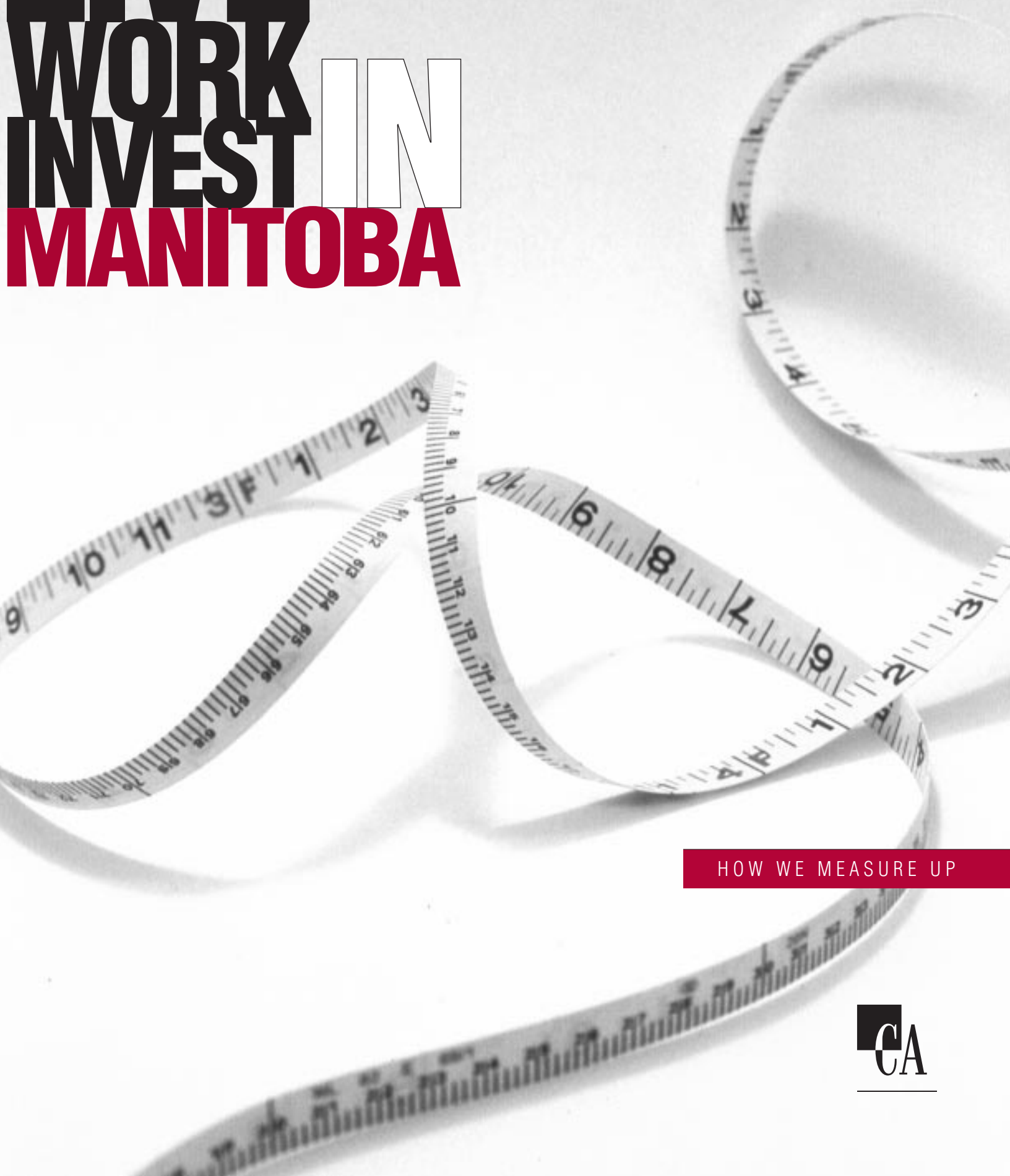


LIVE WORK INVEST **IN** MANITOBA



HOW WE MEASURE UP



A Check-Up on the province's health

This is the third annual edition of the *MB Check-Up*, developed by the Institute of Chartered Accountants of Manitoba to evaluate social and economic trends in Manitoba.

MB Check-Up takes a unique approach to evaluating our province's "health" by focusing on three themes: Manitoba as a place to *work*, to *live* and to *invest*. For each of these themes we evaluate five key indicators that embody information about the current and past living, working or investing conditions in Manitoba. By looking at both the social and economic indicators for the past year and five-year periods, *MB Check-Up* is able to offer a balanced perspective for assessing change.

MB Check-Up also takes a relative approach in assessing Manitoba's social and economic progress. The one and five-year changes in each indicator are compared against those of the three other western provinces, plus Ontario and the Canadian "average". There are some big variances among them. So, while the *Check-Up* tracks progress (or lack thereof) over time, the relative starting points should be kept in mind when comparing progress between jurisdictions.

A more in-depth background report is available on the Chartered Accountants of Manitoba website at www.icam.mb.ca.

The data for *MB Check-Up: Edition 2004* was compiled by Marlyn Chisholm & Associates in association with Shirocca Consulting, Crane Management Consultants Ltd. and Gold Island Consulting.



Summary

Manitoba's performance in 2003 showed modest improvement across many of the 15 key indicators measured for *MB Check-Up*. As in previous years, Manitoba's results place it in the middle of the pack, trailing in some, leading in a few, and quite average in many.

While the *Check-Up* report looks at indicators specific to living, working and investing in Manitoba, how people "vote with their feet" provides an important insight into the perception that people have of the quality of life in Manitoba. Despite many advantages - plentiful natural resources, a clean and healthy natural environment, safe communities, and some of the most affordable housing in Canada - Manitoba, like much of the rural, agricultural US Midwest and large segments of rural Saskatchewan, has been struggling with net out-migration.

Last year, for the first time since 1998, net migration added to Manitoba's population after five consecutive years of losses. In fact, total net in-migration reached a 20-year high for the province. This turnaround is largely due to a significant reduction in out-migration last year, although this continues to be a serious problem for Manitoba.

Since 1998, almost 21,000 more Manitobans have moved to other provinces (mostly to Alberta, Ontario and British Columbia), than have migrated to the province from elsewhere in Canada. Over the five year period, close to 108,000 Manitobans moved to other provinces while over 87,000 people from other parts of Canada relocated to Manitoba. After four consecutive years of increasing net inter-provincial population losses, Manitoba's net outflow last year was reduced to one-quarter of what it was in 2002.

International immigration, although small compared to the other jurisdictions considered in our study, with the exception of Saskatchewan, has steadily increased over the last five years, and was enough to offset the lower inter-provincial population loss in 2003.

To Manitoba's credit, the government has been very proactive in recent years in trying to attract immigration to the province. This becomes very important going forward as Manitoba faces a major challenge to retain and attract much needed skilled workers to support the economy.

As a place to invest, Manitoba's indicators for 2003 are broadly positive. An especially encouraging measure is Manitoba's lead in new patents per capita, where the province showed an increase of 40.5 per cent between 2002 and 2003, far ahead of the other benchmarked jurisdictions. Because innovation is critical for growth, and because new technology typically produces ripples of growth in related sectors, Manitoba's achievement in 2003 holds promise for the future.

In other INVEST measures, our province showed reasonable but not leadership-level progress, ranking second in improving its taxpayer-supported debt measure, and third in the measure of after-tax profits in relation to gross domestic product (GDP). Manitoba's progress in improving the efficiency of its workforce was less impressive, with no reduction from 2002 in unit labour costs. And, in the export price indicator, Manitoba's numbers showed a decline.





Further, looking at measures of results as opposed to indicators of investment climate, the 2003 statistics show that in actual business investment as a share of real GDP, Manitoba trailed Alberta and Saskatchewan, with growth of 11.8 per cent from the year before, continuing a decline that began in 1999.

As a place to live and work in 2003, Manitoba's indicators send a mixed message.

Real wages and real disposable income per capita both declined last year, although the province's losses were smaller than in most other provinces. Manitoba registers near the bottom of the pack over the five-year period in the disposable income indicator, largely due to low growth in personal incomes and higher personal taxes than some other jurisdictions.

Manitoba enjoys a diversified economy and a strong manufacturing sector, which helped its employment rate grow at the same 0.2 per cent pace as Alberta's in 2003. Manitoba's job creation rate has been dampened by declines in the resource and agricultural sectors in recent years. In 2003 it was the lowest of all jurisdictions.

While Manitoba had the second-highest per capita health care spending in 2003, the rate of increase fell to the bottom of the rankings, at only 0.4 per cent. Over the previous four years, it had been by far the highest at 37.3 per cent, over 50 per cent higher than the national average. It isn't clear that either the high five-year increase, or the low one-year change, made a consequential difference in the quality of health care.

Educational attainment is an increasingly important driver of economic growth. Manitoba ranked second last of all the benchmarked jurisdictions in terms of improvement in educational attainment from 2002 to 2003, and had one of the slowest growth rates between 1998 and 2003.

The clear import of the data this year is that while Manitoba does reasonably well, it fails to excel. We have shown improvements but the end result is, by and large, merely respectable. Manitoba's chartered accountants would hope that this document will challenge us to reach higher and achieve leadership in key niches that can drive us forward.



LIVE IN MANITOBA

1.0 MANITOBA AS A PLACE TO LIVE

1.1 OVERVIEW Manitoba Check Up's LIVE indicators show that quality of life in the province improved moderately over the last five years, although at a slower rate than the Canadian average. On the positive side, Manitoba has seen the highest increase in per capita expenditures in *Health* between 1998 and 2003. Manitoba enjoys the distinction of having one of the lowest increases in *Financial Vulnerability* in Canada. There was also a slight decrease in the percentage of people receiving *Social Assistance* during this time, as well as a modest increase in *Personal Disposable Income* per capita.. However, these latter improvements ranked second lowest in our inter-provincial comparison.

Looking at the past year (2002 to 2003), progress in the quality of life – as defined by our indicators – was fairly limited in Manitoba, as it was in every jurisdiction in our comparison. Manitoba was unique in maintaining the lowest increase in *Financial Vulnerability* in 2002-03. However, *Health* care expenditures remained virtually unchanged, as did *Social Well Being*, apart from having the second highest increase in the *Crime Rate*. For Manitobans, as for residents of all jurisdictions, *Real Disposable Income per Capita* shrank slightly in 2002-03, though Manitoba's loss was not as severe as that of Ontario or Alberta.

Given Manitoba's LIVE results for 1998-2003, two indicators appear worthy of closer scrutiny – **Real Income** and **Financial Vulnerability**.

1.2 REAL DISPOSABLE INCOME PER CAPITA Manitoba experienced **an increase in real disposable income between 1998 and 2003** from \$17,799 in 1998 to \$18,585 in 2003, an overall increase of 4.4 per cent. While this was certainly a positive development, it was not unique to our province, and Manitoba's gain in real income was among the lowest. Only Ontario showed a slower growth rate during this period. In absolute terms Manitoba's real disposable income at the end of 2003 is below every other jurisdiction except Saskatchewan.

Manitoba's real per capita income actually declined in 2002-2003, at a rate of 1.2 per cent. In fact, income declined in all jurisdictions but Saskatchewan. The downturn in Alberta and Ontario outstripped that experienced in Manitoba.

Two factors appear to have suppressed the growth in Manitoba's personal disposable income per capita over the past five years. One is the loss of goods-producing jobs, the second is less dramatic cuts to personal tax levels in Manitoba, relative to the other jurisdictions. Despite overall employment gains in Manitoba since 1998, the number of jobs in the higher paying, goods-production sector declined

Table 1.1 Real Personal Disposable Income Per Capita (1997\$)

Jurisdiction	1998	2003	% change 98-03
Alberta	20,156	22,094	+9.6%
Canada	18,686	19,966	+6.9%
Saskatchewan	16,258	17,250	+6.1%
BC	18,625	19,536	+4.9%
Manitoba	17,799	18,585	+4.4%
Ontario	20,177	20,989	+4.0%

by 3.4 per cent. These job losses occurred in agriculture and primary resource industries, particularly in mining. Manitoba and Saskatchewan were the only jurisdictions to post losses in the goods-producing sector between 1998 and 2003.

Manitoba also underperformed the other Canadian jurisdictions in terms of reducing direct personal taxes between 1998 and 2003. While real direct personal taxes per capita were cut across the board within our comparison, and while Manitoba's 7.3 per cent reduction is on par with the Canadian average, it falls well below Alberta, Saskatchewan and British Columbia, which reduced taxes by 10.1 to 15.3 per cent over the last five years.

On a positive note, Manitoba saw a gain of 1.2 per cent in goods-producing jobs in 2003, a welcome turnaround after two consecutive years of losses. However, with zero growth in service sector jobs, the result was the lowest increase (0.3 per cent) within our comparison. This factor also explains Manitoba's last place in per capita personal income growth in 2003. Still, three consecutive years of albeit-modest direct personal tax cuts, combined with last year's gain in goods-producing jobs may point to more promising results in the future.

1.3 FINANCIAL VULNERABILITY *Financial Vulnerability* is a new indicator assessed in this year's *Check-Up* report. Manitoba has achieved the distinction of having **the second lowest increase (29.9 per cent) in personal debt per capita** of all jurisdictions in the past five years. Only Saskatchewan has fared better, with a relatively small increase of 17.3 per cent. Citizens in the other jurisdictions have seen their financial vulnerability grow at much higher rates, between 34 and 53 per cent during the same time period.

Even in absolute terms, Manitoba's personal finance measures are strong. The province's **per capita personal debt has been the lowest in our comparison for the last three years.** Except for Saskatchewan, it is about half of that in the other jurisdictions.

Between 2002 and 2003, Manitoba saw the lowest increase of all jurisdictions in personal debt per capita, at 5.4 per cent. In the same year, the other provinces saw growth rates between 6.6 per cent (British Columbia) and 9.5 per cent (Alberta).

fast facts *Between 1998 and 2003 the crime rate in Manitoba increased by 6.4%.*

In 2003, Manitoba spends \$2,097 per person on health care which is slightly higher than the national average of \$2,018 per capita and 8 to 30% higher than Saskatchewan, Alberta and Ontario.

In 1998, per capita disposable income in Manitoba was 5% less than the Canadian average, whereas the gap grew to 7% in 2003.

Table 1.2 Personal Debt Per Capita (\$)

Jurisdiction	1998	2003	% change 98-03
Saskatchewan	7,779	9,126	+17.3 %
Manitoba	6,772	8,796	+29.9 %
BC	14,584	19,555	+34.1 %
Canada	11,168	16,124	+44.4 %
Ontario	13,716	20,762	+51.4 %
Alberta	11,404	17,446	+53.0 %

Manitoba has consistently had the **second-lowest ratio of mortgage debt** to total debt over the last five years; it presently stands at 56.8 per cent. By comparison, the other jurisdictions range from 53.9 per cent (Saskatchewan) to 72.2 per cent (British Columbia). Manitoba's relatively low ratio of mortgage debt to total debt can be attributed largely to low housing prices.

Table 1.3 Debt per Capital Components, Manitoba, 1998-2003

	1998	1999	2000	2001	2002	2003
Consumer Debt per Capita	2,396	2,696	3,215	3,233	3,473	3,802
Mortgage Debt per Capita	4,376	4,462	4,537	4,960	4,870	4,994
Total: Debt per Capita	6,772	7,158	7,752	8,193	8,343	8,796

Source: Statistics Canada.

The growth of **consumer debt** as a proportion of total debt is a concern in all provinces. Manitoba, however, still enjoys one of the lowest rates. Nonetheless, the proportion of debt incurred in the purchase of consumer goods has grown in Manitoba from 35 per cent of total debt in 1998 to 43 per cent in 2003.

Some economists view mortgage debt as "better" because it is based on home investment, which eliminates rent payments, and in the longer term has historically served to accumulate wealth. Consumer debt does not offer the same longer term benefit. Thus, while Manitoba boasts a comparatively good overall debt level, the growth of consumer debt is a long-term concern.



WORK IN MANITOBA

2.0 MANITOBA AS A PLACE TO WORK

2.1 OVERVIEW Between 1998 and 2003, **Manitoba registered positive gains in all WORK indicators but real wages.** Further, on the real wage measure, Manitoba enjoyed the highest ranking of all jurisdictions if only because it experienced the smallest *decline*. In the past five years, Manitoba's comparative **gains in the employment rate and wage parity also ranked high** – second only to British Columbia. On the other hand, Manitoba's performance in educational attainment and job creation was fairly unimpressive ranking fourth place vis-a-vis other jurisdictions on both.

The year 2002-2003 may have marked a reversal of previous poor performance as employment losses in agriculture tapered off, and production improved. Manufacturing in certain goods picked up in 2003, and out-migration to other provinces declined by half. Manitoba posted the best performance in real wage and employment rate in 2003, but ranked in fifth place for the other indicators. Manitoba's diversified economy has been critical in helping to soften the economic blow of earlier years, and helps provide a basis for renewed growth.

In the long term, one of Manitoba's greatest challenges will be to boost participation rates in post-secondary training and education, and to boost the educational attainment of its labour force. In-migration is welcome but can be only a partial solution to enhancing labour force skills, as the province must also find ways to enhance and upgrade its existing human resources.

Three of the WORK indicators have received more in-depth analysis: **Educational Attainment of the labour force, Wage Equality** and **Job Creation**.

2.2 EDUCATIONAL ATTAINMENT All jurisdictions have seen the educational attainment of their labour forces increase. Within this overall pattern of improvement, Manitoba has not excelled. Between 1998 and 2003, our province sustained a **low absolute level of educational attainment in its labour force**, ranking fourth out of six jurisdictions for five-year change. The greatest improvement was in Saskatchewan, where the five-year level of labour force educational attainment rose by 10 per cent. Ontario followed at 9.5 per cent, the national average was 7.2 per cent, and Manitoba trailed, with a growth rate of 5.2 per cent.

Table 2.1 Percentage of Labour Force Age 25-54 with a Post-Secondary Certificate Diploma or Higher

Jurisdiction	1998	2003	% change 98-03
Saskatchewan	51.3	56.5	+10.0 %
Ontario	56.3	61.7	+9.5 %
Canada	56.7	60.7	+7.2 %
Manitoba	51.7	54.3	+5.2 %
BC	56.7	58.6	+3.2 %
Alberta	56.9	58.7	+3.1 %

Manitoba's ranking for this indicator slipped to fifth place in 2002-2003, with a growth rate of 1.4 per cent, compared to national average of 1.8 per cent. Only Alberta did worse, with a *decline* in educational attainment of 1.2 per cent.

While the labour forces in Manitoba and Saskatchewan still have the lowest absolute levels of educational attainment, our western neighbor broke away with a dramatic increase since 2001, leaving Manitoba at the back of the pack.

Several factors contribute to Manitoba's relatively slow gains in educational attainment:

- Manitoba's economic fortunes -- Despite its relatively diversified industrial sector, Manitoba's economic performance was flat between 2001 and 2003, as output in both the mining and utilities sectors took a hit. Fewer employment opportunities no doubt contributed to an increase in the **outflow of skilled workers** to other provinces, lowering the overall level of attainment.
- Relatively **slow growth in the high tech and knowledge sectors**, which is retaining and attracting younger workers with new skills elsewhere in Canada.

fast facts Manitoba's employment rate of 95% in 2003 remains among the highest in the country.

The real average hourly wage of \$16.04 an hour is well below the national average of \$17.47 and only slightly better than Saskatchewan's of \$15.94 in 2003.

Between 1998 and 2003, the share of the labour force with a bachelor's degree rose by 7.8%, while the share with post-graduate degrees increased by 14.8%.

With a declining student population and lower-than-average post-secondary participation, Manitoba faces long-term challenges. Improving the quality of its labour force is vital to meet future job market demands, improve productivity and sustain a high standard of living.

2.3 WAGE EQUALITY Higher labour force participation in Canada has brought improved earnings for women, shrinking the traditional gap that exists between the wages of men and women. There is no question that women have seen a big improvement in their comparative earning power since the 1960s. However, a puzzling differential still persists.

In Manitoba the **gap between female and male workers' wages has shrunk significantly** over the past five years. The female/male wage ratio rose from .81 in 1998 to .85 in 2003. Manitoba ranked second in improvements to the wage ratio, with a five year increase of 4.4 per cent, second only to British Columbia. Employment growth in well-paid, female-dominated occupations (health services and education), as well as favourable wage settlements, ramped up women's average wages and, consequently, the wage ratio in this province.

Table 2.2 Ratio of Female to Male Earnings

Jurisdiction	1998	2003	Change 98-03
BC	.818	.858	+4.9 %
Manitoba	.813	.848	+4.4 %
Saskatchewan	.817	.836	+2.4 %
Alberta	.770	.786	+2.0 %
Canada	.825	.841	+1.9 %
Ontario	.833	.843	+1.2 %

During the period 2002-2003, there was no change in Manitoba's female/male wage ratio, while most other jurisdictions saw some improvement. The greatest improvement in that year was in Alberta, where the ratio increased by 3.2 per cent, while the lowest was a .4 per cent *decline* in Saskatchewan.

This reduction in wage disparity is to a large degree driven by different wage changes for men and women. Between 1998 and 2003, the average nominal hourly wage rate in Manitoba grew at 17.2 per cent for women, and only 12.3 per cent for men. During this time, growth in average earnings for men in Manitoba slowed, as high-paying jobs in the goods-producing sector were lost, particularly resources and oil and gas. Growth in women's earnings was fueled by change in two key factors, including:

- The negotiation of **favourable collective agreements** by the female-dominated labour unions. For example, in April 2002 nurses in Manitoba received a 20 per cent increase in salary over a two year period, plus improvements to premiums.
- **Greater educational attainment by women, and their growing share of better-paying management jobs.** While the female share of better-paying management jobs declined to 32.2 per cent of Manitoba's labour force in 2001, it rose again to 37.2 per cent in 2003.

2.3 JOB CREATION Between 1998 and 2003, Manitoba benefited from the emergence of **33,000 new jobs**. This net number masks the loss of 5,000 jobs in the goods-producing sector, which was more than offset by a gain of 38,000 jobs in the service sector.

In the **goods sector**, Manitoba's **most significant job losses occurred in agriculture**. The inexorable five-year decline in that sector led to a total industry **loss of 7,800 jobs**. The contraction of the agriculture sector may be slowing, however, as farm receipts and production improve.

Declining world market prices for several metals led to the closure of two Manitoba mines in 2001 and 2002, with attendant job destruction. The fortunes of Manitoba's mining sector may be improving, however, with the value of Manitoba's mineral production increasing by 2.4 per cent last year, and production rose for both metallic and non-metallic minerals

Manufacturing – particularly in processed foods, transportation equipment and chemicals -- proved to be the bright spot, **with job creation of 6,500 between 1998 and 2003**. This sector is Manitoba's largest, accounting for 13 per cent of the province's real GDP.

The utilities sector was also a source of optimism in Manitoba's job market over the past five years. The value of electricity exports more than doubled between 1997 and 2001, propelled by demand growth in the United States and good water flows.

Manitoba's **service sector performed much better** between 1998 and 2003. **Altogether, 38,000 jobs were created in services**, with the best performances by health care and social assistance (11,100 jobs), accommodation & food services (7,700), and educational services (5,600). Both trade and business, building and other support services contributed 3,400 jobs to the economy, with several other sectors (such as FIRE) also accounting for small, positive job gains.

Between 2002 and 2003 growth in real GDP slowed to 1.9 per cent, related to a drop in farm cash receipts and reduced exports. These dampened retail trade, particularly in motor vehicle sales. The trade sector lost all the jobs gained during the previous five years, with retail taking a particularly big hit (5,400 jobs lost). Nonetheless, several sectors continued to perform well and create new jobs, including; wholesale trade, accommodation and food services, building and other support services, and educational services.

Table 2.3 Total Employment (000)

Jurisdiction	1998	2003	change 98-03
Canada	14,140.4	15,746.0	+11.4 %
Alberta	1,515.4	1,721.7	+13.6 %
Ontario	5,490.0	6,228.5	+13.5 %
BC	1,870.2	2,023.3	+8.2 %
Manitoba	535.7	568.7	+6.2 %
Saskatchewan	476.3	486.8	+2.2 %



INVEST IN MANITOBA

3.0 MANITOBA AS A PLACE TO INVEST

3.1 OVERVIEW Manitoba's record of actual investment during the past five years has been lackluster. Since 1999, the rate of *business investment as a share of GDP* in Manitoba has declined from 12.1 per cent to 11.8 per cent. To put this declining performance in perspective, the rate was also flat or declining in all other jurisdictions, with the national rate at 12.4 per cent in 2003.

Manitoba's level of enterprise gives a mixed message. Manitoba's *business incorporations per 1,000 population* has been the lowest of all jurisdictions since 1998, although it rose slightly during this time. In 2003, Manitoba's business incorporations per 1,000 population was 2.7, compared with 3.2 in Saskatchewan and 5.4 in British Columbia. While the low rate of enterprise can in part be ascribed to poor economic conditions in the past few years, it may also indicate that entrepreneurs in Manitoba are more cautious about starting up and nurturing businesses.

Despite the unimpressive record of actual investment trends in Manitoba, the INVEST indicators show that **the factors that drive Manitoba's investment climate have improved in the past five years**. Since 1998, Manitoba's *innovation rate (New Patents per Capita)*, *After-tax Profits* and *Export Price Index* have increased, while *Unit Labour Costs* and *Provincial Debt as a Share of GDP* have declined. Manitoba ranked first in improving its innovation rate during this time, and in the top three for debt/GDP and real export price. This suggests a solid improvement in the province's competitiveness in attracting investment dollars.

Manitoba's one-year indicator results were particularly good in 2003. Its 40.5 per cent increase in new patents per capita put Manitoba in first place among all jurisdictions. Manitoba's small improvements in two indicators -- After-Tax Profits to GDP and Government Supported Debt to GDP -- placed the province in third and second place respectively. The latter result reflects the provincial government's fiscal discipline. There was no change in Manitoba's real unit labour costs. While the export price index declined in that year, the change was, again, a small one.

This year's *MB Check Up* focuses on three indicators with particularly interesting results -- **Innovation, Unit Labour Cost and Provincial Taxpayer-supported Debt to GDP**.

3.2 INNOVATION Manitoba has truly excelled in innovation during the past five years. Between 1998 and 2003, the number of new patents per million population in Manitoba grew from 22.8 to 41.3, **a five year growth rate of 81.1 per cent**. The province's rate of increase far exceeds the growth rate for Canada (32.8 per cent), Alberta (44.0 per cent) or British Columbia (64.7 per cent), earning Manitoba the highest ranking in this indicator.

Manitoba's growth in innovation also needs to be viewed in terms of the absolute numbers, however. In 1998, Manitoba's number of new patents per million was among the very lowest of all jurisdictions (22.8, compared with the national average of 30.2). In the ensuing five years, this rate grew at a comparatively steady pace, finally **exceeding the national average by 2003**.

fast facts In 2003, Manitoba registered the second lowest after-corporate income tax profit to GDP rate, 8.3 %, almost half the rates recorded by Alberta and Saskatchewan.

Manitoba's profits to GDP ratio was about 20% less than the Canadian average in 2003.

In the absence of a petroleum resource sector, Manitoba's export price index rose only 7.7% over the 1998-2003 period while Alberta's rose by 59.9% because of the dominance of its oil and gas sector.

Manitoba continued to hold top ranking in innovation for the one year period 2002-2003.

During this time, the innovation measure shows a dramatic 40.5 per cent increase, compared to *negative* results in most of the other jurisdictions. The innovation rate declined by 4.3 per cent for Canada as a whole. At the same time, Saskatchewan saw its new patents per million decline by 30.9 per cent, while Alberta's rate declined by 15.6 per cent. Besides Manitoba, only British Columbia's innovation rate increased, by 3.2 per cent.

Research and development spending drives innovation activity, as it directly funds the creative work that leads to items being patented. **Manitoba saw a 33.3 per cent gain in its ratio of real provincial R&D spending to GDP between 1996 and 2001, reaching 1.2 in the latter year.** Two of its biggest spending R&D industries are aerospace and motor vehicle manufacture. Manitoba's R&D spending ratio outstripped those of Alberta and Saskatchewan in 2001 (with ratios of .9 and 1 respectively), and tied the ratio for British Columbia. Nonetheless, Manitoba's R&D ratio is still below the national average.

In 2002, Manitoba's business R&D spending declined by 22.9 per cent, following the technology stock crash in mid-2000 and subsequent poor economic conditions. Our decline was in tandem with the rest of Canada, however, as nine of the ten provinces experienced decreases in R&D spending by business in 2002.

3.3 REAL UNIT LABOUR COSTS Unit labour costs are an indicator of the relationship between labour income and labour productivity. It is calculated as the ratio of real labour compensation per employee to labour productivity. Ideally, any increase in labour income is matched or exceeded by a corresponding increase in productivity, hence a *decline* in total unit labour cost. Decline in unit labour costs generally bodes well for the investment climate.

Manitoba has seen improvements, although small ones, in its unit labour cost over the past five years.

Between 1998 and 2003, Manitoba's unit labour cost declined by 2 per cent, putting it in fourth place vis-a-vis the other jurisdictions, and on par with the Canadian average. Most of the 2 per cent decrease in its unit labour cost was due to productivity gains in the labour force, offset by smaller labour income gains.

In comparison, Alberta's 10.2 per cent decline in real unit labour cost during this time represented the largest improvement from an investment perspective, although not necessarily from workers' perspective. British Columbia ranked second with a 3.7 per cent decline, while Saskatchewan ranked third at -2.4 per cent. Ontario saw no change during this time.

Manitoba's unit labour cost performance was comparatively poor in 2002-2003,

with no decrease in that year. Manitoba and Ontario shared the worst performances for the unit labour cost indicator, with no change. In comparison, Alberta's decrease of 8.3 per cent again put the province in first place, while Saskatchewan was second with a one-year decline of 2.4 per cent. British Columbia's unit labour cost declined by 1.9 per cent in the same year, tied with the Canadian average.

Table 3.1 New Patents Per Million Population

Jurisdiction	1998	2003	Change 98-03
Manitoba	22.8	41.3	81.1 %
BC	21.8	35.9	+64.7 %
Alberta	35.2	50.7	+44.0 %
Canada	30.2	40.1	+32.8 %
Ontario	39.8	46.6	+17.1 %
Saskatchewan	33.4	20.1	-39.8 %

Table 3.2 Real Unit Labour Costs (\$1997)

Jurisdiction	1998	2003	Change 98-03
Alberta	.49	.44	-10.2 %
BC	.54	.52	-3.7 %
Saskatchewan	.42	.41	-2.4 %
Manitoba	.51	.50	-2.0 %
Canada	.52	.51	-1.9 %
Ontario	.53	.53	0.0 %

3.4 REAL TAXPAYER-SUPPORTED DEBT/GDP The ratio of taxpayer-supported provincial debt to GDP measures debt burden. Provincial fiscal policy regarding debt can influence short and long-term investment decisions. Manitoba's government will be challenged with the dichotomy of maintaining its service levels amid growing pressures on the delicate expenditure-revenue balance, while also trying to keep a lid on provincial debt. Debt management will become even more important as we move into the next decade.

The **Manitoba government has demonstrated considerable fiscal discipline** in slowly ratcheting down its taxpayer supported debt to GDP ratio, a **19.3 per cent decline over the 1998-2003 period**. The Alberta government was the runaway leader on this measure between 1998 and 2003, with its debt/GDP ratio declining by 82.4 per cent, reducing both its debt and debt service costs at a time when it increased government spending. Abundant petroleum resources combined with strong upward oil and gas prices to give Alberta an extraordinary fiscal advantage, and put it in a workable position to accomplish this.

The Canadian average decline of 21.7 per cent between 1998 and 2003 ranked second, while **Manitoba's decline of 19.3 per cent during this period placed third**. Ontario and Saskatchewan reduced their debt ratios by 18.4 and 13.7 per cent respectively between 1998 and 2003. Only British Columbia saw an increase during this period, with its debt ratio rising by 3.5 per cent.

The Manitoba Government has done an admirable job of reducing its debt to GDP ratio in the face of several serious economic problems. Among these are beef import bans induced by the BSE crisis, the softwood lumber trade dispute, SARS outbreaks that cast a Canada-wide pall on tourism, forest fires and terrorism concerns. **The Manitoba government managed to reduce its taxpayer supported debt to GDP ratio from 19.7 per cent in 2002 to 18.8 per cent in 2003**. The latter is the second-lowest debt ratio level of the studied jurisdictions, a notable achievement and significantly below the Canadian average of 23.8 per cent.

When taxpayer supported debt is examined on its own (i.e. not relative to GDP), Manitoba's record is very good for the 1998-2003 period; a small 1.9 per cent increase in taxpayer supported debt and a 38.6 per cent decline in debt service costs. In contrast, British Columbia was markedly different, experiencing a large 27.6 per cent climb in taxpayer supported debt and a small 0.9 per cent decrease in debt service costs.

The fiscal future looks even brighter. **Manitoba's first provincial budgetary surplus since 2000 is projected for fiscal year 2004-05. The province's debt to GDP ratio is projected to diminish steadily over the next several years**, reaching 15.4 per cent in 2007-08, putting Manitoba on a much better comparative footing.

Table 3.3 Ratio of Real Provincial Taxpayer-supported Debt to GDP

Jurisdiction	1998	2003	Change 98-03
Alberta	13.1	2.3	-82.4 %
Canada	30.4	23.8	-21.7 %
Manitoba	23.3	18.8	-19.3 %
Ontario	30.4	24.8	-18.4 %
Saskatchewan	27.7	23.9	-13.7 %
BC	20.1	20.8	+3.5 %



4.0 CONCLUSIONS

Manitoba is known as the keystone province because of its location in the centre of the nation, linking East and West. Its performance as a place to live, work and invest seems to carry a similar middle-of-the-pack status. Neither leading nor trailing, Manitoba has not distinguished itself relative to the other benchmarked jurisdictions. Our foreground characteristic is stability.

Perhaps typical of our performance, Manitoba claims the best record in real wages over the last five years among the five provinces measured – but achieves this rank by being the province with the smallest decline.

It is time for our province to reach higher. Manitoba enjoys several fundamental advantages.

The economy is established and diversified. We have a large city whose metropolitan community and quality of life can attract migrants. Our labour force participates in the economy at a high level, we have a strong record of innovation and, in 2003, there are distinct signs of a turnaround. We are positioned to move from the status of a respectable also-ran to a leadership role.

To achieve breakthroughs, Manitoba must focus its resources at key points where change can have the greatest impact.

A well-educated and trained population is critical to support and attract growth. Participation in post-secondary education must rise still more. Recent news of record enrollment at the University of Manitoba in fall 2004, including a large influx of foreign students, may prove to be a positive sign.

We must capitalize on the innovation evidenced by new patent registrations, to create the new technology and greater business investment that will drive productivity. Better productivity in turn permits better wages that can help retain more of our young people.

The provincial government has done a workmanlike job in managing finances. It should now follow the lead of other provinces to prepare its financial statements in accordance with Generally Accepted Accounting Principles.

Manitoba's fundamentals are in place, offering a solid foundation for advancement. We must now translate a good business climate into more business achievements. Manitoba's chartered accountants hope that *MB Check-Up* will stimulate discussion, and encourage leadership. It is time to deliver on the promise.

MB Check-Up

The MB Check-Up has been produced by the Chartered Accountants of Manitoba and designed in conjunction with consulting economists, who also compiled the data. As leaders in interpreting and validating information, CAs are often called upon by businesses, governments, and other organizations to provide independent, fair, and objective information to assist in decision-making. It is with this perspective that we prepared the MB Check-Up, a factual “snapshot” of Manitoba’s economic and social fortunes in the past year and over the past five years.

In-depth background report is available on the Chartered Accountants of Manitoba website www.icam.mb.ca

Consulting Economists

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The primary mission of the Institute of Chartered Accountants of Manitoba is to protect the public interest. It does so 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 process.

