

ENVIRONMENTAL SCAN

MANITOBA



Fall 2013

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Acronyms

GDP	Gross Domestic Product
HRSDC	Human Resources and Skills Development Canada

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About the E-Scan

At least twice a year, the Labour Market Information division of Service Canada, Western Canada and Territories Region, develops an Economic/Environmental Scan (E-Scan), a report that provides a general overview of the demographic, economic and labour market condition and trends for Manitoba. E-Scans are mainly intended to support regional Service Canada operations by identifying potential pressures on service and program delivery in the regions. However, they may also be of interest to those who seek to know more about the state of a provincial or regional economy and labour market. They are also used by Service Canada economists to help determine outlooks for industries and occupations.

Facts and statistics presented in this document reflect information available as of November 2013.

Key Points

General Overview

- Manitoba has shown its strength and resilience after largely avoiding the financial challenges common in other parts of Canada in recent years. The province currently enjoys record high employment and one of the lowest unemployment rates in the country.
- Manitoba's agricultural sector is expected to grow in the near-term, having overcome challenges related to severe flooding in past years. The province's farmers experienced positive gains in 2012 in the wake of a drought that ravaged the U.S., and resulted in an increase to grain prices.
- The province's construction sector is expected to grow considerably going forward, hiring thousands of Manitobans in the short to medium term. Demand for housing in the Winnipeg area is expected to experience further growth, while the continued development of major hydroelectric projects in the province's north will require thousands of workers.
- Overall, Manitoba continues to perform well and show signs of strength. Although the province's economy is expected to slow somewhat this year, GDP should pick up steam in 2014.

Regional, Provincial and Local Labour Market Conditions

- Except for one flat year in 2009, annual employment growth in Manitoba has remained steady around 1% since 2007. During the last 5 years, growth was driven by the construction industry (5.9%) and in non-commercial services (1.9%).
- The strongest growth in employment since 2007 has been in the 55 and over age group as many older workers chose to defer retirement during the recession. Meanwhile, those under 25 years of age experienced a net loss during the same period.
- Over the next five years, employment demand will be highest for jobs requiring completion of high school and jobs requiring a post-secondary degree or diploma. Fewer than 9% of opportunities will be available to those who have not completed high school.
- Immigrant populations in Manitoba climbed since 2007 and are now responsible for the majority of the province's labour growth. Net out-migration to other areas of the country continues to be high.
- The aboriginal unemployment rate (13.8%) is nearly triple the non-aboriginal average (5.2%). Increasing the participation rate among Aboriginal people could help to reduce labour shortages.
- 90% of Manitobans speak only English while 9% speak both official languages. A reliance on immigration for economic growth has resulted in the province having a higher than average percentage of non-official languages as a mother tongue.

Introduction

The purpose of the Environmental Scan is to outline the major trends and issues facing Canada and Manitoba that will influence the economic and social environment in the current and future years. The document provides timely, evidence-based information to support the business planning process. It is divided into two main parts: the first part of the document includes a general overview of the economic context and some employment outlook information; the second part provides perspective on the regional, provincial and local labour market. Some terms and definitions are featured on page 11 in the appendices.

Section 1: General Overview / Economic Context

The World

The global economy slowed for the second consecutive year in 2012, as weak growth among developed countries – including the United States (US) – continued to take its toll. Coming into 2013 there was general optimism that conditions would improve during the second half of the year; but that upturn is now projected to occur later in 2014. In October 2013, the International Monetary Fund (IMF) lowered its 2013 global economic expansion target to 2.9%, which translates into a third straight year of slowing world growth.

The US is the world's largest economy, responsible for over 18% of global GDP in 2012. However, China could take over this top spot as early as 2016, according to the latest IMF forecast. Not surprisingly, the two economies are closely linked, and China is feeling the effect of slow growth in a number of its large export markets, including the US. In fact, China's expansion has slowed to about 7.5% per year. While this rate of growth seems astronomical by western standards, it represents China's worst performance in 23 years.

Steady growth is proving elusive for the US. Following two relatively slow years, the economy expanded by 2.2% in 2012, the highest rate among G7 countries. US growth slowed in the first half of 2013, and the IMF now anticipates 1.6% total growth on the year.

Yet, there is widespread optimism that the US will drive much of global growth in 2014. According to the Conference Board of Canada¹, the US economy will recover next year, expanding by over three percent. This positive outlook is reinforced by the IMF, which forecasts 2.6% GDP growth in the US in 2014.

Meanwhile, Germany, France, Italy, Spain and other European Union (EU) member states continue to crawl out of recession. Having receded 0.4 percent in 2012, according to the IMF, the EU economy is expected to shrink an additional 0.4 percent in 2013. The effects of the sovereign debt crisis have varied throughout the EU, and the most troubled EU member states continue to suffer through on-going austerity measures. However, business confidence indicators (inflation, interest rates, foreign investment etc.) suggest economic activity is close to stabilizing for some EU members.

Canada

Canada's economy outperformed those of most other developed nations in 2012, posting real GDP growth of 1.8% on the year. While the country may have done well compared to its peers, on its own

¹ Conference Board of Canada, World Outlook—Global Economic Trends and Prospects: Autumn 2013

merits, 2012's economic performance has to be considered mediocre. Long term, Canada needs GDP growth of between 2.0% and 2.5% for Canadians to maintain their standard of living.

As with the world economy, Canadian economic activity was widely expected to pick up during the second half of 2013. Forecasters have since lowered their Canadian outlook, due largely to developments in the US. As of late October 2013, the Bank of Canada calls for the economy to grow by 1.6% in 2013, 2.3% in 2014, and 2.6% in 2015, with commodity-rich Alberta, Saskatchewan, and Newfoundland playing lead roles in the country's economic growth.

Canada's relatively poor showing in 2013 stems in part from lacklustre exports. The central bank had expected exports to show an increase in the third quarter, but weakened demand globally and fiscal turbulence within the US market delayed this turnaround. Stronger US economic growth and a weaker Canadian dollar next year are expected to propel export gains.

In response to slow economic growth and low inflation, the Bank of Canada is likely to hold interest rates at one percent through 2015. This measure could potentially reignite the housing market, increase borrowing and accelerate growth, particularly in the critical export sector.

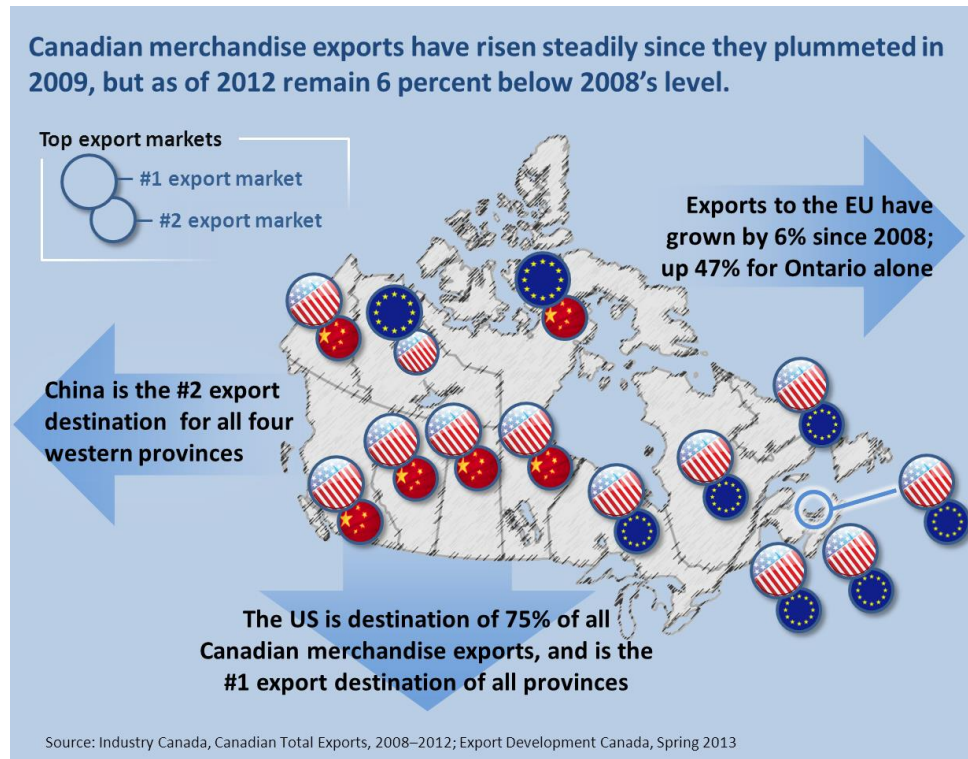
Global Growth and Canada's Exports

International trade makes up a large part of the Canadian economy, accounting for more than 45% of GDP. In 2012 the US, EU and China were the top three destinations for Canadian exports, together accounting for almost 90% of all shipments. The US, by far Canada's largest trading partner, is typically the destination for three-quarters of Canadian export goods. In 2012 the EU received 8.5% of Canadian shipments, China about half that. Between 2008 and 2012, China supplanted Japan as Canada's third largest export market.

Given the increasingly uncertain prospects for Canada's largest trading partner and the available partial-year data, it seems reasonable to expect modest export growth in 2013 and 2014. Although Canadian businesses have generally welcomed the tentative Canada – EU trade deal, it will be at least two years before the deal is implemented and begins to impact export volumes.

Through the first eight months of 2013 Canada's leading exports to:

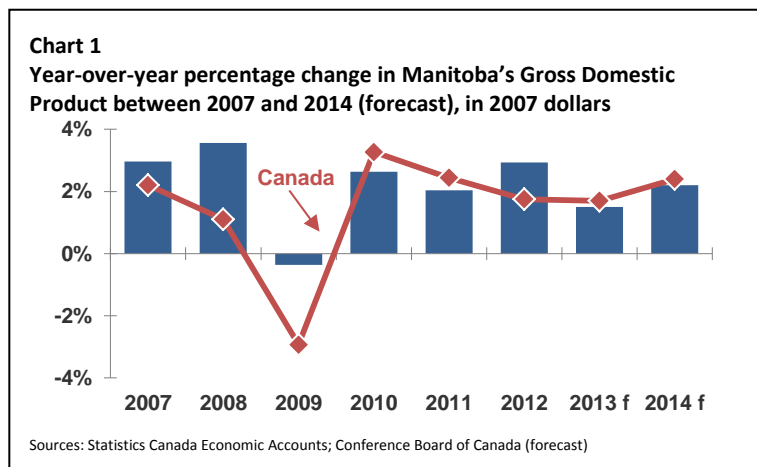
- the US were: energy products, including oil & gas and electrical power; motor vehicles and parts; and wood, lumber, and pulp and paper products;
- the EU were: precious stones and metals, including gold and diamonds; aircraft and parts; and crude and petroleum oils, and to
- China were: wood, lumber, and pulp and paper products; seed and food oils, grains, and legumes; and iron and copper ores.



Manitoba

Manitoba's economy continues to show signs of resilience, having largely averted recent financial challenges experienced in other provinces, and the world at large. Indeed, employment has increased steadily over the past several years, reaching record levels in 2012. Going forward, the outlook for the province is equally positive. Despite economic growth lowering somewhat in 2013 compared to 2012, employment levels are projected to remain at record highs over the next two years. Moreover, Manitoba's GDP is expected to grow by 1.7% over 2013 with steady annual growth through 2015. Meanwhile, the province's unemployment rate is forecast to remain among the lowest in Canada, falling to 5.0% by 2015.

This positive outlook can be attributed to a strengthening of the province's key sectors, notably manufacturing, agriculture, and construction. In the coming years it is expected the province's manufacturing sector will experience steady employment gains, as global demand for aerospace technology and transportation equipment increases. Furthermore, it is projected the province's agri-food manufacturing industries should grow as demand for food products continues to increase worldwide.



Related to growth in agri-food manufacturing, Manitoba's agricultural sector is also expected to grow in the near-term, having overcome challenges related to severe flooding in past years. An ever-increasing

global population is projected to place upward pressure on agricultural commodity prices, which should help bolster the industry. Moreover, the use of agricultural products in the production of biofuels in the United States and Europe should further strengthen the sector.

The province's construction sector is expected to grow considerably going forward, hiring thousands of Manitobans in the short- to medium-term. Demand for housing in the Winnipeg area is expected to experience further growth, while the continued development of major hydroelectric projects in the province's north will require thousands of workers. Since 2010, nearly \$10 billion has been committed to a number of large-scale projects currently in development, including the \$5.6-billion Keeyask generating station and the \$3.3-billion Bipole III transmission line.

Manitoba's mining sector is likely to experience limited growth this year, but further into the forecast period will play an increasingly important role in the provincial economy. Global prices for Gold and Silver fell by 13 and 20 percent respectively in the second quarter of 2013. However, demand for base metals has driven exploration in the province, which has resulted in the confirmation of rich deposits of zinc, nickel and copper. Added to this, mining companies are currently exploring the possibility that there may be other valuable deposits in the province, such as uranium, potash and diamonds.

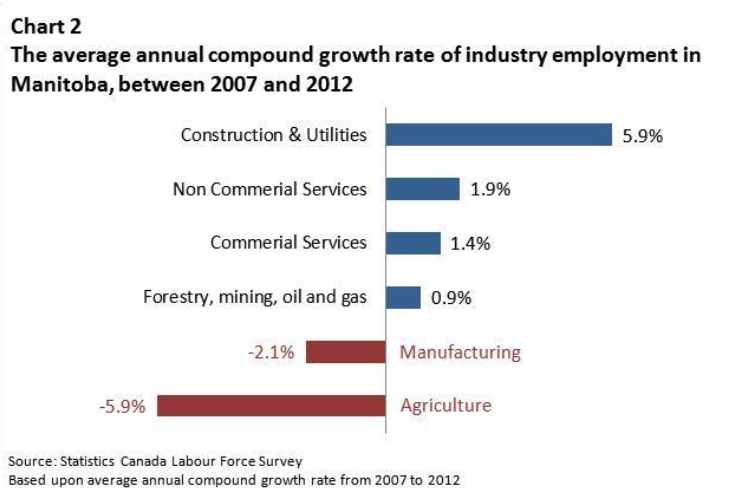
Although the economic outlook for the province remains generally positive, Manitoba is also expected to face some challenges over the next few years. In particular, hiring in the province's large public service sector is likely to be limited as both the provincial and federal governments continue to cope with large deficits. Nevertheless, this trend is projected to reverse in the longer-term, when government spending is anticipated to increase significantly².

Overall, Manitoba continues to perform well and show signs of strength. Although the province's economy is expected to slow somewhat this year, GDP should pick up steam in 2014. As a result, Manitoba's labour market is likely to remain strong going forward, posting employment gains while continuing to have unemployment rates among the lowest in Canada.

Section 2: Regional, Provincial and Local Labour Market Condition

Employment by Sector

Construction and utilities led all industries in employment expansion between 2007 and 2012, posting an annual growth rate of almost 6%. Non-commercial services (education, health, and public administration) expanded nearly 2% over the same period, while employment in commercial services – which range from trade to food and accommodation – increased almost 1.5%. Jobs in resource extraction grew slightly over the last five years, recovering as Manitoba replaces decommissioned mining operations with newer ones and the province's oil and gas sector expands.



² The Conference Board of Canada, Provincial Outlook Long-Term Economic Forecast for Manitoba, March 2013

Between 2007 and 2012, the province's goods-producing sector was held back from stronger growth due to poor showings in key industries. While forecasts for the manufacturing sector are generally positive, the predicted recovery has not yet materialized. The number of positions in manufacturing dropped between 2007 and 2012 as demand in this industry is tied to the United States' slow economic recovery. Agriculture's significant decline (-5.9%) is symptomatic of a downward trend that has persisted for decades. However, an ongoing recovery from two consecutive years of flooding, combined with strong crop prices, indicates a possible revitalization in the sector.

Table 1
Change in employment by industry in Manitoba between 2007 and 2012

	2012	2007	% Share 2012	Growth rate*
Total, all industries	630.1	598.6	100.0%	1.0%
Goods-producing sector	142.8	144.3	22.7%	-0.2%
Agriculture	21.3	28.9	3.4%	-5.9%
Forestry, fishing, mining, quarrying, oil and gas	6.8	6.5	1.1%	0.9%
Utilities	7.7	5.4	1.2%	7.4%
Construction	44.0	33.5	7.0%	5.6%
Manufacturing	63.0	69.9	10.0%	-2.1%
Services-producing sector	487.3	454.3	77.3%	1.4%
Trade	93.8	90.4	14.9%	0.7%
Transportation and warehousing	36.8	34.9	5.8%	1.1%
Finance, insurance, real estate and leasing	34.7	35.4	5.5%	-0.4%
Professional, scientific and technical services	28.8	25.5	4.6%	2.5%
Business, building and other support services	20.2	17.4	3.2%	3.0%
Educational services	47.8	46.7	7.6%	0.5%
Health care and social assistance	94.6	79.5	15.0%	3.5%
Information, culture and recreation	24.0	24.2	3.8%	-0.2%
Accommodation and food services	40.3	37.7	6.4%	1.3%
Other services	28.5	25.0	4.5%	2.7%
Public administration	37.8	37.6	6.0%	0.1%

Source: Statistics Canada Labour Force Survey

*Based upon average annual compound growth rate from 2007 to 2012

Employment by Age

Between 2007 and 2012, the strongest growth in employment has been in the 55 and over age group, while the weakest occurred among those under 25 years old. Since 2007, Manitoba's older population exerted downward pressure on the labour market as the recession compelled many to remain in the work force. As a result, the province's youth employment experienced a net loss over the last five years. The trend was reinforced by the 5.2 percentage point increase in the over 55 participation rate since 2007, while all other groups' rates fell (for the 15-24 year old group, the rate dropped 3.6 percentage points and for the 25-54 year old group, it dropped 0.1 percentage point).

Between 2007 and 2012, both sexes saw labour force growth of 1%. Representation of female workers saw a slight increase amidst the 2009 recession; however, the labour force has returned to ratios generally seen over the last decade, where males represent nearly 54% of the labour force.

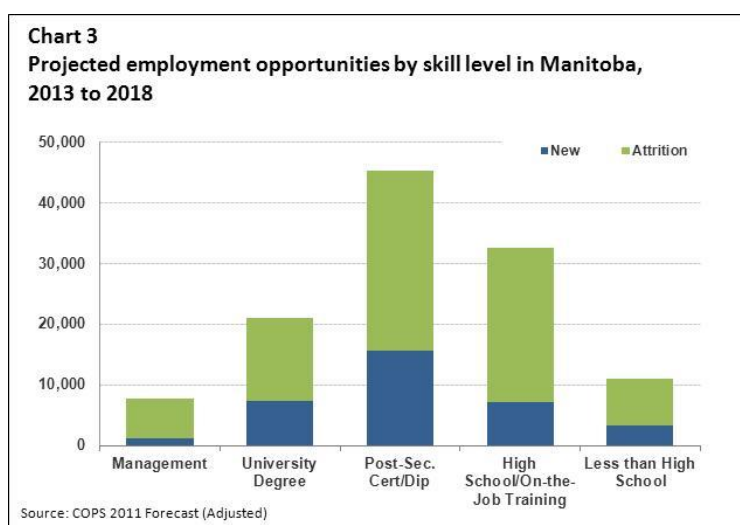
Non-Standard Employment

Between 2007 and 2012, employment growth in temporary jobs was slightly higher than in permanent ones. Over the last five years, males have taken on roles in the labour market typically dominated by females. Male employment has expanded in temporary, seasonal, term as well as contract positions, as the 2009 recession forced some males to broaden their job searches. This trend began to taper off in 2012.

Part-time and full-time jobs increased over the last 5 years, while the number of self-employed in Manitoba shrank by 1.1%. If this downward trend continues, the province will likely see self-employment reach a low not seen since the 1980s.

Job Opportunities by Skill Level

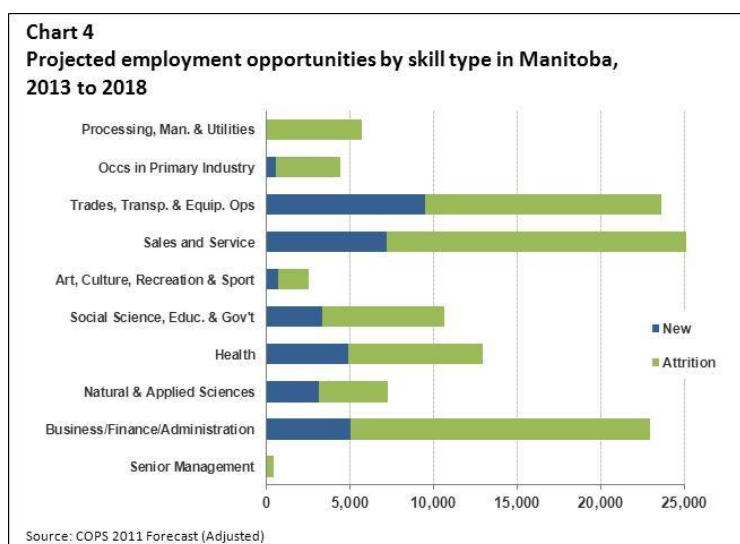
Demand will be greatest for higher-skilled occupations that require a post-secondary or university education, or management experience. In fact, 63% of all job openings over the next five years will require these qualifications. Meanwhile, jobs that require a high-school diploma or on the job training will still make up nearly 28% of demand. The outlook for those without high-school credentials is less positive. Less than 9% of opportunities will be for occupations that require less than high school completion.



Job Opportunities by Skill Type

Over the next five years, employment opportunities will be dominated by three skill types in Manitoba. Sales and service will lead, representing nearly 25% of projected openings. Business, finance, and administrative occupations will represent 20% of opportunities, as will trades, transportation and equipment operators. The smallest growth is expected in senior management positions.

While attrition will create the majority of projected employment opportunities in all skill types over the next five years, it will be especially high in senior management as well as primary industry occupations. Meanwhile, all projected opportunities in processing, manufacturing and utilities will be due to attrition.



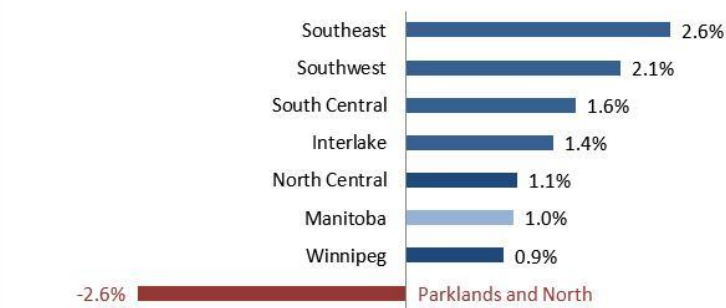
Local Labour Market Condition

Between 2007 and 2012, Manitoba's positive employment trend was mirrored in all but one of its economic regions. Employment increased near the provincial average in Winnipeg, while southern economic regions saw the largest gains. The Southeast experienced the highest average employment growth, increasing over 2% between 2007 and 2012. Population growth in the region was nearly double the provincial rate and, concurrently, employment in construction, education, health care, and finance

increased. The enormous and sparsely populated Parklands and North economic region shed jobs at an annual rate of 2.6% during the period. This region is heavily dependent upon capital projects and mining. As several area mines approach the end of their service lives, the labour force will likely experience more difficulties until numerous northern projects pick up speed and operations are expanded at newer sites such as the Lalor Lake and Reed mines.

Chart 5

The average annual compound growth rate for Manitoba's economic regions, between 2007 and 2012



Source: Statistics Canada Labour Force Survey
Based upon average annual compound growth rate from 2007 to 2012

Interprovincial Migration

Manitoba is a province that typically experiences net-outmigration to other parts of the country. Between 2006 and 2011, the province lost over 11,000 residents to other areas. British Columbia draws the largest number, while resource-rich Alberta attracts nearly as many. Due to its size, Ontario draws in sizeable portion as well. Combined, western provinces drew in over 9,000 Manitobans between 2006 and 2011. As western labour markets tighten, this trend is expected to continue.

Labour Market Outcomes for Client Segments

Immigrants/Newcomers

Landed and non-landed immigrants comprise an important share of Manitoba's labour force. Between 2007 and 2013, the province's total immigrant population rose from 15.6% of total population to nearly 18%. In fact, during this time, Manitoba's new immigrant population has increased faster than any other demographic group, at nearly 11% per year. Since 2007, nearly 54% of the province's overall labour growth is attributable to landed immigrants.

Aboriginal Workers

In 2011, the unemployment rate for Manitoba's Aboriginal population stood at 13.8%, nearly three times that of the non-aboriginal population (5.2%). However, the unemployment rate among Manitoba's Aboriginal population was lower than the national average rate among the Aboriginal population. While the Aboriginal labour force is growing at a similar pace to their population, a lagging employment rate shows that the Aboriginal population is experiencing difficulty finding work.

Older Workers

In 2012, workers aged 55 and over made up nearly 20% of Manitoba's labour force, an increase over 2007 when they made up just over 16%. Compared to other age groups, workers 55 and over dominated employment growth and saw average yearly gains five times larger than the provincial average. Indeed, employment among this age group expanded by nearly 22,000 between 2007 and 2012, reaching the highest levels on record.

An increasing number of older workers have remained in the workforce due to the 2009 recession as evidenced by their primary sources of income. While government transfers persist as their largest source of primary income, remaining virtually unchanged over this period, income from employment saw an increase.

Senior Workers

Manitoba's senior population has grown at a steady rate over the past 15 years, increasing from 154,500 in 1997 to over 180,000 in 2012. Although the proportion of seniors 65 and over has remained in the 13% to 14% range over the last 15 years, the segment is expected to see larger representation in coming years as more and more baby boomers enter this age category.

Workers with Disability

Much like BC and Saskatchewan, Manitoba's rate of disability is higher than the national average of 14.6%. In 2006, 15.7% of Manitoba's population self-identified as having some type of disability, while Alberta (13.6%) and the Territories (Nunavut 6.6%, Northwest Territories 8.6%, Yukon 13%) had lower rates of disability.

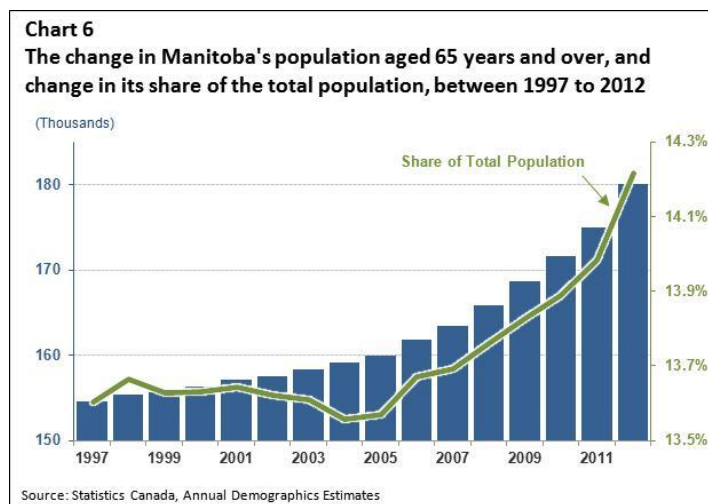
Among people aged 15 to 64 years, the unemployment rate for Manitoba's disabled population was nearly twice as high as the non-disabled population. Also, far fewer disabled persons participated in the labour market. In fact, the labour force involvement of those with a disability was a mere 65.8% compared to 82.6% for the non-disabled population.

Youth Labour Force

While Manitoba's youth enjoyed a decrease in their unemployment rate from 2011 (11.6%) to 2012 (11.0%), the rate is still more than twice the provincial average. Meanwhile, since 2007, youth have participated in the labour market at a falling rate, as older workers have chosen to remain working during recessionary times. Manitoba's youth have responded with increased engagement in their studies. The percentage of 18-year-olds with secondary school diplomas in 2010/2011 was 75%, up from 71% in 2006/2007. Although graduation rates in the province have increased over the last five years, Manitoba's rate remains lower than the national average of 83%.

Official Language Minority Communities

In 2011, 90% of Manitoba's population had knowledge of English only, while nearly 9% were fluent in both official languages. Those who spoke only French or a non-official language represented below 2% of the population. Due to its reliance on immigration as a means of labour force growth, Manitoba



has a higher than average percentage of non-official languages as a mother tongue (22.4% compared to 20.6% nationally). This is especially true outside of Winnipeg, where many immigrants settle. In Manitoba's less populous cities, there are fewer who can speak both official languages, while non-official languages have a higher representation.

Conclusion

Although Manitoba's economic growth in 2013 is expected to be below that of 2012, the outlook remains positive. Between 2007 and 2012, all regions except for the largely unpopulated north saw growth and the province enjoys one of the lowest unemployment rates in the country.

Demographically, Manitoba will likely see challenges as its aging workforce exits the labour market in increasing numbers. As more of the labour force reaches retirement age, openings resulting from attrition are expected to be the source of the majority of job opportunities over the next five years.

To fill these openings, over the next ten years, demand is expected to increase for high-skilled workers, while jobs requiring less than a high-school education are forecasted to shrink to less than one in ten. Fortunately, post-secondary enrollment has increased rapidly over the last five years. Still, as a province that suffers from net-outmigration and an Aboriginal population that has not been fully integrated in the labour force, Manitoba will continue to rely heavily on immigration as a means of augmenting economic growth.

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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For information on Statistics Canada products, please visit the Statistics Canada Web site at: www.statcan.gc.ca

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Appendices

Appendix A: Glossary of Terms

Aboriginal Identity Population – Refers to individuals who reported identifying with at least one Aboriginal group, i.e. First Nations people, Métis or Inuit and/or who reported being a Treaty Indian or a Registered Indian as defined by the Indian Act of Canada and/or who reported they were members of an Indian Band or First Nation.

Average Annual Compound Growth Rate – The average year-on-year growth rate of a given indicator over a number of years. Although indicators seldom change at a constant rate, the compound annual return smoothes out figures by assuming constant change.

Employed - Persons who worked during the Labour Force Survey reference week.

Gross Domestic Product (GDP) – Refers to the total value of the goods and services produced in Canada or in a province or territory, often referred to as a global measure of economic activity.

Immigrant Population – Refers to persons residing in Canada who were born outside of Canada, excluding temporary foreign workers, Canadian citizens born outside Canada and those with student or working visas.

Labour Force – Refers to the total number of individuals 15 years of age and over who are either employed or unemployed in the week prior to a given survey such as the Labour Force Survey or the Canadian Census.

Non-Standard Employment – Refers to employment other than permanent full-time work, including part-time, temporary, and self-employment.

Older Workers – Refers to workers aged 55 and over.

Participation Rate – The labour force expressed as percentage of the population 15 years of age and over.

Seniors Population – Refers to persons aged 65 and over.

Unemployed – Refers to persons who were without work and were available for work during the Labour Force Survey reference week.

Unemployment Rate – The unemployed expressed as a percentage of the labour force.

Workers with Disability – Refers to persons who self-identify as having a physical condition, a mental condition, or a health problem, that reduces the amount or the kind of activity that they are able to do. These include difficulty hearing, seeing, communicating, walking, climbing stairs, bending, learning or doing any similar activities.