



MANITOBA - Maintaining a cruising speed

Manitoba's economy is well positioned to keep cruising along thanks in part to a strong manufacturing sector. Further softening in the mining sector, however, will be a restraining element.

Growth in the Manitoba economy is unlikely to deviate much from what we've seen in 2018 over the next couple of years. We project a rate of 1.8% in 2019 and 1.7% in 2020, which would be little changed from the 1.7% expected in 2018 though down from the impressive 3.2% recorded in 2017. The province is expected to benefit from rising manufacturing activity helped by continued growth in the U.S. economy and attendant demand for Manitoba exports. However, continued expected declines in the mining sector will be a key tempering factor.

The U.S. economy is expected to continue to grow at an above-potential pace in 2019 though at a more moderate pace than in 2018 with the slowing trend continuing into 2020. This is expected to be mirrored in growth in the province's manufacturing sector as it is projected to slow from an expected 4% this year to 3% in 2019 and a negligible gain in 2020. Recent data does indicate some slowing in machinery manufacturing after posting double-digit gains in 2017. Activity in the metal fabricating and food processing sub-sectors on the other hand remained robust through the late stages of 2018.

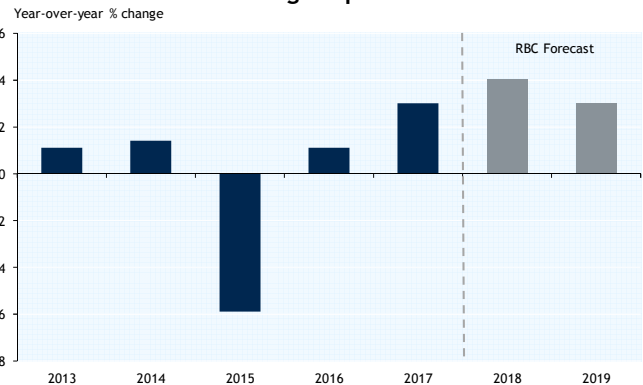
The outlook for the mining sector isn't as bright because current deposits are depleting and prospects for commodity prices are weak. The declines are largely the result from several mine closures at by both Vale and Hudbay operations in the province though with the pace of layoffs moderating through the forecast.

Though spending by Manitoba Hydro is expected to continue on various sizeable capital projects (Keeyask generating station and the Bipole III transmission line), the level of spending is expected to moderate through the forecast with the reduction particularly marked in 2020.

Grain and oilseed production numbers to date for 2018 are indicative of a small decline of 2% reflecting moderately dry conditions this year though this follows a very robust 10% jump in 2017. As well, despite this drop in volumes farm cash receipts over the first three quarters of 2018 managed to rise 1.7% despite an overall decline nationally. Going into a new crop year, the assumption is made that normal growing conditions prevail. On the basis of this assumption, we project average growth in the agricultural sector of 3 1/2% in both 2019 and 2020.

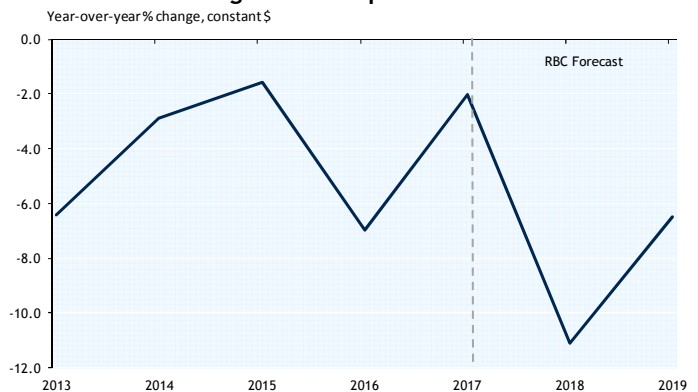
In 2018, labour market developments have been consistent with the slowdown in GDP growth. After a hefty gain of 1.7% in 2017, the pace of hiring moderated to 0.6% over the first 11 months of 2018. Employment growth is expected to remain under 1% in both 2019 and 2020. The slowing in hiring along with robust gains in the labour force has recently pushed the unemployment rate higher with this rate expected to average 6.0% this year compared to 5.4% in 2017. This rate is expected to continue to trend moderately higher over the forecast averaging 6.1% in 2019 and

Manitoba: Manufacturing output



Source: Statistics Canada, RBC Economics Research

Manitoba: Mining sector output



Source: Statistics Canada, RBC Economics Research

Manitoba forecast at a glance

% change unless otherwise specified

	2016	2017	2018F	2019F	2020F
Real GDP	1.6	3.2	1.7	1.8	1.7
Nominal GDP	2.3	5.4	3.4	3.8	3.7
Employment	-0.4	1.7	0.6	0.9	0.7
Unemployment Rate (%)	6.1	5.4	6.0	6.1	6.2
Retail Sales	3.7	7.8	1.2	3.9	3.6
Housing Starts (Thousands of Units)	5.3	7.5	7.0	5.4	5.1
Consumer Price Index	1.3	1.6	2.4	1.9	2.6