



## MANITOBA'S ECONOMIC RECOVERY HINDERED BY MANUFACTURING SECTOR: RBC ECONOMICS

**TORONTO, September 17, 2013** — Disappointing growth in the manufacturing sector is expected to hold back Manitoba's economic recovery, according to the latest [RBC Economics Provincial Outlook](#) released today. RBC forecasts a provincial real GDP growth rate of 2.5 per cent for 2013, down from 2.7 per cent previously projected, and holds its forecast for 2014 unchanged at 2.6 per cent.

Despite manufacturing sales turning slightly positive in the second quarter of 2013, the level of activity over the first half of the year is still down from 2012 levels, RBC says. In part, this reflects weak recovery in the U.S. economy due to tax hikes and government expenditure cuts earlier this year, prompting RBC to halve its forecast for manufacturing output growth to 1.5 per cent in 2013.

"The disappointing outlook for Manitoba's manufacturing activity this year is a key factor restraining the province's economic recovery," said Craig Wright, senior vice-president and chief economist, RBC. "As fiscal restraint eases in the second half of this year, strengthening demand for provincial machinery and transportation equipment will boost manufacturing output to 3.5 per cent, reviving the sector as one of Manitoba's key economic drivers."

RBC notes that stronger than anticipated electricity production will help offset the weakness in Manitoba's manufacturing sector to a degree. Data from the first half of the year points to an increase in electricity production of nearly double the 5.0 per cent implied after the first quarter, which prompted RBC to more than double its utilities output growth forecast to 6.0 per cent.

With respect to the agriculture sector, initial estimates for production of wheat and canola suggest an increase of 6.0 per cent, building on the 50 per cent surge which occurred in 2012 following poor harvests the previous two years. However, RBC notes this is consistent with expectations that agricultural growth will slow from the near 15 per cent jump in 2012, to 3.5 per cent in 2013 and 2.0 per cent in 2014.

Construction spending will remain a mainstay of growth for Manitoba's economy this year and next, rising close to 6.0 per cent each year on average. RBC says this strength likely reflects ongoing non-residential construction spending this year, such as the expansion of the RBC Convention Centre Winnipeg, new mining projects and various office, hotel and condo developments in downtown Winnipeg.

RBC expects residential construction in Manitoba to moderate, with housing starts falling to 7,100 units in 2013 and 5,700 units in 2014, down from a record 7,200 in 2012. Despite this decline, the forecast remains above the 10-year average of 5,300 units.

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The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales, housing starts and consumer price indices. The full report and provincial details are available online as of 8 a.m. ET today at [rbc.com/economics/economic-reports/provincial-economic-forecasts.html](http://rbc.com/economics/economic-reports/provincial-economic-forecasts.html).

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