



Environmental Scan

Manitoba

2016



KEY HIGHLIGHTS

- The Conference Board of Canada estimates that real GDP in Manitoba will increase 2.3% in 2016 and 3.1% in 2017.
- Manitoba's diversified economy will lessen the negative effects of the downturn in oil prices and lead to strong economic performance in the short-term.
- Construction is expected to be one of the fastest growing industries in the province with GDP forecast to increase by 9.3% in 2017.
- Health care and social assistance is now the largest industry by employment in the province.
- Between 2015 and 2017, nearly two-thirds of all job openings will be in occupations that require a post-secondary education or management experience.
- Among Manitoba's economic regions, the Southwest region had the highest average employment growth, increasing 1.5% annually between 2010 and 2015.
- Out-migration from Manitoba has slowed in recent years, except to Alberta and British Columbia.
- Manitoba has the highest rate of disability nation-wide. In 2012, the unemployment rate was nearly double for persons with a disability.

GENERAL OVERVIEW/ECONOMIC CONTEXT

Global Economic Picture

The global economy grew at an annual rate of 3.9% between 2000 and 2014, but slowed considerably in 2015. The International Monetary Fund (IMF) now foresees growth of 3.1% in 2015 and 3.4% in 2016.¹ Emerging markets such as China (6.9% 2015f) and India (7.3% 2015f) continue to show some of the strongest growth, while growth in Indonesia (4.8% 2015f) and Turkey (3.7% 2015f) is also projected to be strong. In the Eurozone core, economic growth is projected to be flat over the next year, while for other major economies such as Russia and Brazil, a significant contraction is anticipated.² Economic expansion is expected to pick up again in 2017 as the Brazilian and Russian economies recover, but this could be tempered by new global economic and/or political instability.

The slowdown in global growth can partly be attributed to China's plan to reduce overcapacity in manufacturing. As the world's second largest economy transitions to higher value-added production and more service-oriented output, the supply chain throughout Asia and South America will continue to be impacted.³ While consumer spending rose in China in 2015, this was offset by lower industry output and a weakening in both imports and exports. Over the next few years, the rapid growth China experienced over the last decade is not expected to be replicated, as the pace of capital investment and labour force growth both gradually diminish.⁴

Since the summer of 2015, oil prices have continued to slide as members of the Organization of the Petroleum Exporting Countries (OPEC) have kept levels of oil production higher than levels of global demand. This has harmed the economies of many net oil exporting countries.⁵ Moreover, many commodity-dependent nations are struggling to adjust to lower baseline energy and metal prices, and this has had a dampening effect on investment and hiring and also contributed to instability in financial markets.⁶

Global macroeconomic policies also started to diverge late in 2015, and this has added to the overall uncertainty of the global economic picture. For instance, deflationary pressures persist in Europe and this has caused some European countries to experiment with negative rates. Similarly, Japan has also embarked on a negative rate policy in an effort to stimulate growth. In this backdrop, the U.S. economy has performed quite well and the Federal Reserve has started to normalize borrowing costs due to low levels of unemployment and burgeoning price pressures. This in turn has buoyed the greenback and has led some major U.S. trading partners (e.g. Mexico) to raise interest rates in an effort to slow capital outflows and stabilize exchange rates.⁷

For the remainder of 2016, U.S. consumers are expected to continue spending, as strong job growth, lower gasoline prices, reduced debt burdens, rising wages, and rising home valuations enhance their purchasing power.⁸ Nevertheless, turmoil in the oil and gas industry continues to weigh down the U.S. energy industry and a strong American dollar is having a moderating effect on manufacturers and exporters.

National Overview

Moderate economic growth of 1.7% is anticipated for 2016 in Canada, following what many analysts considered a subpar performance in 2015 (1.2%). An ambitious spending program that was announced in Budget 2016 should help support growth and mitigate the downside risks from the collapse in oil and gas prices.⁹ In the short-term, exports are expected to drive national growth, supported by a lower-valued Canadian dollar and also by growing demand for imports in the United States.¹⁰

The devastating wildfire that swept through Fort McMurray in May is expected to materially affect national second quarter GDP. While no major oil sands operations themselves were damaged, about half of total daily oil production went offline due to the blaze. According to recent estimates, foregone oil sands production has already amounted to 14 million barrels worth about \$750 million. National GDP growth for the second quarter is now expected to be as low as -0.5%.¹¹

In 2015 the Canadian labour market added jobs at a moderate pace with weakness in manufacturing and resources (particularly in the Western provinces) offset by strength in construction and services. While GDP growth has been stronger than expected so far this year,¹² employment growth has been mixed, with modest employment declines in January (-2,300) and February (-5,700) followed by an unexpected increase of 40,600 in March.

This employment picture has been coupled with steady levels of consumer spending, which is helping to support growth. At the same time, weak wage growth and elevated levels of household debt will likely reduce consumer confidence and purchasing power for the remainder of 2016.¹³ Pockets of unemployment, especially in parts of Alberta and Saskatchewan, may also weigh down the economies of those provinces. Unemployment in Alberta's Wood Buffalo region may be difficult to measure in the aftermath of the Fort McMurray wildfire. While rebuilding efforts will boost construction employment later in the year, total employment will remain below pre-fire levels for the foreseeable future.

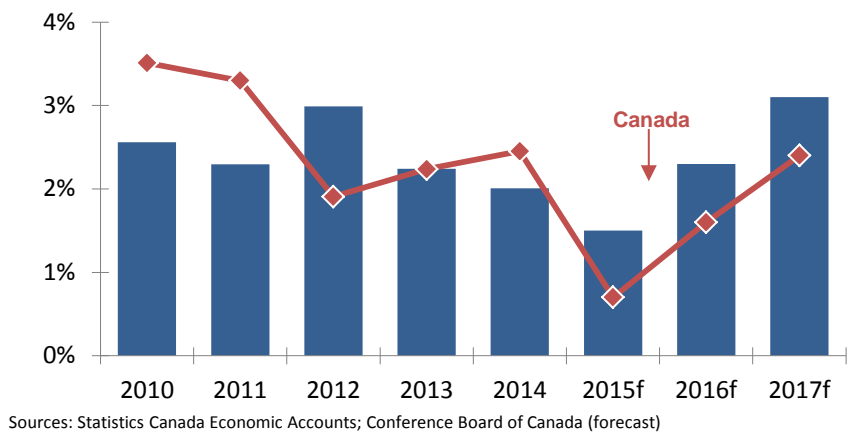
Residential investment Canada-wide is expected to be steady in 2016, following a 4% jump last year. While the housing markets of Alberta and Saskatchewan struggle, this is being offset by exceptional growth in other parts of the country (i.e. Vancouver, Toronto). Overall, business investment will likely see another year of decline due to the downturn in the energy sector. A weak Canadian dollar should also help trade, while the Bank of Canada is expected to hold overnight rates to current levels through to early 2017.

REGIONAL, PROVINCIAL AND LOCAL LABOUR MARKET CONDITIONS

Economic activity in Manitoba is expected to pick up in 2016 and 2017 following steady growth in 2015. Last year, the province's gross domestic product (GDP) grew by 2.0%, the second lowest rate among western provinces, ahead of only Saskatchewan. The Conference Board of Canada estimates that real GDP will increase 2.3% in 2016 and 3.1% in 2017, making Manitoba one of the provincial leaders in GDP growth in the near-term.

Manitoba boasts one of the strongest labour markets in the country. Employment in the province was up by 9,500 in 2015, giving the province the highest employment growth rate (+1.5%) in the country. Over the past year, Manitoba's job gains were mainly in full-time work, though part-time positions also saw a small increase. The province's unemployment rate rose slightly to 5.6% in 2015, but this still represents the second lowest rate in Canada and is well below the national average of 6.9%.

Chart 1
Annual change in Manitoba's Gross Domestic Product between 2010 and 2017 (forecast), in 2007 dollars.



Strong employment growth is likely to continue in 2016 and 2017. The Conference Board of Canada is forecasting increases of 1.0% and 1.8%, or 18,000 jobs over the two year period. With key sectors of the economy performing well, wages are expected to increase and improve purchasing power in the province. Higher incomes and lower fuel costs are expected to help the trade sector, which should see 2.2% yearly growth over the next two years according to Conference Board predictions.

Manitoba's diversified economy should promote steady growth in the coming years, while its western neighbors struggle with the downturn in the energy sector. Although not as significant as in other western provinces, Manitoba's oil and gas extraction industry has been negatively impacted by the global downturn in commodity prices. Nonetheless, the energy sector plays a smaller role in the province's economy, contributing just 5.9% to total GDP in 2014, compared to 22.8% in Saskatchewan and 30.1% in Alberta that year.¹⁴

Manufacturing and construction will play an important role in economic growth over the next two years. Heavily dependent on demand from the United States, Manitoba's manufacturing industry is expected to benefit from a low Canadian dollar and strong household consumption in the U.S over the next two years. These factors will be particularly beneficial to the province's food manufacturing industry, which will become more competitive with its American counterparts. Manitoban manufacturing firms also produce the majority of busses on North American roads. With the average age of city busses on U.S. roads at eight years – the average lifespan is 12 years – the province is well-positioned to benefit from high demand for this key export going forward.

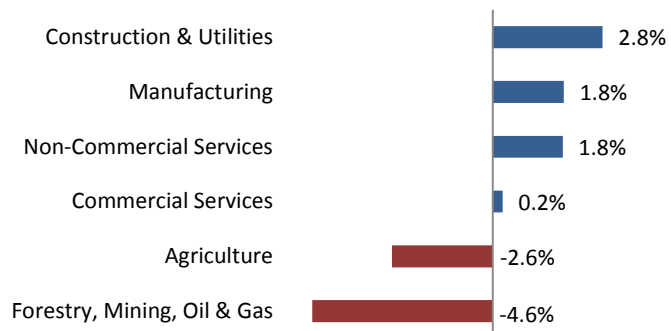
Construction activity has picked up in recent years thanks to a number of large-scale projects getting underway in the province. Looking ahead, construction is expected to be one of the fastest growing industries in Manitoba, with GDP projected to increase 4.4% and 9.3% in 2016 and 2017 respectively.¹⁵ A commitment by the provincial government to spend \$5.5 billion on public infrastructure between 2014 and 2018 will go a long way in keeping construction activity strong. In addition, Manitoba Hydro continues to build major hydroelectric transmission lines and generating stations, most notably Bipole III and the Keeyask generating station. A

number of large-scale tower developments were also announced for Winnipeg, which should help keep tradespeople in high demand.

Employment by Sector

Between 2010 and 2015, most of Manitoba's major industries saw moderate employment growth. The province added 5,400 jobs on average each year during this period, resulting in average annual employment growth of 0.9%; slightly below the national average of 1.1%. Over the past five years, construction and utilities have led all industries in employment expansion, posting an annual growth rate of 2.8%. A number of large hydro and infrastructure projects drove employment gains in these industries. Core infrastructure investment was, and remains, a priority for the province.

Chart 2
Industry employment growth in Manitoba between 2010 and 2015.*



Source: Statistics Canada Labour Force Survey

*The average annual compound growth rate between 2010 and 2015.

Employment in non-commercial services (education, health care, and public administration) expanded at an annual rate of 1.8% between 2010 and 2015. In 2015, 16% of all of those employed in the province worked in the healthcare industry – up from 14.8% in 2010. This recent growth means that health care and social assistance is now the largest industry by employment in Manitoba. Going forward, this trend is likely to continue as the province seeks to provide care for its rapidly aging population.

Manufacturing employment also grew at an annual rate of 1.8% between 2010 and 2015. In recent years, a lower Canadian dollar and a recovering U.S. economy have boosted demand for products manufactured in Manitoba, driving up employment. However, areas of pronounced weakness within the industry – likely reflecting a spillover from the downturn in the Alberta and Saskatchewan energy sectors – have inhibited overall growth.

Jobs in commercial services — which include trade and food and accommodation — grew at a rate of just 0.2% per year. Trade was Manitoba's second largest employer in 2015, accounting for 14.4% of all employment.

Between 2010 and 2015, the province's goods-producing sector was held back from stronger growth due to a struggling resource extraction industry (forestry, mining, oil and gas) and a decline in agricultural employment. The oil downturn has negatively impacted Manitoba's small oil field located in the province's south west region. Agriculture's significant decline (-2.6%) is symptomatic of a downward trend that has persisted for decades.

Table 1
Change in employment by industry in Manitoba between 2010 and 2015.

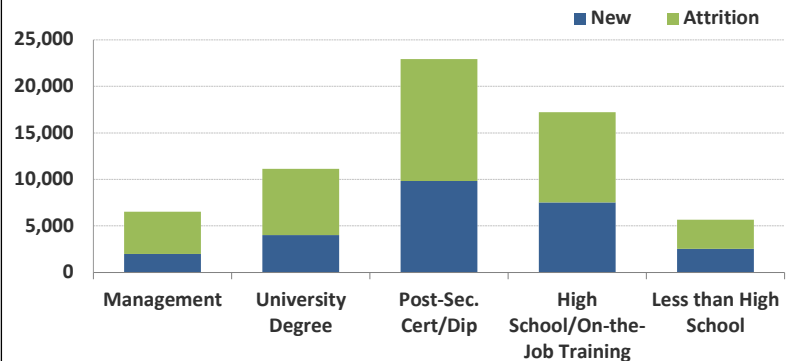
	2015	2010	% Share 2015	Five Year Growth rate
Total, all industries (000s)	636.2	609.0	100.0%	0.9%
Goods-producing sector	147.4	139.7	23.2%	1.1%
Agriculture	23.2	26.4	3.6%	-2.6%
Forestry, fishing, mining, quarrying, oil and gas	5.7	7.2	0.9%	-4.6%
Utilities	8.3	7.0	1.3%	3.5%
Construction	45.6	40.0	7.2%	2.7%
Manufacturing	64.6	59.1	10.2%	1.8%
Services-producing sector	488.8	469.3	76.8%	0.8%
Trade	91.9	91.7	14.4%	0.0%
Transportation and warehousing	38.4	35.5	6.0%	1.6%
Finance, insurance, real estate and leasing	32.7	34.5	5.1%	-1.1%
Professional, scientific and technical services	25.4	24.1	4.0%	1.1%
Business, building and other support services	18.8	20.5	3.0%	-1.7%
Educational services	52.2	47.2	8.2%	2.0%
Health care and social assistance	102.1	90.1	16.0%	2.5%
Information, culture and recreation	22.6	21.7	3.6%	0.8%
Accommodation and food services	41.3	41.7	6.5%	-0.2%
Other services	29.3	27.0	4.6%	1.6%
Public administration	34.1	35.3	5.4%	-0.7%

Note: Totals may not add due to rounding
 Source: Statistics Canada Labour Force Survey Estimates - CANSIM Table 282-0008

Job Opportunities by Skill Level

Between 2015 and 2017, 64% of all job openings will be in occupations requiring a post-secondary education or management experience. Occupations that require a high-school diploma or on-the job training will make up 27% of demand. The outlook for those without high-school credentials is less positive. About 9% of opportunities will be for occupations that require less than high school completion. Of all provincial job openings between 2015 and 2017, just over 30% will be from new job creation, with the remaining coming from attrition.

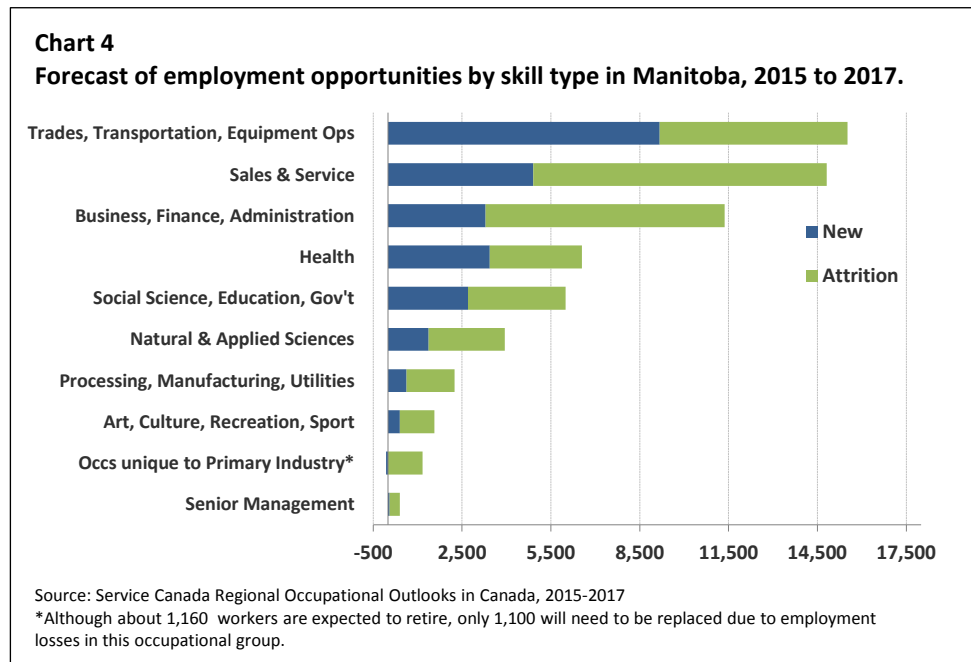
Chart 3
Forecast of employment opportunities by skill level in Manitoba, 2015 to 2017.



Source: Service Canada Regional Occupational Outlooks in Canada, 2015-2017

Job Opportunities by Skill Type

From 2015 to 2017, employment opportunities in Manitoba will be dominated by three skill types. Approximately 24% of all new job openings will be in trades, transportation and equipment operator occupations. Sales and service occupations will represent around 23% of opportunities, while business, finance, and administration will take up about 18%.



While attrition is expected to create the majority of projected employment opportunities in all skill types over the next five years, it will be especially high in art, culture, recreation and sport occupations.

Local Labour Market Conditions

Between 2010 and 2015, Manitoba’s positive employment trend was mirrored in most of its economic regions. Employment growth was just above the provincial average in Winnipeg, the province’s most significant economic region. The Southwest region had the highest average employment growth, increasing 1.5% annually between 2010 and 2015. Southwest’s labour force expanded at nearly double the provincial rate. Accompanying this growth were employment advances in manufacturing, healthcare, and educational services. The rest of the southern regions saw employment advance at a rate just below the provincial average, while employment in the Interlake region fell slightly on an annual basis.

The large and sparsely populated Parklands and North economic region shed jobs at an annual rate of 2.0% during the five year period. This region is heavily dependent upon capital projects and mining. The economic fortunes of the region may rebound in the future though after HudBay Minerals acquired a mine at Snow Lake. If refurbished, the mine could produce 2,000 tonnes of gold ore per day. In addition, trades workers will benefit as the Keeyask generating station project is expected to reach peak construction activity in 2016.

Table 2
Annual employment growth in Manitoba's economic regions between 2010 and 2015.*

	2015	2010	Five Year Growth rate*
Manitoba (000s)	636.2	609.0	0.9%
Southeast	56.3	54.6	0.6%
South Central and North Central	54.8	53.4	0.5%
Southwest	57.7	53.5	1.5%
Winnipeg	385.3	360.8	1.3%
Interlake	46.3	47.1	-0.3%
Parklands and Northern	35.8	39.7	-2.0%

Note: Totals may not add due to rounding

Source: Statistics Canada Labour Force Survey

*The average annual compound growth rate from 2010 to 2015

Interprovincial Migration

Manitoba typically experiences net out-migration to other parts of the country. Alberta draws the largest number of Manitoba residents by a significant margin, followed by Ontario, B.C., and Saskatchewan. Out-migration to all provinces but B.C. and Alberta has slowed since 2009/2010. Since that time, the largest change to out-migration has been the number of individuals who have relocated to Alberta. Now, 34% of all out-migrants from Manitoba leave for Alberta, compared to 24% in 2009/2010. That being stated, Manitoba's economy is showing signs of strength going into the next two years, and more people may look to the province for employment opportunities. Mass layoffs in Alberta's oil fields may also result in a measurable amount of Manitobans returning to the province for work.

LABOUR MARKET OUTCOMES FOR CLIENT SEGMENTS

Immigrants/Newcomers

Manitoba's immigrant workforce is a key contributor to the provincial economy. Increasing levels of immigration to the province has been vital in propelling labour force expansion. Between 2010 and 2015, the immigrant labour force grew at a rate of 6% annually. By comparison, the Canadian-born labour force grew at a rate of just 0.9% per year over the same period. By 2015, immigrants accounted for just over 21% of Manitoba's total labour force.

Indigenous Workers

Indigenous people made up 16.7% of Manitoba's total population in 2011, up from 15.5% in 2006. Nationally in 2011, Indigenous people accounted for 4.3% of the total population. Demographic groupings vary within the Manitoba Indigenous population, with the majority self-identifying as First Nations or Métis.

In 2011, the unemployment rate for Manitoba's Indigenous population stood at 13.8%, nearly three times that of the non-Indigenous population (5.2%). However, the unemployment rate among Manitoba's Indigenous population was lower than the national rate of 15%.

Just like the population as a whole, employment prospects for Manitoba's Indigenous people improves with higher educational attainment. However, the net benefit of education on employment for Indigenous people appears to be significantly greater. In 2011, the employment rate among Indigenous people with less than a high school diploma was 29.1%, significantly lower than the rate for non-Indigenous people with the same education level (43%). Once Indigenous people receive a high school diploma, the gap closes significantly; 61.8% for Indigenous people and 66.8% for non-Indigenous people. Looking at people with a post-secondary degree, the gap is all but eliminated, with employment rates reaching 73.5% among Indigenous people and 73.9% for non-Indigenous people.

Youth

Manitoba's youth (aged 15 to 24) unemployment rate was unchanged (11.4%) from 2010 to 2015, but still more than double the provincial average for all workers. Since 2010, fewer youth have participated in the labour market, as older workers have chosen to remain in the workforce longer. Last year marked the sixth year in a row that the participation rate for youth was below 70%. Before that, the youth participation rate only dipped that low once since 1980. Nearly 45% of youth who are employed worked part-time in 2015. This compares to a 14.8% part-time employment rate among those 25 years and over.

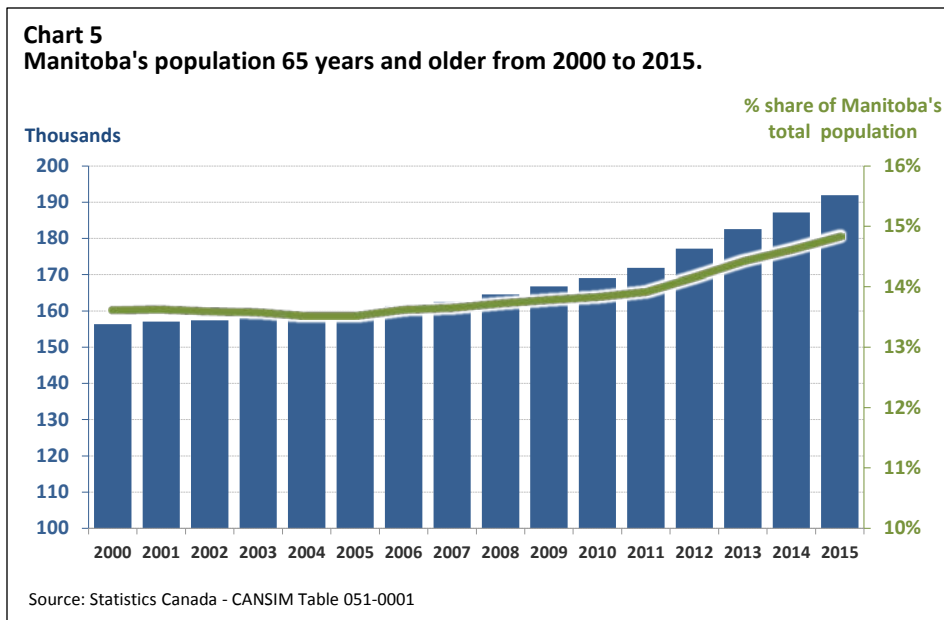
Older Workers

In 2015, workers aged 55 and over made up 21% of Manitoba's labour force, an increase from 18% in 2010. Since 2010, employment in the 55 and over age group advanced at a rate three times greater than the provincial average. In fact, employment in this age group grew by nearly 19,000 between 2010 and 2015. This trend was reinforced by a 1.6 percentage point increase in the over 55 participation rate since 2010. Nonetheless, government transfers and private pensions remain the primary source of income among older workers. Employment income represented just 16% of older workers' primary source of income in 2013.

Seniors

Manitoba's senior population (65+ years) has steadily grown over the past 15 years, increasing from 156,400 in 2000 to 191,900 in 2015. The proportion of the population that was over 65 remained around 13.6% between 1999 and 2008. However, seniors now account for a larger proportion of the population, growing from 13.8% in 2009 to 14.8% in 2015. This trend is expected to continue in the coming years as more and more baby boomers enter this age category.

Labour market participation continues to rise in this age group. In 2000, only 8.3% of those over 65 years of age participated in the labour market. Labour market participation among seniors has increased significantly since then though, reaching a record high of 15.9% in 2015. Unemployment is low in this age category as government income supports become available at this age, allowing seniors to exit the labour market with greater ease.



People with Disabilities

Manitoba has the highest rate of disability nation-wide, exceeding the national average by 2 percentage points. In 2012, 15.6% of Manitoba’s population reported having some type of disability compared to 13.7% nationally. Lower rates of disability occur for Alberta (12.5%), Nunavut (6.9%), and the Northwest Territories (8.2%).

In 2012, the unemployment rate was nearly double for persons with a disability; 8.6% compared to 4.8% for persons with no disability. Also, far fewer disabled persons participated in the labour market. In fact, the labour force participation rate of those with a disability was just 61.7%, compared to 81.2% for the non-disabled population.

***Note:** In preparing this document, the authors have taken care to provide clients with labour market information that is timely and accurate at the time of publication. Since labour market conditions are dynamic, some of the information presented here may have changed since this document was published. Users are encouraged to also refer to other sources for additional information on the local economy and labour market. Information contained in this document does not necessarily reflect official policies of Employment and Social Development Canada.*

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¹ International Monetary Fund. World Economic Outlook. January 19, 2016.

² Scotia Economics. Global Forecast Update. March 2, 2016.

³ Ibid. & International Monetary Fund, World Economic Outlook. January 19, 2016.

⁴ RBC Economics. Economic and Financial Market Outlook. December 2015.

⁵ International Monetary Fund. World Economic Outlook. January 19, 2016.

⁶ Scotia Economics. Global Forecast Update. March 2, 2016.

⁷ Ibid.

⁸ Ibid. & TD Economics. Long-Term Economic Forecast. March 23, 2016.

⁹ Conference Board of Canada. Canadian Outlook: Economic Forecast. Winter, 2016. Oil prices are expected to remain below \$50 per barrel (USD) through to 2017.

¹⁰ TD Economics. Long-Term Economic Forecast. March 23, 2016.

¹¹ The Globe and Mail, May 12, 2016. The risk of damage to oil sands plants in Alberta has receded, but the impact of the wildfires on the petroleum industry will be felt for weeks.

¹² Q4 2015 GDP growth increased by 0.8% following (an upwardly revised) 2.4% increase in Q3.

¹³ Scotia Economics, Country Profile: Canada. April 2016.

¹⁴ Statistics Canada CANSIM Table 379-0030 - Gross domestic product (GDP) at basic prices, by North American Industry Classification System (NAICS), provinces and territories, annual dollars . (Accessed: April 27, 2016)

¹⁵ Conference Board of Canada, Provincial Outlook Executive Summary: Winter 2016