



Fast

FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

there is an alternative.

March 10, 2016

Critics Wrong – Economy Strong

Although the 137 page fiscal update is much shorter on detail than a full budget would be, there are enough broad strokes to give us a bit of an economic picture. And that picture generated no shortage of criticism.

No government should be immune from criticism and the checks and balances imposed by opposition parties. But society is not served by uninformed, knee-jerk criticism that is clearly meant to bolster the fortunes of partisan politics or the already wealthy. The reaction of the Winnipeg Chamber of Commerce gives us a case in point. Let's unpack a couple of its executive vice-president Loren Remillard's quotes that appeared in the Free Press.

"We are now facing one of the largest deficits in Manitoba's history". On the face of it, that's true. But we're also facing the largest GDP in Manitoba's history. So the issue is whether or not the deficit – and ultimately the debt – is reasonable when compared to Manitoba's economic activity.

The forecast deficit/GDP for core government services is 1 percent. Another useful metric is the debt/GDP ratio: Manitoba's is forecast at 32.2 percent for 2015/16 – the fourth lowest in Canada and the 2nd lowest if the oil-producing provinces are removed (Alberta's and Saskatchewan's economies will likely not do so well next year). Government expenditures as a portion of GDP are only up 0.2 percent and debt servicing costs are constant, so we're far from going to hell in

a handbasket. In fact, given the sluggish global economy, now is exactly the time governments need to be spending; the private sector is not pulling its weight. Trudeau's Liberals were elected on a promise to do just that.

Although Manitoba's debt/GDP ratio hasn't been this high since the Tories were in power, we're still far from the "black-letter day" referenced by the Chamber. In fact, Manitoba is in a bit of a sweet spot: the reasonable debt/GDP ratio and low interest rates (which truly are historical) mean that Manitoba should continue borrowing to invest in our failing infrastructure and to grow necessary social programs such as childcare. The 2,000 new childcare spaces will, in the long term, pay high dividends in the form of better educational outcomes and higher labour-force participation rates for women, which in turn increases tax revenues to help pay for the investment.

The Chamber also claimed that "... the only steady growth happening in Manitoba is in terms of our deficit." This statement is patently wrong. If one takes the time to study the forecast, one will see that Manitoba's GDP growth is forecast at 2.4 percent - the third highest in Canada and our employment growth forecast is also third highest in the country. Productivity has also been growing well ahead of the national average, along with capital investment – information the Chamber should be well aware of. With

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the exception of the Great Recession when everyone's economy shrunk, Manitoba's GDP has been growing steadily for over a decade.

Ironically the same day the Free Press carried its coverage of the fiscal update, a small piece appeared on the back page of the business section (B8 – March 9, 2016). The Conference Board of Canada's most recent update has Manitoba's economy expanding by 2.3 percent based on "the strength of healthy growth in a number of key sectors such as agriculture construction, manufacturing and the service sector." The strong growth it predicts in the construction sector (4.4 percent this year: 10 percent - yes, ten) in 2017 is partly attributed to the provincial government's large infrastructure investments – investments paid for by deficits. We should point out that the Chamber's members profit from such expenditures.

No one is saying that a sitting government shouldn't be pushed to do better or be removed from public scrutiny. But all Manitobans – including the Chamber's members - would be better served if a higher standard of analysis were applied - a standard that at minimum was accurate and honest.

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