

MB Check-Up 2008

INVEST section

Embargoed until October 3, 2008

Indicators

Invest

Exports per worker is the ratio of inflation-adjusted value of exports¹ to the number of workers in the labour force.

Real labour productivity is the amount of real GDP produced per hour worked and measures the efficiency of the workforce.

Employment in the sciences is the number of workers employed in Natural/Applied Sciences as a percent of the total labour force and has a strong correlation to current innovation activity and productivity.

Net government financial liability as a percentage of GDP reflects past fiscal policy as well as future tax burden. Net government financial liability is defined as total provincial financial assets (including sinking funds) minus financial liabilities plus guaranteed debt.²

After-tax corporate profits to GDP is the ratio of after-tax operating profits (including those accrued in both private sector and government business enterprises) to GDP.³

¹ Exports here include shipments to other countries and other provinces; both goods and services are included.

² Guaranteed debt is a guarantee issued by the provincial government on behalf of its Crown Corporations that could become a claim on the government in the event that the Corporation does not meet its obligations.

³ Estimates of direct taxes are developed for 2004 and 2005 in the absence of national or provincial Statistics Canada data.

Invest

Manitoba outperformed all the other western provinces, Ontario and the national average in most of the invest indicators between 2006 and 2007. However, the province's standing in absolute terms in comparison to the other jurisdictions did not change in 2007.

Comparing 2006 to 2007, Manitoba saw the largest gains in exports per worker (2.6%), employment in the sciences (0.9 percentage points), and productivity (1.6%) among the reviewed districts. The gain in after-tax profits to GDP (0.9 percentage points) was second only to that of Saskatchewan (1.8 percentage points). The one area where Manitoba lagged was in the net provincial financial liabilities as percentage of GDP (-1.4 percentage points), the second lowest decline in the comparison jurisdictions.

In absolute terms, Manitoba had the third-highest ratio of after-tax corporate profits to GDP (12.10%) and the fourth-highest exports per worker (\$42,489) in 2007. The province ranked fifth in the comparison jurisdictions for employment in the sciences (5.6%) and had the lowest productivity (39.2). Manitoba also had the highest net provincial financial liabilities as percentage of GDP (27.9%).

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

Table 3.1: Summary of INVEST Key Indicators

INVEST Indicator	BC	AB	SK	MB	ON	CAN	
Productivity	42.0	50.6	43.2	39.2	45.3	44.3	2007 Value
Employment in the Sciences	6.4%	7.9%	4.6%	5.6%	7.4%	7.0%	
Exports per Worker	\$30,305	\$53,578	\$52,197	\$42,489	\$48,875	\$28,419	
Net Provincial Financial Liabilities as a % of GDP*	9.1%	-4.9%	18.8%	27.9%	22.4%	22.6%	
After-Tax Corporate Profits to GDP Ratio	9.32%	18.89%	22.31%	12.10%	8.41%	11.16%	
Productivity	-0.2%	-1.9%	1.0%	1.6%	0.8%	0.7%	2006-07 % Change
Employment in the Sciences	-0.5 ppt	0.4 ppt	0.1 ppt	0.9 ppt	0.2 ppt	0.1 ppt	
Exports per Worker	-3.2%	-3.4%	0.4%	2.6%	-0.8%	-1.1%	
Net Provincial Financial Liabilities as a % of GDP*	-2.3 ppt	-2.3 ppt	-2.5 ppt	-1.4 ppt	-0.8 ppt	-1.8 ppt	
After-Tax Corporate Profits to GDP Ratio	-0.5 ppt	-0.3 ppt	1.8 ppt	0.9 ppt	-0.2 ppt	0.1 ppt	
Productivity	1.3%	5.0%	7.2%	8.0%	3.0%	4.5%	2002-07 % Change
Employment in the Sciences	0.4 ppt	0.2 ppt	0.8 ppt	0.8 ppt	0.0 ppt	0.2 ppt	
Exports per Worker	3.8%	0.6%	8.2%	12.5%	-1.7%	-1.7%	
Net Provincial Financial Liabilities as a % of GDP*	-3.1 ppt	-6.9 ppt	-10.0 ppt	-1.0 ppt	-3.3 ppt	-6.0 ppt	
After-Tax Corporate Profits to GDP Ratio	2.3 ppt	6.6 ppt	9.1 ppt	5.2 ppt	-1.9 ppt	1.5 ppt	

*Net provincial financial liabilities as a Percentage of GDP. 2006 value presented and % change from 2002 to 2006 and 2005 to 2006.

Note: ppt = percentage point

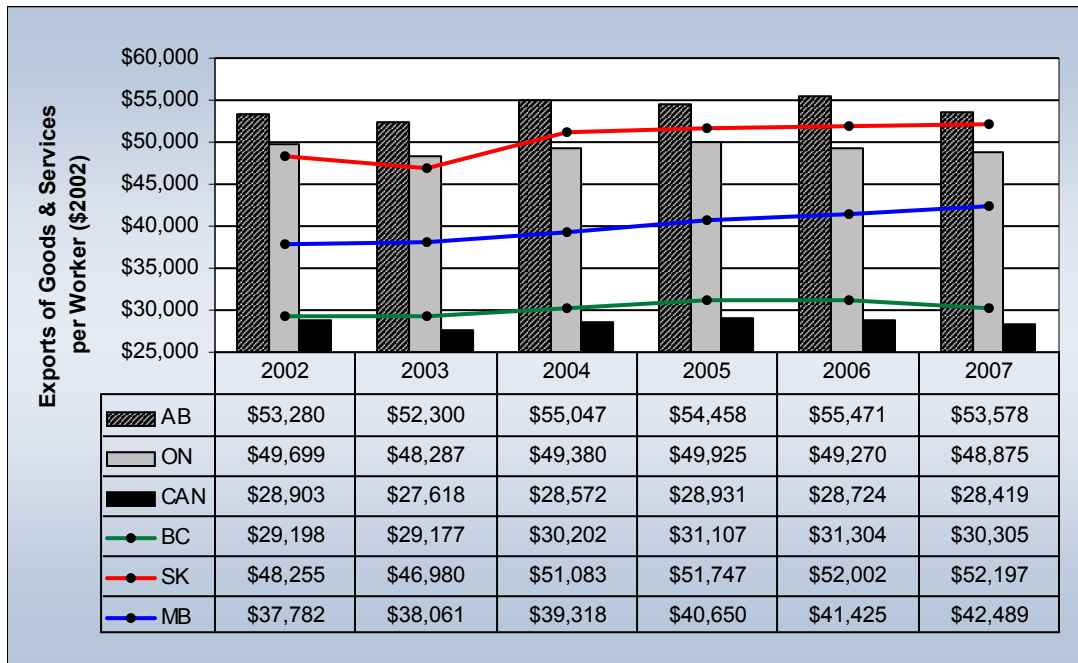
Taking a Closer Look at Exports

Exports per worker, or the ratio of inflation-adjusted value of exports to the number of workers in the labour force, reflects changes to the trade environment and affects investment climate.

In 2007, the real value of exports grew faster in Manitoba than in any other jurisdiction (2.6%). However, the province continues to rank fourth (\$42,489) among the districts reviewed.

Over the past five years, Manitoba's export receipts have risen steadily, resulting in a 12.5% gain in the real value of exports per worker, again the largest increase among the comparison jurisdictions.

Figure 3-1: Exports of Goods and Services per Worker (2002\$), 2002 to 2007



Source: Source: Statistics Canada and author's calculations

Manitoba enjoys both a broad mix of products and a diverse market for its exports. Its major exports are agricultural products, metals and minerals, vehicles and transport equipment, processed foods, electrical energy, wood products, machinery, furniture, plastics, and pharmaceuticals.

Prairie farmers saw the price of wheat, grain and oilseeds soar in 2007,⁴ while the fortunes of Manitoba's livestock industry took a different path and lower prices resulted from an excess supply of hogs in North America and reduced demand from China.

The value of Manitoba's nickel exports tripled between 2003 and 2007 to reach \$1.46 billion, or 12% of the value of all provincial exports in 2007. Copper exports doubled in value during the same period to \$683 million, or 5.8% of all exports.

⁴ Source: TD Bank Economics. *The Saskatchewan Economy of 2008. The Resurgence of the Resourceful*. June 4, 2008.

The value of electrical energy exports from Manitoba increased from \$263.7 million in 2003 to \$543.5 million in 2007.⁵ Last year, 80% of Manitoba's electricity was exported to the US mid-west and 20% was sent to Canadian markets.⁶

Between 2003 and 2007, export receipts from several manufactured goods such as buses, airplane parts and agricultural machinery in most cases doubled.⁷

The steady appreciation of the Canadian dollar through 2007 raised concerns that this would reduce revenues to Canadian producers. But for most of Manitoba's exports in 2007, the US dollar prices increased more than the appreciating Canadian dollar depressed export revenues.

The US is Manitoba's dominant trade partner, absorbing 70% of our exports in 2007. However, since 2003, US share has declined (from 76%) and a greater volume now goes to Asian markets.

⁵ Statistics Canada. *Canadian Total Exports*. Industry Canada Strategis Website. June 2008. These are custom-based values of international merchandise exports only. Note that an April 2008 media release by the Manitoba government indicated that total export revenues from electricity were \$592 million, higher than what is reported here.

⁶ Manitoba Hydro.

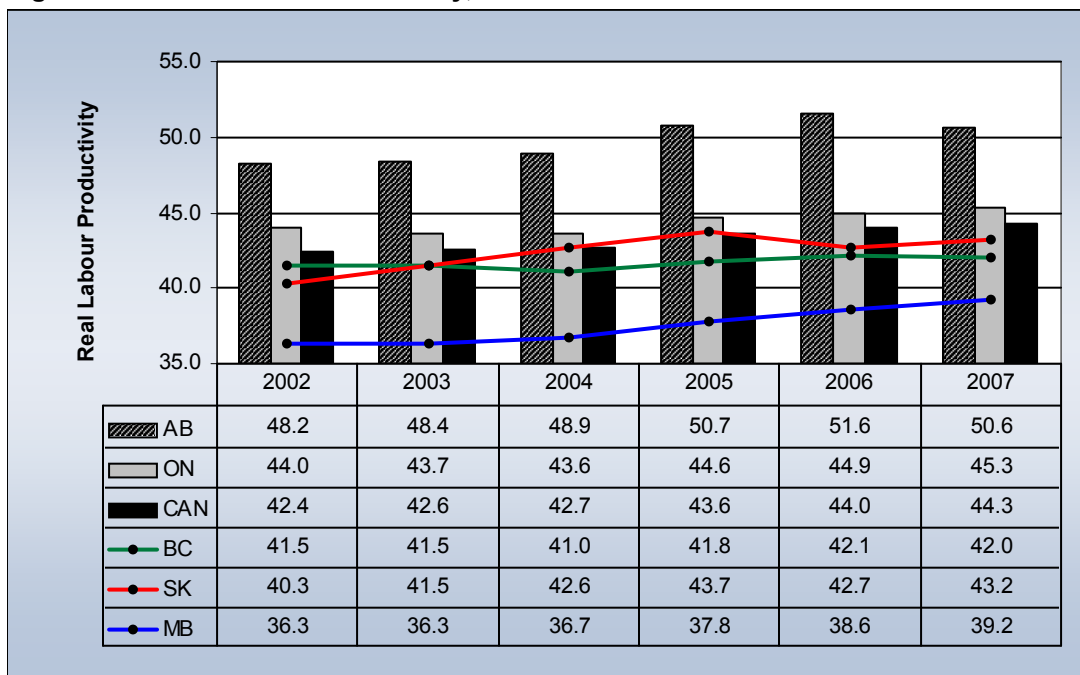
⁷ Province of Manitoba news release. *Manitoba Hydro Reaches Arrangement to Sell Power to Wisconsin Public Service*. April 17, 2008.

Productivity

Productivity measures the efficiency of the work force. Manitoba saw the largest increase among the studied jurisdictions in 2007, with a one-year productivity gain of 1.6%. Despite this increase, Manitoba continues to have the lowest productivity among the reviewed districts.

The long-term trend in a labour force's productivity is a fundamental determinant of economic growth and standard of living. With an 8% increase in real labour productivity between 2002 and 2007, Manitoba outstripped all other jurisdictions under review. Total capital expenditures on non-residential construction, machinery and equipment climbed by 37% between 2004 and 2007⁸. The increase in infrastructure and physical capital as well as higher rates of employment have fuelled Manitoba's productivity gains since 2002.

Figure 3-2: Real Labour Productivity, 2002 to 2007



Source: Statistics Canada

⁸ Statistics Canada. Capital Expenditures for Construction by Sector, Province and Territory. Capital Expenditures on Machinery and Equipment by Sector, Province and Territory. Cat. No. 61-205-XIB. February 2008.

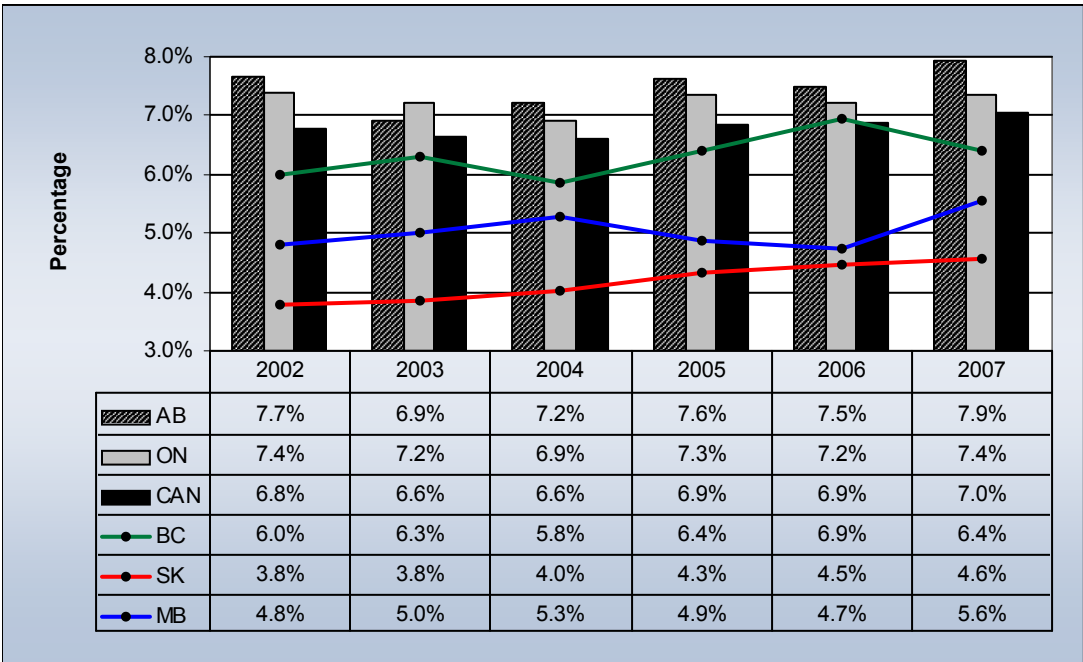
Employment in the Sciences

Employment of workers in the natural and applied sciences reflects the relative dominance of technological jobs in the labour force and has a strong correlation to current innovation activity and productivity.

In 2007, the proportion of high technology jobs in Manitoba rose to 5.6%, its highest level in a decade. This 0.9 percentage points increase from 2006 was the strongest showing of all the districts reviewed and, coming on the heels of two years of decline, underscores how Manitoba’s economy strengthened in 2007.

Since 2002, Manitoba saw its labour market shares of workers in the sciences grow at 0.8 percentage points, tied with Saskatchewan for the largest gain among the compared jurisdictions.

Figure 3-3: Natural/Applied Sciences Share of Total Employment, 2002 to 2007



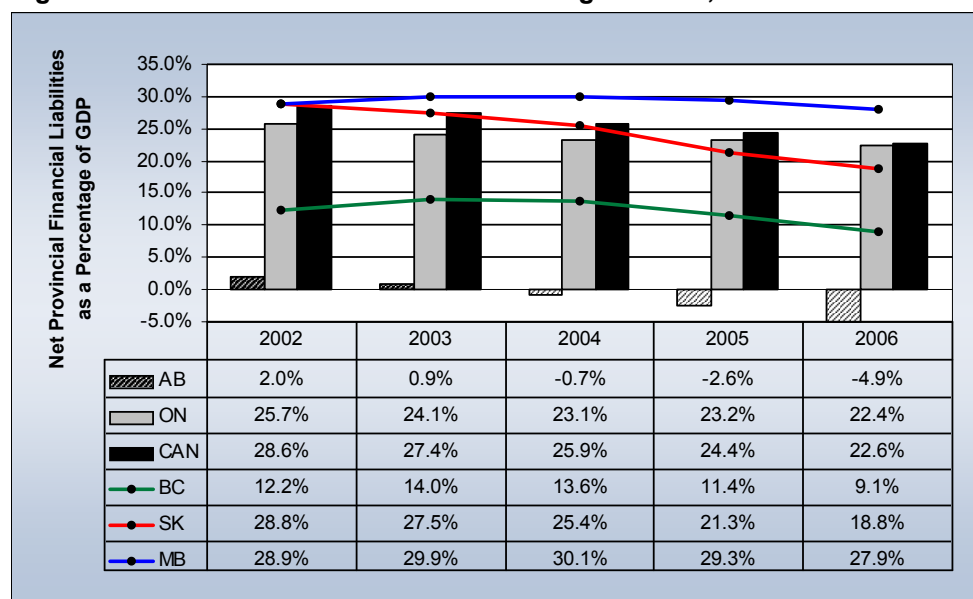
Source: Statistics Canada, *Labour Force Survey*

Net Government Financial Liability as a Percentage of GDP

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%. This one-year decline represents Manitoba's strongest year-over-year decline in the past five years.

However, at 27.9%, 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.

Figure 3-4: Net Provincial Debt as a Percentage of GDP, 2002 to 2006⁹



Source: Statistics Canada

Between 2002 and 2006, Manitoba's total net financial liability rose each year to reach almost \$12.5 billion in 2006. Countering the increases and lowering the overall ratio in net financial liability/GDP was strong growth in total GDP-expenditures.

Table 3.2: Manitoba Net Financial Liabilities, 2002 to 2006¹⁰ (\$ millions)

	2002	2003	2004	2005	2006
Provincial Government Net Financial Debt	\$9,969	\$10,217	\$11,047	\$11,428	\$11,858
Total Guaranteed Debt ¹¹	612	996	950	788	641
Total Net Financial Liability	\$10,581	\$11,213	\$11,997	\$12,216	\$12,499
GDP-Expenditure-based at Current Prices	\$36,559	\$37,451	\$39,859	\$41,682	\$44,851
Net Government Financial Liabilities to GDP Ratio	28.9%	29.9%	30.1%	29.3%	27.9%

Source: Statistics Canada, FMS

⁹ Represents fiscal year. Most recent data is for fiscal year ending March 31, 2006.

¹⁰ Represents fiscal year ending March 31st of the following year.

¹¹ Includes provincial, local and "other" guaranteed debt.

After-Tax Corporate Profits to GDP

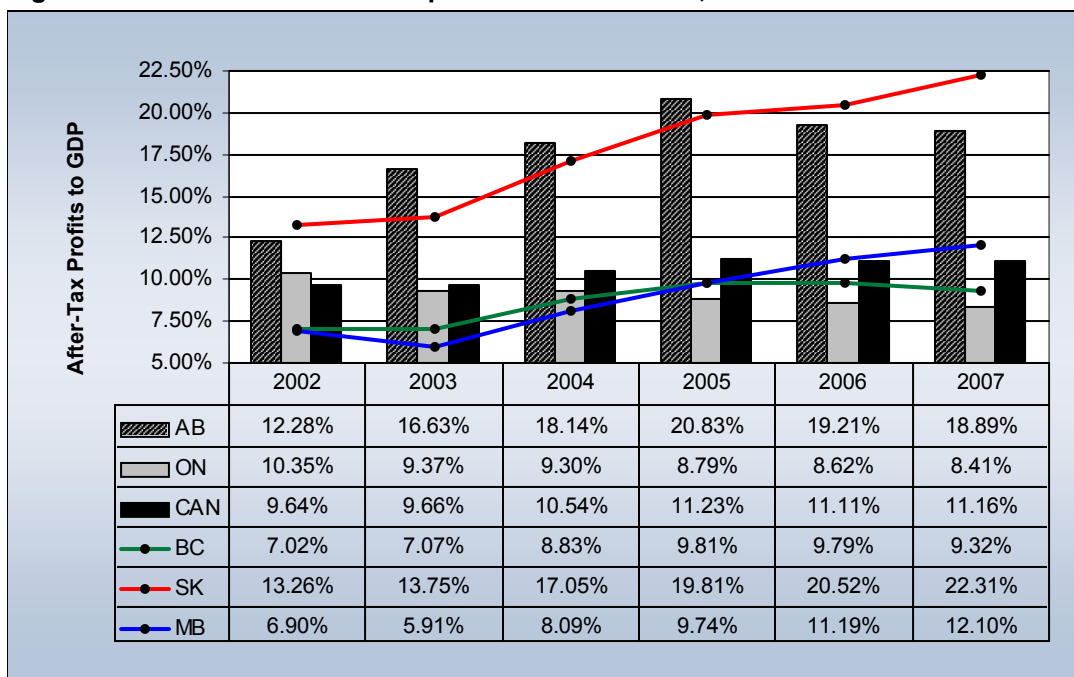
Manitoba had the second-highest gain (0.9 percentage points) after Saskatchewan (1.8 percentage points) in the after-tax corporate profits to GDP ratio in 2007.

Between 2002 and 2007, Manitoba saw the third-highest gains in after-tax profits to GDP, rising from last place at 6.9% to third (12.1%) in the six districts reviewed.

Manitoba's surge in pre-tax profitability can be attributed to soaring prices and strong domestic and international demand for its products. 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.

Reduced corporate tax rates also boosted Manitoba's private sector profitability in 2007. The provincial general corporate tax rate declined from 14.5% in 2006 to 14% on July 1, 2007, and to 13% on July 1, 2008, although it still remains one of the highest general corporate tax rates of all jurisdictions. Manitoba's small business corporate tax rate declined from 4.5% to 3.0% effective January 1, 2008.

Figure 3-5: Ratio of After-Tax Corporate Profits to GDP, 2002 to 2007



Source: Statistics Canada