (see Chart 41). Relative to other provinces, Manitoba is expected to generate the second-best change in real GDP this year. All Canadian provincial economies, except Saskatchewan, are expected to contract this year, combining for a 1.8% national average decline. Canada's two larger provinces are projected to be the weakest, with Ontario growth estimated at -2.1% and Alberta at -1.7%.

One measure for the severity of an economic recession is the number of job losses in an economy. For Manitoba, forecasters currently expect a 0.4% employment loss. This is the second-best projected result among provinces. Nationally, the 2009 recession is expected to cut the number of employed workers by 257,000. Only Saskatchewan is projected to gain workers.

With the loss of employment and the "echo boom" age cohort boosting the working age population in the province, the unemployment rate is anticipated to increase from 4.2% in 2008 to 5.4% this year. This is forecast to be the second-lowest rate among provinces in 2009 and well below the national forecast rate of 8.1%.

Corresponding to slower demand for goods and services, consumer price increases are expected to slow to 0.6%, the lowest increase in CPI since the early 1960s. Inflation will pick up to 2.0% in 2010 as the economy recovers.

Generally, forecasters focus on a number of factors that are important in stabilizing the Manitoba economy in the current economic downturn. These factors include a high level of business and government capital investment planned or under way, a strong labour market, an extremely low unemployment rate, a diversified economic base and the balanced interprovincial and international export markets. Manitoba continues to have among the lowest ratios of personal debt to personal disposable incomes in Canada. Together, these conditions suggest that Manitoba will be more resilient through an international recession than most other regions in Canada.

However, there are numerous downside risks for Manitoba's outlook. A greater than expected deterioration of demand, especially from the U.S. and other provinces, would increase uncertainty to Manitoba's exports. The almost daily sharp movement to exchange rates increases the risks and undermines confidence in international transactions. The credit strains for financial institutions could linger for a longer period. A slower than anticipated recovery in Europe and Asia could undermine a strong recovery in 2010.

■ THE MANITOBA ECONOMY: STRENGTH IN DIVERSITY

Economic diversity with a broad industrial base is a key attribute of the Manitoba economy. Many credit rating agencies and leading economic forecasters, including Moody's Investors Services, Standard and Poor's, Dominion Bond Rating Service and Conference Board of Canada have all cited diversity as one of the province's main economic assets.

The large and diverse economic structure has provided Manitoba with stability and consistent growth over the last decade (see Chart 43). Fluctuations of economic performance have been moderated as weaker performance in some sectors has been offset by greater strength in other sectors.

The province's diverse economic structure, encouraged by initiatives and development, has fostered a vibrant yet stable economy. According to Statistics Canada's real GDP data, Manitoba is the most stable economy in Canada as measured by the least amount of variation in growth over a ten-year period. Manitoba is one of only three provinces that have generated 16 consecutive years of positive employment growth. Among these, Manitoba's employment growth has been the most consistent. Manitoba is also unique among provinces with 17 consecutive years of private investment growth.

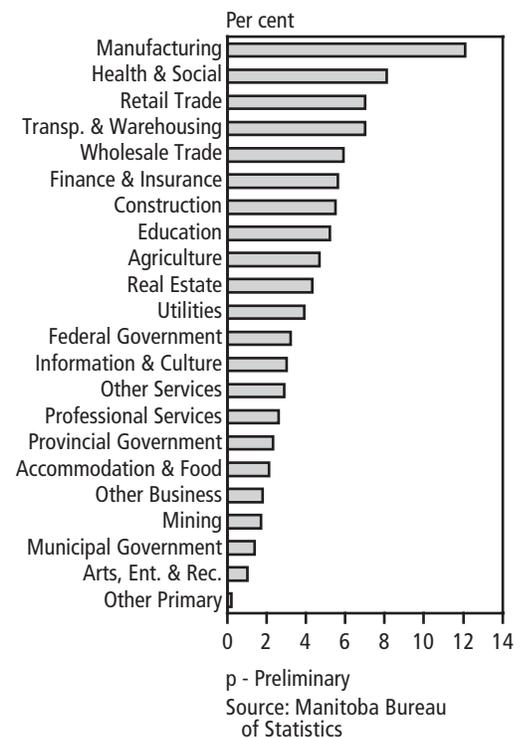
Manitoba's geographic location has been an important element in developing a diverse economy. Since Manitoba is located at the centre of Canada, it has become a manufacturing and wholesale distribution centre for Ontario, Western provinces and the North. To the south, the mid-continental trade corridor has opened opportunities to promote economic development and trade with the U.S. and Mexico. To the north, the port of Churchill has opened up a gateway linking the economy of central North America to key European, Mediterranean and African destinations. Initiatives like CentrePort Canada aim to capitalize on these advantages and further enhance the diversity of economic activity in the province.

One of the factors that has fuelled Manitoba's diversification and high levels of capital investment is the notable cost advantage over other provinces and U.S. states. Living costs in Manitoba are among the most affordable in Canada, with house prices, auto insurance, electricity, university and college tuition fees all among the lowest in Canada. A major international study in 2008 identified Winnipeg as the most affordable large city in Canada in which to purchase a home.

Research and innovation continue to play a major role by supporting new industries that further promote the diversification of Manitoba's economy. Significant research and development is taking place in medical and

Chart 43

Shares of Manitoba Gross Domestic Product, 2008p



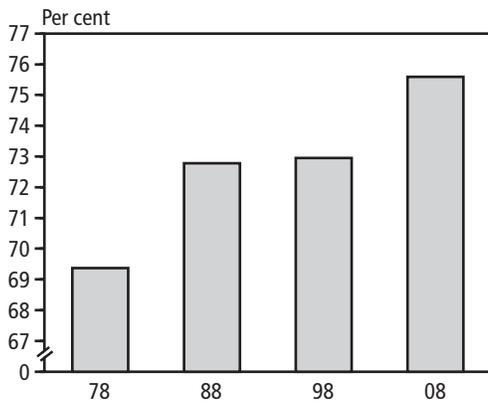
Manitoba's well-diversified economy... produced yet another solid economic performance in 2007 with real GDP rising 3.3%. Monthly indicators point to continuing strength in the provincial economy through November 2008.

Standard & Poor's, December 2008

This 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

Chart 44
Manitoba Service Industries
Share of Total Employment



Source: Statistics Canada

pharmaceutical sectors, business and information technology services and the agrifood sector.

In a shared alliance between university and industry, to broaden the province's research and development capacity and its commercial base, the SMARTpark Development Corporation was created at the University of Manitoba. SMARTpark is involved in diverse research areas including information and communications technology, engineering and advanced materials, health and biotechnology, and agricultural and nutritional sciences. SMARTpark is well suited to forge a bridge between research and development and manufacturing for start-up venture capital. For example, Cangene Corporation provides biopharmaceutical research and development services, bulk product manufacturing and finished product manufacturing. SMARTpark facilitates the transformation from innovation to product manufacturing to sales. Participating companies increase diversification and stability of Manitoba's manufacturing sector.

Manitoba has developed a dynamic hub for the manufacture of transportation equipment. The province manufactures both intercity and transit buses, aerospace equipment and parts, farm equipment and rail equipment. Demand for New Flyer Industries energy-efficient hybrid transit buses has sharply risen. Manitoba is also Canada's third-largest centre for the manufacture of aerospace equipment with Boeing Canada, Bristol Aerospace, Standard Aero and AVEOS Fleet Performance (formerly Air Canada Technical Services) all located in Winnipeg.

The agriculture sector in Manitoba has continued to adapt to changing market conditions and technology. Income in the sector is evenly balanced between crop and livestock production. Manitoba is also home to several agricultural research institutions and organizations, including Richardson Centre for Functional Foods and Nutraceuticals, Cereal Research Centre and the Food Development Centre. Manitoba is also home to the Canadian headquarters of Monsanto and Cargill.

Manitoba's economic stability is also rooted in its relatively large service sector. The service sector tends to be more stable through the business cycle relative to the goods-producing sector. Important service sector industries in Manitoba include wholesale and retail trade, finance, insurance and real estate, transportation and warehousing, health care, and education. These industries have expanded to account for approximately 72 % of the total economy, higher than the Canadian average of 69%. The service sector accounts for three quarters of all jobs in the province (see Chart 44).

Finance, insurance and real estate sectors are evenly divided between finance and insurance industries and real estate industries. The finance and insurance

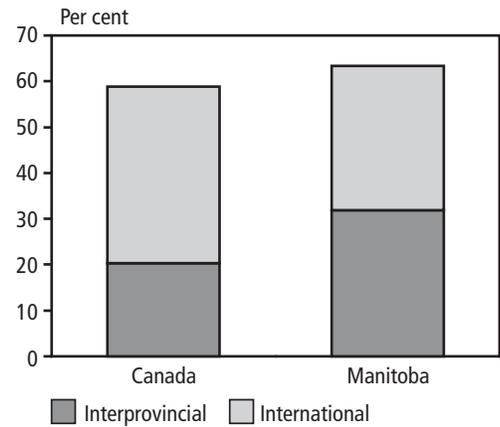
sector presence in Manitoba is highlighted by the national head offices of Investors Group, one of the largest mutual fund distributors in Canada, Great-West Life, one of Canada's largest insurance providers, and National Leasing Group Incorporated, the largest independent Canadian leasing company.

The gradual expansion of value-added production in the province can be best illustrated by the change in the shares of exports among major industries. In particular, manufacturing, which accounted for about 57% of Manitoba's foreign merchandise exports in 1996, has now increased to over two-thirds of exports. New product lines in areas such as furniture, prepared meats, potato products, industrial chemicals, plastics products, biopharmaceuticals, farm implements, printing and publishing goods, and energy-efficient transit buses have increased dramatically. This continual broadening and renewal of Manitoba's economic base offers the prospect for continued stability and certainty for Manitobans in the future.

Manitoba's pattern of external trade also lends itself toward economic stability. As indicated on Chart 45, total exports account for 63.4% of the Manitoba economy, ahead of the national average of 58.9%. Notably, these exports are evenly split between international and interprovincial destinations, roughly a 1:1 ratio. This split is the most balanced among provinces (see Chart 46). In contrast, the average provincial ratio is skewed toward international exports with a 3:2 ratio. Manitoba's balance between interprovincial and international exports provides a measure of stability during international currency and financial market shocks. It also provides greater balance to the economy when there are disparities in growth between Canada and foreign markets by reducing Manitoba's exposure to sharp changes in foreign sales.

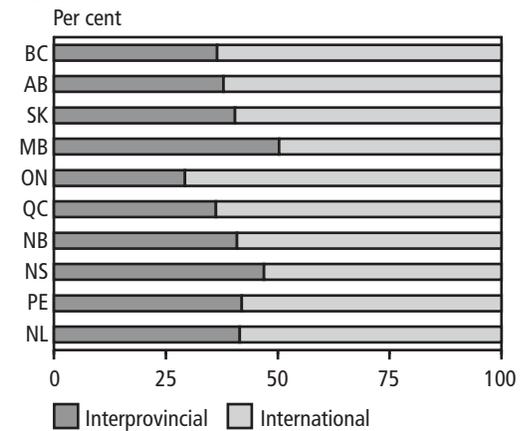
The merits of a diversified economic structure are clear; it provides a stabilizing mechanism during challenging economic conditions, an opportunity to expand into development of new goods and services, and a chance to explore new domestic and global markets. At no time in recent history has stability been a more valued asset than in these uncertain economic times.

Chart 45
Ratio of Exports to Gross Domestic Product, Canada and Manitoba, 2007



Source: Statistics Canada

Chart 46
Ratio of Interprovincial to International Exports, By Province, 2007



Source: Statistics Canada

MANITOBA ECONOMIC STATISTICS, 2004 TO 2008

	2004	2005	2006	2007	2008
	Millions of Dollars				
SECTORS					
Farm Cash Receipts	3,876	3,804	3,687	4,314	4,705
Crops	1,805	1,298	1,279	2,176	2,717
Livestock	1,642	1,808	1,781	1,726	1,666
Direct Payments	430	699	626	413	322
Manufacturing Sales	13,263	13,702	14,854	16,111	16,397
Mining	1,406	1,576	2,619	3,070	2,520
Electric Power Sales	1,435	1,797	1,697	1,667	1,737
Export Sales	488	818	702	613	634
Housing Starts (no. of units)	4,440	4,731	5,028	5,738	5,537
Retail Trade	11,692	12,381	12,870	14,008	15,000
FOREIGN EXPORTS					
Total Exports	9,297	9,301	10,195	12,192	12,834
U.S.	6,859	6,973	7,671	8,348	8,878
GROSS DOMESTIC PRODUCT					
Nominal	39,499	41,402	44,728	48,225	51,275
Real	37,566	38,593	40,080	41,327	42,226
BASE RATE WAGE SETTLEMENTS (%)					
Public	3.2	3.0	2.6	2.9	3.6
Private	1.6	2.5	2.9	4.0	2.6
Total	2.6	2.9	2.6	3.0	3.4
INVESTMENT					
Total	6,699	6,836	7,837	8,903	10,386
Private	5,082	5,091	5,811	6,267	7,221
Public	1,617	1,745	2,027	2,635	3,165
Non-residential	5,181	5,201	6,042	6,803	7,952
Housing	1,518	1,635	1,796	2,099	2,434
POPULATION					
July 1 (000's)	1,174	1,178	1,184	1,194	1,208
LABOUR MARKET					
Labour Force (000's)	608.9	609.4	613.5	623.9	633.0
Employment (000's)	576.6	580.3	587.0	596.5	606.7
Participation Rate (%)	69.1	68.6	68.8	69.4	69.6
Unemployment Rate (%)	5.3	4.8	4.3	4.4	4.2
CONSUMER PRICE INDEX					
(Index: 2002 = 100)	103.8	106.6	108.7	110.9	113.4
BANKRUPTCIES					
Business	178	149	160	102	103
Farm	27	26	36	28	22
Personal	2,339	2,507	2,254	2,040	2,025

Sources: Statistics Canada and Manitoba Bureau of Statistics

2004	2005	2006	2007	2008	
Annual Percentage Change					
7.5	-1.9	-3.1	17.0	9.1	SECTORS
6.1	-28.1	-1.4	70.1	24.9	Farm Cash Receipts
2.7	10.1	-1.5	-3.1	-3.5	Crops
39.6	62.4	-10.4	-34.1	-21.9	Livestock
4.6	3.3	8.4	8.5	1.8	Direct Payments
34.0	12.1	66.1	17.3	-17.9	Manufacturing Sales
11.9	25.2	-5.5	-1.8	4.2	Mining
28.3	67.5	-14.2	-12.7	3.4	Electric Power Sales
5.6	6.6	6.3	14.1	-3.5	Export Sales
6.7	5.9	3.9	8.8	7.1	Housing Starts (no. of units)
					Retail Trade
					FOREIGN EXPORTS
1.1	0.0	9.6	19.6	5.3	Total Exports
-1.8	1.7	10.0	8.8	6.3	U.S.
					GROSS DOMESTIC PRODUCT
5.9	4.8	8.0	7.8	6.3	Nominal
2.2	2.7	3.9	3.1	2.2	Real
					BASE RATE WAGE SETTLEMENTS (%)
-	-	-	-	-	Public
-	-	-	-	-	Private
-	-	-	-	-	Total
					INVESTMENT
8.7	2.0	14.6	13.6	16.7	Total
7.7	0.2	14.1	7.9	15.2	Private
12.1	7.9	16.2	30.0	20.1	Public
5.6	0.4	16.2	12.6	16.9	Non-residential
20.8	7.8	9.8	16.9	16.0	Housing
					POPULATION
0.8	0.4	0.5	0.8	1.2	July 1 (000's)
					LABOUR MARKET
1.4	0.1	0.7	1.7	1.5	Labour Force (000's)
1.1	0.6	1.2	1.6	1.7	Employment (000's)
-	-	-	-	-	Participation Rate (%)
-	-	-	-	-	Unemployment Rate (%)
					CONSUMER PRICE INDEX
2.0	2.7	2.0	2.0	2.3	(Index: 2002 = 100)
					BANKRUPTCIES
-26.7	-16.3	7.4	-36.3	1.0	Business
-3.6	-3.7	38.5	-22.2	-21.4	Farm
-10.3	7.2	-10.1	-9.5	-0.7	Personal

■ APPENDIX 1: RESEARCH AND INNOVATION

Research and development (R&D) helps nurture the ideas and methods that ultimately lead to innovation. Innovation and the development of new breakthroughs in production or distribution can give firms the edge they need in an increasingly competitive global marketplace. Likewise, those at the forefront of innovation are best positioned to advance the growth of higher value-added sectors, including better-paid, knowledge-based jobs. In the absence of innovation, economies may lose competitive position and societies will not realize the full benefits that innovation can bring: higher productivity, rising incomes, a cleaner environment and a better quality of life.

Manitoba has a strong record in fostering R&D and innovation through a partnership of industry, higher education, the non-profit sector and governments. With this partnership, investments in research, innovation and skilled work force development for knowledge-based industries will continue to grow.

Budget 2009 further enhances the Province's support for R&D through an improvement to the Manitoba Research & Development Tax Credit. The 20% credit is made refundable for certain eligible expenditures after 2009 (see Budget Paper C, Taxation Adjustments).

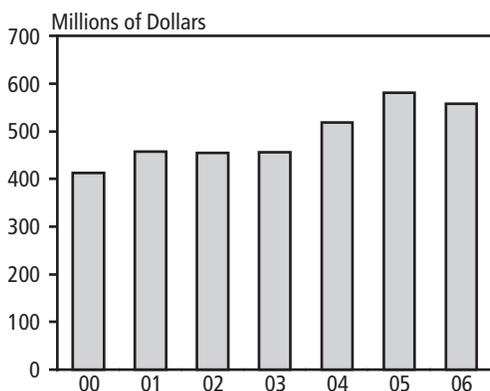
Manitoba's Research Environment

Statistics Canada estimates that total gross expenditure on R&D in Manitoba in 2006 was \$558 million. This is below the record-high level established in 2005, but substantially higher than levels in 2000. Altogether, R&D spending in Manitoba was equal to about 1.2% of GDP in 2006.

Thousands of Manitobans are employed in R&D activities. Statistics Canada estimates that, in 2005 (the latest year for which data are available) 4,350 Manitobans were engaged in R&D. This is an increase of 440 personnel from the previous year, equal to an 11.3% rise in the year. Higher education and business enterprises accounted for 85% of this total. Governments and the non-profit sector are other categories of R&D performers.

Chart 47

Total R&D Spending in Manitoba, 2000 to 2006



Source: Statistics Canada

Industry is an important contributor to the overall research environment in Manitoba. In 2006, 184 Manitoba businesses were involved in R&D programs in the province. Business enterprise invested \$192 million in Manitoba R&D activities in 2006, about one-third of the R&D spending in the province.

While R&D in the province is conducted across a variety of industries, manufacturing, Manitoba's largest industry, accounted for 62% of R&D activity in 2006. Sectors involved in research and innovation in Manitoba include pharmaceuticals, aerospace products and other transportation equipment, utilities and agriculture.

One of Manitoba's widely recognized research strengths is in the fast-growing life sciences sector. The province's life sciences companies employ about 4,700 people. The majority of these Manitobans work for integrated firms or manufacturers, such as Cangene Corporation, Apotex Fermentation Inc., Biovail and Vita Health.

Manitoba is also home to a number of major public life sciences research facilities. These include the Public Health Agency of Canada, Agriculture and Agri-Food Canada's Cereal Research Centre, Canadian Science Centre for Human and Animal Health,

Manitoba Institute of Cell Biology, Manitoba Institute of Child Health, National Research Council – Institute for Biodiagnostics, Richardson Centre for Functional Foods and Nutraceuticals, St. Boniface General Hospital Research Centre and the University of Manitoba.

Construction of the first phase of the new Siemens Institute for Advanced Medicine (SIAM) is largely complete; the cost of the new 80,000-square-foot structure is estimated at \$25 million with additional amounts earmarked for equipment. SIAM, to be used for both treatment and research, is built adjacent to the Health Sciences Centre in Winnipeg and will become a global centre of excellence in the development of advanced medical methods and technology. Focussing on neuroscience, advanced surgery and advanced imaging, several hundred staff will be employed at the centre. SIAM will house the province's first cyclotron (which will produce radio isotopes used to perform PET scans), a Siemens Artiste non-invasive surgical device, Manitoba's second gamma knife (an advanced treatment for brain tumors that cannot be effectively treated with other techniques) and an inter-operative MRI, developed and manufactured in Manitoba by IMRIS Inc.

The federal government continues to have a major presence in science and technology funding in Canada. In Manitoba, federal funding for R&D was estimated at \$150 million for 2006, approximately 2.9% of the national total. The federal government supports science activities performed by federal departments and agencies as well as by providing funding to universities, businesses or other organizations.

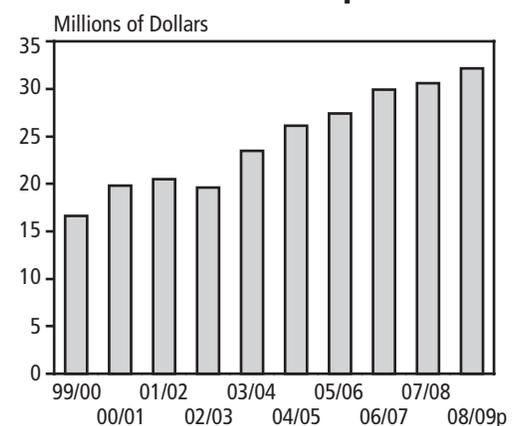
Provincial Support for Research and Innovation

The Province supports research and innovation both through direct spending programs and through the Manitoba R&D Tax Credit. In 2008/09, direct expenditure on R&D by the Provincial Government is estimated at \$32.2 million, up 5.2% from 2007/08 (see Chart 48). Most of the Provincial Government's direct expenditure commitment to R&D is provided to universities, hospitals and other health organizations, including the Manitoba Health Research Council. The balance of Provincial R&D expenditure supports the work of Government departments, private businesses and other parties.

Manitoba's R&D Tax Credit encourages private sector R&D activity in Manitoba. The Tax Credit was established in 1992 and provides firms undertaking R&D in the province with substantial support for R&D investment through a non-refundable credit for qualifying R&D expenditures. Budget 2006 boosted the credit rate to 20% of eligible expenditures from 15%. (see "Manitoba Research and Development Tax Credit", page 42).

Manitoba partners with federal government research funding programs through the Manitoba Research and Innovation Fund (MRIF). The MRIF was established in 2003 to assist in increasing the capabilities of Manitoba universities, colleges, hospitals and not-for-profit sector to conduct scientific research and product development. The Fund also enhances the ability of Manitoba research institutions to attract and retain world-class researchers and technicians, and increases Manitoba's capacity to innovate through such means as supporting science awareness and technology commercialization. Since 2003, it has provided over \$73 million in research and innovation support for health and agriculture, technology and aerospace, cultural and new media industries, and alternative energy developments.

Chart 48
**Manitoba Provincial Government
R&D Expenditures,
1999/2000 to 2008/2009p**



p - Preliminary Estimate

Sources: Statistics Canada
Manitoba Science, Technology,
Energy and Mines

MRIF also leverages funds from outside sources, such as the Canada Foundation for Innovation, the Canadian Institutes of Health Research, the Regional Partnerships Program, Genome Canada and the Networks of Centres of Excellence Program.

As well as providing health research support through the various MRIF sub-component programs, Manitoba has implemented the Health Research Initiative (HRI). The objectives of the Initiative are to assist Manitoba's health research centres to increase R&D activities in Manitoba and facilitate sustained economic growth and the creation of high-quality jobs. The program is an incentive-based initiative with the distribution of funds tied to the amount of research revenue each Manitoba health research centre attracts from private industry and from non-governmental granting agencies outside the province. This year, the HRI will provide \$2 million to support operating costs for five health research centres in Manitoba.

The Province provides support to the Manitoba Health Research Council (MHRC) and the Manitoba Centre for Health Policy. The Council promotes and assists health sciences in Manitoba and advises the Ministers of Health and Science, Technology, Energy, and Mines on health matters referred to the MHRC. The Council operates a number of funding programs including awards to post-doctoral and graduate students, PhD dissertation awards, and operating and establishment grants. Since 2007/08, the Province of Manitoba's annual support for the MHRC has increased from \$1.95 million to \$6.0 million. This funding increase has enabled the MHRC to provide additional grants and awards to local researchers and trainees, enhancing its program complement.

The Government of Manitoba is also a partner with the federal government in the Networks of Centres of Excellence program. This program was established to support research at universities and hospitals in partnership with the private sector. Manitoba's objectives in developing the Manitoba Centres of Excellence Fund (MCEF) are to attract and maintain world-class R&D activity to Manitoba and to generate related spin-off benefits for local companies and non-profit institutions.

In 2008/09, 10 Networks of Centres of Excellence research programs at the University of Manitoba received support totalling \$650,000 through the MCEF. Grants were provided to research programs such as the Intelligent Sensing for Innovative Structures Canada research network (headquartered at the University of Manitoba), the Canadian Arthritis Network, Mathematics of Information Technology and Complex Systems research network, the Obesity research network and the Care of the Elderly research network.

Manitoba continues to support a number of major research initiatives in the province related to agriculture. Sponsored by the provincial and federal governments, the Agri-food Research and Development Initiative (ARDI) funds research and development aimed at enhancing diversification, improved techniques, value-added opportunities and export capabilities in the province's large agrifood sector. In the 2007/08 fiscal year, ARDI approved more than \$2.8 million in research and development grants. Over 10 years, ARDI has approved \$32.7 million for support of agriculture and agrifood research in the province.

The Province supports a number of research facilities in Manitoba that focus on important economic sectors. These include:

- the Food Development Centre, which undertakes R&D and related services to bring new Manitoba food products to market, including supporting clients in product development, food processing and packaging, and shelf-life testing;
- Prairie Agricultural Machinery Institute Manitoba which designs, tests and helps develop agricultural machinery for equipment manufacturers, farm producers, commodity organizations and governments;
- the Industrial Technology Centre, located at the University of Manitoba's SMARTpark, which facilitates technological improvements and innovation by providing advanced technical research and testing for a variety of manufacturers, inventors and other clients in a diverse range of products including aerospace, transportation, health, architecture and energy; and

- TRILabs, Canada's largest information and communications technology consortium, which operates a research laboratory at SMARTpark adjacent to the University of Manitoba specializing in data networking and health, as well as programs of research in technology for the home and wireless networking.

Manitoba Hydro supports research programs to assist in providing higher system reliability, lower electricity rates, increased safety of the system infrastructure, environmental protection and improved customer quality of service. Some of this research is undertaken in-house while other company-sponsored research is undertaken at universities or by other external researchers. Manitoba Hydro devotes about \$5 million annually to these important research projects.

Manitoba Hydro operates the HVDC Research Centre. The Centre, established in 1981, conducts innovative research and development in HVDC and power electronic technologies, instrumentation, and simulation. The Centre became a wholly owned subsidiary in 2000 and, with a staff of 25, has become a world leader in the technology of electric power system simulation, applied power systems analysis and related technologies.

The Higher Education Sector

Universities and other post-secondary institutions play a critical role in Canadian R&D activities. These institutions provide the knowledge and the skilled labour force necessary for innovation and serve as incubators for new ideas in basic and applied research.

In Canada, higher education institutions account for about one-third of the R&D work performed. In Manitoba, the role of higher education is even more important as these post-secondary institutions (including related institutes, clinics and research stations) account for more than half of the province's R&D activity.

Statistics Canada estimates that R&D expenditure by Manitoba's higher education sector in 2006/07 (the latest year for which data is available) was a record-high \$287.2 million. Between 1999/2000 and 2006/07, R&D expenditure in the higher education sector in Manitoba increased by over 80%.

Natural sciences and engineering accounted for approximately 42% of 2006/07 R&D spending in higher education, health sciences for 36%, while social sciences accounted for 22%.

The University of Manitoba, the largest of Manitoba's post-secondary education institutions, is one of Canada's major research universities. The University has a reputation for outstanding research which has earned it national and international recognition. Much of the research conducted at the University involves collaboration and partnership with other higher education and research institutions, businesses, community organizations and governments. The University is home to more than 30 research centres and affiliated institutes covering a vast range of disciplines. It is also part of the National Centres of Excellence program which supports advanced research and collaboration. It is the administrative home of ISIS Canada, (Intelligent Sensing for Innovative Structures), a national research network designed to develop new advanced building materials and techniques for the construction, maintenance and repair of structures.

The University of Manitoba is currently home to 48 Canada Research Chairs, which are held by some of Canada's top scientists and scholars. The research programs of these chairs focus on such important fields as pharmaceutical sciences, neurosciences, endocrinology, environmental sustainability, material sciences and civil infrastructure. The University's life sciences research activities are further strengthened through active partnerships with several local health organizations, including CancerCare Manitoba, the Health Sciences Centre, St. Boniface General Hospital, the Manitoba Institute of Child Health, the Canadian Science Centre for Human and Animal Health, and the National Research Council's Institute of Biodiagnostics.

The University's excellence in research continues to promote higher levels of research funding. In 2007/08, external sponsored research income for the University and its affiliated health research institutions totalled \$162 million. Research income from granting councils was \$53 million.

SMARTpark is a research park adjacent to the University of Manitoba. Established in 1999, SMARTpark brings together industry and the University of Manitoba to promote R&D and the development of knowledge-based industry. One of the key features of the park is its proximity and access to the extensive resources of the University. Currently, SMARTpark is home to about 20 companies with over 1,000 employees.

Manitoba Research and Development (R&D) Tax Credit

Manitoba's R&D tax credit provides support to firms conducting R&D activity in the province. Eligibility for the Manitoba credit is tied to the eligibility for the federal investment tax credit on qualifying R&D expenses and supplements the federal credit. Budget 2009 further enhances the tax credit.

The federal and provincial R&D credits are activity-based, and apply to all sectors and industries. Both current expenditures, which include researchers' salaries and the cost of materials and prescribed capital expenditures including machinery and equipment, are eligible expenses for purposes of Manitoba R&D tax credit amounts.

From its introduction in 1992 through to the 2007 taxation year (latest year for which taxation data is available), firms conducting R&D in Manitoba claimed \$156.8 million in provincial R&D tax credits.

Further details in respect of the Manitoba's R&D Tax Credit program are available at <http://www.cra-arc.gc.ca/txcrdt/sred-rsde/menu-eng.html>.

Over the years, studies by various agencies have repeatedly confirmed that Canada's income tax treatment of research is among the most generous in the world, especially when coupled with provincial incentives. The following table shows the after-tax cost associated with R&D current expenses for a large corporation and a small privately owned corporation, based on 2009 income tax rates.

After-Tax Cost of \$100 R&D Expenditure, 2009

	<u>Large Corporation*</u>	<u>Small Private Corporation</u>
Eligible R&D expenditure	\$100.00	\$100.00
(less) Manitoba tax credit	20.00	20.00
(less) Federal tax credit	<u>16.00</u>	<u>28.00</u>
Deductible Amount	64.00	52.00
Tax Savings:		
Manitoba	7.68	0.52
Federal	<u>12.16</u>	<u>5.72</u>
Net after-tax cost	\$44.16	\$45.76

*Uses Manitoba general corporation income tax rate of 12%, effective July 1, 2009.