

# QUARTERLY ECONOMIC HIGHLIGHTS

## 1<sup>st</sup> Quarter 2009

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## Economic Indicator Highlights

### Winnipeg (Metropolitan Area) 1<sup>st</sup> Quarter 2009

|   | Q1 2009 | % Change<br>from Q1 2008 | 2009 Outlook*<br>(% change<br>from 2008) |
|---|---------|--------------------------|--|
| Population**  | 726,000 | 0.9                      | 0.9                                      |
| Employment  | 396,800 | 0.4                      | 0.3                                      |
| Unemployment Rate (%)   | 4.7%    | 0.4                      | 0.3                                      |
| Gross Domestic Product at Basic Prices<br>(Annual Millions \$2002)* | 25,619  | 1.1                      | 1.1                                      |
| Retail Sales<br>(Annual \$ Millions)*                               | 9,634   | 3.7                      | 3.7                                      |
| Personal Disposable Income<br>Per Capita (Annual \$)*               | 28,846  | 1.5                      | 1.5                                      |
| Consumer Price Index<br>(2002=100)                                  | 112.7   | 1.3                      | 1.1                                      |
| Total Building Permits Value<br>(\$ Millions)                       | 165.9   | -22.1                    |  |
| Average Residential Detached<br>Housing Price (\$)                  | 203,184 | 4.8                      |  |
| Housing Starts  | 386     | -28.0                    |  |

Note: \* Conference Board of Canada's preliminary annual projections and estimates – Metropolitan Outlook Spring 2009. Subject to adjustments in subsequent projections.

Source: The Conference Board of Canada, Statistics Canada, Canada Mortgage and Housing Corporation (CMHC) and WinnipegREALTORS®. \*\*2008 CMA population from Statistics Canada.

# TRENDS in 2009

## CANADA

The global recession dominates the 2009 economic news. In their Spring 2009 Outlook report, the Conference Board of Canada forecasts Canada's real gross domestic product will contract by 0.5% in 2009. The slowdown in the Canadian economy is being attributed to the weakness in the U.S. economy, fewer Canadian exports to the U.S., weaker commodity prices and low consumer and investor confidence.

According to Statistics Canada, Canada's real GDP growth declined by 1.4% in the first quarter of 2009 due to lower business investments, consumer spending and a sharp decline in Canadian/U.S. trade. In the first quarter of 2009, the Canadian economy contracted at an annualized rate of 5.4% compared to 5.7% in the U.S.

The Canadian economy is expected to rebound in the second half of 2009 when key export markets in the U.S are expected to recover.

Canadian exporters and manufacturers continue to face difficult times due to continued weakness in the U.S. economy. In the first quarter of 2009, total exports from Canada to the U.S. dropped by 18% to a value of \$87 billion, down from \$93 billion in 2008. Manufacturing shipments declined 16% from 2008.

As of March 2009, the world price of oil was \$49 (WTI, U.S.\$/barrel), up 11% from the fourth quarter of 2008 (climbing to around \$69 as of the end of June). Unlike oil, the price of natural gas has been declining and currently is valued around \$4 (U.S.\$/mmbtu). Other commodities have improved since the end of 2008, including zinc, gold, copper, silver and lumber.

During the first quarter of 2009, the Canadian dollar averaged 80 cents to the U.S. dollar. (The dollar reached a high of 93 cents in early June and currently is valued around 87 cents.)

Since the end of 2008, central policy rates in Canada and the U.S. haven't changed significantly. During the first quarter of 2009, the Bank of Canada's overnight rate dropped to 0.5% and currently sits at 0.25%. The prime rate was 2.5% at the end of March 2009, Canada benchmark 10-year bonds yield averaged 2.96% and 3-month treasury bills averaged near 0.7%. Canada's inflation rate was 1.2 % during the first quarter of 2009.

National employment dropped by 1.1% in the first quarter while labour force grew by 1%. The national unemployment rate increased sharply to 7.6% from 5.9% in 2008.

## WINNIPEG

The Conference Board's Spring 2009 Metropolitan Outlook forecasts real GDP growth for Winnipeg in 2009 of 1.1%. Winnipeg's economy is performing well considering the health of the world economy. In 2009, Winnipeg ranks 3rd among Canadian cities for GDP growth and the highest among major centres (population over 500,000). Winnipeg is projected to be one of the relatively few major cities in Canada to post some GDP growth in 2009. The Conference Board is forecasting Winnipeg's GDP growth will improve in 2010 by 3.0%.

Winnipeg has experienced three years of employment growth and despite the global economic downturn, Winnipeg's streak is expected to continue in 2009. The Conference Board is projecting employment growth in Winnipeg of 0.3% this year. Job gains are expected in several areas of the economy including construction, utilities, aerospace, professional services and the public sector. Recent announcements by Standard Aero on its engine overhaul facility and to begin servicing WestJet's CFM-56 engines that power "next-generation" 737 aircraft will add 300 new positions to its Winnipeg facility by the end of 2012.

In the first quarter of 2009, Winnipeg's overall building permit values dropped by 22% from the same period last year. The residential market experienced the largest decline in building activity of 29% compared with non-residential construction of just 0.2%. In terms of non-residential construction, recent announcements for various private and public sector projects around the city should help make 2009 another productive year for the construction industry.

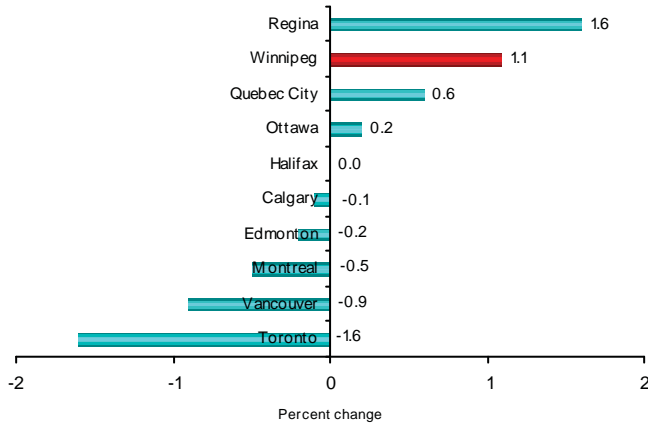
Manitoba's retail sales have slowed after very strong growth in recent years, but continue to grow in 2009 despite weaker consumer confidence. The Conference Board forecasts Manitoba's retail sales to grow in 2009 by 3.6% and retail sales in Winnipeg to improve by 3.7%. Personal disposable income in Winnipeg is also expected to grow in 2009 by 1.5%.

Winnipeg REALTORS® reported the number of homes sold during the first quarter of 2009 was down 10% from 2008 and dollar volume also dropped by 4% from the same period last year. However, the number of listings in the first quarter was up 11% and the average price of a Winnipeg home continued to rise to just over \$200,000.

The Manitoba Bureau of Statistics reported Manitoba's exports dropped by 7.5% in the first quarter of 2009 following the national trend, however, not to the same extent. Helping to sustain Manitoba's exports are large increases to southeast Asia and the Middle East. Manitoba's manufacturing shipments also posted a drop in the first quarter, although Manitoba continues to outperform the national average.

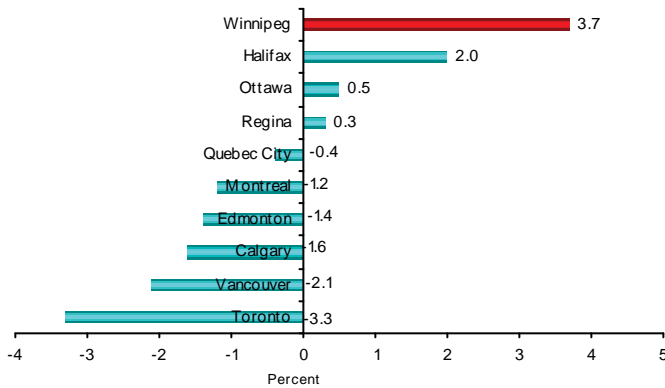
# SELECT CITY COMPARISONS

**Real Gross Domestic Product  
Annual Percent Change 2008-2009  
Select Metropolitan Areas**



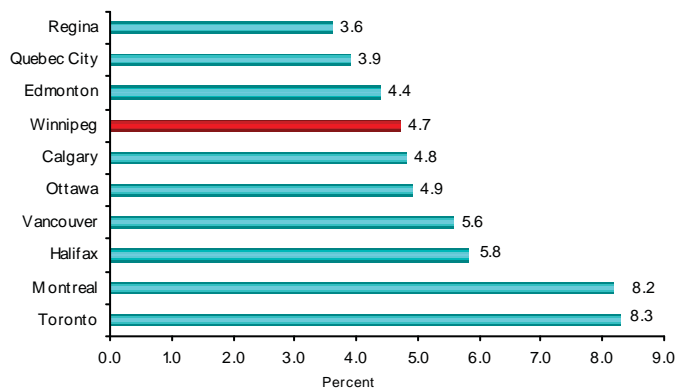
Source: Conference Board of Canada – Metropolitan Outlook Spring 2009

**Projected Retail Sales Growth  
Annual Percent Change 2008 - 2009  
Select Metropolitan Areas**



Source: Conference Board of Canada – Metropolitan Outlook Spring 2009

**Unemployment Rate  
Select Metropolitan Areas Q1 2009**



Source: Statistics Canada

# LABOUR FORCE INDICATORS (1<sup>st</sup> Quarter Year-to-Date)

| <b>Winnipeg</b>              | <b>Q1 2009 YTD</b> | <b>Q1 2008 YTD</b> | <b>% Change YTD</b> |
|------------------------------|--------------------|--------------------|---------------------|
| Population 15 yrs plus (000) | 588.4              | 580.1              | 1.4                 |
| Labour Force (000)           | 416.5              | 413.2              | 0.8                 |
| Employment (000)             | 396.8              | 395.3              | 0.4                 |
| Unemployment (000)           | 19.7               | 17.9               | 10.1                |
| Not in Labour Force (000)    | 171.9              | 166.9              | 3.0                 |
| Unemployment Rate*           | 4.7                | 4.3                | -0.4*               |
| Participation Rate*          | 70.8               | 71.2               | -0.4*               |
| Employment Rate*             | 67.4               | 68.1               | -0.7*               |

| <b>Manitoba</b>              | <b>Q1 2009 YTD</b> | <b>Q1 2008 YTD</b> | <b>% Change YTD</b> |
|------------------------------|--------------------|--------------------|---------------------|
| Population 15 yrs plus (000) | 916.8              | 905.1              | 1.3                 |
| Labour Force (000)           | 637.0              | 628.0              | 1.4                 |
| Employment (000)             | 606.3              | 602.1              | 0.7                 |
| Unemployment (000)           | 30.7               | 25.9               | 18.5                |
| Not in Labour Force (000)    | 279.8              | 277.1              | 1.0                 |
| Unemployment Rate*           | 4.8                | 4.1                | 0.7*                |
| Participation Rate*          | 69.5               | 69.4               | 0.1*                |
| Employment Rate*             | 66.1               | 66.5               | -0.4*               |

| <b>Canada</b>                | <b>Q1 2009 YTD</b> | <b>Q1 2008 YTD</b> | <b>% Change YTD</b> |
|------------------------------|--------------------|--------------------|---------------------|
| Population 15 yrs plus (000) | 27,159.0           | 26,776.7           | 1.4                 |
| Labour Force (000)           | 18,300.7           | 18,161.5           | 0.8                 |
| Employment (000)             | 16,906.5           | 17,092.6           | -1.1                |
| Unemployment (000)           | 1,394.2            | 1,068.8            | 30.4                |
| Not in Labour Force (000)    | 8,858.3            | 8,615.2            | 2.8                 |
| Unemployment Rate*           | 7.6                | 5.9                | 1.7*                |
| Participation Rate*          | 67.4               | 67.8               | -0.4*               |
| Employment Rate*             | 62.2               | 63.9               | -1.7*               |

Source: Statistics Canada

\* rate change only

# REAL ESTATE INDICATORS (1<sup>st</sup> Quarter Year-to-Date)

## Building Permit Values (\$000s)

| Winnipeg                            | Q1 2009 YTD | Q1 2008 YTD | % Change YTD |
|-------------------------------------|-------------|-------------|--------------|
| Total residential & non-residential | \$165,933   | \$212,930   | -22.1        |
| Residential                         | \$114,211   | \$161,117   | -29.1        |
| Non-Residential                     | \$51,722    | \$51,813    | -0.2         |
| Industrial                          | \$5,293     | \$6,173     | -14.3        |
| Commercial                          | \$31,227    | \$34,514    | -9.5         |
| Institutional & governmental        | \$15,202    | \$11,126    | 36.6         |

Source: Statistics Canada

## Housing Market Activity

| Canada                          | Q1 2009 YTD | Q1 2008 YTD | % Change YTD |
|---------------------------------|-------------|-------------|--------------|
| MLS Average House Price         | \$285,287   | \$314,483   | -9.3         |
| <b>Winnipeg</b>                 |             |             |              |
| MLS Average Detached Sale Price | \$203,184   | \$193,897   | 4.8          |
| MLS Residential Unit Sales      | 2,089       | 2,334       | -10.5        |
| MLS Dollar Volume (\$ millions) | \$411       | \$429       | -4.3         |
| Single Family Housing Starts    | 288         | 358         | -19.6        |
| Total Housing Starts            | 386         | 536         | -28.0        |

Source: Statistics Canada  
Winnipeg REALTORS®  
Canada Mortgage & Housing Corporation

## Office Space

|                                     |         |         |      |
|-------------------------------------|---------|---------|------|
| Class A Average (Downtown) Net Rent | \$16.81 | \$16.64 | 1.0  |
| Overall Vacancy*                    | 7.7%    | 7.7%    | 0.0  |
| Class B Average Net Rent            | \$13.19 | \$13.83 | -4.6 |
| Overall Vacancy*                    | 8.2%    | 7.4%    | 0.8  |
| Class C Average Net Rent            | \$10.31 | \$9.53  | 8.2  |
| Overall Vacancy*                    | 5.7%    | 9.0%    | -3.3 |

Source: Cushman & Wakefield LePage

\* rate change only

## OTHER INDICATORS (1<sup>st</sup> Quarter Year-to-Date)

| <b>Manufacturing Shipments (\$ millions)</b> | <b>Q1 2009 YTD</b> | <b>Q1 2008 YTD</b> | <b>% Change YTD</b> |
|--|--------------------|--------------------|---------------------|
| Canada                                       | \$124,991.9        | \$148,536.3        | -15.9               |
| Manitoba                                     | \$3,780.3          | \$3,921.3          | -3.6                |

Source: Statistics Canada

### **Retail Trade (\$ millions)**

|          |            |            |      |
|----------|------------|------------|------|
| Canada   | \$86,887.7 | \$92,502.2 | -6.1 |
| Manitoba | \$3,115.6  | \$3,257.8  | -4.4 |

Source: Statistics Canada

### **Merchandise Exports (\$ millions)**

|          |          |           |       |
|----------|----------|-----------|-------|
| Canada   | \$97,163 | \$118,727 | -18.2 |
| Manitoba | \$2,853  | \$3,805   | -7.5  |

Source: Statistics Canada (balance of payments basis)  
Manitoba Bureau of Statistics

### **Average Weekly Earnings**

|          |       |       |     |
|----------|-------|-------|-----|
| Canada   | \$821 | \$803 | 2.2 |
| Manitoba | \$769 | \$743 | 3.5 |

Source: Statistics Canada

### **Bankruptcies - Winnipeg CMA**

|            |     |     |       |
|------------|-----|-----|-------|
| Consumers  | 388 | 284 | 36.6  |
| Businesses | 7   | 16  | -56.3 |

Source: Industry Canada

### **Consumer Price Index**

|           |       |       |     |
|-----------|-------|-------|-----|
| Canada    |       |       |     |
| All Items | 113.6 | 112.2 | 1.2 |
| Winnipeg  |       |       |     |
| All Items | 112.7 | 111.2 | 1.3 |

Source: Statistics Canada

### **Airport Statistics** (nearest thousand)

|                         |         |         |      |
|-------------------------|---------|---------|------|
| Total Passenger Volumes | 878,000 | 908,000 | -3.3 |
|-------------------------|---------|---------|------|

Source: Winnipeg Airports Authority

### **Financial (YTD average)**

|                                 |        |        |      |
|---------------------------------|--------|--------|------|
| Prime Rate                      | 2.8%   | 5.6%   | -2.8 |
| Exchange Rate (Cdn \$ in US \$) | \$1.20 | \$1.00 | 20.0 |
| Canada 10-year Benchmark Bond   | 3.0%   | 3.7%   | -0.7 |

Source: Bank of Canada

### **Credit Rating - City of Winnipeg**

|                              |        |
|------------------------------|--------|
| Standard & Poor's            | AA     |
| Moody's Investor Services    | Aa1    |
| Dominion Bond Rating Service | AA low |

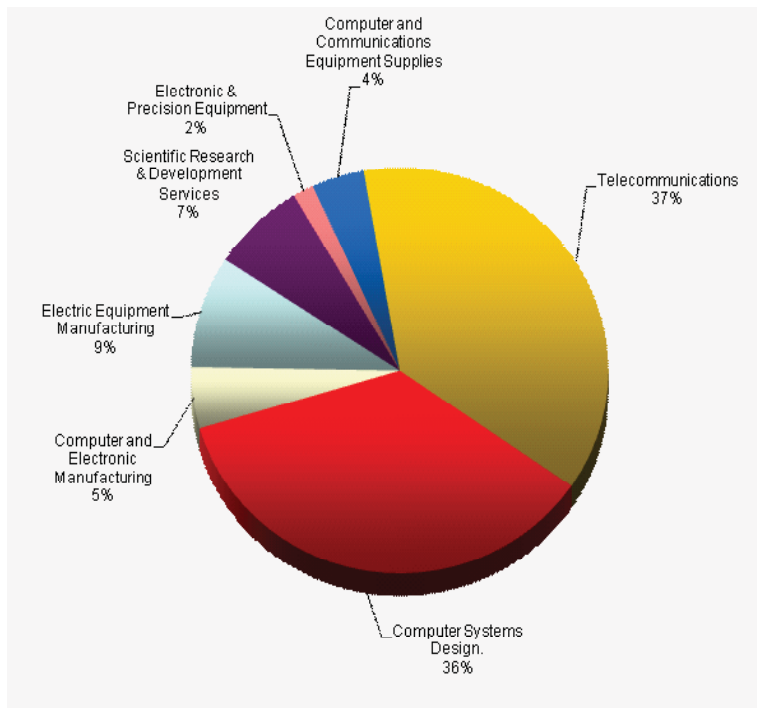
# SECTOR SPOTLIGHT

## INFORMATION & COMMUNICATION TECHNOLOGY

Winnipeg's information and communications technology (ICT) sector covers a broad spectrum of businesses including: manufacturing of communications equipment, electronic components, computer systems design and consulting, telecommunications, professional technical services, health informatics, software development and contact centres. Financial and business management solutions, customized e-learning processes, integrated e-payment solutions and financial planning services are some areas of specialization in Winnipeg's ICT sector.

In 2008, Winnipeg's ICT sector consisted of 12,300 people, representing 80 percent of the provincial ICT workforce. About 73 percent of the total came from telecommunications and computer systems design. From 2004 to 2008, the overall employment growth in this sector was nearly 2% on average.

**Winnipeg's ICT Industry Sector  
Employment by Industry Components 2008**



Source: Statistics Canada special run

The ICT sector in Winnipeg is made up of over 1,000 business establishments with 673 companies represented by computer systems design and related services in 2008. Based on business size categories, the majority of the businesses in this sector consist of less than ten employees (76%).

Winnipeg is home to a number of global corporations like IBM and EDS, an HP Company. EDS has recently expanded their operations in Winnipeg with a new \$18 million business processing operation which is expected to create an additional 600 jobs over the next five years. Winnipeg is home to MTS Allstream Inc. which is the largest operating subsidiary of Manitoba Telecom Services Inc., the third largest national telecommunications provider in Canada. Canada's international diversified media company, CanWest Global Communications Corporation is headquartered in Winnipeg. Leading the manufacturing of the first mobile intra-operative magnetic resonance imaging (MRI) system is Winnipeg's own IMRIS. Momentum Healthcare, Canada's third-largest company focused on healthcare informatics is based in Winnipeg.

Winnipeg continues to rank relatively well in terms of overall business cost competitiveness, according to the 2008 edition of KPMG's Competitive Alternatives study. Winnipeg's overall cost indices among the selected North American and European cities relating to the information, communications and media sector were among the lowest, primarily due to competitive labour costs compared to larger centres.

### Location Sensitive Costs – Selected Cities: Overall Index

| City      | Software Design | Web and Multimedia – Content Development |
|-----------|-----------------|--|
| Winnipeg  | 91.3            | 94.5                                     |
| Montreal  | 94.8            | 97.9                                     |
| Raleigh   | 98.6            | 98.5                                     |
| Toronto   | 99.0            | 101.8                                    |
| Vancouver | 99.2            | 102.4                                    |
| Seattle   | 105.7           | 106.1                                    |
| Denver    | 106.1           | 106.2                                    |
| Chicago   | 109.4           | 109.7                                    |
| San Jose  | 111.6           | 112.0                                    |
| London    | 158.4           | 152.7                                    |

Source: Competitive Alternatives – KPMG Guide to International Business Costs – 2008 Edition

Winnipeg has an excellent education system and R&D organizations including the University of Manitoba, SmartPark, TRILabs and NRC, as well as association support. Manitoba also has some of the best R&D tax credits in the world with a combination of Canada's federal R&D tax support and provincial R&D tax credits.

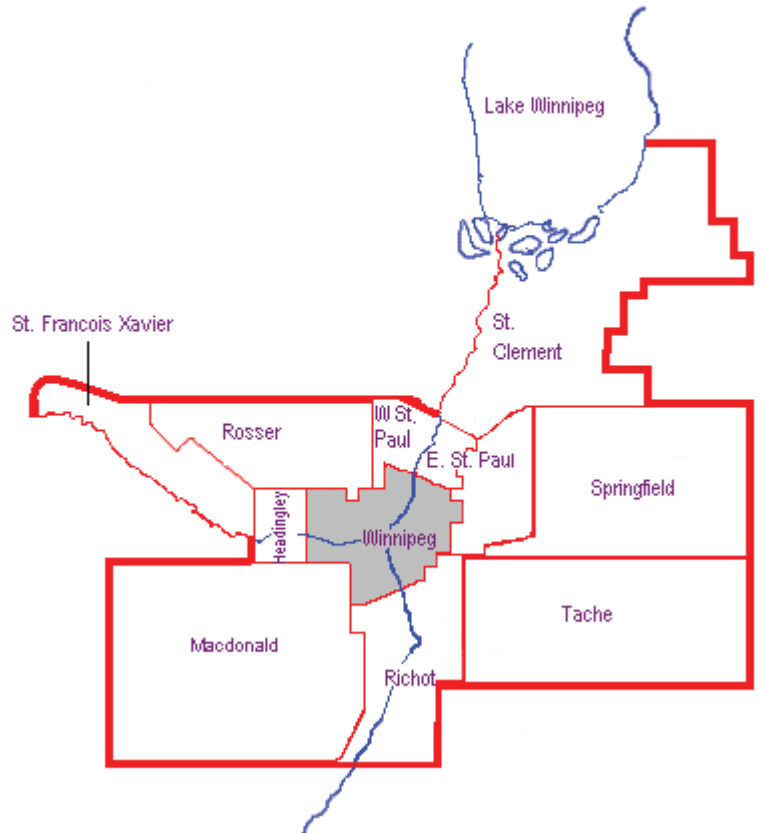
# WINNIPEG CMA

Census Metropolitan Area (CMA) refers to the municipalities assigned by Statistics Canada on the basis of labour market and commuting criteria, comparable to the U.S. Metropolitan Statistical Area (MSA). The Winnipeg CMA is comprised of the City of Winnipeg plus 10 adjacent municipalities. The City of Winnipeg represents the large majority of economic activity and over 90% of the population in the CMA.

Winnipeg - Community Spirit, Creative Energy,  
Diverse Culture

Winnipeg lies in the heart of Canada and geographic centre of North America. Winnipeg has the most diverse economy of major cities in Canada. Winnipeg is an economic hub, an arts and culture centre, and a city of creativity and dramatic diversity.

Key industries include: transportation and distribution, aerospace, finance and insurance, life sciences and biotechnology, information and communications technology, media, tourism, electric power, apparel, furniture and advanced manufacturing.



## Destination Winnipeg Inc.

Destination Winnipeg Inc. is Winnipeg's economic development and tourism services agency, an arm's length organization led by a private sector board with core funding from the City of Winnipeg and the Province of Manitoba. Destination Winnipeg markets the city and provides services to facilitate economic development and tourism opportunities for Winnipeg in collaboration with partners. Destination Winnipeg provides key services such as information, marketing, brokering, partnering and project management and support.

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