

EMBARGOED until October 25, 2007

After-tax profits continue to rise in Manitoba

WINNIPEG – The *MB Check-Up*, an annual study by the Chartered Accountants of Manitoba, reports that Manitoba saw its third year in a row of rising after-tax corporate profits to GDP in 2006.

In fact, in 2006 Manitoba ranked first in the rise in its after-tax profits when compared with the other western provinces and Ontario with an improvement of 1.3 percentage points.

“The rising profitability is a result of growth in Manitoba’s energy exports and general improving economic activity,” said Gary Hannaford, CEO of the Institute of Chartered Accountants of Manitoba (ICAM). “Overall, the province’s strong economic growth in 2006 resulted in real GDP gains of 3.3 percent and a surge in non-residential investment.”

Manitobans can thank good growing conditions in 2006 along with buoyant domestic and international demand for our energy, wheat and manufactured goods.

While the picture was bright when comparing 2006 with the previous year, Manitoba does not stand out in comparison with the other jurisdictions in absolute terms. Manitoba’s ratio of after-tax profits to GDP was 11.21 percent in 2006, which is just below the national average of 11.29 percent but well behind Alberta at 19.5 percent and Saskatchewan at 18.79 percent but ahead of Ontario at 9.34 percent and BC at 10.31 percent. Since 2001 the ratio has improved by over 4 percentage points.

The *MB Check-Up* shows that Manitoba’s pre-tax profits grew at a faster rate than the national average between 2001 and 2006 but there were a number of factors that continue to suppress the after-tax-profit numbers including high corporate taxes. The western provinces have all seen their general corporate tax rates decline in the past five years, including Manitoba, nevertheless at the end of 2006 Manitoba’s continues to be the highest of all jurisdictions in our study.

“In addition to higher corporate taxes, Manitoba’s economy was, to some extent, built on the production and export of resource products, in particular agriculture and minerals, which generally have lower profit margins than those achieved in the oil and gas industry that drives the Alberta and Saskatchewan economies,” Hannaford added.

Manitoba’s real investment share of GDP rose to 14.6 percent in 2006, the third year of increase in a row. This was close to the national average, and well above BC and Ontario rates of 12.9 and 11.7 percent respectively. The largest share of these investment dollars is being spent on machinery and equipment along with a smaller share being spent on non-residential construction.

“The results of strong capital investment today will have positive effects on future productivity,” Hannaford said. “If this trend is sustained, it should result in long term prosperity for those companies making these investments.”

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The *MB Check-Up* also reports that Manitoba's R&D share of GDP now rests at a significantly higher level than it did tens years ago which should have positive results for future innovation in the province.

While the proportion of workers in the natural and applied sciences declined in 2006, there are strong indications of future growth in this area as a result of the Canadian Centre for Agri-Food Research in Health and Medicine, a \$3 million breast cancer research facility by CancerCare Manitoba, the I.H> Asper Clinical Research Institute, a \$15 million business incubation centre at the NRC-IBD, and the \$35 million Siemens Institute for Advanced Medicine. The sector's growth is also evident with the expansion of such Manitoba companies as Biovail and Cangene.

The study shows that Manitoba has the highest rate of net government financial liability as a percentage of GDP. This rate, however, declined by .8 percentage points to reach 29.3 percent. The Manitoba government is committed to paying down its debt burden, but capital needs may push up the debt slightly in fiscal 2007-08. Despite some limitations on its fiscal latitude, the Manitoba government continues to meet its spending requirement, reduce tax rates (although not as significantly as other provinces) and reduce its financial liabilities to GDP ratio.

MB Check-Up is published annually by ICAM 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. This is the third of three instalments of the 2007 report.

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With more than 2,700 members and over 300 CA students, the Institute of Chartered Accountants of Manitoba carries out its primary mission to protect the public by ensuring that its members have the highest level of competence and integrity as a result of demanding standards for admission to the profession, its continuous learning policy and its inspection and discipline processes. Thanks to the quality and rigor of their education and training, CAs bring superior financial expertise, strategic thinking, business insight and leadership to every organization.