

Manitoba

ECONOMY THUS FAR RESILIENT TO STEEP SECOND AND THIRD WAVES

- A steep third pandemic wave will likely weigh on near-term growth.
- Key pharmaceutical and aerospace exports have gotten off to slow starts this year, but agricultural prospects are more promising.

At the time of writing, Manitoba holds Canada's highest per-capita COVID-19 caseload; however, the impact on growth thus far appears have been limited relative to the experience of other provinces. In May, Manitoba was the only province in which full-time employment was above its pre-pandemic level—despite imposition of new restrictions to combat the third wave—and retail and auto sales growth have outpaced the national average as of March. However, Manitoba's total hours worked—closely linked to overall economic growth—have not kept pace with the national average to date this year.

Shipments of pharmaceutical products—Manitoba's primary export by value in each of the last three years—have fallen off to begin 2021, offsetting gains in other categories. Softness in recent months may relate to Canada's export ban on select prescription medicines—implemented last November to prevent shortages—though the sector had begun to witness declines by September.

Aerospace—another key export industry—continue to grapple with muted travel activity. So long as restrictions are in place, the sector faces challenges, though Manitoba shipments have trended generally higher with rising traveller numbers and an accelerating pace of US expansion.

Agricultural sector profits and export values look poised to gain from continued strength in prices and output. Market values of wheat, canola, and soybeans—Manitoba's signature crops—are at or near decade highs, the latter supported by voracious Chinese demand for feed as it continues to rebuild its hog herd. A potential wrinkle is presented by early reports of droughts across key growing regions, and many farmers have also reported rising costs, as in other parts of the country. The food processing industry continues to benefit from elevated prices, and the Roquette pea processing plant in Portage la Prairie—the world's largest—is on track to reach its full production capacity by early 2022.

Through April 2021, Manitoba was one of five provinces in which immigration was above year-earlier levels. However, the rate of newcomer admissions across Canada was still well below pre-pandemic and target levels. Like Saskatchewan, Manitoba had been in the midst of significant population outflows to other provinces before COVID-19 arrived in Canada. Also like Saskatchewan, immigrants in Manitoba's labour market have traditionally maintained high employment rates relative to newcomers in other provinces, which highlights their important economic contribution.

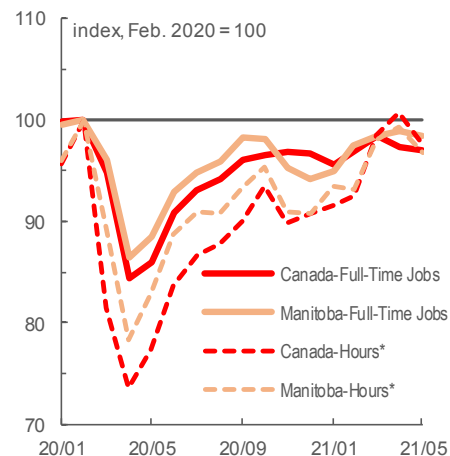
As across the rest of the country, Manitoba plans to use infrastructure spending to bolster its recovery. The \$2.1 bn earmarked for FY22 amounts to just under 3% of nominal GDP (according to the province's own economic forecast), which ranks in the top half of provincial plans announced for that fiscal year. Read our 2021 Manitoba budget commentary [here](#).

CONTACTS

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Key Economic Indicators			
annual % change except where noted			
	20E	21F	22F
Real GDP	-4.8	5.7	3.5
Nominal GDP	-2.8	9.9	5.9
Employment	-3.7	3.7	3.0
Unemployment Rate, %	8.0	6.3	4.9
Housing Starts, 000s	7.3	6.9	6.0
Total CPI	0.5	2.5	2.6

Third Wave Labour Market Hit Thus Far Not as Bad in Manitoba as Elsewhere



* Seasonal adjustment by Scotiabank Economics.
Sources for tables and chart: Scotiabank Economics, Statistics Canada, CMHC.

Provincial Forecast Summary

The Provinces	(annual % change except where noted)										
Real GDP*	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2010–19	2.2	1.0	2.3	1.1	0.7	1.9	2.3	2.1	2.2	2.6	2.8
2019	1.9	4.0	5.1	2.4	1.2	2.7	2.1	0.6	-0.7	0.1	2.7
2020e	-5.3	-5.3	-3.0	-3.2	-3.7	-5.3	-5.8	-4.8	-5.2	-8.2	-3.8
2021f	6.1	3.8	5.0	5.2	5.4	6.9	5.8	5.7	5.5	6.2	6.4
2022f	4.0	2.5	3.2	3.4	3.3	3.8	4.3	3.5	3.6	4.2	4.4
Employment											
2010–19	1.3	0.6	1.5	0.3	0.0	1.2	1.4	0.9	0.8	1.2	2.0
2019	2.2	1.1	3.3	2.3	0.8	2.0	2.8	1.0	1.9	0.7	3.0
2020	-5.1	-5.7	-3.2	-4.7	-2.6	-4.8	-4.8	-3.7	-4.7	-6.6	-6.6
2021f	4.1	3.4	3.3	4.7	4.1	4.3	3.7	3.7	3.3	4.4	5.3
2022f	3.3	1.3	2.5	2.6	2.3	3.2	3.6	3.0	2.9	3.7	3.4
Unemployment Rate (%)											
2010–19	6.9	13.3	10.6	8.7	9.4	7.1	7.0	5.6	5.3	6.2	6.1
2019	5.7	12.3	8.7	7.4	8.1	5.1	5.6	5.3	5.6	7.0	4.7
2020	9.6	14.1	10.4	9.8	10.0	8.9	9.6	8.0	8.4	11.4	8.9
2021f	7.6	12.5	8.3	7.9	8.2	6.3	8.1	6.3	6.2	9.2	6.7
2022f	5.8	12.1	7.4	6.9	7.3	4.9	6.0	4.9	4.9	7.0	4.9
Motor Vehicle Sales (units, 000s)											
2010–19	1,818	33	7	51	41	432	715	55	53	237	194
2019	1,914	34	8	53	41	454	789	53	46	227	214
2020	1,564	28	7	44	34	376	612	46	40	186	180
2021f	1,750	32	9	50	40	425	673	52	45	216	208
2022f	1,973	34	9	55	44	480	764	56	50	244	235
Budget Balances, (CAD mn)											
2019**	-39,400	-1,383	22	3	49	4	-8,672	5	-319	-12,152	-321
2020	-354,200	-1,644	-120	-706	-13	-6,240	-38,468	-2,080	-1,865	-20,192	-8,144
2021f	-154,700	-826	-112	-585	-245	-12,250	-33,100	-1,597	-2,611	-18,221	-9,698
2022f	-59,700	-587	-46	-218	-296	-8,500	-27,700	-374	-1,685	-10,982	-5,484

* Based on preliminary estimates of real GDP by industry for all provinces but Quebec and Ontario. ** NL budget balance in 2019 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 and Stabilization Reserve transfers.

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