PRIVATE CAPITAL ON STRIKE IN MANITOBA

2005 Per Capita Private Capital Expenditures

Manitoba Private Investment Per Capita vs Alberta & Sask

SUMMARY:

In a relative sense, private capital is on strike in the Keystone Province.

- In 2005 Manitoba moved to last place in Canada’s private investment sweepstakes, a spot traditionally held by either New Brunswick or Prince Edward Island.
- On a per-capita basis, Alberta attracted 3.2 times as much private capital as Manitoba.
- While some will point to Alberta’s booming oil industry as the difference, Manitoba has consistently lagged both of its prairie neighbours over the last 14 years, a period which includes both low and high oil prices. As the only western Canadian province to experience declining population since 2000, Saskatchewan attracts about 50% more private capital per capita than Manitoba, a demographically similar province.
- Since low private investment means lower productivity growth, Manitoba’s relative living standards will continue to decline with the present policy model. This means stagnating wages and salaries, more out-migration and even more dependency on federal subsidies like equalization.
- Private investment is a function of an attractive policy environment. Manitoba needs to revisit its tax and regulatory policies if it wants to improve productivity and growth in the economy and increase compensation to labour.
- Manitoba has reduced its tax levels much slower than competing jurisdictions across western Canada. It suffers especially from relatively high marginal rates on personal income and high effective rates of taxation on capital.
- Other issues include a disproportionately large public sector relative to the size of its provincial economy, again the largest in western Canada, a heavy reliance on federal transfers and unbalanced labour regulations.
- Lower taxes, regulatory reform and a sharp de-emphasis in government consumption of the economy are required if the province hopes to reverse what appears to be an entrenched capital drought in Manitoba.

Source: All data derived from Statistics Canada