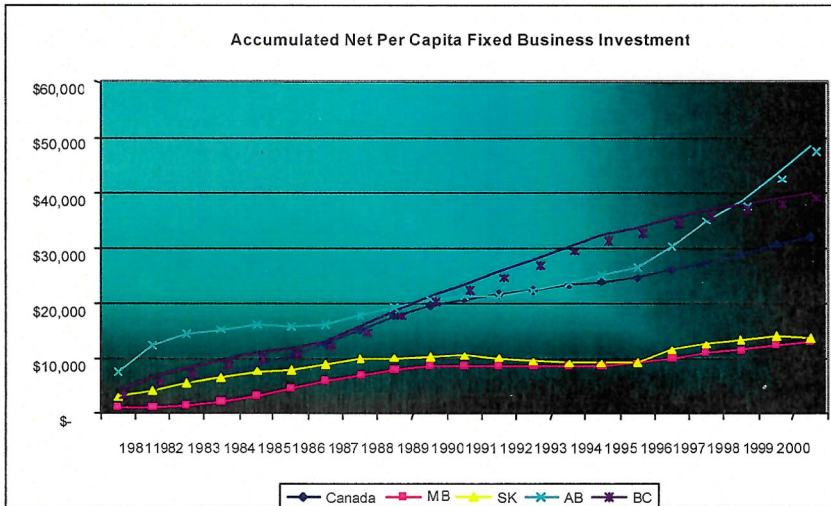




**MANITOBA'S FUTURE HAMPERED BY LOW BUSINESS INVESTMENT**



Annual Net Per Capita Fixed Business Investment

\$	MB	SK	AB	BC	CDA*
1981	1115	3032	7605	4386	2749
1982	16	1244	4778	2292	1729
1983	340	1283	2049	1789	1481
1984	734	972	826	1354	1380
1985	1082	1157	879	1230	1502
1986	1397	326	-259	826	1611
1987	1140	963	168	1467	2125
1988	1188	993	1847	2308	2548
1989	1027	218	1461	3064	2615
1990	686	249	1540	2671	1909
1991	95	253	509	2167	1191
1992	-167	-467	99	2238	890
1993	-36	-685	647	2148	687
1994	-28	-313	1612	2511	931
1995	107	-114	1363	1831	631
1996	440	350	1381	1405	687
1997	946	2141	3789	1798	1377
1998	860	992	4627	1198	1387
1999	748	878	3582	1016	1523
2000	817	652	4920	1113	1679
2001	583	300	5109	190	1467
<b>Total</b>	<b>13091</b>	<b>13823</b>	<b>48531</b>	<b>40001</b>	<b>32096</b>

\* weighted average of all Canadian provinces

**SUMMARY:**

Manitoba has the lowest rate of capital investment per capita in western Canada and the third lowest in the country, after two Maritime provinces. Over the last ten years, the accumulated new investment amounts to only 40% of the Canadian average. This indicates a chronic lack of confidence in Manitoba's investment climate and its economic policies. It is also a predictor of lower relative living standards and another signal that policies need to be reformed to increase investment levels.

**OBSERVATIONS:**

- Net fixed business investment per capita is the amount of capital being spent by businesses on plants, machinery, equipment, and buildings per person after accounting for depreciation. (Note: the statistic also includes non-residential and residential structures – this explains why B.C. does well in this comparison.) These investments partly determine labour productivity; high investment levels generally lead to faster economic growth and higher wages and salaries, while lower investment levels imply less growth and lower living standard increase.
- Accumulated between 1981 and 2001, Manitoba's per capita rate of capital investment was only 27% of Alberta's, 32% of B.C.'s, and 41% of the Canadian average. Saskatchewan, with a less diversified and more volatile economy, received slightly more new net business investment than Manitoba.
- This relative lack of business investment is related to Manitoba's slower growth in real wages per capita. Between 1991 and 2001, per capita real incomes grew three times faster in Alberta than Manitoba (.4% per year in Manitoba versus 1.3% in Alberta).
- Investment in plant and equipment is a function of an attractive policy environment. Manitoba needs to revisit its tax and regulatory policies if it wants to increase growth in the economy and wages. Uncompetitive taxes (relatively high marginal rates on personal income and high effective rates of taxation on capital), a proportionately large public sector relative to the size of the provincial economy, a heavy reliance on federal transfers and unbalanced labour regulations are early candidates for reform if the province is to reverse what appears to be an entrenched capital drought in Manitoba.

Source: Statistics Canada, Public Institutions Division, Financial Management System; Fraser Institute

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