

MANITOBA

ECONOMIC REVIEW & OUTLOOK

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March 10, 2023

OUTLINE



ECONOMIC REVIEW



ECONOMIC OUTLOOK



RISKS TO OUTLOOK



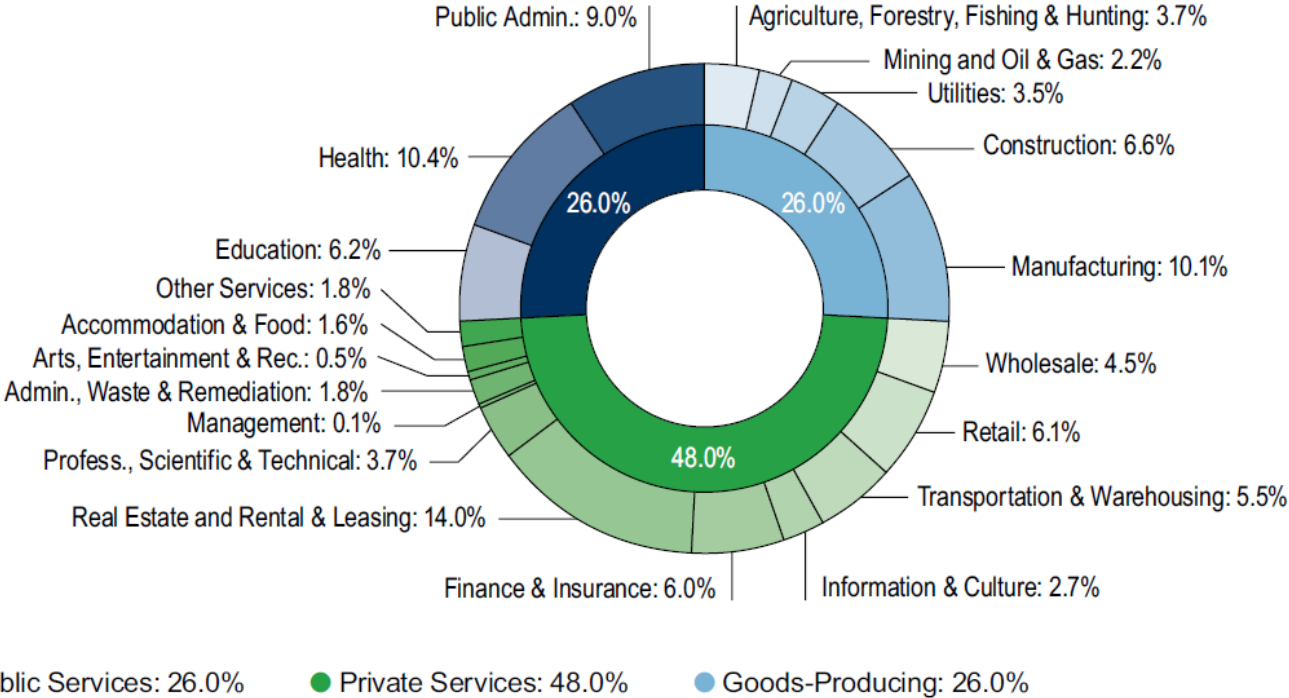
OPPORTUNITIES AHEAD

ECONOMIC REVIEW

Manitoba's economic diversity.

- Goods-producing sector contributes 26% to total provincial GDP, while services sectors represent 74%.
- Nearly 10 industries contribute 5% or more to total provincial GDP.

Composition of Real Gross Domestic Product by Industry, Manitoba, 2021



Source: Statistics Canada and Manitoba Bureau of Statistics



ECONOMIC REVIEW

Most economic indicators were up in 2022, several reached record highs.

Employment
Dec22



3.2%



Wages & Salaries
Dec22



7.2%



Retail Sales
Dec22



8.1%



Housing Starts
Dec22



0.9%



International Trade
Dec22



18.9%



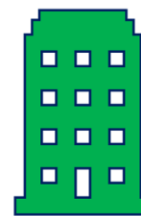
26.5%



Exports

Imports

Wholesale Trade
Dec22



13.2%



Vehicle Sales
Dec22



-1.7%



Manufacturing Sales
Dec22



19.6%



Source: Statistics Canada & Manitoba Bureau of Statistics

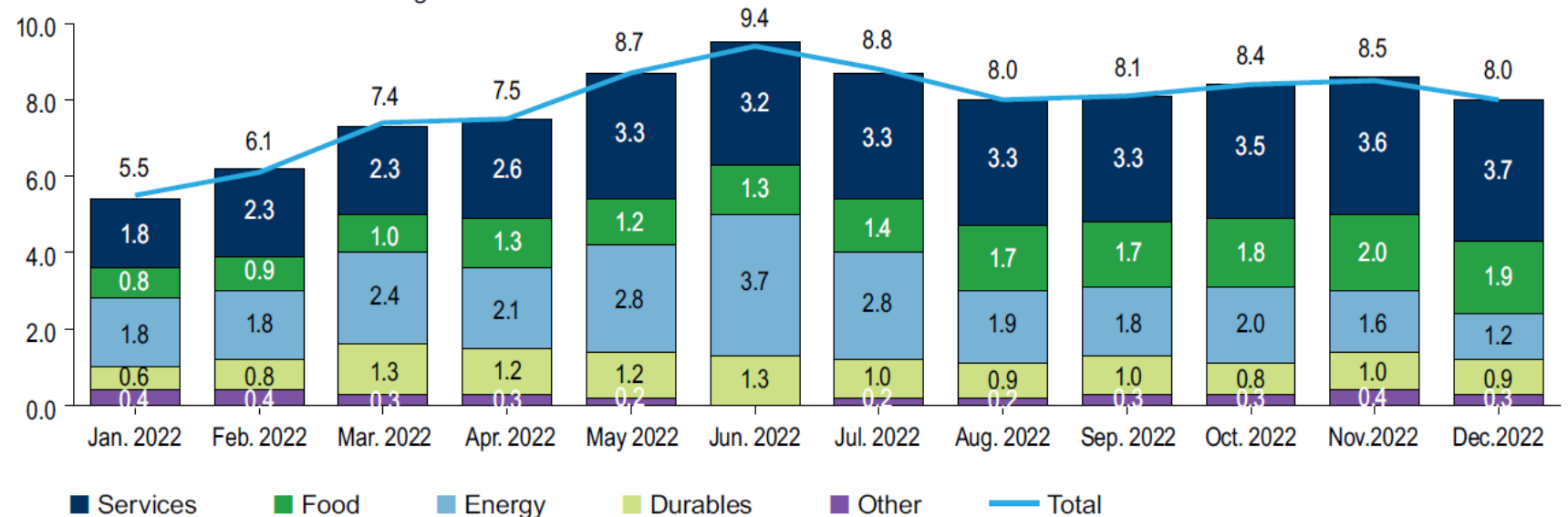
- Total manufacturing sales, foreign exports, retail sales, wholesale trade, wages & salaries, residential construction, employment, and farm cash receipts achieved all-time highs.
- Several indicators began to feel the impact of escalating interest rates. For example, housing starts showed modest growth and vehicle sales declined.

ECONOMIC REVIEW

Prices for energy declining, while food and services are accelerating.

Consumer Price Inflation

Twelve-Month Per Cent Change



Source: Statistics Canada

- In June 2022, energy accounted for 39.4 per cent of total consumer price inflation.
- In December 2022, energy's share of total CPI dropped to 15.0 per cent.
 - Will continue to decline in the months ahead, likely to become disinflationary.
- Annual Manitoba CPI in 2022 was 7.8% - the highest annual rate in 40 years.

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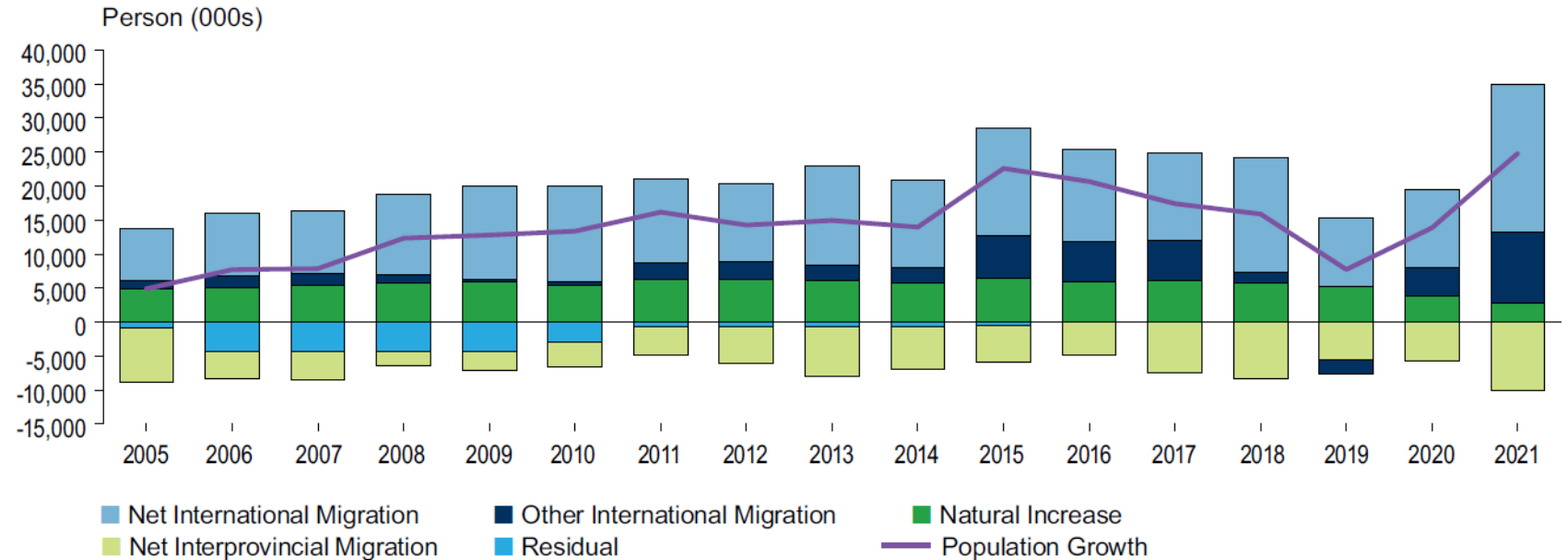
When do you expect consumer inflation to return to 2%

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ECONOMIC REVIEW

Immigration
boosts
population
growth in
2021/22.

12-Month Population Growth, Components, Manitoba



Source: Statistics Canada

- In 2021/22, Manitoba’s immigration level nearly doubled, up 82.5 per cent compared to the previous twelve months and highest since at least 1946/47.
- In 2022, Manitoba welcomed more than 21,000 permanent residents across all immigration categories, including a record 14,000 through the Provincial Nominee Program (PNP)
 - Since inception, the PNP has attracted more than 184,000 nominees and their families.

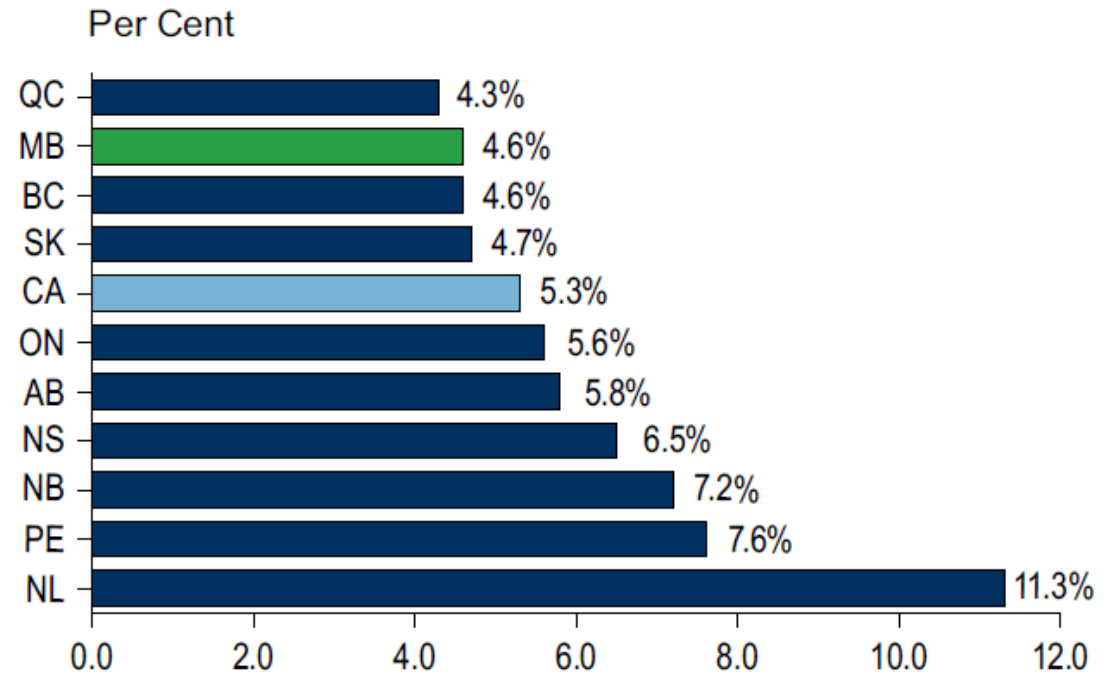


ECONOMIC REVIEW

Employment grew by 3.2 per cent in 2022, the 2nd largest expansion in Manitoba history.

- Strength in job growth contributed to the 2nd lowest unemployment rate in Canada at 4.6%.
- Labour markets remain tight with several industries reporting labour shortages. In 2022Q3, job vacancies in Manitoba exceeded 32,000 – up 102% above the same quarter in 2019.
 - Canada job vacancies surpassed 1M in 2022Q2

Annual Unemployment Rate, 2022, Provinces and Canada



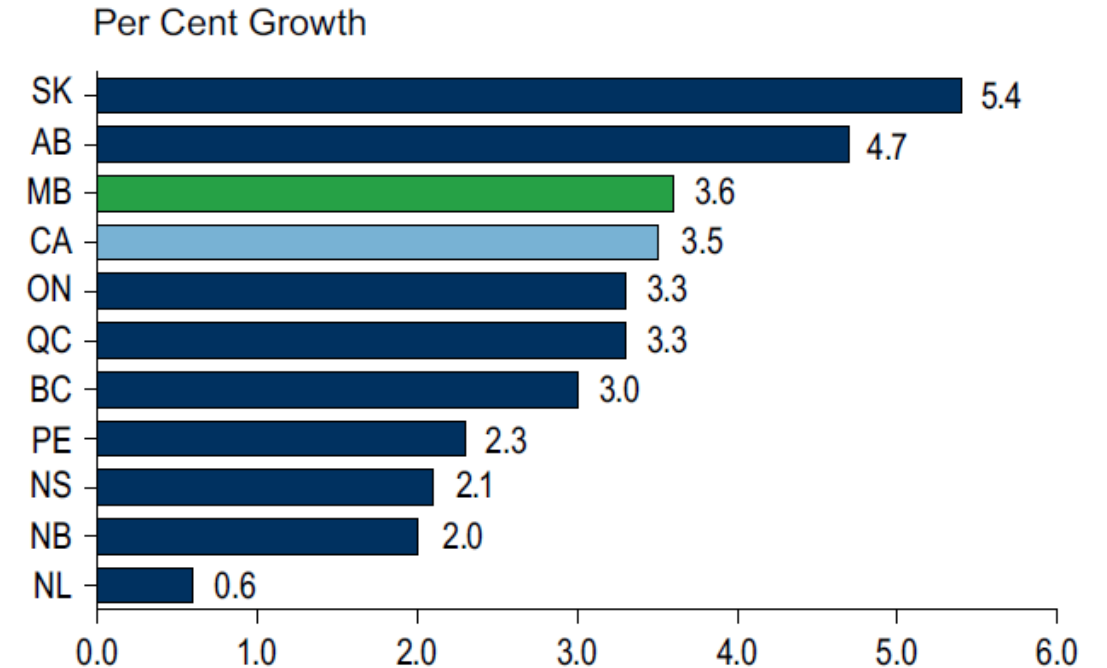
Source: Statistics Canada

ECONOMIC REVIEW

Manitoba real GDP growth ranks 3rd best in Canada in 2022, and highest among non-resource based provinces.

- Manitoba's economic growth in 2022 was led by a strong recovery in the agriculture sector following a severe drought year that precipitated a sharp decline in crop yields.
- Lifting of COVID-19 restrictions also helped to stimulate robust consumer demand, especially for services.

Projected Real GDP Growth, 2022, Provinces and Canada



Source: Manitoba Finance Survey of Economic Forecasts

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Is the Manitoba economy heading into a recession?

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ECONOMIC OUTLOOK

**Manitoba economy
expected to slow
in years ahead but
avoid recession.**

	2022F	2023F	2024F
Gross Domestic Product			
Real	3.6	0.7	1.1
Nominal	9.9	2.2	3.0
Consumer Price Index	7.8	3.8	2.2
Employment	3.2	0.4	0.8
Unemployment Rate (%)	4.6	5.4	5.9
Population	1.2	1.0	1.0

per cent change unless otherwise noted.

Source: Manitoba Finance Survey of Economic Forecasts

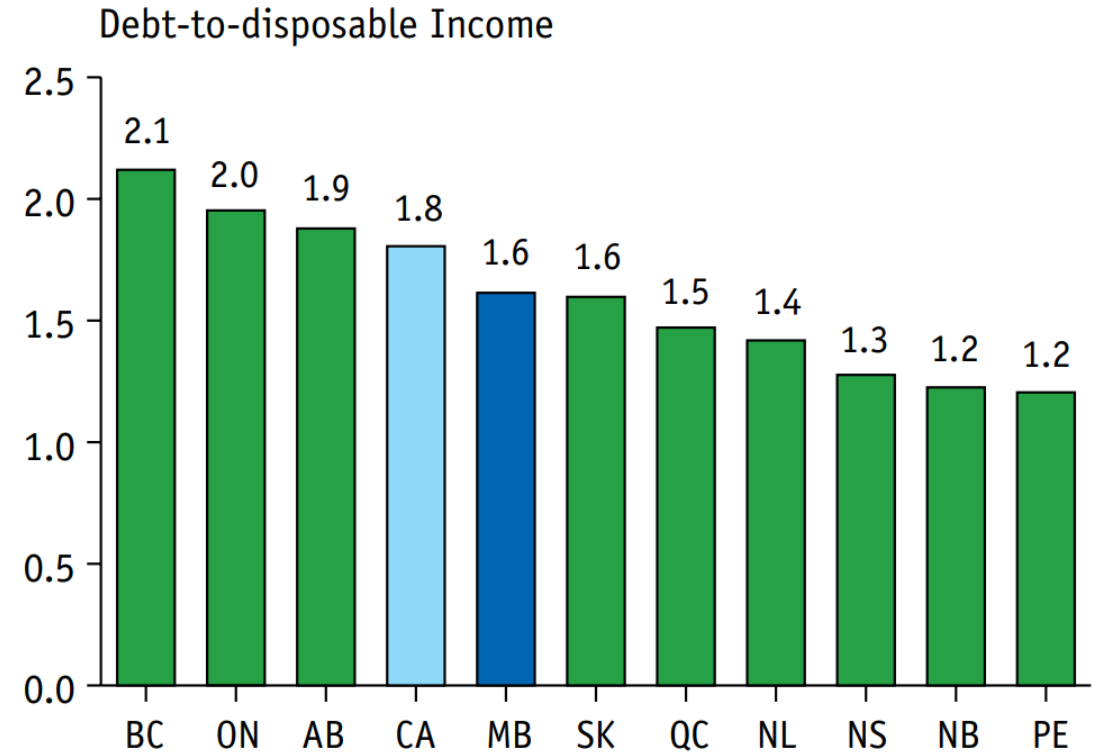
- Manitoba less vulnerable to high interest rates due to lower household debt-to-income ratios
- CPI expected to return to 2% target in 2024.
- Economic slowdown not expected to result in massive job losses, as might be expected, due to existing labour shortages and record-high job vacancies.

ECONOMIC OUTLOOK

Manitoba households less exposed to higher interest rates.

For every dollar of disposable income, Manitoba households hold \$1.6 in debt. This compares to \$1.8 nationally.

Household Debt to Disposable Income, 2021



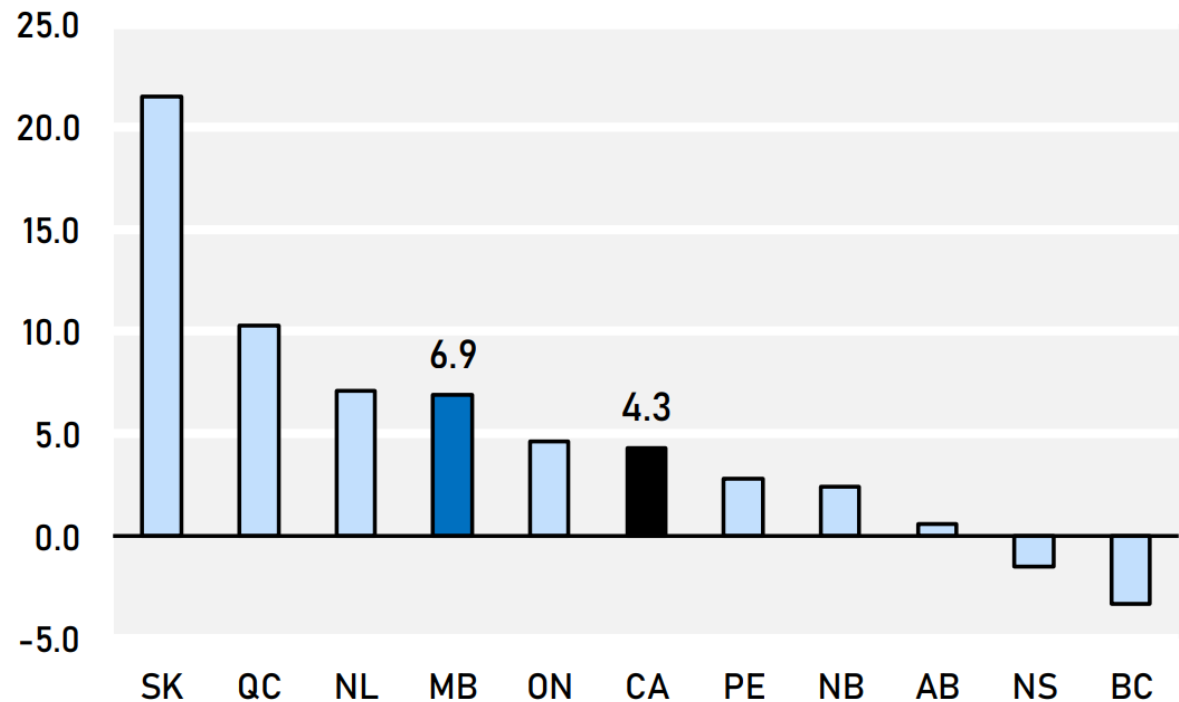
Source: Statistics Canada

INVESTMENT OUTLOOK

Manitoba expected to see healthy growth in non-residential CAPEX in 2023.

- Capital spending on non-residential tangible assets in Manitoba is expected to increase by 6.9% to \$8.70 billion in 2023.
- The *Health care and social assistance* and the *Manufacturing* sectors have the top two largest annual growth in capital spending, growing by 74.2% and 15.0%, respectively.

Non-residential Capital Expenditures, Intentions, 2023, Annual change (%)



Data Source: Statistics Canada

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What is the biggest risk to the Manitoba economy in 2023?

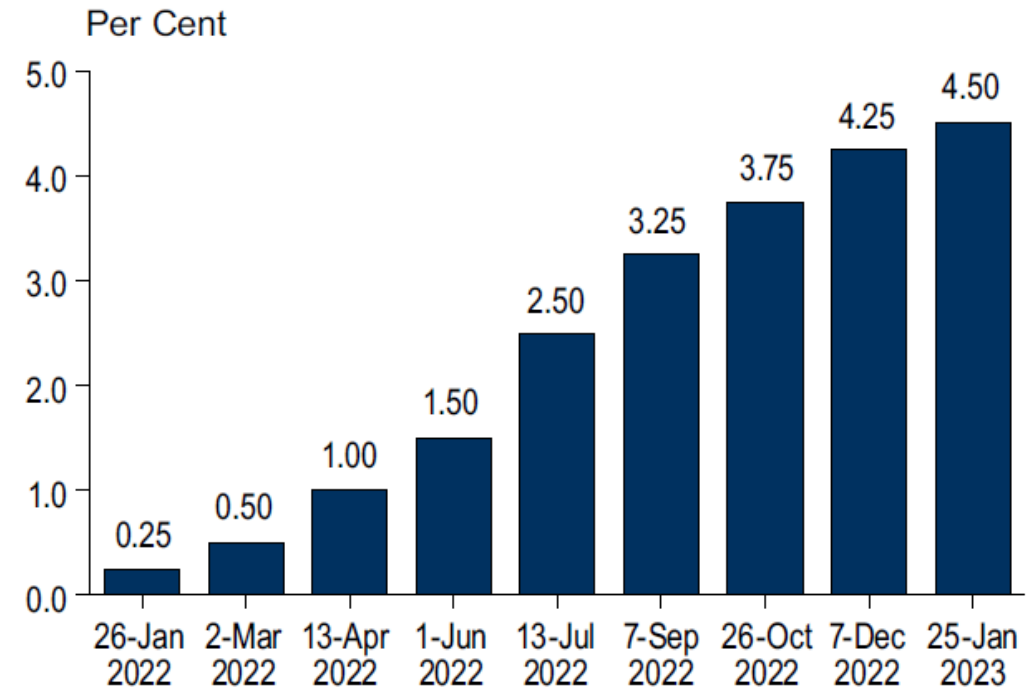
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RISKS TO OUTLOOK

Monetary Policy

- Since March 2022, the Bank of Canada (BoC) has increased the policy interest rate by 425 basis points to 4.50% – the highest rate since 2007.
- The Bank of Canada expects CPI inflation to fall to around 3% in the middle of this year and back to the 2% target in 2024.
- On March 8, 2023, The Bank of Canada maintained its target for the overnight rate at 4.50%.

Bank of Canada Policy Interest Rate, 2022-2023



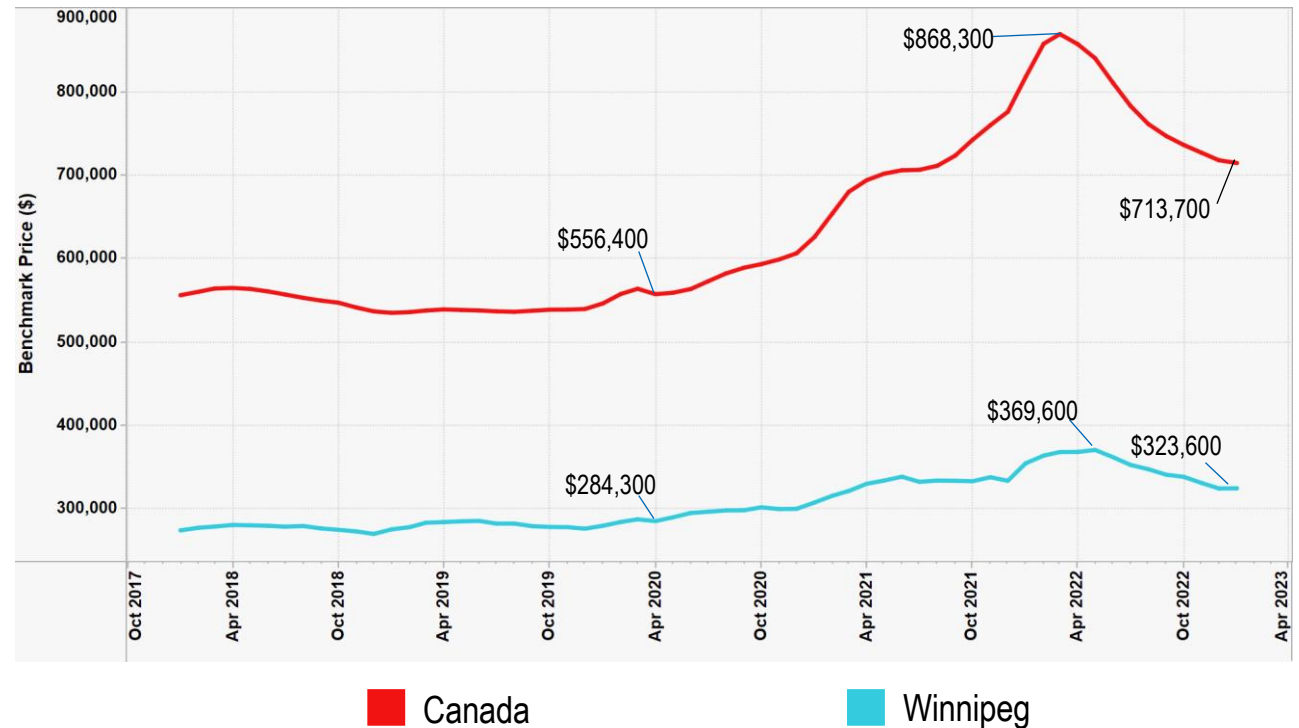
Source: Bank of Canada

HOUSING MARKET

Housing market first to feel impact of higher interest rates.

- Winnipeg housing prices increased from \$284.3K in Apr 2020 to \$369.6K in May 2022 (+30.0%)
- Since the peak, Winnipeg housing prices have declined by 12.4%
- Canada housing prices increased from \$556.4K in Apr 2020 to \$868.3K in Mar 2022 (+56.1%)
- Since the peak, Canada housing prices have dropped by 17.8%

Benchmark Housing Prices, Winnipeg & Canada



Source: Canadian Real Estate Association



RISKS TO OUTLOOK

Monetary Policy

- Private forecasting agencies expect the Bank of Canada to maintain the current policy interest rate (4.5%) for remainder of calendar year.
- Canadian interest rate future markets (BAX) are pricing in 25-50 basis points of rate hikes to occur by September 2023.
- A more hawkish U.S. Federal Reserve could create pressure on the Bank of Canada to raise rates further due to concerns of a weakening Canadian dollar and higher imports costs that could add to inflation.

Canada overnight interest rate projections, 2023

	2023:Q1	2023:Q2	2023:Q3	2023:Q4
CIBC World Markets	4.50	4.50	4.50	4.50
Scotiabank Economics	4.50	4.50	4.50	4.25
BMO Capital Markets	4.50	4.50	4.50	4.50
TD Economics	4.50	4.50	4.50	4.00
RBC Economics Research	4.25	4.25	4.25	4.25
National Bank Financial Inc.	4.50	4.50	4.50	4.00
The Conference Board of Canada	4.22	4.22	4.22	4.01
Deloitte	4.25	4.25	4.25	4.08
Overnight Rate - Average	4.40	4.40	4.40	4.20

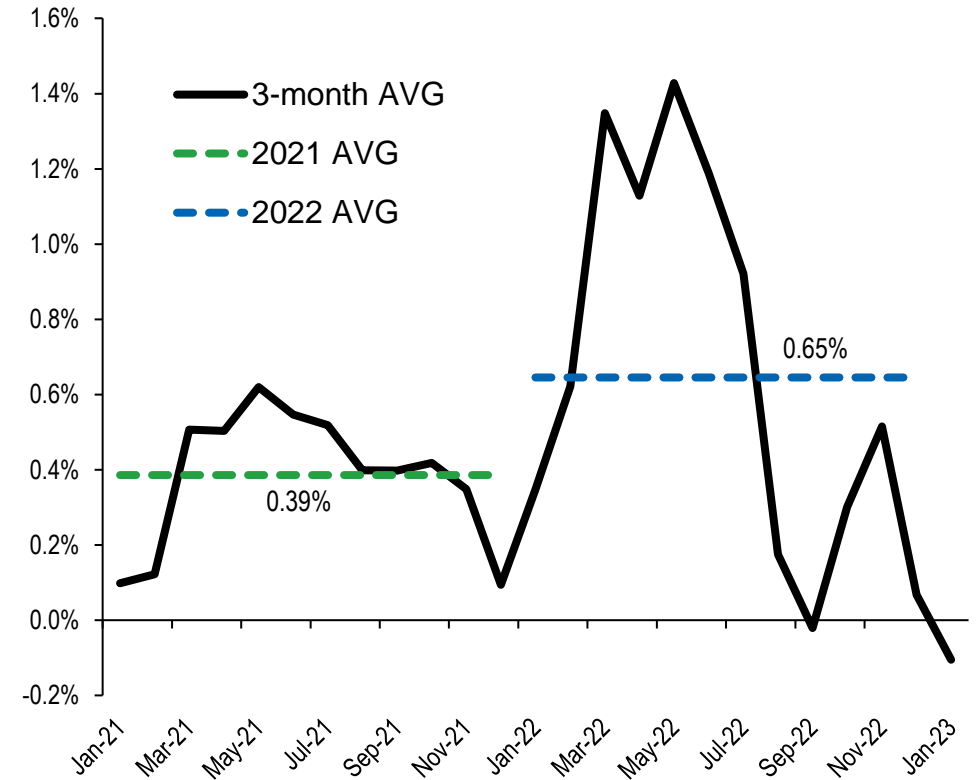
Source: Manitoba Finance Survey of Economic Forecasts

RISKS TO OUTLOOK

Inflation

- Consumer inflation peaked in Manitoba at 9.4% year-over-year in June 2022.
- Since then, inflation has gradually decelerated and is currently sitting at 6.9% in January 2023.
 - Led by a sharp decline in energy prices
- The deceleration in inflation is further evident when looking at month-over-month changes.
 - In 2022, average month-over-month inflation was 0.65%
 - Over the past six months, average is 0.10%

Manitoba Consumer Inflation, Month-over-month

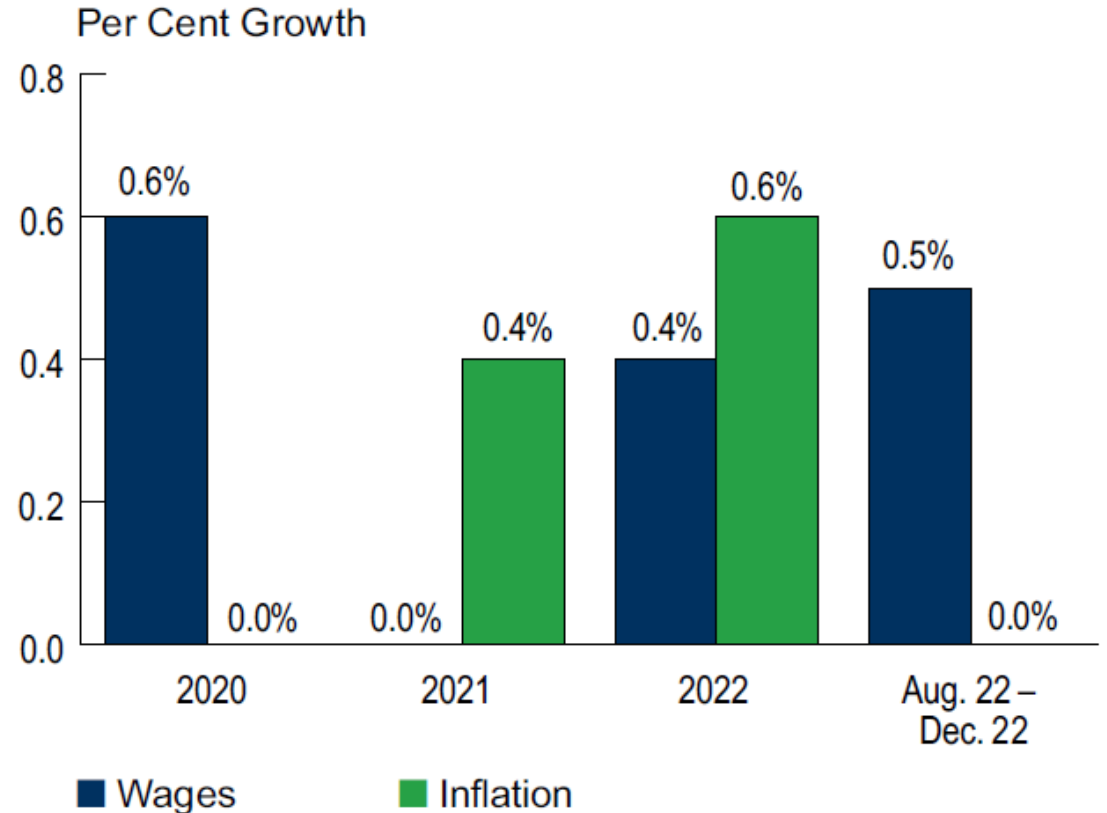


RISKS TO OUTLOOK

Inflation

- A tight labour market and rising cost of living is giving workers more leverage in negotiating higher wages.
- Unsurprisingly, wages are showing signs of acceleration
- In 2021, average MoM wage growth was 0%
- In 2022, average MoM wage growth was 0.4%
- From August 2022 to December 2022, wage growth has outpaced inflation.

Average Monthly Wage Growth and Consumer Inflation, Manitoba



Source: Statistics Canada

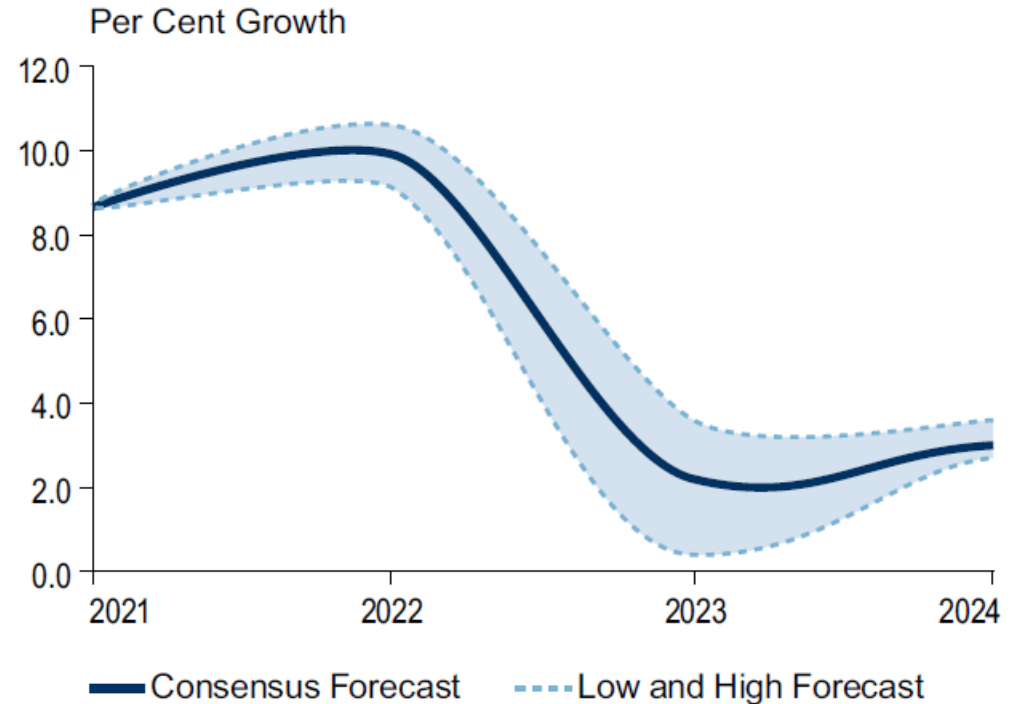
RISKS TO OUTLOOK

There remains considerable uncertainty in the forecast.

Other Risks:

- Supply chain disruptions
- Geopolitical tensions
- Environmental events

Range of Nominal GDP Growth Forecasts, 2022-2024, Manitoba



Source: Manitoba Finance Survey of Economic Forecasts

OPPORTUNITIES AHEAD



LOW CARBON ECONOMY



MINING



HYDROGEN

THANK YOU
MERCI
MIIGWETCH

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