

## Manitoba: 2020–21 Outlook\*

### ACCELERATED DEFICIT REDUCTION DESPITE DOWNSIDE RISKS

Most of the previously detailed economic forces remain in place, and they are largely negative for growth in the Keystone Province. After significantly supporting the expansion in recent years, ventures such as the BiPole III transmission line, Keeyask generating station, and Manitoba's portion of the Line 3 pipeline will pose a drag on provincial capital spending as they are completed this year and next. A major mine closure is slated for next year, leaving just one metal mine in operation thereafter. And ongoing Sino-Canadian diplomatic tensions look to be increasingly weighing on Manitoba's external sector—merchandise exports to China are down 42% y/y ytd as of July 2019, with weakness concentrated in oilseed shipments.

Manitoba also stands out as one of the few jurisdictions in which population growth is slowing. That is largely a result of widening net interprovincial out-migration. While stepped-up immigration has helped to offset those outflows, the province distinguishes itself from many others at this time in that newcomer admissions are elevated, but not at record levels. Also negative for consumer spending is generally slowing full-time employment that has begun to translate into y/y declines in hours worked, though retail sales growth has not fallen off and wage gains remain firm.

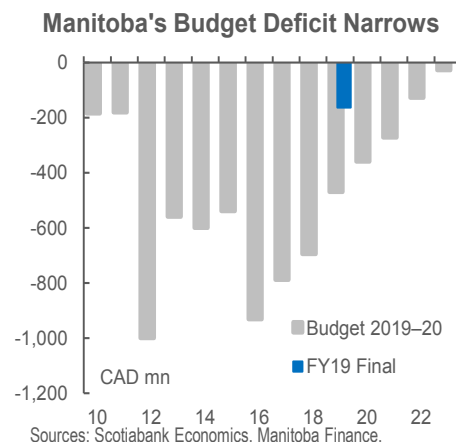
The good news is that Manitoba finds itself on a significantly improved deficit trajectory; recently rewarded by one ratings agency with a positive trend change on the Province's credit. Final results for FY19 reported a fiscal shortfall of just \$163 mn (-0.2% of GDP) (chart)—more than \$300 mn less than previously anticipated and the second-best one-year deficit improvement recorded in Manitoba history. Higher-than-anticipated income tax revenues—attributed to further unwinding of federal tax planning—anchored the result. Expenditure restraint should still be central to the Province's plan to balance the budget—now expected in 2022—but \$357 mn of additional deposits into the Rainy Day Fund create a fiscal buffer that can be deployed in the event of a downturn.

### CONTACTS

**Marc Desormeaux, Provincial Economist**  
416.866.4733  
Scotiabank Economics  
[marc.desormeaux@scotiabank.com](mailto:marc.desormeaux@scotiabank.com)

Manitoba % change except where noted				
Economic Conditions	18e	19f	20f	21f
Real GDP	1.3	1.4	1.5	1.5
Nominal GDP	3.1	3.4	3.3	3.3
Employment	0.6	1.2	0.6	0.6
Unemployment Rate, %	6.0	5.4	5.5	5.6
Housing Starts, 000s	7.4	6.8	6.0	6.0
Fiscal Situation*	FY19	FY20	FY21	
Budget Balance, % of GDP	-0.6	-0.5	-0.3	
Net Debt, % of GDP	34.4	34.5	--**	

\* Nom. GDP fcst: Scotiabank Economics. \*\* Projection not available. Sources: Scotiabank Economics, Statistics Canada, CMHC, Manitoba Finance.



\* Figures reported in Canadian dollars unless otherwise stated. Data finalized Oct. 9, 2019.

## Provincial Forecast Summary

(annual % change except where noted)

	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
<b>Real GDP</b>											
2000–18	2.1	2.4	1.8	1.3	1.2	1.8	2.0	2.3	2.0	2.8	2.7
2018e	1.9	-2.7	2.6	1.2	0.1	2.5	2.3	1.3	1.6	2.3	2.4
2019f	1.6	2.0	2.1	1.3	0.6	2.4	1.7	1.4	1.3	0.5	2.2
2020f	1.8	0.6	1.9	1.3	0.8	1.6	1.7	1.5	1.5	2.4	2.8
2021f	1.9	0.8	1.8	1.1	0.7	1.6	1.6	1.5	1.7	2.7	2.4
<b>Nominal GDP</b>											
2000–18	4.3	5.6	4.2	3.3	3.4	3.7	3.9	4.4	5.4	5.9	4.7
2018e	3.6	0.5	4.6	3.2	1.9	4.2	3.5	3.1	3.8	4.5	4.4
2019f	3.2	3.5	4.1	3.0	2.2	3.7	3.3	3.4	3.4	1.9	4.4
2020f	3.8	2.9	3.9	3.2	2.4	3.3	3.4	3.3	3.8	4.5	5.4
2021f	4.3	3.7	3.8	2.8	2.1	3.6	3.9	3.3	4.5	5.7	5.1
<b>Employment</b>											
2000–18	1.4	0.6	1.1	0.6	0.4	1.3	1.3	1.0	1.1	2.2	1.5
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	1.1	1.8	2.2	0.6	1.6	2.6	1.2	1.7	0.8	3.0
2020f	1.0	0.0	0.8	0.3	0.2	0.8	1.2	0.6	0.7	1.0	1.5
2021f	1.0	-0.1	0.6	0.1	0.2	0.8	1.0	0.6	0.6	1.2	1.3
<b>Unemployment Rate (%)</b>											
2000–18	7.1	14.3	11.1	8.8	9.5	7.9	7.0	5.1	5.0	5.3	6.5
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	12.1	8.9	6.8	8.1	5.2	5.6	5.4	5.4	6.8	4.6
2020f	5.9	12.1	9.0	6.8	8.1	5.4	5.8	5.5	5.5	6.9	4.8
2021f	5.9	12.0	9.1	6.9	8.0	5.5	5.8	5.6	5.4	6.8	4.9
<b>Housing Starts (units, 000s)</b>											
2000–18	200	2.5	0.8	4.3	3.4	44	72	5.2	5.2	34	29
2018	213	1.1	1.1	4.8	2.3	47	79	7.4	3.6	26	41
2019f	210	0.9	1.1	4.6	2.8	49	71	6.8	2.5	27	44
2020f	206	1.3	1.1	4.2	2.4	46	76	6.0	3.3	30	37
2021f	202	1.1	1.0	4.2	2.4	44	78	6.0	3.7	31	32
<b>Motor Vehicle Sales (units, 000s)</b>											
2000–18	1,674	29	6	48	38	415	646	48	45	217	182
2018	1,984	28	8	51	38	449	853	67	47	226	217
2019f	1,935	31	9	51	39	448	810	60	49	223	215
2020f	1,915	26	7	50	38	435	805	58	50	227	219
2021f	1,915	26	7	47	36	435	805	58	51	231	219
<b>Budget Balances, Fiscal Year Ending March 31 (CAD mn)</b>											
2018	-18,961	-911	1	230	67	2,622	-3,672	-695	-303	-8,023	301
2019e	-14,000	-522	14	120	5	2,500	-7,435	-470	-268	-6,711	1,535
2020f*	-19,800	-575	2	31	38	0	-10,252	-360	26	-7,912	179

\* NL budget balance in 2020 is net of one-time revenue boost via Atlantic Accord. Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund transfers.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

**This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.**

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.