RESPONSIBLE PROGRESS

Manitoba’s Economic, Fiscal and Borrowing Program Update

December 2019
Central geographical location

Fifth-largest provincial population at almost 1.4 million and one of the fastest growing in Canada

Nominal Gross Domestic Product is $72.4 billion in 2018, among the most diversified and most stable economies in Canada

Sound credit rating
- Moody's: Aa2 (stable)
- S&P: A+ (positive)
- DBRS: A (high)

The Progressive Conservative Party of Manitoba was elected to a second consecutive majority with 36 of 57 seats on September 10, 2019

Next provincial election is on or before October 3, 2023
**MANITOBA GOVERNMENT BUDGET 2019/20**

**Responsibility Progress | December 2019**

**Revenues**
- Federal Transfers: 28%
- Own Source Revenue: 67%
- Government Business Enterprises: 5%

**Expenses**
- Health: 38%
- Education: 26%
- Families: 13%
- Other: 13%
- Justice: 4%
- Debt Servicing: 6%
Summary Budget Plan vs. Budget Result of Net Income (Deficit), 2011-12 to 2019-20b

(Millions of Dollars) (f = forecast and b = budget)

Previous Government

- 2011-12: Budget Plan (438), Budget Result (1,001)
- 2012-13: Budget Plan (460), Budget Result (560)
- 2013-14: Budget Plan (518), Budget Result (600)
- 2014-15: Budget Plan (357), Budget Result (539)
- 2015-16: Budget Plan (422), Budget Result (932)

New Administration

- 2016-17: Budget Plan (911), Budget Result (789)
- 2017-18: Budget Plan (840), Budget Result (694)
- 2018-19: Budget Plan (521), Budget Result (163)
- 2019-20b: Budget 2019 Plan (360)
Summary Budget Net Income Projection
(Millions of Dollars) (f = forecast)

2018/19 improvement reflects one-time revenues and savings, not expected to re-occur

Revised 2019 Forecast generally tracking as per Budget projections

Reflects projected balanced budget by 2022/23
Manitoba Expenditures and Net Debt are Middle Among Canadian Provinces:

- Per capita total expenditures at $12,633 per person in 2018/19, ranked 6th lowest among 10 provinces
- Five year average growth at 2.8% is fifth among provinces
- Manitoba’s net debt to GDP ratio was 34.6% in 2018/19. 6th lowest among provinces
- Manitoba’s net debt to GDP ratio is below the federal level
“On Oct. 4, 2019, S&P Global Ratings revised its outlook on the Province of Manitoba to a positive from stable.”
(S&P – October 4, 2019)

“Strong cost containment is helping to reduce after-capital deficits while the wind-down of large-scale capital projects at Manitoba Hydro should lessen the utility’s borrowing needs in the next few years. We are therefore revising our outlook to positive from stable.
(S&P – October 4, 2019)

“The gradual pace of deficit reduction reflects the government’s objective of balancing the budget in a measured and responsible fashion without jeopardizing service delivery, while reducing the overall tax burden and making life more affordable for Manitobans.”
(DBRS Rating Report – May 2, 2019)
Jobs and growth are not concentrated in a single sector.

Long-term economic development is balanced by growth among various medium-sized sectors.

The most stable economic growth among Canadian provinces.

Manitoba is now consistently posting among the fastest average annual real GDP growth in Canada.

Long-term growth above the national average since 2009 (10-year average annual real GDP growth)
✓ Employment growing by 1.2% so far in 2019
✓ Unemployment rate is averaging 5.4% in 2019, below Canada’s 5.7% rate and down from 6.0% in 2018
✓ Number of unemployed persons has fallen by 10.4%, one of the largest reductions among provinces (3rd best in Canada)
✓ Private sector employment growing by 1.5% in 2019
✓ Manufacturing employment is up 5.6% this year, the second strongest among provinces and much higher than Canada’s growth of 0.5%
-Manitoba’s population has increased by 1.4% annually over the last five years, third highest in Canada and well above Canada at 1.2% annual growth.

-Housing starts have increased 22.5% through the first half of 2019, the second strongest increase among the provinces.

-14,877 new housing units started in the last two years (2017/18), best two year total in 31 years.

-5,836 apartment units added in the last two years (2017/18), best two year total in 39 years.
Building permits are up 15.6% this year, on track for a 48% increase since 2015.

Private sector capital investment increased by 10.1% in 2018, the strongest increase among provinces.

Statistics Canada estimates that Manitoba’s private capital investment will grow 4.5% this year, the third year in a row that private investment has outpaced Canada.

Capital spending on machinery and equipment is expected to grow 6%, the strongest increase among provinces.
Reduce the number of red tape regulatory requirements by more than 24,000

Leading the nation in private sector capital investment in 2018

Leading the nation in manufacturing capital spending since 2015

- Canada Goose
- Ubisoft
- Amazon Web Services
- Maple Leaf Foods
- McCain Foods
- Roquette
- Simplot
- BellMTS
- CN Rail
- True North Square

Film industry growing; $250 million worth of production expected for 2018/19
MOST STABLE ECONOMY IN CANADA

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GDP by Industry Shares, 2018

- Manufacturing: 9.8%
- Construction: 7.6%
- Health and Social Services: 9.6%
- Public Administration: 8.6%
- Education Services: 5.6%
- Finance and Insurance: 5.6%
- Retail: 5.8%
- Real Estate, Rental and Leasing: 3.9%
- Professional and Scientific: 3.4%
- Accommodation, Food, Arts, Entertainment, Information and Culture: 5.4%
- Real Estate, Rental and Leasing: 3.9%
- Agriculture, Forestry and Fishing: 4.2%
- Mining, Oil and Gas: 2.5%
- Utilities: 3.4%
- Transportation and Warehousing: 6.7%
- Wholesale: 4.8%

- Long-term progress is balanced by growth across different sectors.
- Economic activity and jobs are not focused on one particular sector.
MANITOBA'S BROAD EXPORT BASE

- Grains, Oilseeds and Livestock
- Aerospace Components and Service
- Transit and Inter-City Buses
- Processed Food Products
- Machinery and Equipment
- Mining and Oil Extraction
- Electricity (Mostly Hydro)
- Industrial Chemicals
- Pharmaceuticals
Forecasts reflect moderating growth in Canada, U.S. and China, which are Manitoba’s key export markets.

Manitoba has a number of large commercial and industrial capital projects currently underway and recently announced that will offset some of the downward pressure.

### Manitoba Finance Survey of Economic Forecasts
(As at December 2019)

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<thead>
<tr>
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<th>2019f</th>
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<tbody>
<tr>
<td></td>
<td>Manitoba</td>
<td>Canada</td>
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<tr>
<td>Real GDP</td>
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<tr>
<td>Nominal GDP</td>
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<tr>
<td>Employment</td>
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<tr>
<td>Unemployment Rate (%)</td>
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<td>5.7</td>
</tr>
<tr>
<td>Consumer Prices</td>
<td>2.2</td>
<td>2.0</td>
</tr>
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✓ 97.2% of electricity generation is hydro, 2.7% is wind and 0.1% is thermal.

✓ Roughly 1/5 of the electricity generated is exported outside of Manitoba (U.S., Canada).

✓ Manitoba Hydro’s current generation capacity is 5,561 MW, with an additional 5,110 MW more of potential generation identified.

✓ Manitoba Hydro is currently investing in a major generation project and has put into service a major transmission project.

Keeyask
Hydro Generating Station Project
Design Capacity: 695 MW
Anticipated First Unit in Service Date: Fall 2020
Anticipated Cost: $8.7B
Budget 2019 was passed October 10,

Expected borrowing requirements for budget 2019/20 are C$6.7 billion.

Planned funding through both domestic and international capital markets.

To date, we have funded C$5.0 billion, 84.4% of our needs for fiscal 2019/20.

C$6.7 billion

- Refunding Maturing Debt: $3.0 billion
- New Cash Requirements: $3.7 billion
- $740M Other Crowns & Org.
- $388M General Programs
- $353M Capital Investments
- $2,200M Manitoba Hydro
FUNDING SOURCES

Notes: Funding sources are from 5 years

Savings Bonds <0.5%
(discontinued in 2016)

CAD Public Debentures: 55%
- CAD MTN: 8%
- CAD FRN: 3%

USD Global: 16%

Other Int’l Markets: 18%
- AUD
- CHF
- EUR
- GBP
- HKD
- JPY
- NZD
- SEK

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More information at: www.manitoba.ca/finance/

Thank you!