Winnipeg Economy: Stability Tested

A Publication of BMO Capital Markets Economic Research • Douglas Porter, CFA, Chief Economist, BMO Financial Group

ECONOMIC RESEARCH
economics.bmo.com

Robert Kavcic, Senior Economist
robert.kavcic@bmo.com

Shelly Kaushik, Economist
shelly.kaushik@bmo.com

The Manitoba economy is expected to contract 4.8% this year, milder than the decline expected nationally. Manitoba has typically weathered downturns much better than the rest of Canada, but COVID-related lockdowns will still weigh heavily. Re-opening began in phases in early-May, but recent COVID trends have been concerning in the province, as in some others. Still, the overall economic decline this year will likely be shallower than the larger provinces that had more aggressive/longer shutdowns.

A fairly low **COVID impact** means that Winnipeg has averaged an 10.4% **unemployment rate** in the three months ending in August, higher than the provincial average of 8.8% but lower than the national 11.1%. Consistent with the city's reopening, Winnipeg has recouped almost 50% of jobs lost at the worst point of the pandemic. The **labour market** is heavily service-oriented (over 80% of jobs), with healthcare and social assistance (16%) and trade (14%) among key employment sectors. Looking ahead, we expect Winnipeg's unemployment rate to stabilize back to provincial levels as reopenings continue, including retail and paramedical services, through the second half of 2020.

Economic Outlook
Manitoba

		2019	2020	2021
Real GDP	(% chng)	1.0	-4.8	5.5
Employment	(% chng)	0.9	-2.6	3.4
Unemployment Rate	(%)	5.3	7.9	7.2
Housing Starts	(000s)	7.0	6.0	6.5
Consumer Prices	(% chng)	2.3	0.7	1.4

Shading marks forecasts; 2019 GDP: by Industry

Winnipeg has a significant provincial cluster of local **health services**, including nursing care facilities, which are particularly vulnerable to COVID outbreaks. The **tourism** sector may also experience a prolonged period of weakness, especially given uncertainty surrounding the timeline of an eventual vaccine, though the region places less weight in this area than many others. The **financial**, **real estate**, and **construction** sectors, which together account for 13% of employment, are less likely to be impacted by the pandemic and have bounced back quicker in the earlier stages of reopening (in fact, the construction sector added a net 170 jobs since February). The region's **manufacturing** sector is diverse, which helps cushion weakness during downturns (such as 2009, for example). Still, shipments in the Winnipeg region are down about 20% from pre-COVID levels, with particular weakness in transportation equipment. Indeed, some sectors that carry weight in the Winnipeg region, such as transportation equipment related to public transit and airline travel, could remain under pressure.

Homebuilding has held remarkably steady in Winnipeg in recent months, despite the pandemic, as the sector has been largely able to operate at normal capacity with some safety precautions in place. And, unlike some other regions, the sector was never forced to lock down. Housing starts have average just over 5,000 annualized units

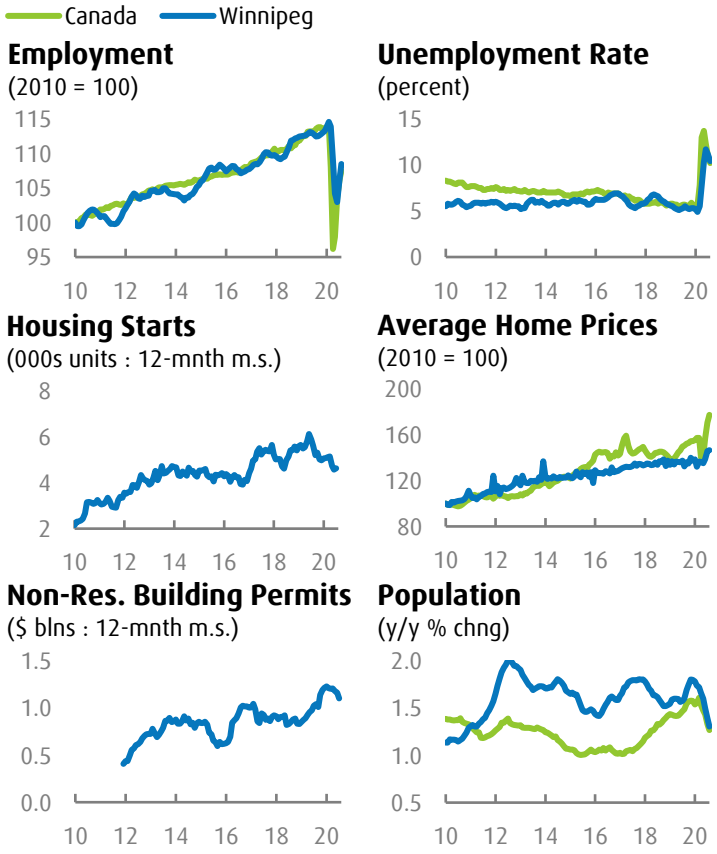
through the first seven months of the year, on pace to roughly match the level seen in each of the prior three years.

There are currently about 5,000 apartment units under construction in the city versus 1,000 single detached homes, but preference could be altered in favour of the latter post-pandemic. **Nonresidential construction** activity is healthy, with the value of permits just cooling from a record high on a 12-month basis—transportation infrastructure remains a focus.Winnipeg's **housing market** effectively paused during the height of the pandemic, but has since reopened to a solid performance. With pent-up demand building through the spring, sales activity in July and August jumped to record levels. Year-to-date, sales up slighlty from the same period in 2019, which is impressive given the shutdowns. Limited new listings have also kept the market very tight, with the sales-to-listings ratio rising to the highest level since early-2013, pushing into sellers' territory. As a result, **home prices** have jumped through the summer, with the average price up 11.5% y/y in August to a record level.

Population growth has ebbed in recent quarters, but at 1.3% y/y, remains solid. Interprovincial migration is still negative, but international migration surged to almost 20,000 people per year in recent years. It remains to be seen how the pandemic cuts those inflows, with an impact on non-permanent residents likely in the near term.

The Bottom Line: Diversity is one of the major strengths of Winnipeg's economy, which typically helps most during downturns. But, the pandemic has caused no typical recession, so the impact is being felt, even if less so than in some other major cities.

Winnipeg at a Glance



Sources: BMO Economics, Haver Analytics

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