

Manitoba: 2019–20 Outlook

TRADE RISK CLOUDS LARGELY STEADY OUTLOOK

Slower major project activity continues to dominate the outlook. Completion of Manitoba's portion of the Line 3 pipeline as well as the BiPole III Transmission Line will pose a drag on investment spending this year, as will the winding down of capital outlays next year on the Keeyask Generating Station. Smaller ventures—which include two food processing plants, the Manitoba-Minnesota transmission line, and several mixed-use developments in Winnipeg—should put a floor under private-sector investment activity.

The household sector outlook is modestly improved. Year-to-date job creation is firm, albeit tilted towards part-time positions. After labour market tightness in much of 2018, wage gains have significantly outpaced inflation (chart). Excluding retail purchases of motor vehicles and parts, which have fallen back in line with automobile sales in 2019, Manitoba's retail sales lead the provinces with 5.3% y/y gains. However, Manitoba also recently witnessed its largest four-quarter outflow of residents to other provinces since 1990. That rate of out-migration should stabilize, but still cap population gains at just 1.2% in each of the next two years—versus a rate nearer 1.5% in 2017–18—and limit upside for consumer outlays.

Shortly after fulfilling a campaign pledge to reduce the provincial sales tax by 1 ppt, the government called an early election for this September. The cut—which took effect on July 1—should lend some support to consumer outlays and will form a key plank of the campaign strategy. It comes against a backdrop of significant expenditure restraint as the government progresses with public sector transformation initiatives.

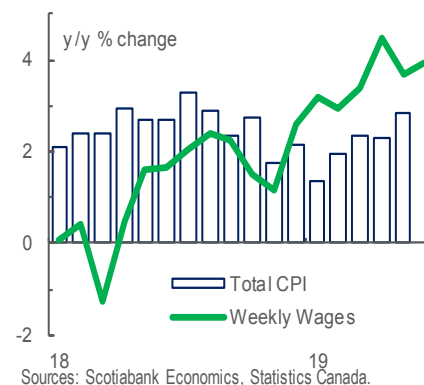
Escalation of diplomatic tensions with China represent the most significant trade development for Manitoba. Import restrictions on Canadian meat and canola do not bode well for two important provincial exports, and ongoing disputes will likely hurt shipments of soybeans to China—normalization of which we count on for a Manitoba trade rebound this year—as well. On a more positive note, trade agreements with the Asia-Pacific region and the EU broadly offer new market access, and Manitoba will fully integrate into the New West Partnership trade pact with Saskatchewan, Alberta, and BC on Jan. 1, 2020.

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Manitoba				
% change except where noted				
Economic Conditions	17	18e	19f	20f
Real GDP	3.2	1.3	1.5	1.5
Nominal GDP	5.4	3.1	3.3	3.3
Employment	1.7	0.6	1.2	0.6
Unemployment Rate, %	5.4	6.0	5.5	5.5
Housing Starts, 000s	7.5	7.4	6.8	6.0
Fiscal Situation	FY18	FY19	FY20	
Budget Balance, % of GDP	-1.0	-0.6	-0.5	
Net Debt, % of GDP*	34.3	34.4	34.5	
Nom. GDP fctst: Scotiabank Economics. Sources: Scotiabank Economics, Statistics Canada, CMHC, Manitoba Finance.				

Solid Real Wage Gains in Manitoba



Provincial Forecast Summary

	(annual % change except where noted)										
Real GDP	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2000–17	2.1	2.4	1.8	1.3	1.2	1.8	2.0	2.3	2.0	2.8	2.7
2017	3.0	0.9	3.5	1.5	1.8	2.8	2.8	3.2	2.2	4.4	3.8
2018e	1.9	-2.7	2.6	1.2	0.1	2.5	2.3	1.3	1.6	2.3	2.4
2019f	1.4	2.0	2.1	1.3	0.6	2.1	1.4	1.5	1.4	0.5	2.2
2020f	2.0	0.8	2.0	1.3	0.8	1.8	1.8	1.5	1.6	2.5	3.0
Nominal GDP											
2000–17	4.3	5.6	4.2	3.3	3.4	3.7	3.9	4.4	5.4	5.9	4.7
2017	5.6	4.3	4.8	2.9	4.3	5.0	4.1	5.4	4.8	10.0	6.9
2018e	3.6	0.5	4.6	3.2	1.9	4.2	3.5	3.1	3.8	4.5	4.4
2019f	2.7	3.0	4.1	3.0	2.2	3.2	2.6	3.3	3.3	1.3	4.2
2020f	4.2	3.9	3.9	3.3	2.5	3.7	3.7	3.3	4.0	4.6	5.7
Employment											
2000–17	1.4	0.6	1.1	0.6	0.4	1.3	1.3	1.0	1.1	2.2	1.5
2017	1.9	-3.7	3.1	0.6	0.4	2.2	1.8	1.7	-0.2	1.0	3.7
2018	1.3	0.5	3.0	1.5	0.3	0.9	1.6	0.6	0.4	1.9	1.1
2019f	2.1	1.9	1.4	2.3	0.5	1.5	2.5	1.2	1.6	1.0	3.0
2020f	1.0	0.2	0.8	0.3	0.2	0.8	1.2	0.6	0.7	1.0	1.5
Unemployment Rate (%)											
2000–17	7.1	14.3	11.1	8.8	9.5	7.9	7.0	5.1	5.0	5.3	6.5
2017	6.3	14.8	9.8	8.4	8.1	6.1	6.0	5.4	6.3	7.8	5.1
2018	5.8	13.8	9.4	7.6	8.0	5.5	5.6	6.0	6.1	6.6	4.7
2019f	5.7	11.8	9.0	6.8	8.0	5.2	5.6	5.5	5.5	6.7	4.6
2020f	5.9	11.6	9.0	6.8	8.0	5.4	5.8	5.5	5.5	6.8	4.7
Housing Starts (units, 000s)											
2000–17	200	2.5	0.8	4.3	3.4	44	72	5.2	5.2	34	29
2017	220	1.4	0.9	4.0	2.3	46	79	7.5	4.9	29	44
2018	213	1.1	1.1	4.8	2.3	47	79	7.4	3.6	26	41
2019f	202	1.0	0.9	3.9	2.1	46	69	6.8	3.2	26	44
2020f	199	1.3	0.8	3.8	2.0	41	72	6.0	4.8	30	37
Motor Vehicle Sales (units, 000s)											
2000–17	1,657	29	6	48	38	413	635	47	45	216	180
2017	2,041	33	9	59	42	453	847	62	56	245	235
2018	1,984	28	8	51	38	449	853	67	47	226	217
2019f	1,935	30	9	51	39	447	813	60	49	220	217
2020f	1,915	30	9	50	37	440	800	56	48	217	228
Budget Balances, Fiscal Year Ending March 31 (CAD mn)											
2017	-18,957	-1,148	-1	151	-117	2,361	-2,435	-789	-1,218	-10,784	2,727
2018	-18,961	-911	1	230	67	2,622	-3,672	-695	-303	-8,023	301
2019e	-11,815	-522	14	28	5	2,500	-11,700	-470	-380	-6,711	374

Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund transfers.

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