



NEWS

MANITOBA'S ECONOMY BOOSTED BY TURNAROUND IN AGRICULTURE: RBC ECONOMICS

TORONTO, September 10, 2012 – A significant turnaround in Manitoba's agricultural sector this year will provide a boost to provincial economic growth that was missing in 2011, according to the latest [RBC Economics Provincial Outlook](#). In fact, RBC believes that this swing in activity will be the main factor driving real GDP to 3.3 per cent in 2012 from 1.3 per cent last year.

"Following two years of adverse weather conditions and significant declines in agricultural production, recent estimates indicate that Manitoba is finally seeing some impressive gains in wheat and canola production," said Craig Wright, senior vice-president and chief economist, RBC. "This improved outlook for the agricultural sector should more than make up for some recent unexpected weakness in other sectors that are pivotal to the Manitoba economy."

Drought-related declines in the U.S. harvest and weaker production in a number of other major agricultural regions globally have driven up the prices for most crops. RBC anticipates that these higher prices, along with the recovery in grain and oilseed production in Manitoba, will significantly increase farm income and, in turn, boost both consumer and capital spending in the province. As we move into next year, however, farm income growth will likely moderate, as crop prices start to ease under the assumption of less adverse weather conditions in other growing regions around the world.

The RBC report notes that, although manufacturing sales for transportation equipment and machinery have held up relatively well, weakness can be found in non-durable goods production. Specifically, declines were seen in the food processing industry caused by supply issues for a number of products, including potatoes and pork. RBC expects these issues to ease as this year progresses.

RBC assumes that persistent normal weather conditions will boost crop output in Manitoba next year, though the increase will be relatively moderate in comparison to 2012. Furthermore, overall provincial growth will benefit from improving manufacturing performance that will offset a diminishing contribution from the agricultural sector – RBC projects real GDP growth of 3.2 per cent in 2013.

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 7 a.m. ET today at rbc.com/economics/market/pdf/provfcst.pdf.

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