
Manitoba's economy forecast to be strong in 2012 and 2013

Increased agricultural output and growth in manufacturing will be key drivers for Manitoba's economy in the year ahead, according to the latest RBC *Economics Provincial Outlook* report.

RBC anticipates real GDP growth of 3.4 per cent in 2012 and three per cent in 2013, up from the 2.6 per cent increase estimated for 2011.

"The rebound in Manitoba's growth in 2012 largely reflects the premise that improving growing conditions will swing the agricultural sector from an expected 15 per cent decline in 2011, to an increase of nearly 19 per cent this year," said Craig Wright, senior vice-president and chief economist at RBC.

"We assume that more normal weather conditions will allow agricultural production to continue to rebound in 2013, though at a more modest pace of five per cent."

In 2012, economic growth in Manitoba will only be surpassed in Canada by Saskatchewan at 4.6 per cent followed by Alberta at 3.9 per cent. Overall, the forecast for Canada is growth of 2.6 per cent in 2012 with the same percentage predicted for 2013.

According to a recently-released Statistics Canada survey of capital spending intentions, Manitoba will experience an unexpected pickup in capital expenditure growth to 4.7 per cent in 2012, a significant increase from the 1.5 per cent estimated for 2011.

The projected increase in capital expenditures reflects gains in both the mining and manufacturing sectors, which should offset indications of another year of reduced spending by utilities.

In the wake of these survey numbers, RBC raised its forecast for construction sec-

tor spending to a growth of three per cent, rather than holding the rate unchanged from the 1.5 per cent expected for 2011.

Still, RBC Economics noted that the pace of growth for capital spending is not particularly strong and pales in comparison to the 15.7 per cent gain recorded in 2010. Spending on a number of major projects, such as the Red River floodway expansion and the new Winnipeg International Airport, were the primary drivers of the increase in 2010.

According to the RBC report, manufacturing activity in Manitoba moderated in late 2011, possibly reflecting concerns about financial market pressures related to the European sovereign debt issue and the related recovery, both globally and in the U.S.

"So far this year, these global pressures have started to ease on the heels of aggressive policy actions by European policy-

makers," said Wright. "Along with our forecast of a rebound in U.S. growth and strong investment spending in provinces west of Manitoba, this is expected to boost manufacturing activity in the province through the course of 2012."

After moderating to 0.8 per cent in 2011 from a rate of 1.9 per cent in 2010, Manitoba's labour market is expected to improve this year, due to increased capital spending and strengthening demand for manufactured goods.

RBC is forecasting that the unemployment rate will ease to 5.2 per cent in 2012 and five per cent in 2013, after remaining static at 5.4 per cent in 2011.

The RBC *Economics Provincial Outlook* assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales, housing starts and consumer price indices.

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