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Manitoba Improves as a Place to Invest

WINNIPEG – Manitoba's GDP increased by 3.3 per cent, tying with Alberta for the highest growth among the western provinces, Ontario and the national average over the past year, according to the *MB Check-Up*, an annual economic analysis of the province as a place to live, work and invest by the Chartered Accountants of Manitoba.

"2007 was the fourth year in a row of rising real GDP growth in Manitoba," said Gary Hannaford, CEO of the Institute of Chartered Accountants of Manitoba. "Strong domestic and international demand boosted Manitoba's exports and business investment as a percent of GDP rose significantly as well," he added.

Private sector or business investment has an effect on long-term productivity and competitiveness. Manitoba's business investment share of GDP increased in both 2006 and 2007, a gain of 3.1 percentage points in two years to 14.1 per cent.

"Manitoba enjoys both a broad mix of products and a diverse market for its exports. Although many of these products are priced in US dollars, the rise in Manitoba's commodity prices outstripped any revenue losses due to a strong Canadian dollar in 2007," said Hannaford.

"And because Manitoba's economy is so diversified, it's well-positioned to ride out the current market upheaval," Hannaford added. "That's not to say it won't be affected but there is more of a buffer than other provinces whose economies are based primarily on resources and manufacturing."

The *MB Check-Up* shows that Manitoba had tremendous growth in most of the invest indicators from 2006 to 2007. The one area where Manitoba lagged was in the net provincial financial liabilities as percentage of GDP and in absolute terms, while definitely improving, the province continues to sit at the middle or bottom of the pack.

Exports per worker, or the ratio of inflation-adjusted value of exports to the number of workers in the labour force, grew faster in Manitoba than in any other jurisdiction (2.6 per cent) in 2007. Over the past five years, Manitoba's export receipts have risen steadily, resulting in a 12.5 per cent gain in the real value of exports per worker, again the largest increase among the reviewed districts.

"These are impressive gains," Hannaford said. "However, the province continues to rank fourth (\$42,489) in absolute terms among the six comparison jurisdictions.

The *MB Check-Up* also shows that Manitoba had the largest increase in productivity among the studied jurisdictions in 2007, with a one-year productivity gain of 1.6 per cent. Despite this increase, Manitoba continues to have the lowest productivity levels among the reviewed districts.

In 2007, the proportion of high technology jobs in Manitoba rose to 5.6 per cent, its highest level in a decade.

"Coming on the heels of two years of decline, this increase from 2006 was the strongest showing of all the jurisdictions reviewed and underscores how Manitoba's economy strengthened in 2007," Hannaford said.

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In 2006 (the most recent year for which data is available), Manitoba's net financial liability/GDP ratio declined by 1.4 percentage points to 27.9 per cent. This one-year decline represents Manitoba's strongest year-over-year decline in the past five years.

However, at 27.9 per cent, Manitoba still has the highest net provincial debt as a percentage of GDP among reviewed districts. Since 2002, the province also saw the smallest decline (1.0 percentage points) in its net financial liability/GDP ratio.

The *MB Check-Up* also shows that Manitoba had the second-highest gain (0.9 percentage points) after Saskatchewan (1.8 percentage points) in the after-tax corporate profits to GDP ratio in 2007.

"Manitoba's surge in pre-tax profitability can be attributed to soaring prices and strong domestic and international demand for its products," Hannaford said. "Reduced corporate tax rates also boosted private sector profitability in 2007," he added.

The provincial general corporate tax rate declined from 14.5 per cent in 2006 to 14 per cent on July 1, 2007, and to 13 per cent on July 1, 2008, although it still remains one of the highest general corporate tax rates of the provinces reviewed. Manitoba's small business corporate tax rate declined from 4.5 per cent to 3.0 per cent effective January 1, 2008.

MB Check-Up is published annually by the Chartered Accountants of Manitoba and provides an independent factual comparison of the four Western provinces, together with Ontario and the Canadian average using 15 key indicators to create a profile of each as a place to live, a place to work and a place to invest. The second instalment of the report which deals with Manitoba as a place to live will be released next week and the third section, looking at Manitoba as a place to work, will be released the following week.

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