



## **Budget Paper A**

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# **THE ECONOMY**

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# THE ECONOMY

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## CANADIAN ECONOMY

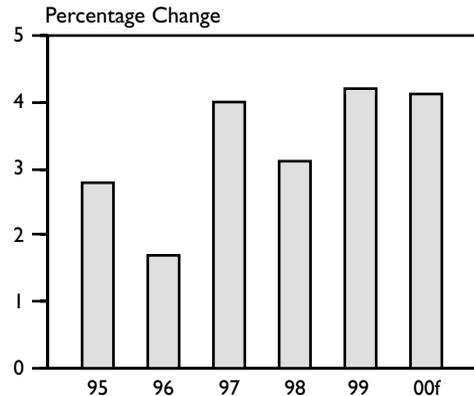
Canada's economy grew by 4.2% in real terms in 1999, one of the strongest increases among G-7 countries. This was also the Canadian economy's best performance since 1994 (see Chart 1). Overall growth benefited from strength in several areas, including exports, consumer spending and business investment.

Despite continuing weakness in Japan's economy, the general economic recovery in Asia in 1999 was much stronger than forecast earlier in the year. The increased economic stability and brighter prospects for growth promoted by the Asian recovery facilitated more vigorous expansion in many of Canada's external markets, especially the United States. Strong real growth in the U.S. of 4.2% propelled Canadian exports, with merchandise shipments to the U.S. up 14.2% last year. The modest increase in the value of the Canadian dollar relative to the U.S. currency in 1999 did not appear to dampen U.S. demand for Canadian goods.

At the same time, Canada's strong employment and personal income growth in 1999 contributed to higher levels of consumer spending. Real personal expenditure grew 3.2%, led by a 7.2% increase in spending on durable goods (automobiles, furniture, etc.).

Vigorous employment growth of 2.8% – the highest annual increase since 1988 – helped push down Canada's unemployment rate to 7.6% in 1999. In 1999, Canada's economy created over 390,000 jobs, and posted its lowest annual unemployment rate since 1989. A survey of seven private forecasts, compiled by Manitoba Finance, suggests that Canada's employment prospects remain strong, with 2.8% growth projected for 2000 (see Chart 2).

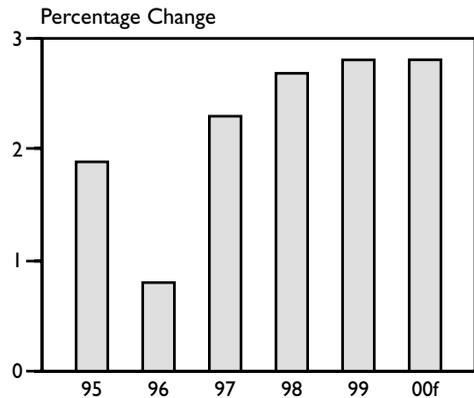
**Chart 1**  
**Canada Real Gross Domestic Product**



f - Forecast

Sources: 1995-1999: Statistics Canada  
2000: average of seven private sector forecasts

**Chart 2**  
**Canada Employment**

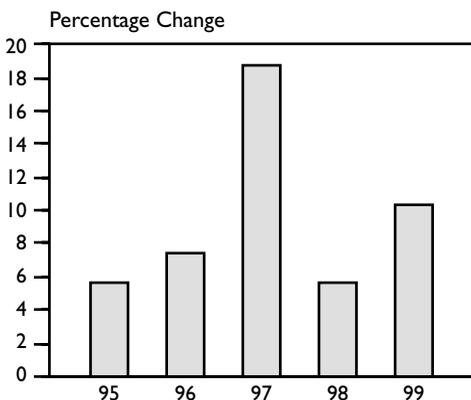


f - Forecast

Sources: 1995-1999: Statistics Canada  
2000: average of seven private sector forecasts

*Real business investment in machinery and equipment increased 14.9%, as businesses continued to invest heavily in computers and other office equipment.*

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



Source: Statistics Canada

The turnaround in the prices of some of Canada's main natural resource commodities, as well as good growth in the U.S. market, had a strong positive effect on business sector performance. Overall, corporate profits increased 25.2% last year after slipping 6.0% in 1998. Real non-residential business investment increased 10.4% (see Chart 3). Real business investment in machinery and equipment increased 14.9%, as businesses continued to invest heavily in computers and other office equipment. Non-residential business construction also bolstered output of construction industries, which saw 3.8% growth after a very weak 1998.

Much of the strength in Canada's economy in 1999 was linked to manufacturing. Real manufacturing output rose 6.3%, up from 3.9% growth in 1998. Among Canada's manufacturing industries, the strongest gains in real output were posted by telecommunications equipment (+35.7%), computers and peripherals (+27.4%), and motor vehicles (+22.4%).

Despite sharp increases in energy costs associated with rising oil prices, inflation, as measured by the Consumer Price Index (CPI), increased only 1.8% in 1999. While the inflation rate was up from 1.3% in 1998, it remained in the middle of the Bank of Canada's 1-3% inflation control target range. The survey of seven private forecasters, conducted by Manitoba Finance, projects Canada's inflation rate at 2.4% for 2000.

While actual price inflation remained subdued through 1999, U.S. monetary authorities continued to be concerned about tight labour supply and potential wage and price inflation. To reduce potential inflationary pressures, the U.S. Federal Reserve has boosted interest rates over the last six months, and the Bank of Canada has responded by boosting the Canadian Bank Rate to match the increases.

The value of the Canadian dollar increased from an average of US\$0.658 in January 1999 to US\$0.679 in December 1999. Over the first four months of 2000, the Canadian dollar has traded between US\$0.673 and US\$0.697. Both higher interest rates and the stronger Canadian currency have resulted in tighter monetary conditions in Canada over the past year (see Chart 4).

Canada has now entered its ninth consecutive year of economic expansion, and prospects for continued economic growth in 2000 remain strong. According to the survey of seven private economic forecasters, Canada's real GDP growth is expected to remain relatively unchanged in 2000 at 4.1%.

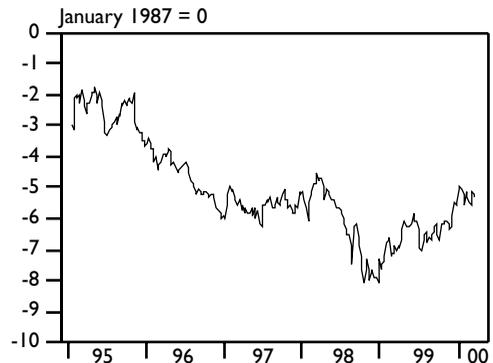
## **MANITOBA ECONOMY**

Manitoba's economy grew 2.2% in 1999. Weaker non-U.S. exports, a depressed field crop industry, and weak demand for agricultural machinery combined to slow the economy's growth. The Manitoba Bureau of Statistics estimates that real GDP at Market Prices grew 2.2% in 1999, down from a 3.3% increase in 1998 (see Chart 5).

Declines in agriculture, mining, and utilities combined to reduce real GDP in Manitoba's goods-producing industries by 0.7%. Real output in Manitoba's largest goods-producing industry, manufacturing, was up only 1.2%. Conversely, real output in the service sector, which accounts for 70% of Manitoba GDP, increased by 3.5%. Growth among service industries was widespread, with each of Manitoba's 14 service industries posting increases in output last year.

Manitoba continued to experience tight labour markets in 1999. The unemployment rate was 5.6%, up slightly from 5.5% in 1998. Manitoba posted the lowest unemployment rate among Canadian provinces in both 1998 and 1999. Manitoba's unemployment rate is expected to decline further to

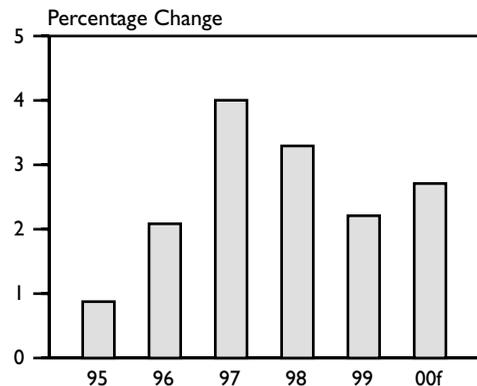
**Chart 4**  
**Canada Monetary**  
**Conditions Index**



Source: Bank of Canada

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

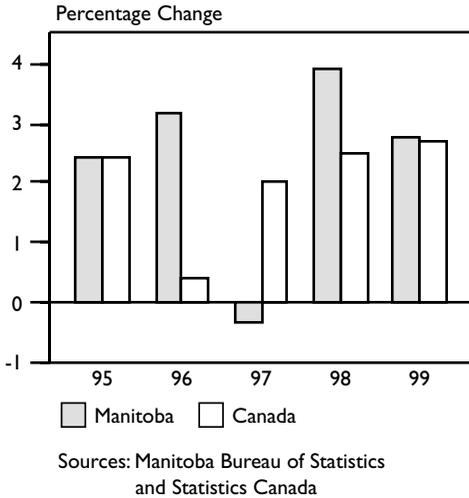
**Chart 5**  
**Manitoba Real**  
**Gross Domestic Product**



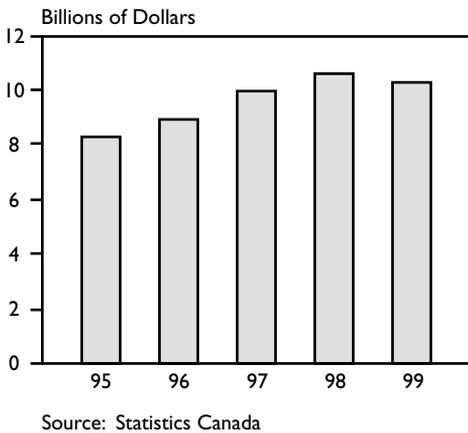
f - Forecast

Sources: 1995-1999: Manitoba Bureau of Statistics  
2000: average of seven private sector forecasts

**Chart 6**  
**Personal Disposable Income**  
**Growth Per Capita,**  
**Manitoba and Canada**



**Chart 7**  
**Manitoba Manufacturing**  
**Shipments**



5.3% in 2000, based on the survey of seven private forecasters. Total employment is expected to increase 1.7% in 2000, after 1.3% growth in 1999.

Manitoba's growth in per capita personal disposable income outpaced Canada's for a second consecutive year. Per capita disposable income in Manitoba increased 2.8% after 3.9% growth in 1998 (see Chart 6). Real personal expenditure increased 2.1%, up from 1.6% growth in 1998.

Total capital investment increased 3.3% in 1999, the eighth straight year of investment growth. Both public and private investment increased. Real spending on machinery and equipment by business advanced 13.9%.

Manufacturing shipments declined 2.6% as shipments of machinery, Manitoba's third-largest manufacturing industry, fell by almost one-third. Weak demand for agricultural machinery was principally responsible for this sharp decline.

Manitoba's inflation rate in 1999, as measured by the Consumer Price Index, was 2.0%, slightly above Canada's CPI increase of 1.8%. The survey of private forecasters shows the expected Manitoba CPI increase in 2000 is 2.2%.

In 1999, preliminary data for foreign exports shows Manitoba's export trade was down slightly after several years of very strong growth. A sharp 27.1% decline in the value of non-U.S. foreign merchandise exports more than offset the brisk 6.9% growth in export sales to the United States.

While the rate of economic growth in Canada is projected to decline modestly in 2000, a survey of seven private forecasters shows that Manitoba's real GDP growth is expected to increase to 2.7%. Nominal growth is projected at 4.7%. Factors responsible for the higher expected growth include renewed growth in manufacturing shipments, a stable-to-positive outlook for grains and oilseeds, and significantly improved prospects for Manitoba's mining industry.

## ■ Manufacturing

Manufacturing is Manitoba's largest goods-producing industry, contributing about 14% to total provincial GDP. Manufacturing also accounts for two-thirds of merchandise exports, or approximately \$5.3 billion. Manitoba's manufacturing sector is highly diverse, and includes a broad range of consumer and industrial goods.

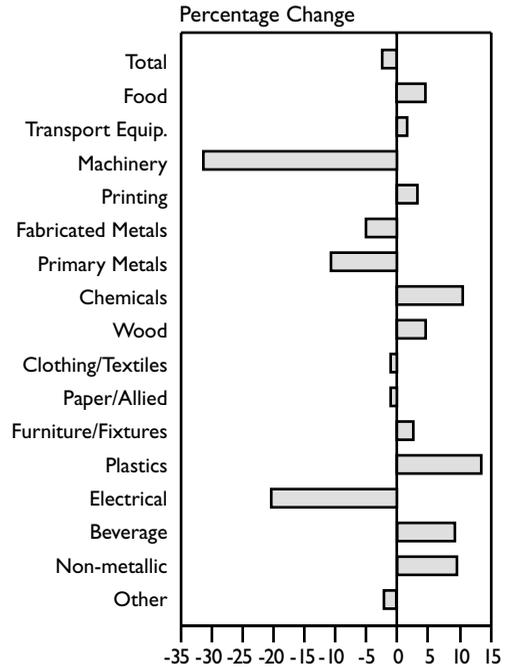
After seven consecutive years of growth, Manitoba's manufacturing shipments declined 2.6% in 1999. Weak demand for agricultural machinery drove down overall machinery shipments by 31.4% in 1999. Machinery is the province's third-largest manufacturing industry (see Chart 7).

Shipments by most other manufacturing industries increased. Nine of the remaining 15 manufacturing industries posted increases last year, led by plastics (+13.5%) and chemicals (+10.4%) (see Chart 8).

Manitoba's largest manufacturing industry, food processing, recorded a 4.4% increase in shipments in 1999. Over the past several years, food processing in Manitoba has diversified substantially, and now includes a wide variety of processed meat, dairy, vegetable, and grains/oilseeds products. In September 1999, Maple Leaf Foods opened a large new hog processing facility in Brandon. Once operating at full capacity, this facility will directly employ about 2,000 people.

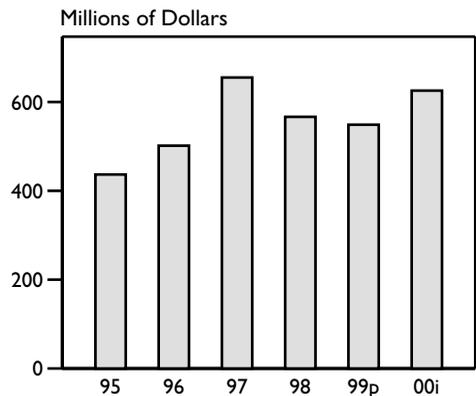
While capital investment in Manitoba's manufacturing sector has increased sharply since the early 1990s, Statistics Canada's Survey of Public and Private Investment shows investment in manufacturing is estimated to have declined 2.7% in 1999. In 2000, the Survey projects manufacturing investment will rebound with an increase of 13.6% (see Chart 9).

**Chart 8**  
**Manitoba Manufacturing Shipments by Industry\*, 1999**



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

**Chart 9**  
**Manitoba Manufacturing Investment**

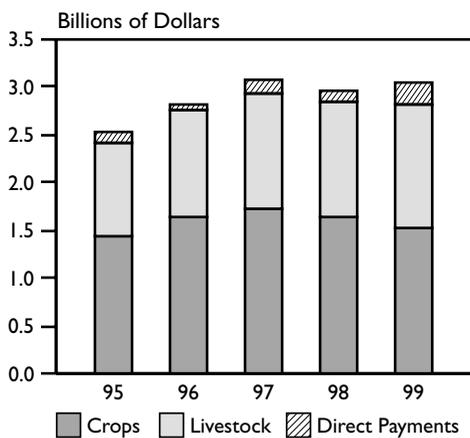


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Source: Statistics Canada

Increased manufacturing investment and higher levels of manufacturing shipments over the past several years have been accompanied by strong growth in manufacturing employment. In 1999, Manitoba's manufacturing employment grew 2.9%, more than double the rate of growth for overall employment. Over the last five years, manufacturing employment has increased by 23.1%. Manufacturing employed 64,500 last year and accounted for 11.9% of total employment. This was the highest ratio among Canada's Western provinces.

**Chart 10**  
**Manitoba Farm**  
**Cash Receipts**



Source: Statistics Canada

## ■ Agriculture

Like the economy overall, Manitoba's agriculture sector is highly diversified. In 1999, livestock production accounted for 46% of market receipts, while crops accounted for 54%. Within these sectors, Manitoba producers market a wide variety of livestock and crops. Agriculture directly accounts for 20% of Manitoba's total foreign exports.

Total farm cash receipts from market fell 1.3% in 1999. This decline was more than offset by an increase in direct payments to producers, which rose to \$211.7 million from \$92.2 million in 1998. Overall, farm cash receipts increased 2.8% (see Chart 10).

1999 was a poor year for Manitoba crop producers with crop receipts down 7.2%. Receipts from wheat production rose 6.4%, offsetting part of the 27.5% decline in 1998. While total seeded hectares in 1999 were down, average yields per hectare were up slightly. World wheat supplies continue to be large after three consecutive good crops. Wheat prices in the current crop year are

10% below last year's levels. Higher volumes of production in many areas of the world will likely continue to constrain the recovery of wheat prices in 2000.

Farm cash receipts for canola, Manitoba's largest crop in 1998, fell by 41.2% last year as excess world supply of vegetable oils pushed down canola prices. Local prices for canola fell by about one-third since summer 1998. Manitoba producers reduced seeded area of canola by 9.8% in 1999. Combined with slightly stronger yields, this resulted in a 5.3% decline in total canola production last year.

While crop producers had a weak 1999, livestock producers in Manitoba fared better. Total livestock receipts climbed 6.7% to \$1.3 billion, the fifth consecutive annual increase.

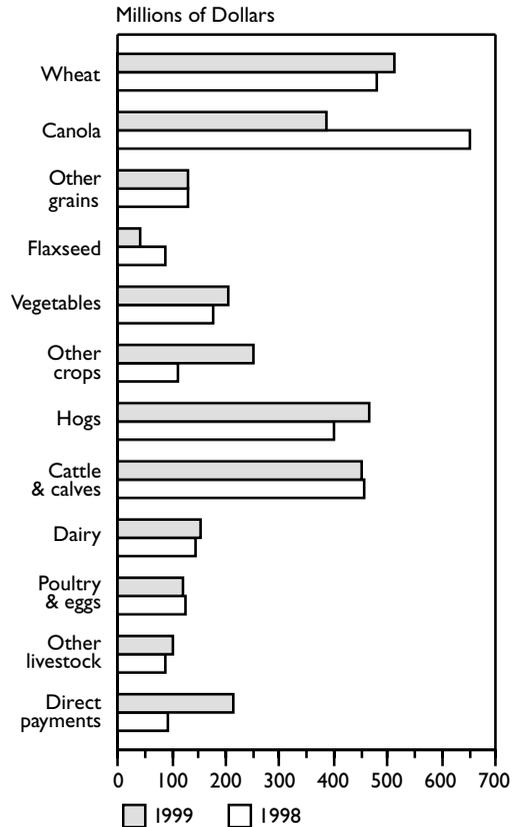
Receipts from hog production continued to grow, up 16.9% from 1998. Hog prices recovered slightly in 1999 after a significant decline in 1998. Meanwhile, marketings of Manitoba-origin hogs increased an estimated 18.4%. Of the 4.7 million hogs produced in Manitoba in 1999, about 2.3 million were exported to the U.S.

Receipts from cattle and calves were down slightly in 1999, with marketings of Manitoba-origin slaughter cattle continuing to decline. Overall, producers enjoyed higher prices last year, with prices for Grade A steers up 5.0% from 1998.

Prices for both cattle and hogs are projected to increase in 2000.

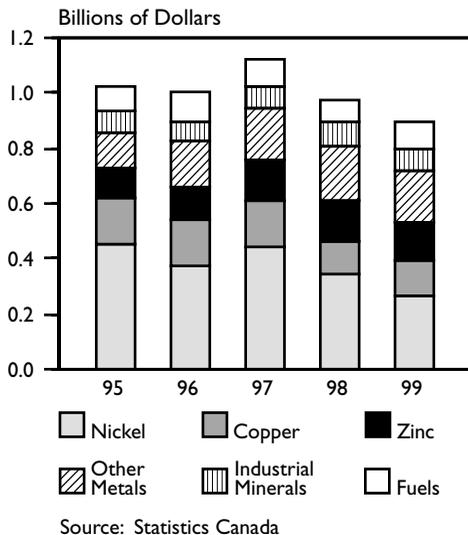
The Manitoba Bureau of Statistics estimates that Manitoba's farm producers' accrued net income of operators' farm production fell by 44.6% in 1999. Total real GDP in agriculture declined 3.5% in 1999.

**Chart 11**  
**Manitoba Farm Cash Receipts**  
**by Product, 1999 and 1998**



Source: Statistics Canada

**Chart 12**  
**Manitoba Mineral Production**



## ■ Mining

The value of mineral production in Manitoba declined 7.7% in 1999 to \$892.7 million. This was the second consecutive annual decline in the value of mineral output (see Chart 12).

Metal production declined 11.7% in 1999, principally due to a 20.6% decline in the value of nickel production. At \$271.4 million, nickel accounted for 30% of the value of mineral production in Manitoba last year.

While nickel prices rose sharply in 1999, the volume of production declined 35.8%. This reduction was largely due to a labour dispute at Inco's Manitoba Division in Thompson. The dispute was resolved in December 1999.

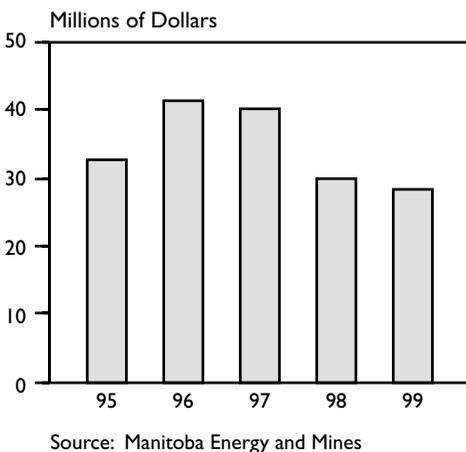
Zinc and copper, respectively, are the second and third most significant metals produced in Manitoba. The value of production of each of these minerals was essentially unchanged last year from 1998 levels.

Modest declines in both the price and volume of gold pushed down the total value of Manitoba gold production 6.1% in 1999. Gold accounts for 12% of Manitoba mining production. New gold mining facilities in Manitoba have helped boost the value of gold production by 150% over the last five years.

Industrial mineral production, including gravel, lime and gypsum, declined 3.7%. While relatively small, the value of oil production increased 31.9% to \$97.5 million as the world price of oil escalated dramatically last year.

Mineral exploration expenditures in the province last year are estimated at \$28.3 million, down from approximately \$30 million in 1998 and \$40.3 million in 1997. Weak metals prices for the past several years are principally responsible for the decline in exploration spending (see Chart 13).

**Chart 13**  
**Manitoba Mining Exploration Expenditure**



According to a 1999 study by the Fraser Institute, Manitoba was the fourth best jurisdiction for mining investment among 35 mining jurisdictions considered worldwide. The study surveyed over 100 mining and mineral exploration companies with respect to jurisdictions' investment attractiveness.

## ■ Hydro-Electricity

The value of hydro sales increased 4.4% in 1999. This was the twelfth consecutive annual increase in sales (see Chart 14).

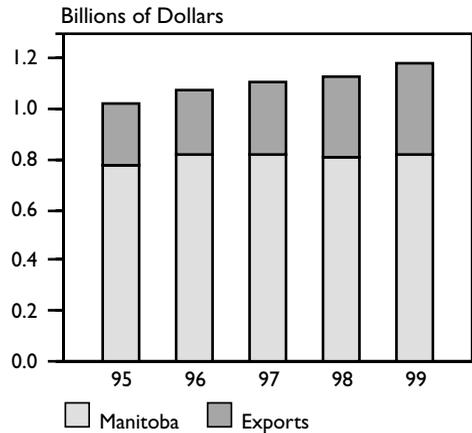
Total export sales increased by 13.0% to a new record high of \$363.3 million. Higher exports to Ontario are principally responsible for the increase. Export sales to the U.S. account for \$274.1 million, or 75%, of Manitoba's hydro-electricity exports.

Over the past decade, the value of hydro-electricity export sales increased 442% while sales to customers in Manitoba increased 21%. In 1999, export revenue accounted for 30.8% of total revenue, up from 9.1% in 1990.

Manitoba hydro-electricity rates continue to be among the lowest in North America.

While Canada's electricity industry was responsible for 16% of the annual national production of greenhouse gases, almost all of Manitoba Hydro's electricity is produced by water-powered hydraulic generating stations. In total, Manitoba Hydro produced only a tiny fraction of Canada's greenhouse gases. As Canada moves forward in meeting its commitments to greenhouse gas reduction made in Kyoto, Manitoba Hydro may play an important role by producing even more of North America's electrical energy through environmentally desirable hydro-electric energy generation.

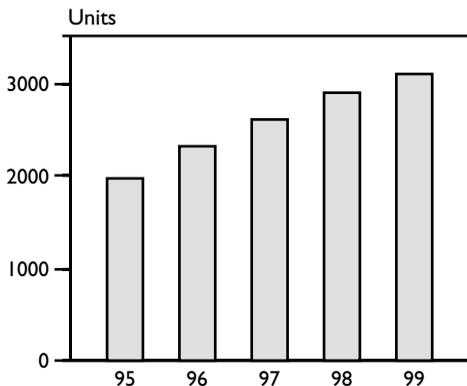
**Chart 14**  
**Manitoba Hydro-Electricity Sales**



Source: Manitoba Hydro-Electric Board

**In March 2000, the Pembina Institute, a leading environmental think tank, named Manitoba Hydro the top performer among Canadian electrical utilities in the fight against climate change.**

**Chart 15**  
**Manitoba Housing Starts**



Source: Canada Mortgage and Housing Corporation

## ■ Housing

Manitoba's housing starts increased for the fourth consecutive year in 1999. Total housing starts increased 8.2% over 1998, slightly below the national growth rate of 9.1%.

At 3,133 units, 1999 housing starts in Manitoba were at their highest level since 1994 (see Chart 15).

Housing starts in urban centres increased 12.8% last year, above the national average of 8.8%. About 85% of urban starts were in Winnipeg. At 2,094 units, Manitoba's total urban housing starts were at their highest level since 1990.

Currently, Canada Mortgage and Housing Corporation projects that housing starts will decline 9.2% in 2000, largely as a result of a decline in the construction of multiple units (apartments, condominiums, etc.).

## ■ Retail Sales

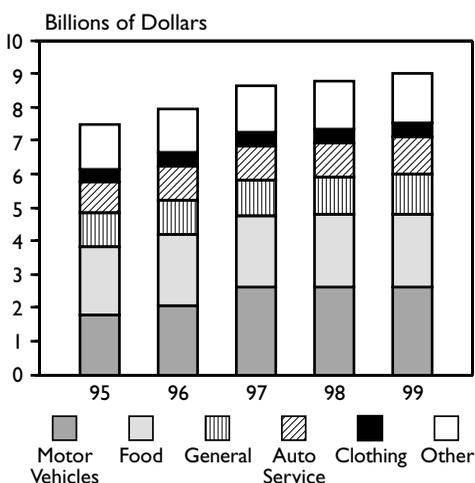
The value of retail sales reached \$9.0 billion in 1999, a 2.9% increase, following 2.1% growth in 1998 (see Chart 16).

Manitoba's retail sales growth benefited from strong increases in motor vehicle sales between 1994 and 1997. However, motor vehicle sales increased only 1.6% in 1998, and declined slightly in 1999.

Appliance and furniture sales continued to grow briskly, buoyed by the ongoing strength in Manitoba's housing market. Furniture and appliance sales were up 6.7% in 1999, after a 7.1% increase in 1998.

The weakness in many elements of Manitoba's primary commodity industries is reflected in the differences between Winnipeg retail sales performance and retail sales in rural Manitoba last year. In 1999, retail sales in Winnipeg grew 5.7%, while retail sales outside Winnipeg actually declined 1.3%.

**Chart 16**  
**Manitoba Retail Sales**



Source: Statistics Canada

## ■ Tourism

Manitoba's tourism and hospitality sector experienced solid growth in 1999. In July and August, Manitoba hosted the Pan American Games, the largest multi-sport event ever held in Canada. Spending on services was particularly strong with good growth in such services as recreation, entertainment and travel, and helped push overall service sector growth up 3.5% in real terms.

In 1999, tourism expenditure rose 1.9%, buoyed by increased U.S. and other foreign visitors. The relatively low value of the Canadian dollar also continued to assist in attracting U.S. and other foreign visitors. The number of direct U.S. visitors rose 3.9% last year. Same day travel by U.S. visitors increased 5.9%, and overnight visitors increased by 1.5%. The Manitoba accommodation occupancy rate was 72.2%, the highest in Canada.

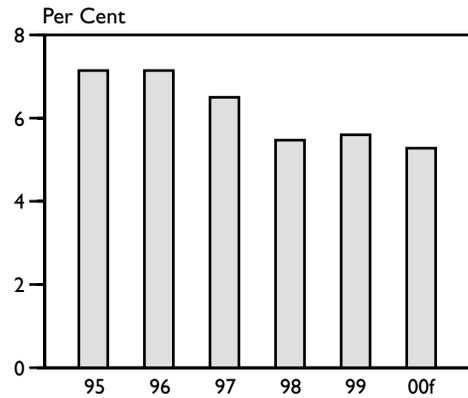
## ■ Labour Markets

Manitoba's unemployment rate increased slightly to 5.6% in 1999 from 5.5% in 1998. Nevertheless, tight labour supply conditions continued to prevail. Manitoba has had the lowest unemployment rate in Canada over the last two years (see Chart 17).

Along with Canada's lowest overall unemployment rate, Manitoba's youth unemployment rate was the lowest in Canada in 1999. At 10.1%, the youth unemployment rate was down from the 1998 rate of 10.4%, and well below Canada's rate of 14.0%.

Employment growth slowed to 1.3% in 1999 from 1.9% growth in 1998 (see Chart 18). Full-time employment increased 1.2% last year, below Canada's growth of 3.3%. Part-time employment was up 1.6%, ahead of Canada's part-time employment growth of 0.3%.

**Chart 17**  
**Manitoba Unemployment Rate**

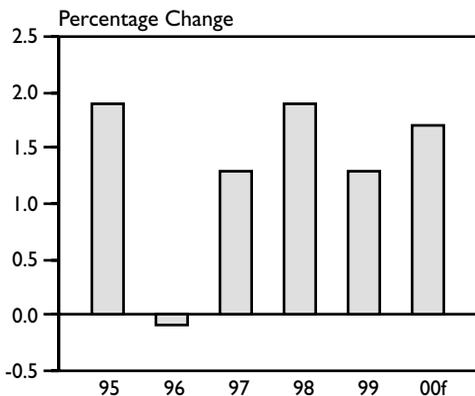


f - Forecast

Sources: 1995-1999: Statistics Canada  
2000: average of seven  
private sector forecasts

*Along with Canada's lowest overall unemployment rate, Manitoba's youth unemployment rate was the lowest in Canada in 1999.*

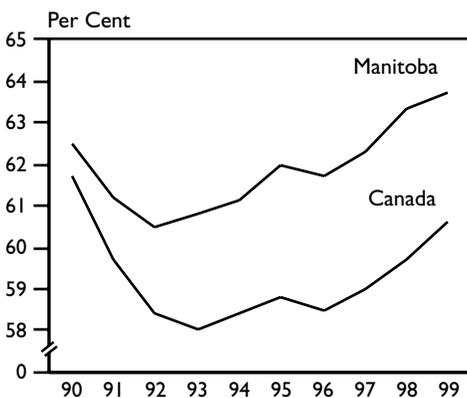
**Chart 18**  
**Manitoba Employment**



f - Forecast

Sources: 1995-1999: Statistics Canada  
2000: average of seven private sector forecasts

**Chart 19**  
**Manitoba and Canada Employment Rate**



Source: Statistics Canada

Service-producing industries accounted for all of the growth in employment in 1999, while employment in the goods sector actually declined. Overall, employment in service-producing industries increased 2.0%, while employment in the goods-producing industries fell 0.6%.

The survey of seven private sector forecasters shows that Manitoba's employment is expected to increase by approximately 9,200, or 1.7%, in 2000. The survey also shows Manitoba's unemployment rate is expected to decline to 5.3% in 2000.

Manitoba's participation rate increased last year to a historically high level of 67.5%. Manitoba's low unemployment rate continued to encourage growth in labour force participation. Manitoba's employment rate – the ratio of employment to total working-age population – increased to 63.7%, also the highest level on record (see Chart 19). Both Manitoba's employment rate and labour force participation rate are second highest among the provinces.

## Population

In 1999, Manitoba posted its strongest population growth in four years. Total population grew 0.5%, up significantly from 0.1% growth in 1998. The official July 1 population was estimated at 1,143,400.

The principal reason for the stronger population growth in 1999 was a sharp decrease in net interprovincial out-migration.

Total net migration, including all categories of migration to and from Manitoba, was positive for the first time since 1985 (see Chart 20). Last year, overall migration boosted Manitoba population by 1,846 persons.

In 1999, net interprovincial migration from Manitoba to other provinces was 950 persons, down significantly from 2,901 persons in 1998. In

total, 19,605 persons left Manitoba for other provinces, while 18,665 persons moved to Manitoba from other provinces. This was Manitoba's lowest interprovincial net out-migration since 1984.

About three-quarters of the total number of people who migrate from province to province in Canada are working-age individuals. On average over the last three years, 74.3% of out-migrants from all provinces have been 15-64 years old, slightly higher than Manitoba's 73.0%. Likewise, young working-age persons (ages 15-24) account for approximately 24.0% of Canada's out-migrants to other provinces, about the same as Manitoba's.

Manitoba also received more international net migration in 1999. Net international immigration last year was 2,101, up from 1,401 in 1998. International immigration to Manitoba in 1999 was 3,715 persons, 2.0% of the total international immigration to Canada. 1,614 persons emigrated from Manitoba to other countries, about 2.9% of the national total. Miscellaneous migration, including movement of foreign non-permanent residents to and from Manitoba, increased Manitoba population by a further 695 persons.

## ■ Investment

Total capital investment in Manitoba is estimated to have increased 3.3% in 1999, according to Statistics Canada's Survey of Public and Private Investment (see Chart 21).

Both public and private capital investment increased last year. Public investment, which accounted for about one-fifth of total investment in Manitoba, increased 8.7%. Private investment increased 1.8%. In 1999, manufacturing investment declined 2.7% after a 13.8% decrease in 1998.

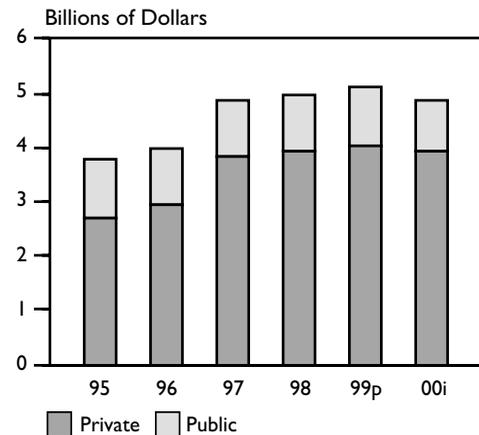
Among Manitoba's industries, health and social services, and retail trade, had the highest increases. Education services and miscellaneous services had the largest declines.

**Chart 20**  
**Manitoba Net Migration**



Source: Statistics Canada

**Chart 21**  
**Manitoba Capital Investment**



p - Preliminary i - Intentions

Source: Statistics Canada

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**“High levels of business investment in conjunction with strong consumer confidence, have contributed to strong economic expansion and diversification. Manufacturing now accounts for an increasing share of economic activity which enhances the province’s resilience.”**

Moody’s Investors Service  
November 1999

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For 2000, Statistics Canada’s investment survey indicates that total investment is expected to decline 5.0% from 1999 levels. Public investment is projected to drop 16.2%, while private investment is projected to decline by 1.9%.

The total value of building permits issued in Manitoba in 1999 declined 14.8% to \$879.4 million. Virtually all of the reduction in the value of building permits issued was accounted for by industrial building permits, which declined from \$236.9 million in 1998 to \$107.8 million in 1999. The lower value of building permits issued reflected the completion of a number of major industrial construction projects in 1998. The value of building permits issued in 1999 was the second highest on record.

The following are some examples of investment projects being undertaken at this time, or expected to commence in 2000.

**Schneider Corporation** will invest \$125 million in a new hog processing plant expansion. The construction of a state-of-the-art production facility in Winnipeg will create 1,100 ongoing jobs.

**Vansco Electronics**, a Manitoba firm which currently employs 500 persons in the manufacture of electronics components, is undertaking a \$12.4 million plant expansion. Once completed, the expansion will create another 340 new jobs.

**Inco Ltd.** will be investing \$70.4 million over the next two years in the expansion of the Thompson Birchtree Mine. The investment will both extend the life of the mine by 15 years, and increase the daily output.

**Loewen Windows** plans a \$20 million expansion of its Steinbach manufacturing plant, and the creation of an additional 250 positions. The company is currently Canada’s largest manufacturer of wood-framed windows, and has 700 employees in Manitoba.

**SMARTpark**, a research park development at the University of Manitoba, is expected to begin

operation by the end of the year. The initial cost of SMARTpark is \$5.6 million. It will bring together academia and industry, and will focus on areas of strength at the University and the province, including information technology, telecommunications, agricultural and pharmaceutical biotechnology, and advanced materials.

**Manitoba Hydro** will invest \$180 million in a new 225-megawatt turbine plant in Brandon. The plant will use natural gas, a much cleaner option than coal, and will be operational in early 2002.

## ■ Foreign Markets

Preliminary trade data shows that total foreign exports declined 1.5% in 1999. This was the first year since 1989 that the value of annual foreign exports fell (see Chart 22).

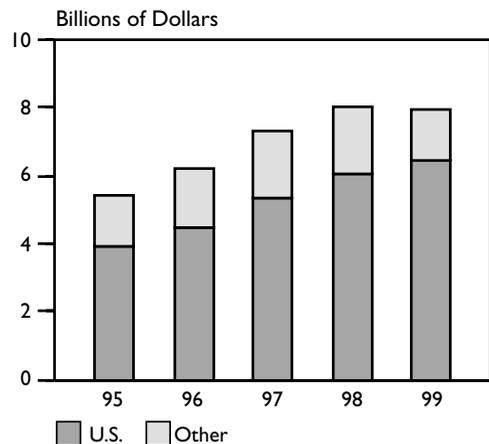
Non-U.S. exports declined 27.1% last year, more sharply than the national reduction of 5.8%. The decline comes after a period of very strong and sustained growth in non-U.S. exports. The reduction in exports was led by Manitoba's Asian markets, principally Hong Kong (-84.9%), Malaysia (-53.6%) and Taiwan (-47.7%). In 1999, non-U.S. exports accounted for 18.3% of Manitoba's total foreign exports.

While non-U.S. exports fell, exports to the U.S. increased by 6.9%. Overall in 1999, 81.7% of Manitoba's exports were destined for the U.S., slightly below the national average of 86.8% (see Chart 23).

Foreign exports have accounted for a growing share of total output in Manitoba over the past several years. In 1999, it is estimated that foreign exports were equal to 29% of GDP, up from 24% five years ago. Approximately two-thirds of total foreign commodity exports are manufactured goods. Agriculture is also another major export-oriented Manitoba industry, accounting for 19.7% of total foreign exports.

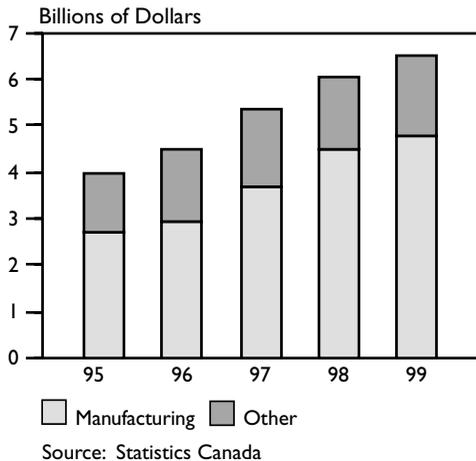
*Approximately two-thirds of total foreign commodity exports are manufactured goods. Agriculture is also another major export-oriented Manitoba industry, accounting for 19.7% of foreign exports.*

**Chart 22**  
**Manitoba Foreign Exports**



Source: Statistics Canada

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



Manitoba's foreign exports reflect a diverse mix of products. A broad range of manufactured industrial and consumer goods is reflected among the province's main commodity exports. Transportation equipment – principally intercity and urban buses, and aerospace equipment – is Manitoba's major foreign export. Other major products exported include grains and oilseeds, metals, machinery, and hydro-electricity.

### ■ Manitoba Economic Outlook

Manitoba's economy is poised for stronger growth in 2000. Continuing strength in the Canadian and U.S. economies, and a positive outlook for Manitoba's commodities industries, will likely result in stronger gains in employment and output.

The Manitoba Outlook survey of seven private forecasts shows real GDP growth is expected to be 2.7% in 2000 and 2.6% in 2001. Employment growth is forecast to be stronger in both 2000 and 2001. Manitoba's unemployment rate is expected to decline to 5.3% in 2000 and 5.2% in 2001.

Risks to the Manitoba Outlook include a substantial increase in interest rates, a slowdown in the economies of Manitoba's domestic and international trading partners, and a deterioration in prices for Manitoba's major commodity products.

## Manitoba Outlook at a Glance

	1999	2000	2001
	(Percentage Change Except as Noted)		
Gross Domestic Product			
Nominal	3.8	4.7	4.4
Real	2.2	2.7	2.6
Employment	1.3	1.7	1.4
Unemployment Rate (%)	5.6	5.3	5.2

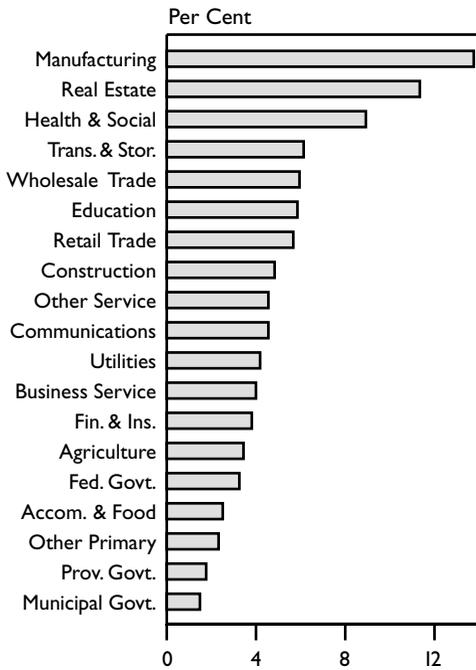
Sources: 1999 are actual, 2000 and 2001 are average of private sector forecasts.

## Manitoba Foreign Exports

BY INDUSTRY	1995	1996	1997	1998	1999	1999 Share
(Millions of Dollars)						
Manufacturing						
Transportation						
Equipment	\$ 569.3	\$ 636.2	\$ 749.7	\$ 1,048.1	\$ 1,229.5	15.5%
Food and Beverage	385.2	547.0	665.9	1,043.0	754.1	9.5
Primary Metals	412.9	358.6	551.5	716.0	608.1	7.7
Wood	184.6	207.1	266.8	351.8	505.5	6.4
Machinery	627.2	625.2	766.1	718.4	502.7	6.3
Chemicals	65.7	116.3	131.1	232.0	334.1	4.2
Paper and Allied	265.1	235.1	237.4	236.2	240.6	3.0
Electrical	170.5	232.4	296.5	303.7	235.6	3.0
Plastics	87.4	98.7	109.8	137.4	170.0	2.1
Clothing and Textiles	70.4	85.3	117.0	136.5	157.7	2.0
Furniture and Fixtures	79.9	102.8	132.1	131.1	128.0	1.6
Printing	44.1	46.5	65.3	92.9	101.1	1.3
Other Manufacturing	196.0	222.7	254.0	257.8	294.7	3.7
<b>Total Manufacturing</b>	<b>3,158.3</b>	<b>3,513.9</b>	<b>4,343.2</b>	<b>5,404.9</b>	<b>5,261.7</b>	<b>66.2</b>
Agriculture	1,463.5	1,723.6	2,019.1	1,773.7	1,561.8	19.7
Electricity	279.9	284.8	309.8	356.2	351.3	4.4
Other Primary	402.9	534.5	479.2	354.3	548.0	6.9
Other Exports	150.9	162.8	162.6	177.9	222.9	2.8
<b>Total Exports</b>	<b>\$ 5,455.5</b>	<b>\$ 6,219.6</b>	<b>\$ 7,313.9</b>	<b>\$ 8,067.0</b>	<b>\$ 7,945.7</b>	<b>100.0</b>
<b>BY DESTINATION</b>						
United States	\$ 3,957.0	\$ 4,508.7	\$ 5,381.5	\$ 6,068.5	\$ 6,489.5	81.7
Japan	351.9	364.2	435.9	403.5	378.6	4.8
China	244.7	243.8	147.6	228.3	156.4	2.0
Mexico	71.1	87.2	93.3	141.1	103.8	1.3
Other Countries	830.8	1015.7	1255.6	1225.6	817.4	10.3
<b>Total Exports</b>	<b>\$ 5,455.5</b>	<b>\$ 6,219.6</b>	<b>\$ 7,313.9</b>	<b>\$ 8,067.0</b>	<b>\$ 7,945.7</b>	<b>100.0</b>

Source: Statistics Canada

**Chart 24**  
**Shares of Manitoba**  
**Gross Domestic Product, 1999**



Source: Manitoba Bureau of Statistics

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

Manitoba's \$31 billion economy is among the most diverse in Canada. While agriculture, mining and other primary commodity industries have long played a major role in Manitoba's economic growth, the relative importance of other new industries has grown. Diversity serves to provide greater stability for Manitobans in the face of changing economic conditions (see Chart 24).

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

As a share of the economy, manufacturing has grown rapidly, and now accounts for 13.8% of provincial output, up from 12.2% just five years ago. This is the largest increase in GDP share of any industry in Manitoba. Likewise, manufacturing accounts for 11.9% of total provincial employment; this is much higher than the total employment in Manitoba's resource industries which, altogether, account for only 1.3% of total employment.

The growing importance of the higher value-added industries is illustrated by the composition of Manitoba's foreign commodity exports. Over the last five years, the share of primary commodities relative to total foreign exports has declined from 35% in 1994 to 27% in 1999. Meanwhile, manufacturing exports have climbed from 57% to 66% of foreign exports over the same period.

One of the factors that has provided Manitoba with strong economic stability is the relatively large service sector. Service-producing industries account for 70% of GDP, which is higher than the Canadian average of 67%.

Manitoba's large service sector tends to be less susceptible to fluctuations through the business cycle than most goods-producing industries. The province is home to many major service sector operations, including the head offices of Canada's largest life insurer, and Canada's largest mutual fund company, the Canadian Wheat Board, CanWest Global Communications, and several of Canada's major trucking companies. Overall, service-producing industries account for 73% of total employment in Manitoba.

Scientific and technological research and innovation are now playing a more significant role in Manitoba's economy. Manitoba is home to the National Research Council's Institute for Biodiagnostics, and Canada's Centre for Disease Control Virology Lab. The province has also become a locus of research activity in a number of important areas, including medicine, engineering, and agri-foods.

New developments, such as the SMARTpark research park at the University of Manitoba, will further promote research and innovation in the province. Manitoba currently has the fourth-highest research and development intensity rate among Canadian provinces.

*Manitoba's large service sector tends to be less susceptible to fluctuations through the business cycle than most goods-producing industries.*

## Manitoba Economic Statistics, 1995 to 1999

	1995	1996	1997	1998	1999
	(Millions of Dollars)				
<b>SECTORS</b>					
Farm Cash Receipts	2,523	2,816	3,065	2,946	3,029
Crops	1,440	1,648	1,721	1,640	1,523
Livestock	963	1,111	1,202	1,214	1,295
Direct Payments	120	56	143	92	212
Manufacturing	8,334	8,972	9,999	10,613	10,338
Mineral Production	1,022	1,002	1,126	967	893
Electric Power Sales	1,026	1,073	1,111	1,130	1,179
Export Sales	249	257	289	321	363
Housing Starts (no. of units)	1,963	2,318	2,612	2,895	3,133
Retail Trade	7,432	7,920	8,589	8,772	9,023
<b>FOREIGN EXPORTS</b>					
Total Exports	5,456	6,220	7,314	8,067	7,946
U.S.	3,957	4,509	5,382	6,069	6,490
<b>GROSS DOMESTIC PRODUCT</b>					
Nominal	26,978	28,270	29,323	30,061	31,212
Real	25,535	26,073	27,119	28,008	28,616
<b>BASE RATE WAGE SETTLEMENTS (%)</b>					
Public	0.3	0.0	1.0	1.2	2.5
Private	0.9	1.9	1.8	1.6	3.1
Total	0.4	0.2	1.1	1.4	2.5
<b>INVESTMENT</b>					
Total	3,814	3,978	4,882	4,991	5,153
Private	2,697	2,939	3,858	3,961	4,034
Public	1,117	1,039	1,024	1,030	1,119
Non-residential	3,095	3,246	4,064	4,102	4,151
Housing	720	732	819	889	1,002
<b>POPULATION</b>					
July 1 (000's)	1,130	1,134	1,137	1,138	1,144
<b>LABOUR MARKET</b>					
Labour Force (000's)	559.0	558.9	562.0	566.8	574.8
Employment (000's)	519.0	518.6	525.6	535.7	542.7
Participation Rate (%)	66.8	66.5	66.6	67.0	67.5
Unemployment Rate (%)	7.2	7.2	6.5	5.5	5.6
<b>CONSUMER PRICE INDEX</b>					
(Index, 1992=100)	106.9	109.2	111.6	113.0	115.2
<b>BANKRUPTCIES</b>					
Business	210	293	292	266	216
Farm	10	24	19	27	29
Personal	2,496	2,747	2,770	2,422	2,466

1995	1996	1997	1998	1999
------	------	------	------	------

(Annual Percentage Change)

2.5	11.6	8.9	-3.9	2.8
17.5	14.5	4.4	-4.7	-7.2
4.5	15.4	8.1	1.0	6.7
-61.7	-53.2	153.6	-35.3	129.6
10.5	7.6	11.5	6.1	-2.6
24.6	-2.0	12.4	-14.1	-7.7
2.3	4.5	3.6	1.6	4.4
-2.8	3.3	12.5	11.2	13.0
-38.6	18.1	12.7	10.8	8.2
5.9	6.6	8.4	2.1	2.9

21.2	14.0	17.6	10.3	-1.5
21.5	13.9	19.4	12.8	6.9

3.7	4.8	3.7	2.5	3.8
0.9	2.1	4.0	3.3	2.2

-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

7.3	4.3	22.7	2.2	3.3
5.6	9.0	31.3	2.7	1.8
11.6	-7.0	-1.4	0.5	8.7
13.4	4.9	25.2	0.9	1.2
-12.9	1.7	11.9	8.6	12.7

0.5	0.4	0.2	0.1	0.5
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0.3	0.0	0.6	0.9	1.4
1.9	-0.1	1.3	1.9	1.3
-	-	-	-	-
-	-	-	-	-

2.7	2.2	2.2	1.3	2.0
-----	-----	-----	-----	-----

-6.7	39.5	-0.3	-8.9	-18.8
42.9	140.0	-20.8	42.1	7.4
10.8	10.1	0.8	-12.6	1.8

**SECTORS**

- Farm Cash Receipts
- Crops
- Livestock
- Direct Payments
- Manufacturing
- Mineral Production
- Electric Power Sales
- Export Sales
- Housing Starts (no. of units)
- Retail Trade

**FOREIGN EXPORTS**

- Total Exports
- U.S.

**GROSS DOMESTIC PRODUCT**

- Nominal
- Real

**BASE RATE WAGE SETTLEMENTS (%)**

- Public
- Private
- Total

**INVESTMENT**

- Total
- Private
- Public
- Non-residential
- Housing

**POPULATION**

- July 1 (000's)

**LABOUR MARKET**

- Labour Force (000's)
- Employment (000's)
- Participation Rate (%)
- Unemployment Rate (%)

**CONSUMER PRICE INDEX**

- (Index, 1992=100)

**BANKRUPTCIES**

- Business
- Farm
- Personal