The Conference Board of Canada Le Conference Board du Canada

FINAL REPORT

Long-Term Population, Housing and Economic Forecast for Winnipeg

Presented to: City of Winnipeg

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HIGHLIGHTS

- Real gross domestic product in Winnipeg is projected to increase by an average of 2.1 per cent annually from 2015 to 2040.
- Population growth is expected to average 1.2 per cent per year from 2015 to 2040.
- Migration will be an increasingly important source of population growth, and Winnipeg's ability to attract new migrants will become an important determinant of its future economic potential.
- Winnipeg is expected to attract an average of almost 8,500 net international migrants each year from 2015 to 2040.
- Although the population will age as baby boomers retire, increased levels of immigration will help support growth in Winnipeg's labour force.
- Average annual job growth will come in at 1.2 per cent over the outlook.
- As a massive number of employees retire, firms will have little choice but to increase investment, boosting the economy's capital-to-labour ratio.
- Winnipeg's housing market has begun a transformation as aging boomers and reduced housing affordability of single-family dwellings increase the demand for multi-family units.

OVERVIEW

In the 70 years since the end of the Second World War, Winnipeg's population has increased considerably. The sources and disposition of that growth, however, have changed significantly. The most prominent demographic development following the end of the Second World War was the jump in birth rates (the number of births per thousand people), giving rise to the baby-boom generation. In fact, Canada had the largest baby boom, proportionally, of any industrialized country in the world. The Canadian fertility rate peaked between 1960 and 1964 at almost four children per woman. Since the baby-boom generation includes every Canadian born between 1947 and 1966, the high number of births during that period had a significant impact on overall population growth.

Starting in 1966, the fertility rate—the number of children born to the average woman over her lifetime—began to fall. As a result, the baby boom started to subside. This fall in the fertility rate can be linked to many factors, including the availability of new methods of birth control, increased participation of women in the labour force, and higher education levels among females, which have also led to higher incomes for women. The fertility rate has now fallen well below the standard replacement rate of 2.1, leading to a drastic slowdown in overall population growth. And the long-term growth profile for income, trends in female labour force participation, the aging phenomenon and enrolment in post-secondary institutions are all expected to keep the fertility rate fairly below the standard replacement rate over the forecast period.

The trends in population growth over the last 70 years are key determinants of future demographic developments. In particular, as the baby-boom generation gets older, the average age of Winnipeg's population is expected to gently rise. Moreover, the baby boomers, who currently account for about 25.9 per cent of the total population, are just starting to enter their retirement years. Consequently, the changing needs and requirements of this group will have major consequences on the Winnipeg economy.

Immigration has been the main driver of population growth in Winnipeg and an important source of labour force growth. International migration increased by an average of 14.1 per cent annually between 2004 and 2014, well above the 9.6 per cent average annual rate recorded for the province of Manitoba as a whole.

Strong immigration has also had an impact on Winnipeg's ethnic structure. Indeed, visible minorities accounted for 21.4 per cent of the population in the Winnipeg city region in 2011, up from 16.3 per cent in 2006. The Philippines have ranked as the area's top immigrant source. The Filipino community is the largest visible minority group in Winnipeg, comprising 56,400 individuals in 2011, an increase of approximately 20,000 people from 2006. Going forward, immigration will continue to be a major source of labour force growth and will help mitigate concerns about potential labour shortages.

WINNIPEG'S DEMOGRAPHIC TRENDS

Demographic trends play a central role in long-term economic forecasting. The growth and changing age structure of the population are major determinants of the labour force. In turn, the labour force is a vital component of an economy's potential output. In addition, the age profile of the population shapes overall demand, thereby influencing the relative strengths and weaknesses of various sectors of the economy. Winnipeg's population profile is determined by four factors: the natural increase (births minus deaths), intercity migration, interprovincial migration and international migration.

Short Term

Even with positive net international migration, the combination of increased interprovincial and intercity out-migration led to stagnant population growth in Winnipeg during the mid-1990s. However, net migration has increased gradually since then, especially on the intercity and international fronts. In 1999, Winnipeg's total population reached 688,170 and has been rising steadily ever since, increasing by an average of 0.8 per cent per year over the past sixteen years. International migration has been the largest contributor to population growth, ballooning to nearly 13,300 people in 2012 alone, more than double the number achieved in 2006. The Manitoba Provincial Nominee Program can take most of the credit for the higher immigrant inflows into Winnipeg. The program helps speed up the immigration process by selecting skilled workers with the intention to become permanent residents in Manitoba. In 2013, Manitoba received the second largest share (22.2 per cent) of provincial nominees among the nine Canadian provinces and two territories that have a provincial nominee program in place. The Provincial Nominee Program accounted for about 68 per cent of all of Manitoba's immigration in that same year. At the same time, significant improvements have also been made on the interprovincial and intercity fronts, although interprovincial net migration remained negative. Accordingly, by the end of 2014, total population reached just over 782,600 people.

The positive trend in migration is forecast to continue, so we expect healthy population gains in Winnipeg over the near term. First, net interprovincial migration is on track to become even less negative in 2015. After interprovincial migration suffered net losses of nearly 5,000 people in 2005 and 2006, results have been better. Indeed, in the next two years, net losses from interprovincial migration are expected to drop below 2,000 people, as the dramatic decline in oil prices is hurting job prospects in Alberta and Saskatchewan, making them relatively less attractive destinations for would-be migrants. In contrast, Winnipeg's economy is more highly diverse. In fact, the 2008-09 global recession had a relatively smaller impact on Winnipeg in general and on its manufacturing sector in particular. Winnipeg's economy saw employment fall by a mere 200 positions in 2009—a time when most other economies suffered much heavier job losses. Looking ahead, employment growth, which came in at an average of 1.1 per cent per year from 2000 to 2014, will stay healthy, reaching an average annual rate of 2.2 per cent in 2015 and 2016.

Second, Winnipeg will continue to attract people from all across Manitoba. Workers throughout the province are expected to come to the city to take advantage of relatively better employment opportunities. As services-producing industries become more prominent and the reliance on primary industries continues to decline, more and more people are expected to move to the province's largest city. Therefore, net intercity migration is projected to stay positive, climbing to 650 people in 2015 and to 700 people in 2016, up from the prior ten-year average of 440.

Another thing that makes Winnipeg attractive to migrants is its relatively low unemployment rate. In fact, its unemployment rate remains one of the lowest in the country (behind only Regina, Saskatoon, Edmonton, Calgary, Victoria, and Quebec City, among Canada's largest metropolitan centres in 2014). Although a tighter labour market and corresponding skills shortage can be problematic for the economy, it can benefit workers over the short run. It provides people with more choices and more flexibility in the job market and it gives them greater bargaining power.

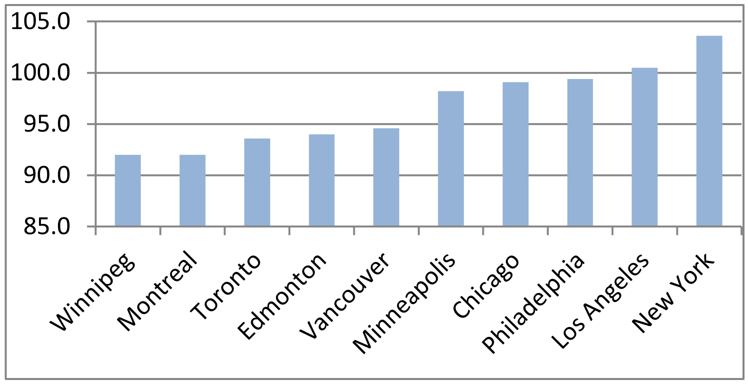
The combination of lower interprovincial out-migration, higher intercity in-migration, and healthy immigration is expected to boost Winnipeg's population. Total population in the census metropolitan area (CMA) is expected to reach about 803,500 inhabitants by the end of 2016, based on sound growth averaging 1.3 per cent per year in 2015 and 2016.

Medium Term

Winnipeg's diversified and stable economy will serve as a foundation for steady population growth over the medium term (2017 to 2019) too. The city's healthy manufacturing and high-tech sectors, together with relatively low housing prices, are expected to lead to a strong inflow of migrants, boosting population growth. In particular, solid demand will result in continued strength in aerospace and transit bus manufacturing. As well, Canada's first major inland port has been established in Winnipeg, consolidating the CMA's geographic advantage. Investments made to develop both the transportation sector and the province's infrastructure over the past few years will help the province's competitiveness over the next decade. Meanwhile, Manitoba farmers are expected to benefit from rising demand for food (especially from rapidly emerging countries) and from stronger food prices, thereby leading to better opportunities in the food-processing sector. Over the medium term, these initiatives are poised to create well-paying jobs and lead to spin-off opportunities in the services sector. This, in turn, will keep highly educated people in the city and attract new migrants. Traditionally, Winnipeg has had trouble retaining skilled labour and has often been overlooked by workers in favour of cities in other Canadian provinces, such as Ontario, Alberta and British Columbia. However, that has not been the case in recent years, as evidenced by Winnipeg's improved migration performance and resulting strong population growth. Thus, given its recent economic success, the city is able to attract and keep its highly educated and highly skilled population.

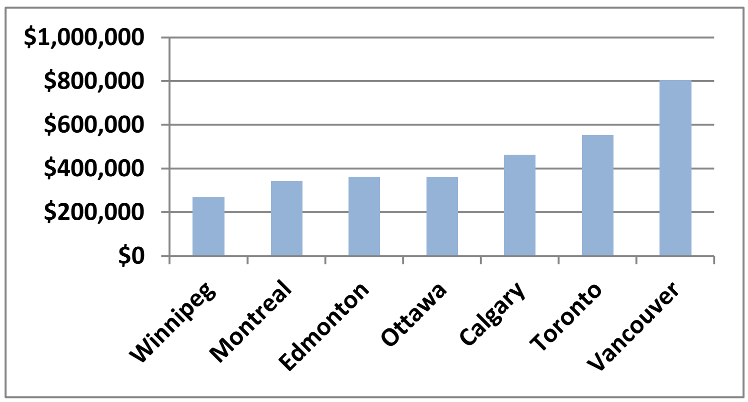
Furthermore, Winnipeg's relatively low cost of living and low business costs make it an attractive place for people and businesses considering relocation within Canada and from abroad. In fact, according to the 2014 KPMG Competitive Alternatives report, Winnipeg enjoys one of the lowest costs for doing business in North America (see Chart 1). Residential costs are also relatively cheap, with the average house price in Winnipeg the lowest among the major urban centres in Canada (see Chart 2).

Chart 1- International Business Location Costs (Index US=100)



Source: KPMG Competitive Alternatives 2014.

Chart 2- Average House Price on MLS (2014)



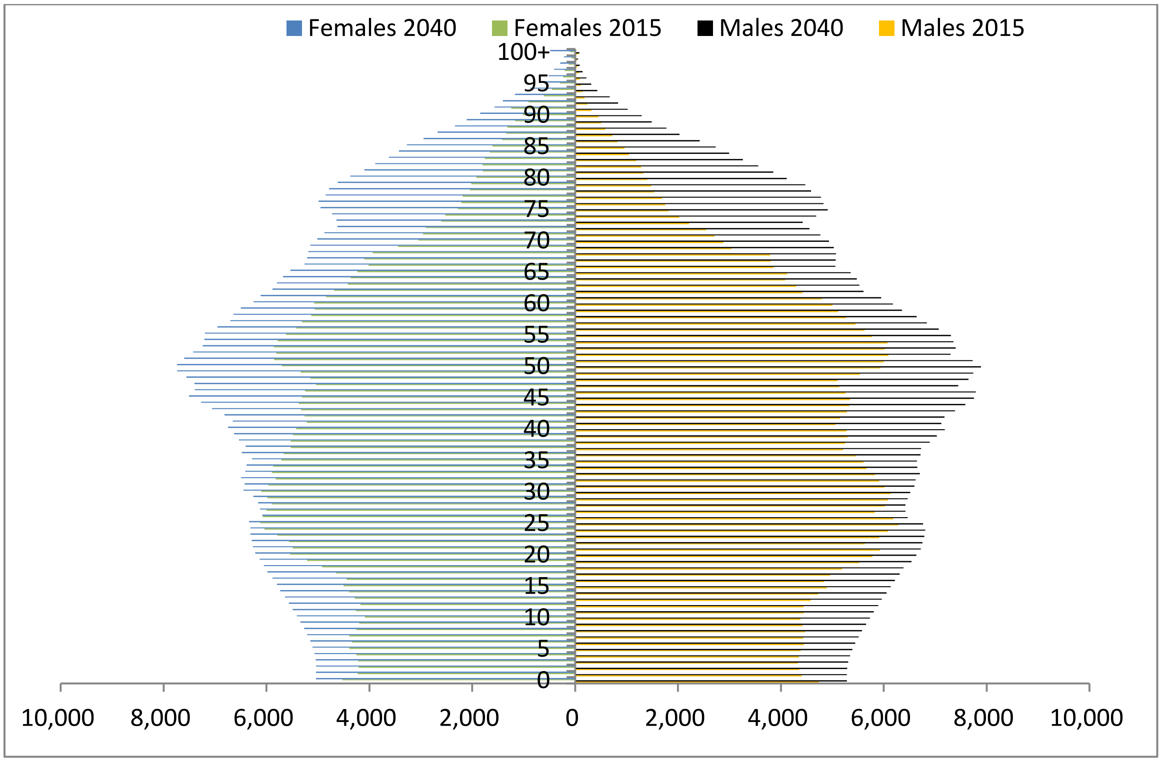
Source: Canadian Real Estate Association.

Given all these considerations, Winnipeg's population base is expected to expand at an average rate of 1.3 per cent per year over the medium term, reaching 835,258 people by 2019.

Long Term

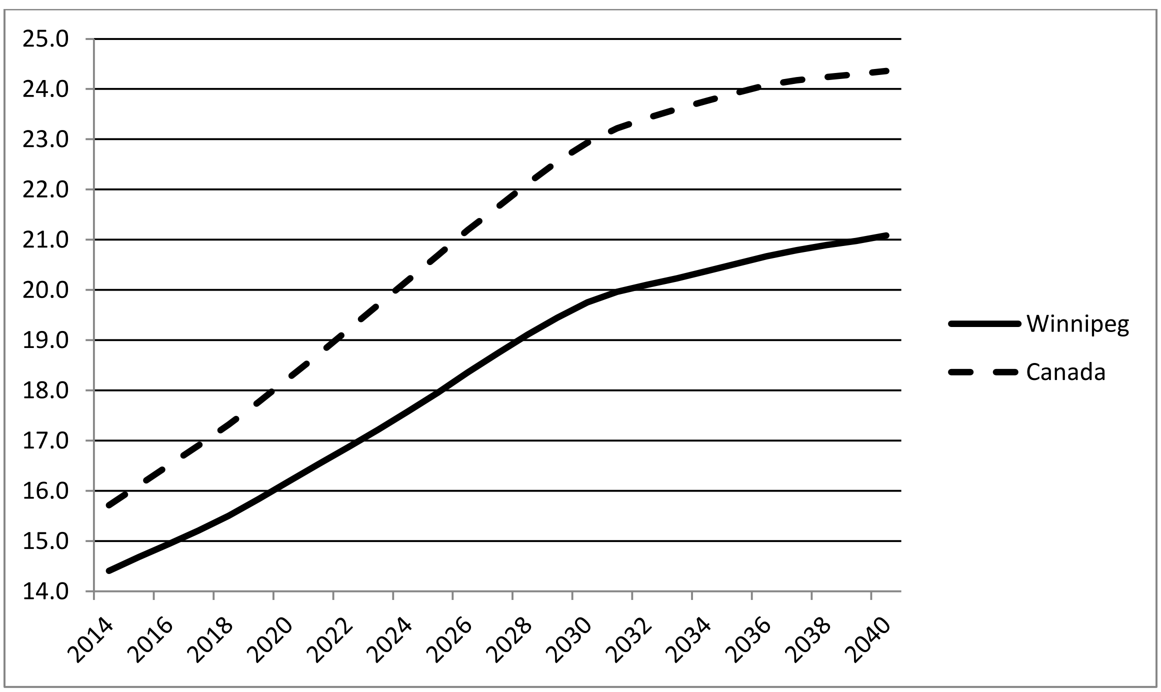
The aging of the baby-boom generation will be the most significant demographic development confronting Winnipeg in the long term. The accompanying change in the age structure of the population is best illustrated by Charts 3 and 4. In 2014, the baby boomers represented the big bulge in the middle of the population pyramid—roughly 26 per cent of total population. As the baby boomers grow older, this age cohort will shift the bulge in the population pyramid upward. In turn, the proportion of people aged 65 and over is expected to climb from 14.4 per cent in 2015 to 21.1 per cent in 2040.

Chart 3- Population by Single-Age Cohort (2015 and 2040)



Sources: The Conference Board of Canada; Statistics Canada.

Chart 4- Proportion of the Population Aged 65 Years and Over (Percent)



Sources: The Conference Board of Canada; Statistics Canada

The other noticeable change in the structure of the population is an increase in the number of echo boomers, thus named because they are the children of the baby boomers, born from 1980 to 1995, and are now aged between 35 and 50. This group also includes a small portion of immigrants who fall into this age category. As a result of falling fertility rates, this age cohort is smaller, in proportion, than that of their parents. However, the echo boomers will become more numerous in Winnipeg in 2040 than would have otherwise been the case, thanks to a healthy migration outlook. This, along with the passing of baby boomers, will push the ratio of echo boomers to baby boomers to 181 per cent by the end of the forecast, up from 94 per cent in 2015.

To better understand Winnipeg's population growth dynamic over the long run, total growth should be viewed in the context of its four components: natural increase (births minus deaths), net intercity migration, net interprovincial migration and net international migration. Table 1 provides a complete breakdown of the components of Winnipeg's population.

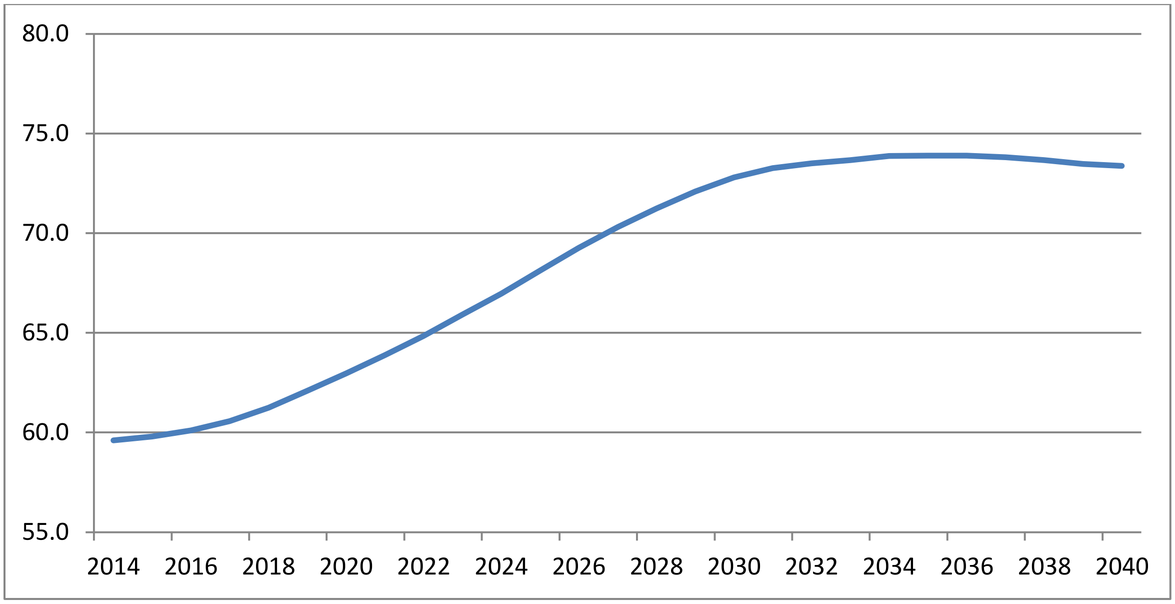
As the baby boomers age, the natural increase of the population is expected to decline. At the moment, the last segment of baby boomers has now moved out of its prime childbearing years (between 15 and 44). Naturally, other generations will enter into their prime childbearing years. These include the baby-bust generation (those born from 1967 to 1979) and the echo-boom generation (those born from 1980 to 1995). As their names imply, these cohorts are considerably smaller than the baby–boom generation.

With the aging of the baby-boom generation, the number of deaths per thousand people will inevitably rise over the forecast period, despite advances in medical care. Although life expectancy should continue to improve over the forecast, the aging of the population rules out a declining aggregate death rate. At the same time, the numbers of births will continue to rise over the forecast but at a slower rate than the number of deaths. Still, the natural increase is expected to remain positive throughout the forecast.

The greying of the population will cause the dependency ratio (defined as the proportion of the population 0 to 19 years of age and 65 and over, relative to the population 20 to 64 years old) to rise over the forecast horizon. In 2014, for every 100 people in Winnipeg's productive workforce age group (those aged between 20 and 64), there were 60 citizens not in the productive workforce age group (0 to 19 years of age and 65 years and over). By 2040, the ratio is expected to increase to 73 out of 100. The key demographic factor behind this phenomenon is the baby-boom generation. By the end of the forecast, all of the boomers will be in their retirement years, resulting in a higher seniors dependency ratio. The long-term implications for the province's finances—in terms of care for the elderly—are considerable.

Winnipeg is expected to continue to benefit from population movements within Manitoba. It remains the metropolitan heart of the province, and given its stable economic output and solid job opportunities, people will continue to be drawn people to the city. Thus, net intercity migration is expected to remain positive, ranging from between 490 and 700 people annually until 2040.

Chart 5- Winnipeg's Dependency Ratio (Percentage)



Although interprovincial migration continues to be a drain on Winnipeg's population, fewer and fewer people will be leaving Manitoba. While the short term still sees net losses falling below 2,000 people, net interprovincial migration is expected to improve further over the forecast, becoming less and less negative, thanks to sound employment opportunities and government measures to retain and attract young people. Hence, net interprovincial migration is expected to improve from a net outflow of over 1,600 people in 2019 to a net outflow of less than 1,300 people in 2040.

Net immigration has been very strong in Winnipeg over the past five years, averaging 12,200 per year. Although The Conference Board of Canada expects net immigration to fall to 8,424 in 2015, in line with our outlook for a decline in net immigration for Manitoba as a whole, this is still a much higher level of immigrants than Winnipeg received as little as ten years ago. In fact, net immigration averaged about 3,600 people per year between 2000 and 2005, 60 per cent lower than the 2015 projected figure.

Following the dip in 2015, net immigration to Winnipeg is projected to gently strengthen over the rest of the forecast period. Indeed, because of declining fertility rates, the federal government now sets the total number of immigrants to Canada at between 260,000 and 285,000 per year. Historically, Winnipeg has received only a small share of this total, since the vast majority of immigrants choose to land in the country's three big cities: Toronto, Montréal and Vancouver. However, given that the total number of immigrants to Canada is projected to rise to 340,000 per year by 2040, and given the anticipated tightness in labour markets across the country, the Conference Board expects all Canadian CMAs to put considerable effort into attracting more newcomers. And the Winnipeg CMA will be no exception. The Conference Board of Canada expects net immigration in Winnipeg to climb from 8,424 in 2015 to 8,963 by 2040.

All in all, total population growth in Winnipeg is set to average 1.1 per cent per year from 2020 to 2040, a rate faster than the 0.8 per cent expected for Canada as a whole.

Table 1-Winnipeg's Population and its Components

	Total population	Natural increase	Net intercity migration	Net interprovincial migration	Net international migration
2002	700,033	1,830	937	-2,687	3,142
2003	704,341	1,697	517	-1,901	3,071
2004	710,292	1,820	51	-1,845	5,045
2005	713,063	1,702	-55	-4,899	5,228
2006	715,928	2,067	-188	-4,846	6,263
2007	719,065	2,238	558	-3,745	8,641
2008	723,251	2,121	1,009	-2,955	8,587
2009	729,333	2,415	1,305	-2,435	9,340
2010	736,368	2,597	394	-2,049	10,611
2011	746,059	2,290	958	-2,429	12,323
2012	759,620	2,371	689	-2,782	13,283
2013	770,393	2,420	-142	-3,208	11,703
2014	782,640	2,458	-142	-3,148	13,079
2015	793,048	3,216	650	-1,882	8,424
2016	803,545	3,310	700	-1,821	8,308
2017	814,107	3,389	685	-1,762	8,250
2018	824,640	3,453	680	-1,702	8,102
2019	835,258	3,498	675	-1,635	8,081
2020	846,023	3,527	670	-1,589	8,156
2021	856,754	3,540	661	-1,526	8,057
2022	867,596	3,534	652	-1,475	8,130
2023	878,523	3,498	643	-1,413	8,200
2024	889,496	3,442	634	-1,369	8,266
2025	900,499	3,368	625	-1,360	8,370
2026	911,381	3,276	616	-1,371	8,361
2027	922,246	3,170	607	-1,342	8,430
2028	933,052	3,050	598	-1,341	8,500
2029	943,787	2,920	589	-1,345	8,571
2030	954,458	2,781	580	-1,335	8,645
2031	964,975	2,639	571	-1,330	8,638
2032	975,382	2,495	562	-1,325	8,674
2033	985,681	2,354	553	-1,319	8,711
2034	995,881	2,223	544	-1,314	8,747
2035	1,005,994	2,101	535	-1,309	8,786
2036	1,016,003	1,990	526	-1,303	8,798
2037	1,025,946	1,886	517	-1,298	8,837
2038	1,035,832	1,792	508	-1,293	8,879
2039	1,045,669	1,705	499	-1,288	8,920
2040	1,055,470	1,629	490	-1,282	8,963

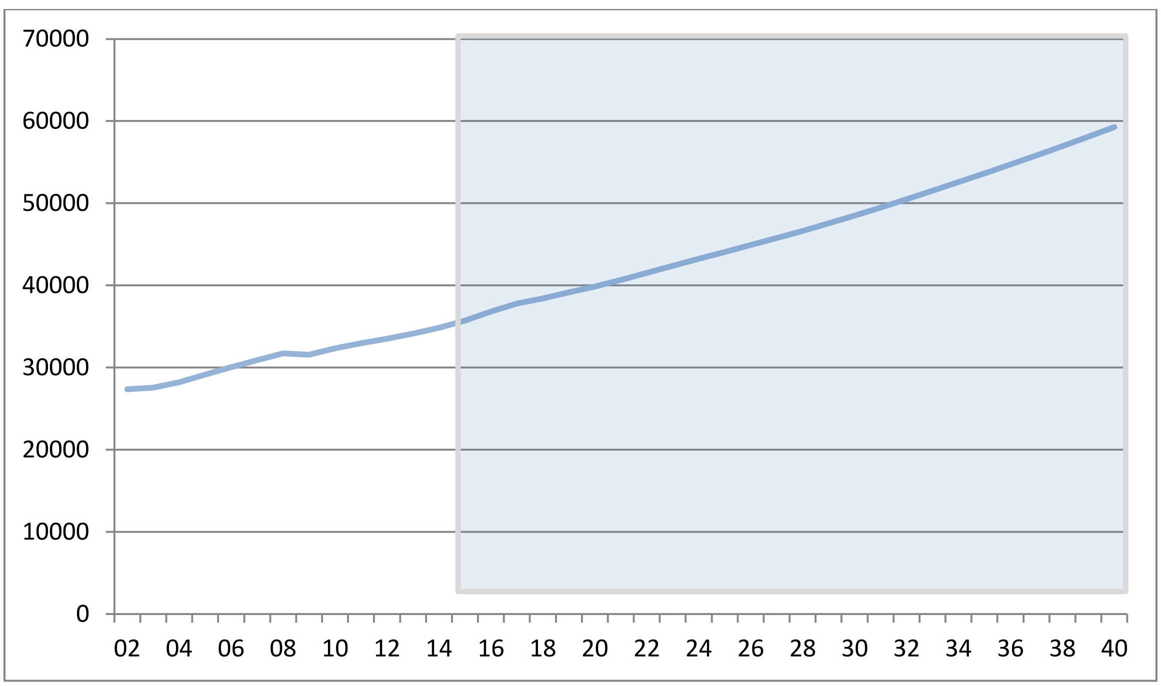
Sources: The Conference Board of Canada; Statistics Canada.

ECONOMIC FORECAST

Gross Domestic Product

Winnipeg is expected to enjoy a relatively healthy economy until 2040, in good part thanks to a diversifying manufacturing sector, robust construction activity, and an expanding services sector, all of which should result in solid employment growth. Strong domestic demand will continue to bolster economic activity, as personal income growth is expected to be steady over the entire forecast period. Therefore, consumer spending will remain healthy, as retail sales are projected to grow by a sound 3.5 per cent per year from 2015 to 2040. The province’s mining and electricity-generating potential will lead to other megaprojects being developed over the next decade, which will also indirectly benefit Winnipeg’s economy. The CMA will also be helped by stable provincial government spending, as public spending commitments to upgrade infrastructure (like hospitals, sewage systems and roads) will support Winnipeg’s investment forecast. Overall, real GDP is expected to grow by an average annual compound growth rate of 2.1 per cent over 2015–40.

Chart 6 - Winnipeg's Real GDP Outlook (Millions $ 2007)

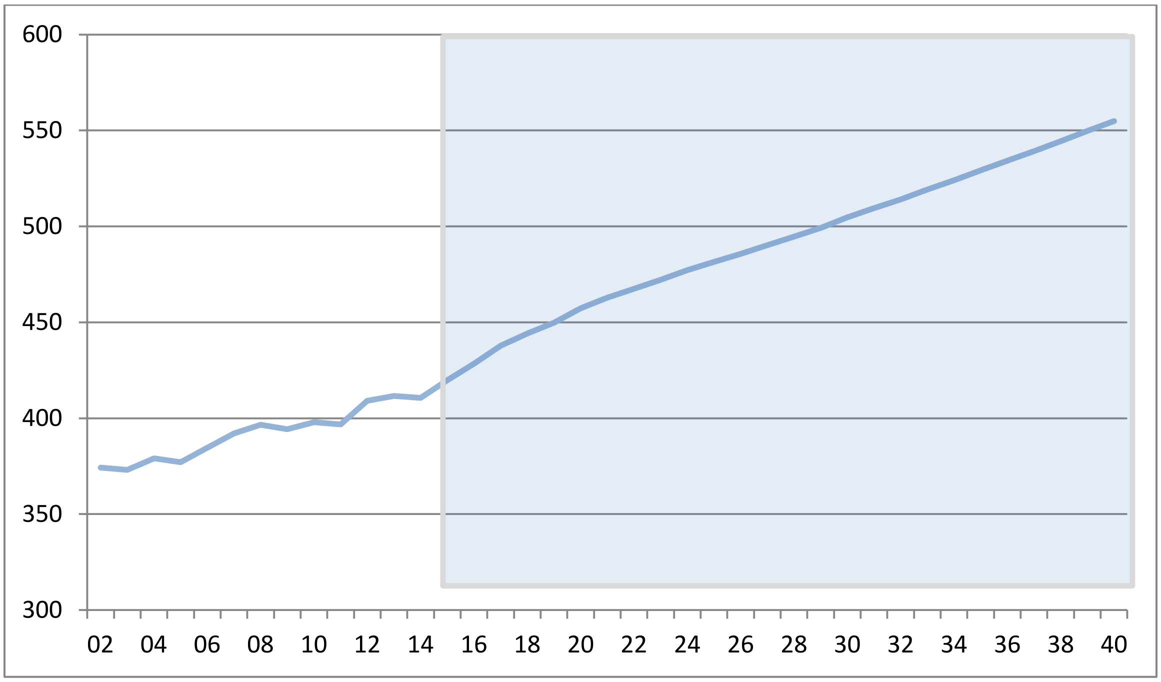


Sources: The Conference Board of Canada; Statistics Canada.

Labour Market

Employment growth in Winnipeg is expected to be relatively healthy over the forecast, coming in at an annual average rate of 1.2 per cent. In level terms, this amounts to about 4,900 new jobs being created each year between 2015 and 2040. But Winnipeg's labour force is expected to undergo major changes in the long term mainly because of the aging population. In fact, baby boomers (residents born between 1947 and 1966) have already started retiring, and will continue to do so en masse over the next few years. This will only intensify throughout the forecast horizon. Moreover, the rapid growth in the number of women entering the labour force has already come to an to an end. Given the expected growth in employment, the unemployment rate is forecast to fall from 5.4 per cent in 2015 to 4.8 per cent by 2040.

Chart 7- Winnipeg's Employment Outlook (Thousands)



Sources: The Conference Board of Canada; Statistics Canada.

Job growth is expected to be stronger in the services sector than in the goods-producing industries. Indeed, employment in the services side of the economy is projected to advance by 1.3 per cent per year from 2015 to 2040, while it will increase by 0.8 per cent per year in the goods sector over the same time frame.

Although the pace of employment growth will slow over the forecast, solid gains in personal disposable income are expected over the entire forecast period. Two factors underlie this assumption. First, increased productivity is expected to lead to solid wage increases in the region. A second factor will be the contribution of transfer payments, which are projected to rise throughout the forecast as the baby boomers retire. As a result, personal disposable income is projected to increase by 4.1 per cent, on an annual average basis, from 2015 to 2040.

The labour force—defined as the product of the population aged 15 and over and the participation rate—is projected to increase by 1.3 per cent in 2015. However, labour force growth is expected to be slightly weaker in the coming years, due to the declining participation rate, as boomers retire. Indeed, we expect labour force growth to fall as low as 1 per cent annually by the end of the forecast.

Investment

Winnipeg's construction sector has experienced very strong growth in recent years, with output increasing by an average of 9.7 per cent annually from 2008 to 2010. Unfortunately, things deteriorated in 2011, as output tumbled by 4.3 per cent. Two years of growth followed, before another setback last year. Fortunately, the sector is expected to bounce back this year, growing by a solid 4 per cent. It is projected to remain on this upward trend, thanks to robust residential and non-residential activity, as evidenced by big gains in building permits, a key indicator of future construction output. Indeed, the value of building permits has averaged $1.6-billion per year over the last three years, a whopping 50 per cent increase from the $1.1-billion annual average recorded from 2009 to 2011.

Non-Residential Investment

The non-residential construction sector's outlook is bright. Indeed, a plethora of major products will keep Winnipeg's non-residential sector busy for years. The government of Manitoba has committed to spend a total of $5.5-billion over five years (2014-2018) on infrastructure projects. According to the investment profile, the province will spend $3.7-billion over five years on highways, bridges, and critical transportation infrastructure, and over $300-million on flood protection and water quality projects. Municipal infrastructure investment will average over $300-million a year for five years, for a total of $1.5-billion. The Conference Board of Canada estimates that the plan will lift Manitoba's overall real GDP by $6.3-billion over 2014-2018, and create a total of 58,900 person-years of employment. Increased economic activity will boost the average real income of working-age Manitobans by about $1,100 annually over the next five years. At the same time, exports are expected to rise by $5.8-billion between 2014 and 2018.

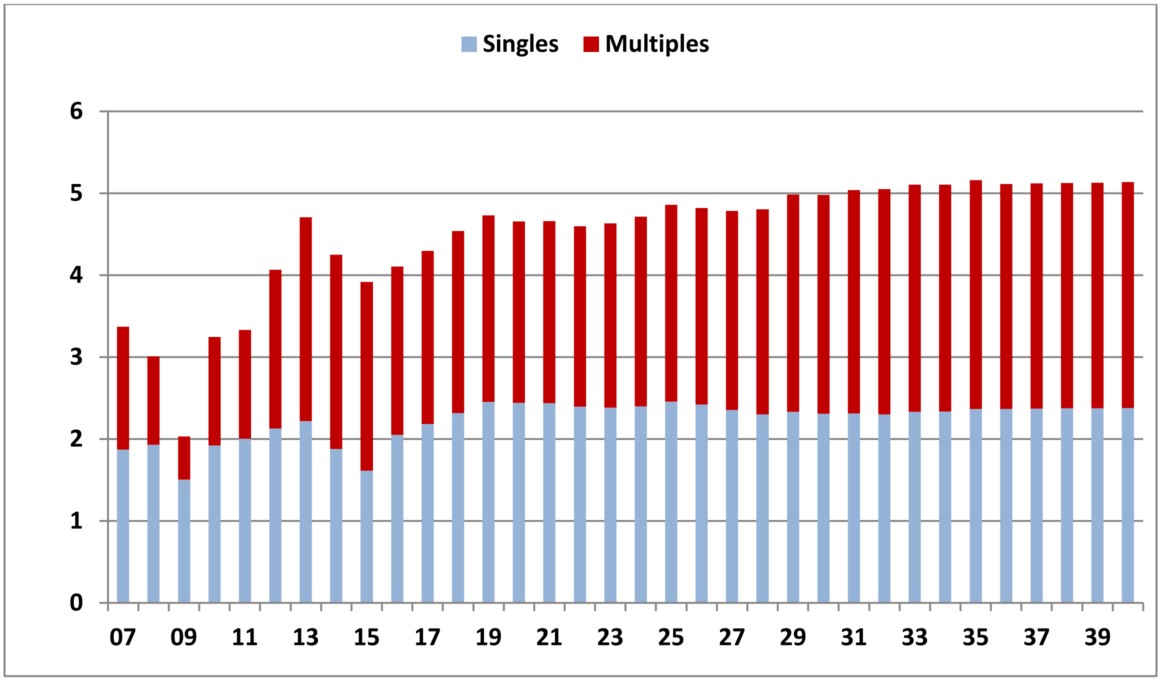
Construction has also been ongoing on Manitoba Hydro's $6.2-billion Keeyask hydroelectric dam. The dam is expected to produce an average of 4,400 gigawatt hours of electricity each year, and have a net capacity of 695 megawatts. The project has a target in-service date of 2019. Other major projects include the $180-million RBC Convention Centre expansion (nearing completion), the $155-million Waverley Street Underpass at Taylor avenue (construction expected to start in January 2017), the $335-million South End Sewage Treatment Plant Upgrade (currently under construction), and the $569-million North End Sewage Treatment Plant Upgrade (construction expected to start in the summer of 2016). The city also intends to spend $587-million extending the Southwest Transitway from its current ending at Jubilee Avenue to the University of Manitoba. Although the project should start next year, the process is not without controversy, particularly since the preferred route will require expropriating some private homes and environmentally sensitive areas. Nonetheless, the project is fully funded, with contributions from the Manitoba and federal governments, and is slated for completion in 2020. The city of Winnipeg is also increasing funding for its regional and local street renewal capital program, with a $103-million investment in 2015 alone. Finally, work is underway on Winnipeg's $200-million outlet mall. The 400,000 square feet mall will feature over 100 retailers and is expected to create 1,300 jobs when it opens its doors in May 2017.

Construction activity is also expected to get a boost in the medium term from the residential sector. Since total population growth is forecast to average 1.3 per cent growth per year until 2019, steady growth in the number of new housing starts will be maintained to meet demographic requirements. From 2015 to 2019, builders are projected to break ground on roughly 4,320 units per year.

As Table 1 (see Annex) indicates, the number of households has risen steadily in Winnipeg over the past decade. In 2002, there were about 272,370 households in the CMA, with about 2.57 people per household. By 2014, thanks to both healthy population growth and a slow decline in the number of people per household, the number of households in Winnipeg had risen to an estimated 317,138. With baby boomers now in their retirement years, they are expected to leave their single-family homes and settle in apartment complexes and eventually retirement residences. As a result, the average number of persons per household is expected to slowly decline in the medium term. At the same time, people belonging to the baby-bust and echo-boom generations are getting established, moving out of their rental apartments and into single-family homes. Therefore the total number of households is projected to increase to 343,119 by 2019.

Over the long term (2020 to 2040), an aging population will mean investment spending will be primarily focused on health care, with the construction of new hospitals, the conversion of old hospitals to long-term care facilities and the purchase of new equipment. The provincial and local governments will also need to spend money on upgrading and improving Winnipeg’s infrastructure, such as sewage systems, waterlines and roads—especially since adaptation to climate change will likely require infrastructure investment.

Chart 8- Winnipeg's Housing Starts (Thousands)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Residential Investment

Residential investment is expected to stay healthy in the long run. Population growth will remain sound, increasing at an average annual rate of 1.1 per cent from 2020 to 2040. To satisfy demographic requirements, housing starts are expected to increase further, coming in at about 5,135 units by 2040. Moreover, a structural adjustment will be required in the face of an aging population, as most elderly people will opt to live in apartment buildings or retirement homes. Thus, the demand for multi-family dwellings will increase, while the demand for single-family dwellings will start to fall off. (See Chart 7). Sometime before the end of 2027, the number of new multiple starts is expected to surpass the number of new single starts. Indeed, multiple starts are expected to make up 54 per cent of total housing starts in Winnipeg by the end of the forecast. But it is interesting to note that the makeup of multi-family starts is projected to change in the long run. By 2040, more and more retirees will continue to downsize to an apartment. For that reason, the demand for multi-family apartment units will escalate further in the long run. At the same time, higher quality row housing and townhouse type buildings are expected to boost the number of row units. In fact, apartment complexes and row housing will account for about 97 per cent of all multiple starts in Winnipeg in 2040, with construction starting on more than 2,225 new apartment units and nearly 439 row units—a little more than half of all housing starts.

While the aging of the population will alter the characteristics of Winnipeg's households significantly, the overall household count will continue to rise, in line with healthy population growth and a declining average number of persons per household. Specifically, the number of households is forecast to reach 447,499 by 2040, with the total number of persons per household sliding to 2.36 by the end of the forecast. In the long run, the baby-bust and the echo-boom generations will support demand for singles units, while the baby boomers will bring about a sharp increase in demand for multiples. Accordingly, both single and multiple housing starts are expected to stay strong over the entire forecast period.

ECONOMIC IMPLICATIONS

Labour Shortages

Although Winnipeg's population outlook calls for stable growth going forward, the underlying age structure of the population remains an issue for the labour force. As the baby-boom generation grows older, so does the probability of labour shortages. However, labour force growth is expected to match employment growth in the medium term, so significant labour shortages are not expected soon in Winnipeg.

In the long term, the proportion of the population aged 65 and over is expected to rise sharply, reaching 21.1 per cent in 2040. This is considerably lower than the expected Canadian share of 24.4 per cent. With senior people generally retiring and leaving the labour force, tensions in the labour market will become more apparent. Thus, wage pressures will intensify. This, in turn, is expected to encourage people to remain in the labour force longer than they normally would. As a result, adjustments in the labour market will have to take place to accommodate an older workforce. An example of such an adjustment includes more flexible working schedules. Another adjustment that will take place is capital intensification of production processes, as relatively more expensive labour will be replaced by machinery. Hence, investment is projected to be relatively robust in both the medium and long term and lead to healthy gains in labour productivity.

Fortunately, immigration to Winnipeg has been very strong the past few years as a result of the provincial nominee program. Indeed, population growth averaged 1.6 per cent per year from 2012 to 2014. Strong in-migration is expected to continue over the long term, providing much-needed support to labour force growth. International immigration will lead the way: by 2040, roughly 9,000 net new international migrants are expected each year. This is on top of improved results for both intercity and interprovincial migration. As a result of Manitoba's provincial nominee program, Winnipeg has already attracted more migrants (international immigration already broke the 10,000 person threshold from 2010 and 2014). Thus the city is well-positioned to limit labour shortages. On the downside, Alberta and Saskatchewan, the provinces that Manitoba competes most strongly with for labour, traditionally have had an abundance of low-skill, high wage jobs that present Winnipeg with challenges in retaining low-skilled workers.

Consumer Spending

At the provincial level, real household consumption of goods and services will increase at a solid pace over the near term, with growth peaking at 2.7 per cent in 2017. Beyond 2017, however, the impact of an aging population on household spending will result in weaker growth. We expect real growth in household spending to average 2.3 per cent per year between 2018 and 2035.

In addition to weaker growth, there will be a shift in consumer expenditure patterns. As the baby boomers approach and then reach retirement age, they will gradually spend more of their disposable income on services (such as health care and travel) and less on durable goods (such as cars and large appliances). Specifically, the proportion of total household consumption spending on goods is expected to fall from 47 per cent in 2015 to 41 per cent in 2035.

Since many baby boomers are well established, they are no longer looking to buy new homes. Instead, they will be paying down debt and accumulating savings in preparation for their retirement. This will allow the savings rate to trend upward in the medium term. However, once baby boomers start to retire, the savings rate will fall again.

Government Spending

Manitoba's fiscal situation is in good shape—at least over the near term-despite the province being stuck in a deficit ever since the 2008-09 recession derailed five consecutive years of surpluses. The province is expected to see solid revenue growth over the medium term, including a lower reliance on federal funds in the form of equalization payments. And given the stronger economic outlook—Manitoba's economy is expected to perform above the national average over the near term—the province expects to balance its books in 2018-19. Despite the recent deficits, net debt on a per capita basis remains below the national average, keeping debt charges contained.

Over the long term, the province is likely to return to deficits as weaker economic growth leads to less revenue for provincial government coffers. At the same time, government spending will increase mainly because of the rising health care needs of an aging population. Total spending is expected to expand at about a 4 per cent annual pace over the long-term, sharply higher than the less than 3 per cent growth recorded in 2014-17. Although deficits will return over the long term, it is worth noting that Manitoba's fiscal health will be much better than that of most other provinces.

INDUSTRY ANALYSIS

The main manufacturing industries in Winnipeg include aerospace, information technology and telecommunications, machinery, transportation equipment, food processing, chemicals, primary metals, and fabricated metal products. Winnipeg's manufacturing industry struggled during the 2008-09 recession, as output fell in two out of the three years from 2008 to 2010. However, the sector bounced back in 2011, in line with a recovering global economy. Further increases in demand, both in Canada and internationally, pushed manufacturing output up by an average of 5.6 per cent per year from 2012 to 2014. With local manufacturers benefitting from a low Canadian dollar, a strengthening U.S. economy, and lower shipping costs due to the dramatic decline in oil prices, activity should remain healthy in the short term. In fact, manufacturing output is projected to climb by 2.4 per cent, on an average annual basis, from 2015 to 2017. In the long term, Winnipeg will continue to attract a number of different types of manufacturers, thanks to its low cost of living, its highly skilled workforce, and healthy population growth. Accordingly, manufacturing output is projected to grow at an average annual compound rate of 1.6 per cent over 2018-40.

Winnipeg's geographical advantage—it sits in the middle of the North American continent—has supported the local transportation industry for years. This is a trend that will continue going forward. The opening in 2013 of Winnipeg's CentrePort Canada project, Canada's first major inland port, has pushed the transportation industry to further expansion. CentrePort Canada is a massive trucking and rail depot linked to airport runways. By building Winnipeg into a multi-sectored hub for international transportation, manufacturing, distribution, and warehousing, the project has created opportunities to attract more investment, boost trade, and generate new jobs. CentrePort will help Winnipeg's transportation and warehousing sector grow at a projected compound annual rate of 1.8 per year from 2015-40. Meanwhile, finance, insurance, and real estate, Winnipeg's largest services industry, is forecast to expand by a solid 3 per cent, on an average annual basis, from 2015 to 2040. The industry is set to benefit from solid activity in both the residential and non-residential sectors.

In all, goods sector output is forecast to expand by an average of 1.8 per cent per year over the forecast period, while services sector output is projected to increase by 2.1 per cent per year from 2015-40.

CONCLUSION

Winnipeg's population will post decent gains over the entire forecast period (2015 to 2040). The CMA's population is projected to reach just over 793,000 people in 2015, then about 835,300 in 2019 and about 1,055,500 by 2040. The average growth rate of the population during this time is expected to be 1.2 per cent per year.

However, this stable population growth hides a key change in the underlying age structure of the population. As the baby boomers grow older, the average age of the population is expected to rise from 38.9 years in 2014 to 42.5 years in 2040. Moreover, the proportion of the population aged 65 and over is expected to increase significantly in the latter half of the forecast. People aged 65 and older now make up about 14.4 per cent of Winnipeg's population. By 2019, the proportion will rise to 15.8 per cent and trend to 21.1 per cent by 2040.

The aging of the population will bring about a steady decline in the natural increase of the population. Immigration will then have to pick up the slack. Fortunately in the case of Winnipeg, policies to attract new migrants are already in place, and immigration to the CMA, which has been trending upward, is expected to continue to do so, allowing for sound population growth over the entire forecast horizon. This will be a blessing to the CMA's economic potential, as demographics helps determine the rate at which an economy can grow without inflationary pressures. All in all, real GDP growth in Winnipeg is forecast to average 2.1 per cent per year from 2015 to 2040. In contrast, real GDP growth averaged 1.8 per cent per year from 1988 to 2014, when annual average population growth was much lower.

ANNEX

TABLE 1: KEY ECONOMIC INDICATORS: WINNIPEG

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REAL GDP (MILLIONS $ 2002)	27,371	27,574	28,214	29,162	30,036	30,917	31,726	31,571	32,367	32,982	33,522	34,148	34,853
	2.33	0.74	2.32	3.36	3.00	2.94	2.61	-0.49	2.52	1.90	1.64	1.87	2.07
POTENTIAL OUTPUT	27,259	27,882	28,542	29,245	29,964	30,653	31,276	31,839	32,391	32,971	33,598	34,296	35,089
(MILLIONS $ 2002)	2.34	2.29	2.37	2.46	2.46	2.30	2.03	1.80	1.73	1.79	1.90	2.08	2.31
RETAIL SALES (MILLIONS $)	6,550	6,846	7,279	7,712	8,085	8,715	9,272	9,192	9,694	10,082	10,164	10,348	10,692
	7.26	4.52	6.33	5.94	4.84	7.79	6.39	-0.86	5.46	4.00	0.81	1.81	3.32
EMPLOYMENT ('000s)	374	373	379	377	385	392	397	394	398	397	409	412	411
	2.49	-0.32	1.62	-0.52	1.99	1.95	1.12	-0.56	0.90	-0.26	3.11	0.61	-0.25
UNEMPLOYMENT RATE	5.20	5.13	5.48	4.78	4.53	4.65	4.33	5.40	5.73	5.88	5.53	5.83	5.83
POPULATION ('000s)	700	704	710	713	716	719	723	729	736	746	760	770	783
	0.60	0.62	0.84	0.39	0.40	0.44	0.58	0.84	0.96	1.32	1.82	1.42	1.59
HOUSING STARTS ('000s)	1.82	2.43	2.49	2.59	2.78	3.37	3.01	2.03	3.24	3.33	4.07	4.71	4.25
	23.63	33.44	2.43	3.90	7.39	21.39	-10.74	-32.44	59.57	2.68	22.04	15.74	-9.71
SINGLES ('000s)	1.53	1.64	1.88	1.76	1.74	1.87	1.93	1.51	1.92	2.00	2.13	2.22	1.88
MULTIPLES ('000s)	0.29	0.79	0.61	0.83	1.04	1.50	1.08	0.53	1.32	1.33	1.94	2.49	2.37
-SEMI ('000s)	0.02	0.05	0.05	0.03	0.09	0.02	0.03	0.04	0.04	0.04	0.12	0.11	0.13
-ROW ('000s)	0.01	0.04	0.03	0.10	0.05	0.09	0.11	0.09	0.14	0.33	0.19	0.45	0.43
-APARTMENT ('000s)	0.26	0.71	0.53	0.69	0.90	1.39	0.93	0.40	1.14	0.96	1.63	1.92	1.81
HOUSEHOLDS ('000s)	272.37	274.83	277.94	279.83	281.76	282.55	283.74	285.68	287.98	291.32	300.25	308.30	317.14
PERSONAL INCOME (MILLIONS $)	19,370	19,938	20,882	21,707	23,148	24,348	25,523	25,855	26,439	27,630	29,048	29,545	30,317
	3.31	2.93	4.74	3.95	6.64	5.18	4.83	1.30	2.26	4.51	5.13	1.71	2.61
PERSONAL INCOME PER CAPITA	27,669	28,306	29,399	30,441	32,333	33,860	35,288	35,451	35,903	37,032	38,240	38,350	38,738
(MILLIONS $)	2.69	2.30	3.86	3.55	6.21	4.72	4.22	0.46	1.28	3.14	3.26	0.29	1.01
PERSONAL DISPOSABLE INCOME	14,911	15,292	16,015	16,521	17,690	18,618	19,661	19,957	20,405	21,201	22,310	22,687	23,350
(MILLIONS $)	4.18	2.55	4.73	3.16	7.07	5.25	5.60	1.51	2.24	3.90	5.23	1.69	2.92
PERSONAL DISPOSABLE INCOME PER	21,300	21,710	22,546	23,169	24,708	25,892	27,183	27,364	27,709	28,416	29,370	29,448	29,835
CAPITA (MILLIONS $)	3.56	1.92	3.85	2.76	6.64	4.79	4.99	0.67	1.26	2.55	3.36	0.26	1.32
CONSUMER PRICE INDEX (1992=1.0)	1.00	1.02	1.04	1.06	1.09	1.11	1.13	1.14	1.15	1.18	1.20	1.23	1.25
	1.46	1.78	1.91	2.64	1.94	2.07	2.26	0.57	0.79	2.87	1.55	2.22	1.87

TABLE 1: KEY ECONOMIC INDICATORS: WINNIPEG

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
REAL GDP (MILLIONS $ 2002)	35,738	36,814	37,784	38,424	39,143	39,856	40,661	41,522	42,384	43,231	44,065	44,910	45,759
	2.54	3.01	2.63	1.69	1.87	1.82	2.02	2.12	2.08	2.00	1.93	1.92	1.89
POTENTIAL OUTPUT	36,153	37,260	38,247	38,811	39,442	39,969	40,768	41,659	42,526	43,299	44,099	44,882	45,657
(MILLIONS $ 2002)	3.03	3.06	2.65	1.48	1.62	1.34	2.00	2.18	2.08	1.82	1.85	1.77	1.73
RETAIL SALES (MILLIONS $)	11,004	11,441	11,919	12,370	12,776	13,212	13,692	14,184	14,703	15,254	15,788	16,344	16,922
	2.92	3.97	4.18	3.79	3.28	3.41	3.63	3.59	3.66	3.75	3.50	3.52	3.54
EMPLOYMENT ('000s)	420	428	438	444	450	457	463	467	472	477	482	486	490
	2.23	2.07	2.16	1.45	1.28	1.67	1.21	1.00	1.02	1.04	0.93	0.87	0.92
UNEMPLOYMENT RATE	5.40	5.20	5.10	5.10	5.10	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.90
POPULATION ('000s)	793	804	814	825	835	846	857	868	879	889	900	911	922
	1.33	1.32	1.31	1.29	1.29	1.29	1.27	1.27	1.26	1.25	1.24	1.21	1.19
HOUSING STARTS ('000s)	3.92	4.11	4.30	4.54	4.73	4.65	4.66	4.60	4.63	4.71	4.86	4.82	4.79
	-7.82	4.83	4.63	5.70	4.16	-1.57	0.14	-1.39	0.81	1.72	3.08	-0.79	-0.72
SINGLES ('000s)	1.62	2.05	2.18	2.32	2.45	2.44	2.44	2.39	2.38	2.40	2.46	2.42	2.36
MULTIPLES ('000s)	2.30	2.06	2.11	2.22	2.28	2.22	2.22	2.20	2.25	2.31	2.40	2.40	2.43
-SEMI ('000s)	0.11	0.09	0.09	0.10	0.10	0.10	0.10	0.09	0.09	0.10	0.10	0.10	0.10
-ROW ('000s)	0.35	0.32	0.33	0.34	0.35	0.34	0.35	0.34	0.35	0.36	0.37	0.37	0.38
-APARTMENT ('000s)	1.84	1.65	1.69	1.78	1.82	1.78	1.78	1.77	1.81	1.86	1.93	1.93	1.95
HOUSEHOLDS ('000s)	322.45	327.72	332.90	337.91	343.12	348.40	353.55	358.60	363.58	368.60	373.76	378.79	383.76
PERSONAL INCOME (MILLIONS $)	31,592	32,963	34,446	35,838	37,285	38,974	40,604	42,257	43,973	45,804	47,652	49,559	51,556
	4.20	4.34	4.50	4.04	4.04	4.53	4.18	4.07	4.06	4.16	4.03	4.00	4.03
PERSONAL INCOME PER CAPITA	39,789	40,986	42,281	43,439	44,632	46,075	47,411	48,742	50,106	51,562	52,996	54,461	55,990
(MILLIONS $)	2.71	3.01	3.16	2.74	2.74	3.23	2.90	2.81	2.80	2.90	2.78	2.76	2.81
PERSONAL DISPOSABLE INCOME	24,236	25,232	26,438	27,470	28,540	29,794	31,005	32,231	33,500	34,861	36,225	37,630	39,101
(MILLIONS $)	3.80	4.11	4.78	3.90	3.90	4.39	4.06	3.96	3.94	4.06	3.91	3.88	3.91
PERSONAL DISPOSABLE INCOME PER	30,525	31,373	32,451	33,296	34,164	35,223	36,203	37,177	38,173	39,243	40,288	41,352	42,464
CAPITA (MILLIONS $)	2.31	2.78	3.44	2.60	2.61	3.10	2.78	2.69	2.68	2.80	2.66	2.64	2.69
CONSUMER PRICE INDEX (1992=1.0)	1.26	1.29	1.31	1.34	1.37	1.40	1.43	1.46	1.49	1.52	1.55	1.58	1.61
	1.00	2.18	2.02	2.04	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.06

TABLE 1: KEY ECONOMIC INDICATORS: WINNIPEG

	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
REAL GDP (MILLIONS $ 2002)	46,644	47,571	48,498	49,487	50,496	51,529	52,572	53,639	54,720	55,821	56,946	58,093	59,264
	1.93	1.99	1.95	2.04	2.04	2.05	2.02	2.03	2.01	2.01	2.01	2.01	2.02
POTENTIAL OUTPUT	46,481	47,388	48,276	49,269	50,297	51,329	52,395	53,506	54,628	55,768	56,933	58,122	59,336
(MILLIONS $ 2002)	1.81	1.95	1.87	2.06	2.09	2.05	2.08	2.12	2.10	2.09	2.09	2.09	2.09
RETAIL SALES (MILLIONS $)	17,517	18,127	18,769	19,422	20,092	20,786	21,494	22,224	22,993	23,792	24,619	25,474	26,360
	3.52	3.48	3.54	3.48	3.45	3.45	3.41	3.40	3.46	3.47	3.47	3.48	3.48
EMPLOYMENT ('000s)	495	499	505	510	514	519	524	529	534	539	544	550	555
	0.91	0.92	1.08	0.97	0.88	1.00	0.94	0.96	0.95	0.95	0.96	0.96	0.96
UNEMPLOYMENT RATE	4.90	4.90	4.90	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80
POPULATION ('000s)	933	944	954	965	975	986	996	1006	1016	1026	1036	1046	1055
	1.17	1.15	1.13	1.10	1.08	1.06	1.03	1.02	1.00	0.98	0.96	0.95	0.94
HOUSING STARTS ('000s)	4.80	4.98	4.98	5.04	5.05	5.10	5.10	5.16	5.11	5.12	5.13	5.13	5.14
	0.40	3.71	-0.04	1.17	0.27	1.04	-0.01	1.07	-0.88	0.12	0.14	0.08	0.10
SINGLES ('000s)	2.30	2.33	2.31	2.31	2.30	2.33	2.34	2.37	2.37	2.37	2.37	2.38	2.38
MULTIPLES ('000s)	2.51	2.65	2.67	2.73	2.75	2.77	2.77	2.79	2.75	2.75	2.75	2.76	2.76
-SEMI ('000s)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.09	0.09
-ROW ('000s)	0.39	0.42	0.42	0.43	0.43	0.44	0.44	0.44	0.43	0.44	0.44	0.44	0.44
-APARTMENT ('000s)	2.01	2.13	2.15	2.19	2.21	2.23	2.23	2.25	2.21	2.22	2.22	2.22	2.23
HOUSEHOLDS ('000s)	388.62	393.68	398.66	403.55	408.54	413.53	418.59	423.56	428.32	433.11	437.85	442.69	447.50
PERSONAL INCOME (MILLIONS $)	53,651	55,841	58,193	60,635	63,133	65,789	68,514	71,377	74,365	77,485	80,740	84,136	87,679
	4.06	4.08	4.21	4.20	4.12	4.21	4.14	4.18	4.19	4.20	4.20	4.21	4.21
PERSONAL INCOME PER CAPITA	57,588	59,249	61,042	62,889	64,755	66,742	68,756	70,864	73,051	75,321	77,673	80,108	82,631
(MILLIONS $)	2.85	2.89	3.03	3.03	2.97	3.07	3.02	3.07	3.09	3.11	3.12	3.14	3.15
PERSONAL DISPOSABLE INCOME	40,640	42,247	43,975	45,763	47,588	49,525	51,509	53,589	55,829	58,165	60,600	63,137	65,780
(MILLIONS $)	3.94	3.95	4.09	4.06	3.99	4.07	4.01	4.04	4.18	4.19	4.19	4.19	4.19
PERSONAL DISPOSABLE INCOME PER	43,622	44,825	46,128	47,464	48,811	50,242	51,691	53,204	54,842	56,541	58,298	60,114	61,993
CAPITA (MILLIONS $)	2.73	2.76	2.91	2.90	2.84	2.93	2.88	2.93	3.08	3.10	3.11	3.12	3.13
CONSUMER PRICE INDEX (1992=1.0)	1.65	1.68	1.71	1.75	1.78	1.82	1.86	1.90	1.94	1.98	2.02	2.06	2.10
	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.06

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