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Assessing Manitoba's Economic Performance

The Manitoba Employers Council (MEC) recently released a report that delivers a damning indictment of the Manitoban economy. Fortunately for the province it is the report, not the economy, that deserves the failing grade.

Deploying a selective set of economic indicators, the report compares Manitoba's economic performance not to that of the other nine provinces, nor even to the national average, but to a select group of four—a group that not coincidentally contains the four wealthiest provinces, and four of the six largest.

With this realignment, Manitoba moves from its accustomed mid-level placing in the national rankings to a slot at the bottom of this handpicked group. A Free Press editorial (April 5, 2016) then claimed that the report "shows Manitoba failing in almost every key economic indicator". A strong claim, but not an accurate one. And certainly not a sufficient foundation to support the MEC call for smaller government and lower taxes.

Assessing economic performance, admittedly, is not straightforward. Different indicators highlight different aspects of the economy and also different economic outcomes. Statistics require interpretation and attention to context. The MEC report has 25 indicators, but not all warrant equal weight. It is worth taking a closer look at some of the more prominent indicators used in the report.

GDP growth rates, GDP per capita, and unemployment rates are widely used, conventional macroeconomic indicators. They would certainly be considered "key".

Manitoba does well by these measures. As noted in the report, GDP growth in Manitoba over the last decade (2005-2014) was 26.6%, second only to Alberta.

For GDP per capita, Manitoba was ranked 5th out of 5 (behind Alberta, Saskatchewan, BC and Ontario). However, Manitoba ranked 1st in growth of GDP per capita over the last decade, thereby significantly reducing the disparity between it and the other provinces. It is not at all clear why MEC Chairman William Gardner (Winnipeg Free Press, April 5, 2016) characterized this growth as "lacklustre".

The MEC report uses economic statistics up to 2014. Macroeconomic forecasters have GDP growth figures for 2015 and 2016. Their consensus has Manitoba GDP growth 2nd among the provinces in 2015, and forecasts Manitoba as 3rd best for 2016.

Overall, these GDP numbers indicate economic success—past, present and future—not failure.

The employment numbers are equally encouraging. Unemployment rates are not explicitly mentioned in either the Free Press editorial or by Gardner's op-ed piece, but the MEC report acknowledges that Manitoba's unemployment rate has consistently been "respectable". It is better than that. Since 2005, it has in fact

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been either the 2nd or 3rd lowest in Canada. Furthermore, the most recent (April 8, 2016) Statistics Canada release of labour force statistics actually had Manitoba's unemployment rate, at 6.0% for March 2016, as the lowest (i.e., the best) among all provinces.

Relative to the MEC comparison group, Manitoba is a low-wage, low-salary province. Weekly earnings for Manitoba, however, are on the rise. Over the last decade, the rate of increase has exceeded that in Ontario and BC. Saskatchewan and Alberta earnings have grown even more quickly, but those provinces have experienced resource-based boom economies for much of that decade. As a result, surging earnings in those two provinces are hardly grounds for assigning Manitoba a failing grade. Furthermore, it is surprising that a report from the Employers Council fails to consider whether or not the earnings differential actually offers a competitive advantage to Manitoba employers.

The emphasis given in the report to low earnings and selective tax rates tends to present Manitoba in a relatively unfavourable light. These particular indicators are marshalled to imply the presence of strong economic forces inducing outmigration of labour and capital, the positive evidence on Manitoba employment and GDP growth notwithstanding. The report neglects other components of the cost-of-living, such as housing, where Manitoba might have a real advantage. As a result, the analytical scales weighing the economic forces inducing both in- and out-migration are not properly balanced. Note that, contrary to what the report would lead the reader to expect, the most recent data from Statistics Canada has the Manitoba population, aged 15 years and over, growing at a rate equal to that national average (1.1% from March 2015 to March 2016), exceeded only by the growth rates of Alberta and BC.

The report's comparison of various provincial tax rates fails to adjust for the role that resource revenues play in the budgets of resource-rich provinces, especially Alberta and Saskatchewan. Manitoba must tap other revenue sources, but that is an economic necessity, not a failing. The implications of tax cuts and reduced public expenditures for services and infrastructure, as well as for employment and growth, are not addressed. Calling for tax cuts and fiscal tightening while ignoring these factors constitutes a very partial, one-dimensional analysis.

Capital investment by business is important in enhancing the economy's productive capacity and its level of productivity. This investment expenditure also generates direct, positive effects on jobs and induces demand-led growth. The resource sector tends to be especially important in generating capital investment, as reflected by data pertaining to investment per worker. For Manitoba, a crucially important component of the resource sector is hydro-electricity generation. Manitoba Hydro, a crown corporation, is the major player here. The report, however, explicitly excludes crown corporations from its tally and inter-provincial rankings of capital investment per capita. It is hard to justify this a priori exclusion. It certainly skews the results.

Other economic indicators not considered in the report could easily reverse the rankings. An example could be carbon emissions, an item of growing importance and global significance. Another could be the economic costs associated with managing a roller-coaster resource driven economy, relative to the stability offered by a more diverse industrial structure. A third could be the after-tax distribution of income, as measured, for example, by provincial GINI coefficients.

For Manitoba, there are plenty of challenges ahead. Undoubtedly there is room for improvement. But a poor or failing grade constitutes a misdiagnosis.

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UNSPUN is the 2016 provincial election commentary from the Canadian Centre for Policy Alternatives Manitoba

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