

Niagara Economic Update

Planning and Economic Development Committee
ED 16-2020

Monday November 9, 2020

Blake Landry, Manager, Research and Analysis

Niagara Economic Update

Planning and Economic Development Committee

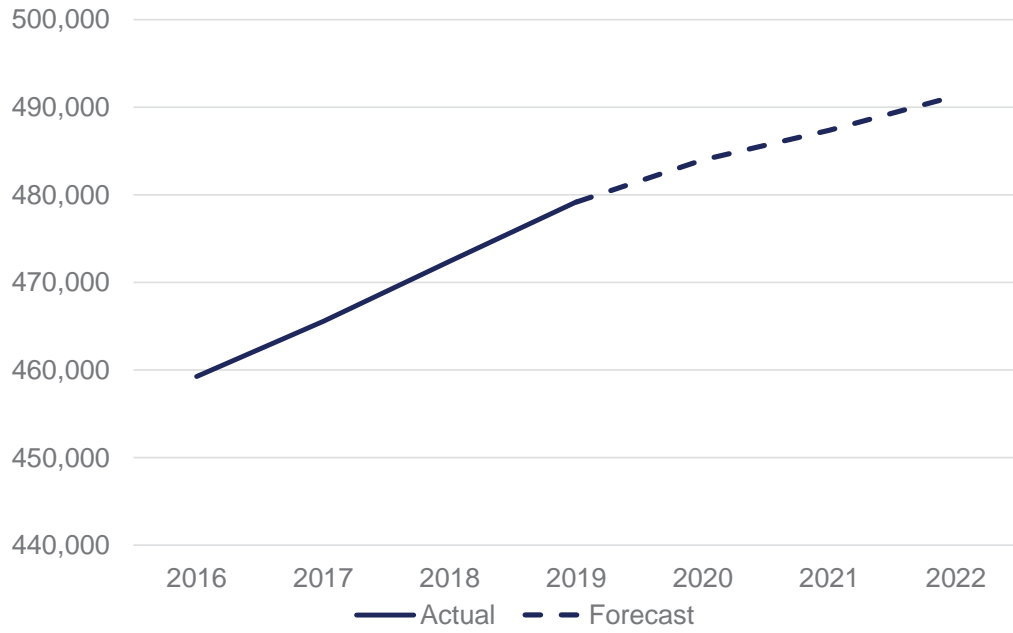
November 9, 2020

Blake Landry, Ec.D

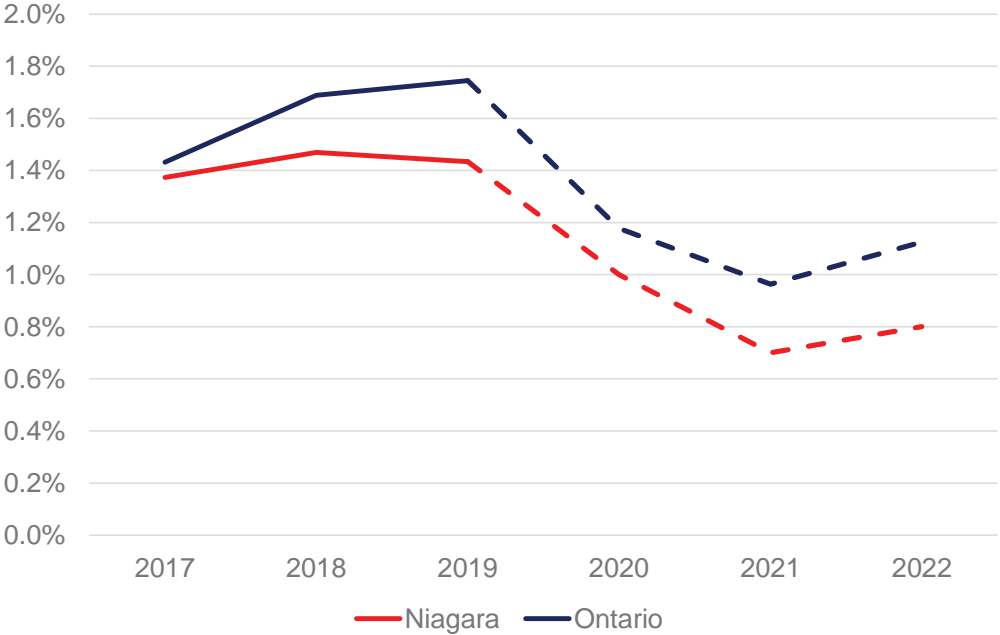
Manager, Economic Research & Analysis

Economic Development

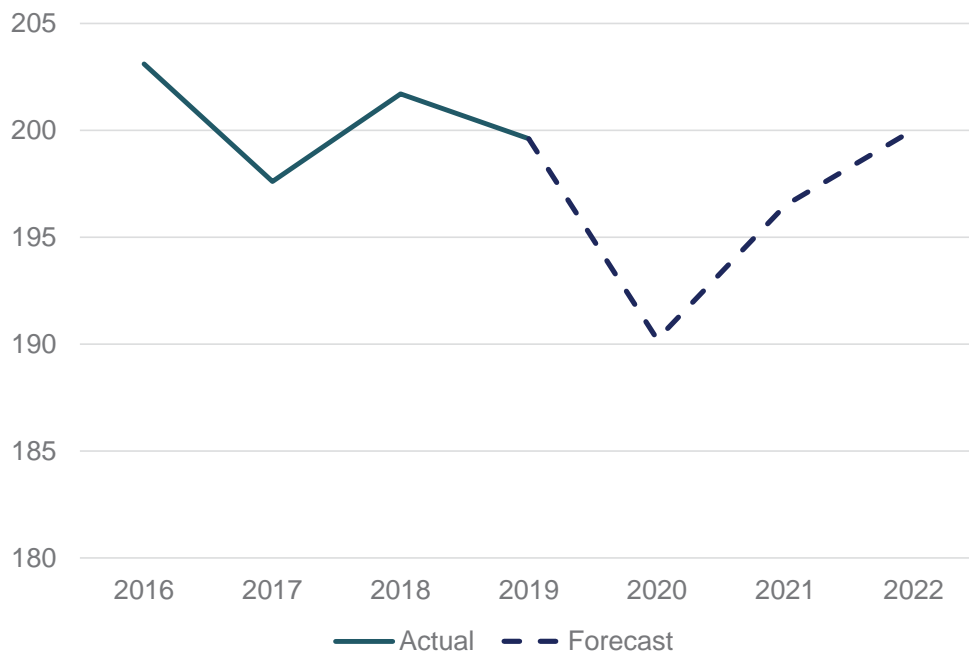
Population, Niagara Region



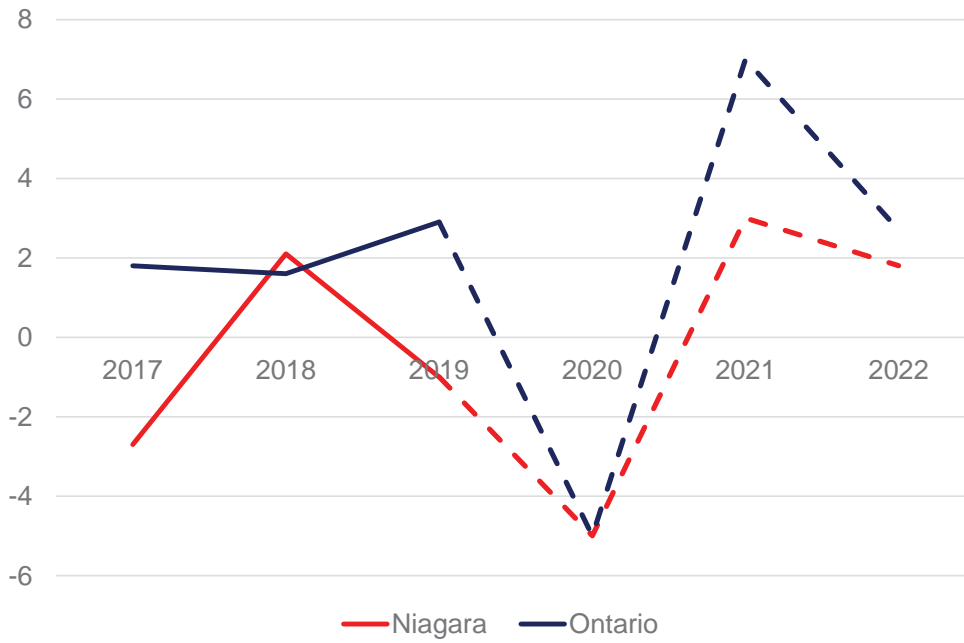
Population Growth Rate (%), Niagara Region and Ontario



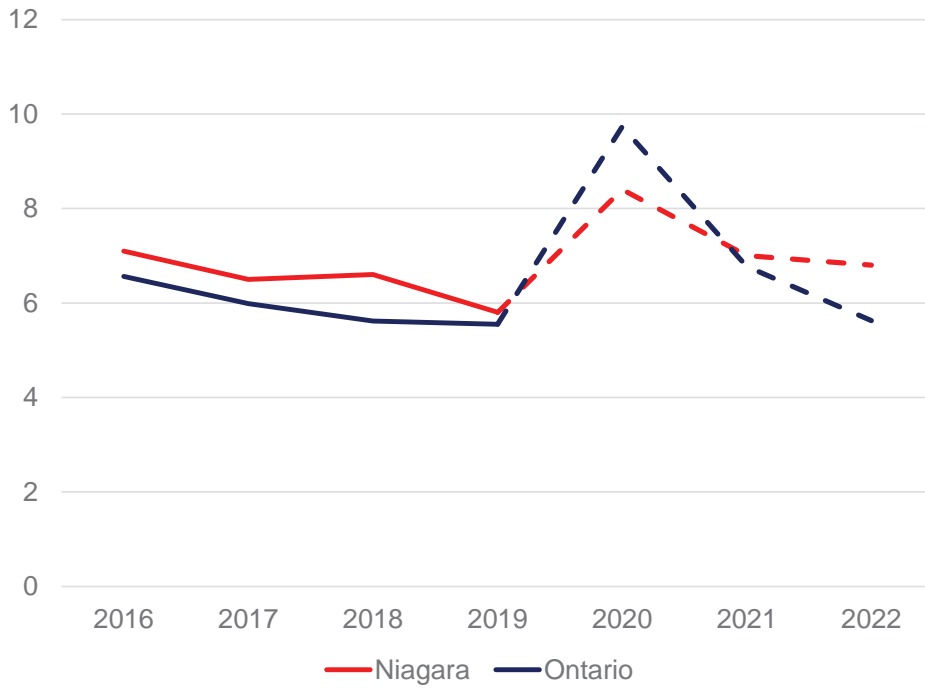
Employment, Niagara CMA



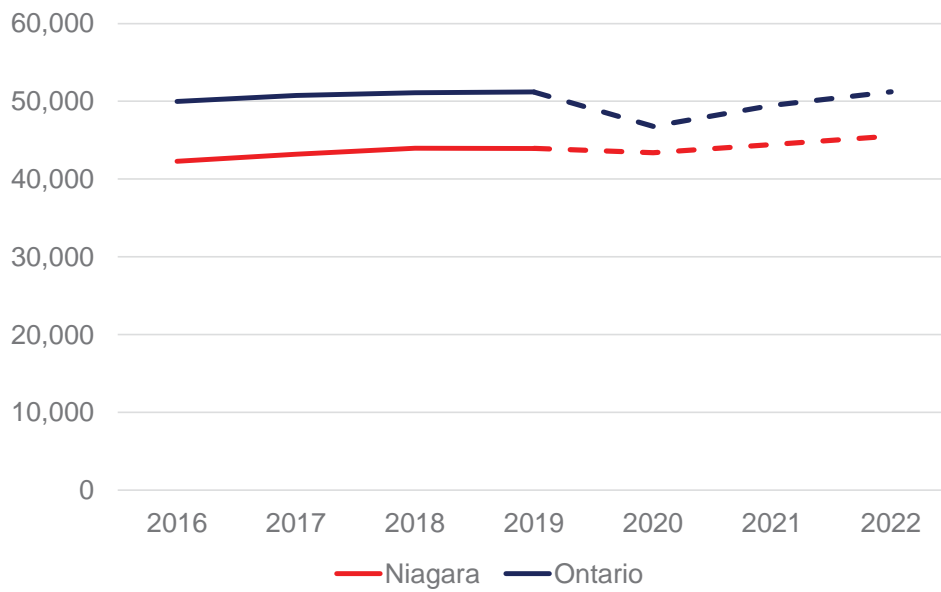
Employment Growth Rate (%), Niagara CMA and Ontario



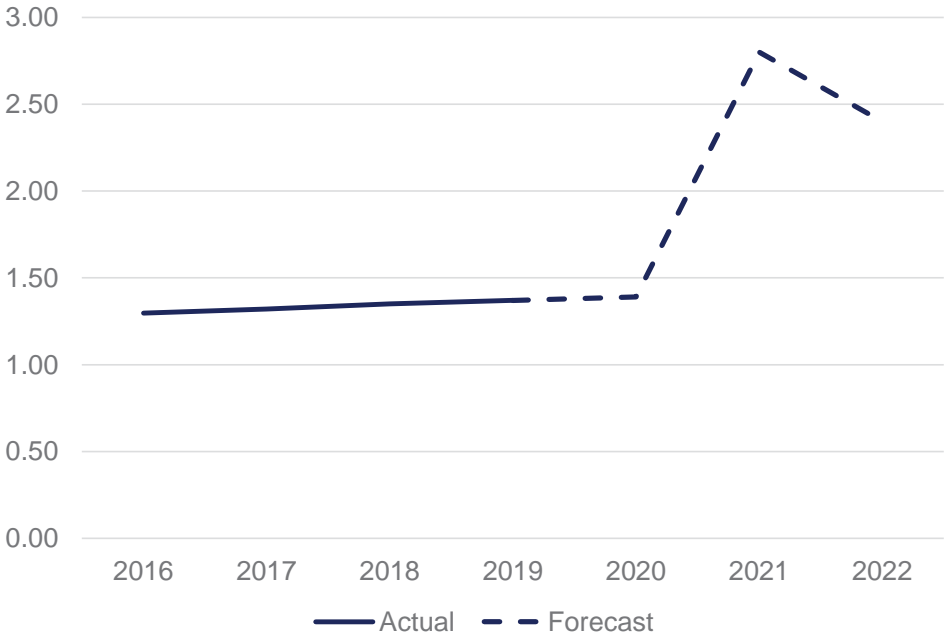
Unemployment Rate (%), Niagara CMA and Ontario



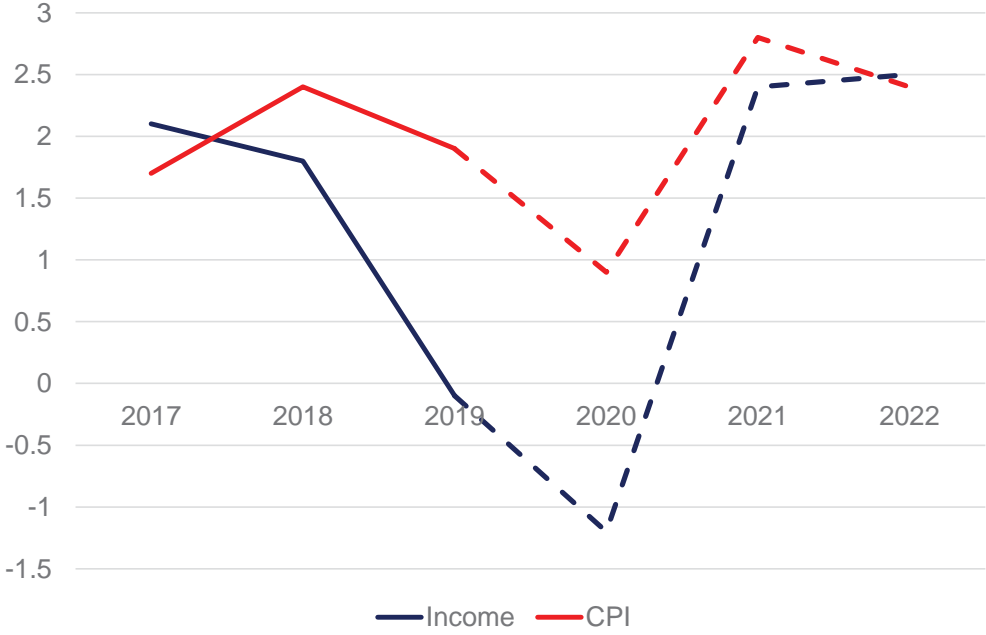
Per Capita Income (\$), Niagara CMA and Ontario



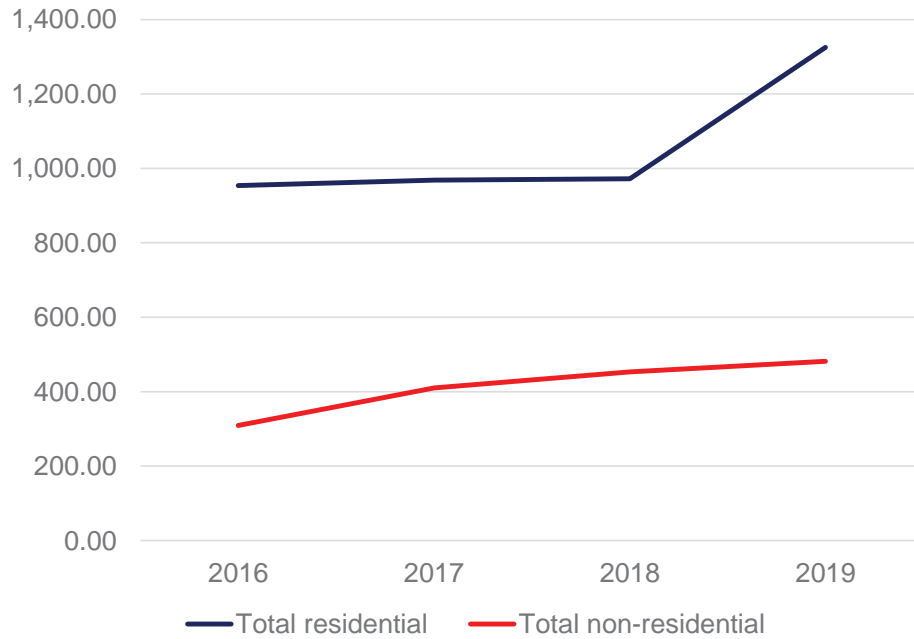
CPI (2002 = 1.00), Niagara CMA



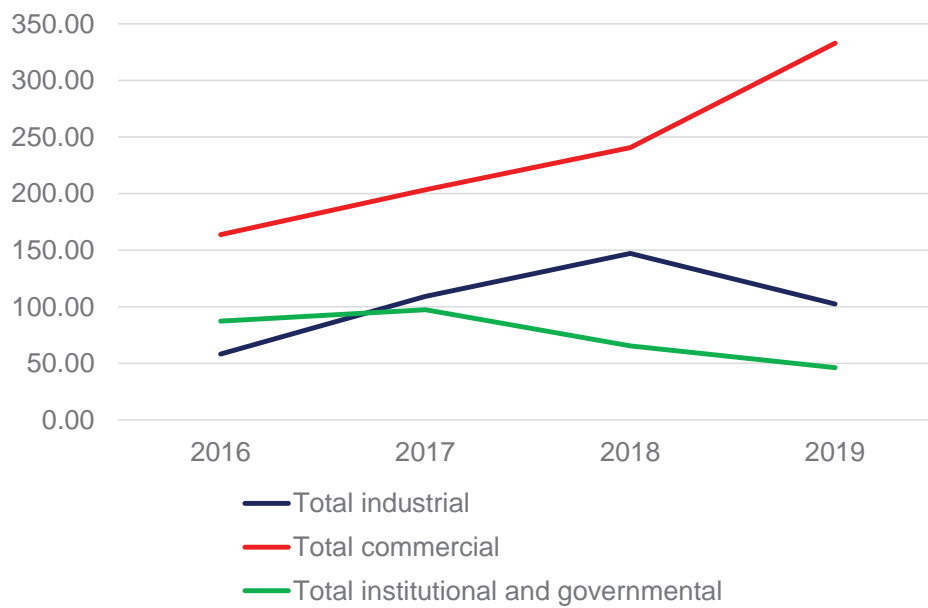
Income Growth Rate vs. CPI Growth Rate (%), Niagara CMA



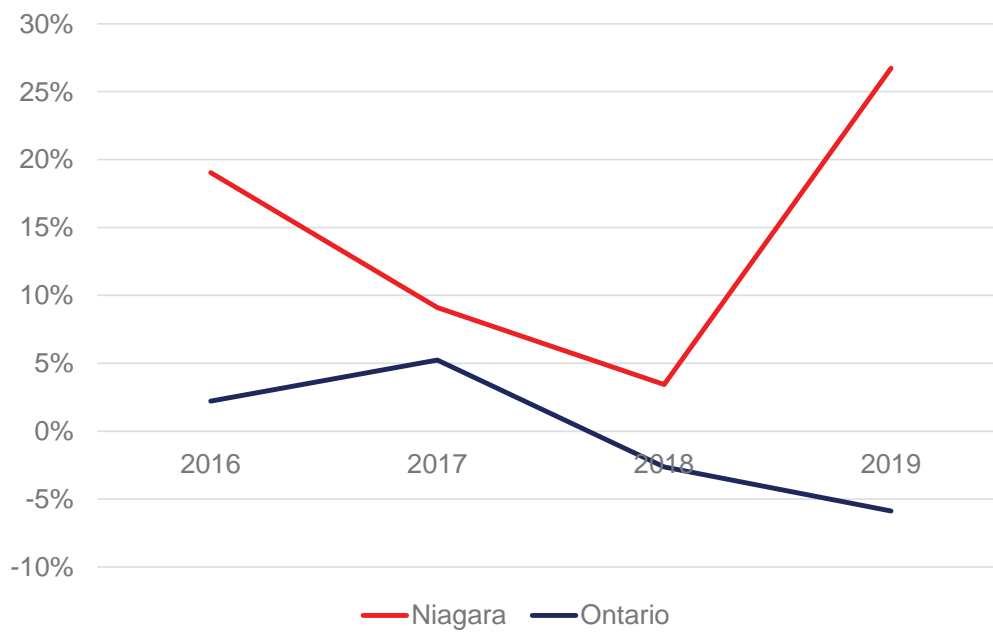
Investment in Building Construction (\$ millions), Niagara CMA



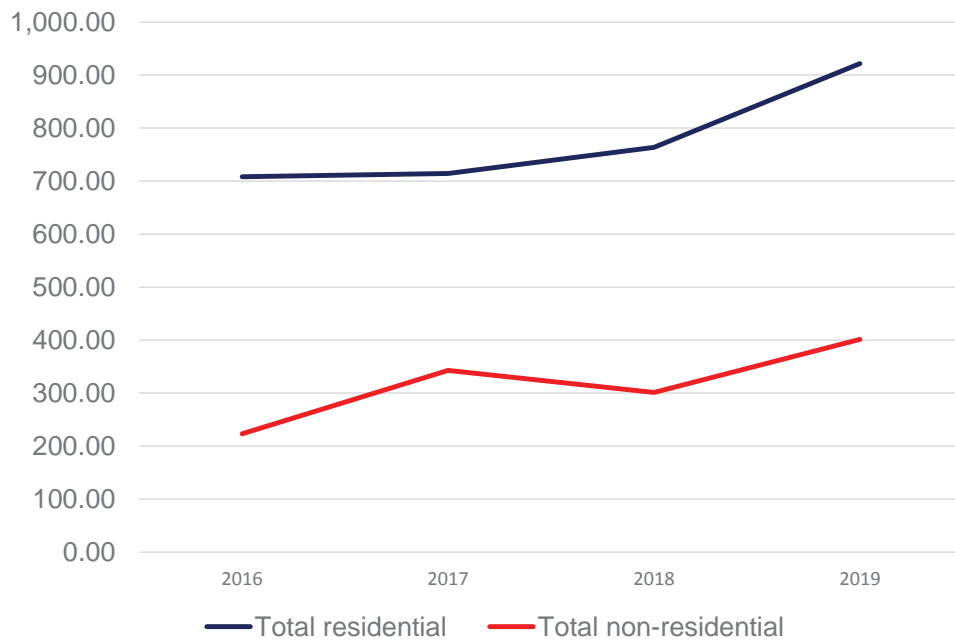
Investment in Non-Residential Building Construction (\$ millions), Niagara CMA



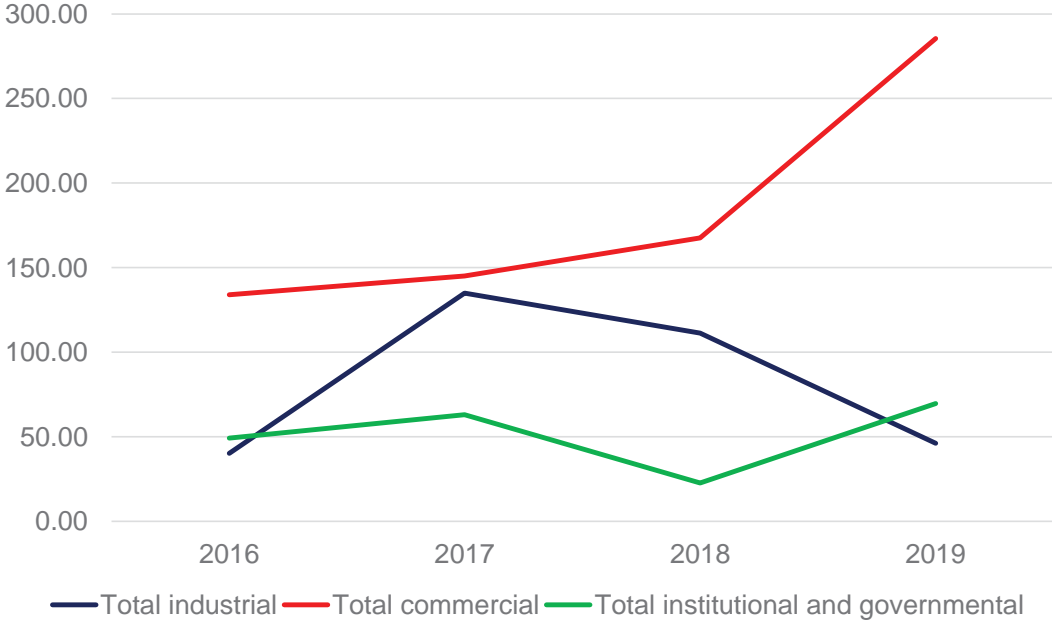
Investment in Building Construction Growth Rate (%), Niagara CMA and Ontario



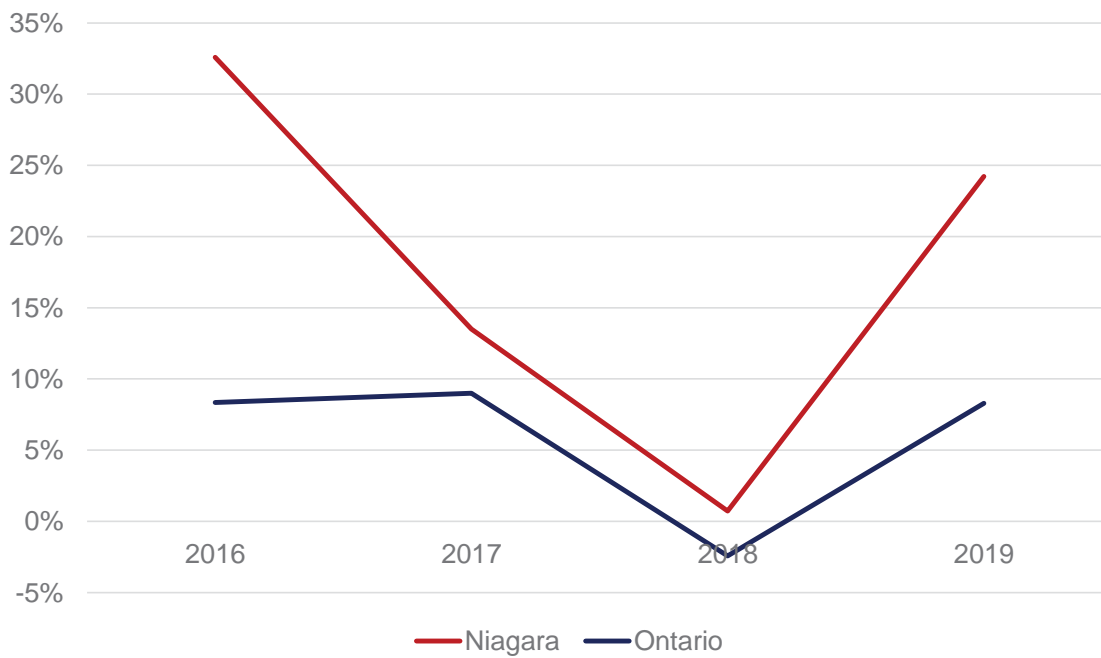
Building Permit Values (\$ millions), Niagara CMA



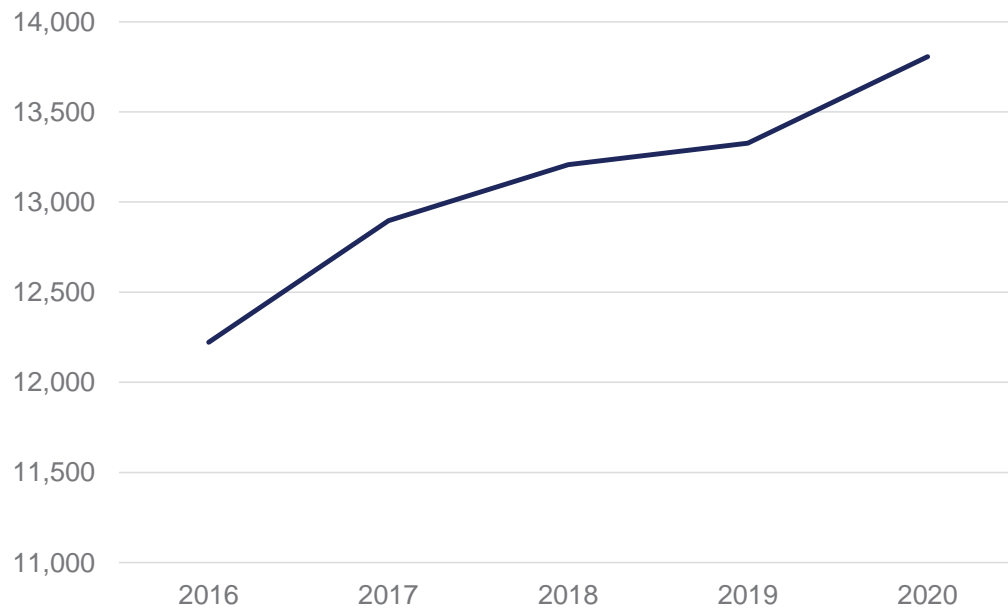
Building Permit Values (\$ millions), Non-Residential, Niagara CMA



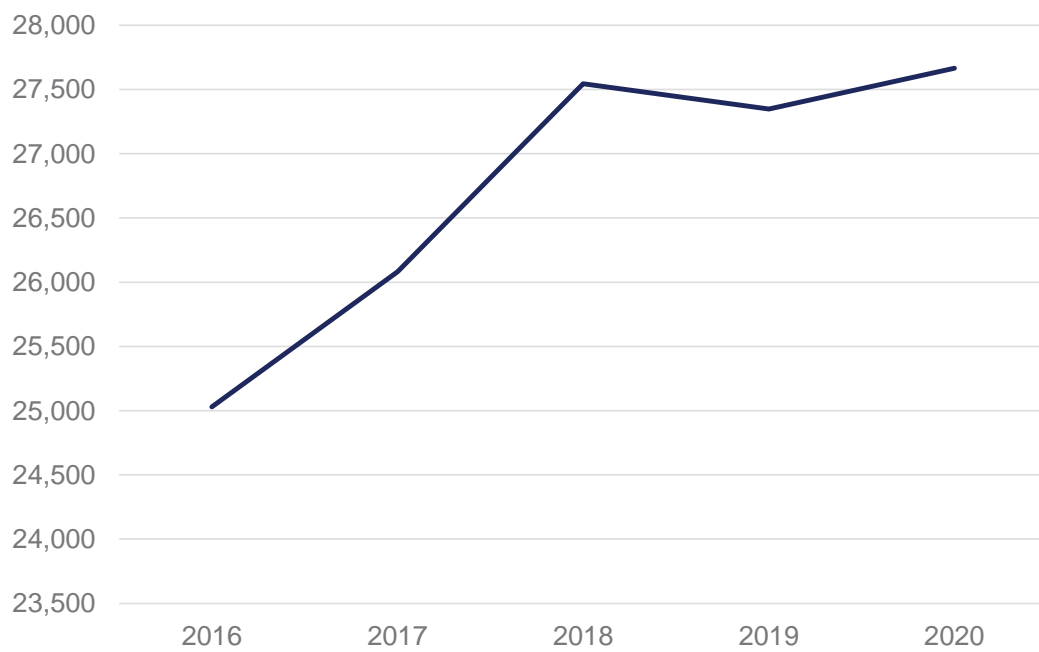
Building Permit Values Growth Rate (%), Niagara CMA and Ontario



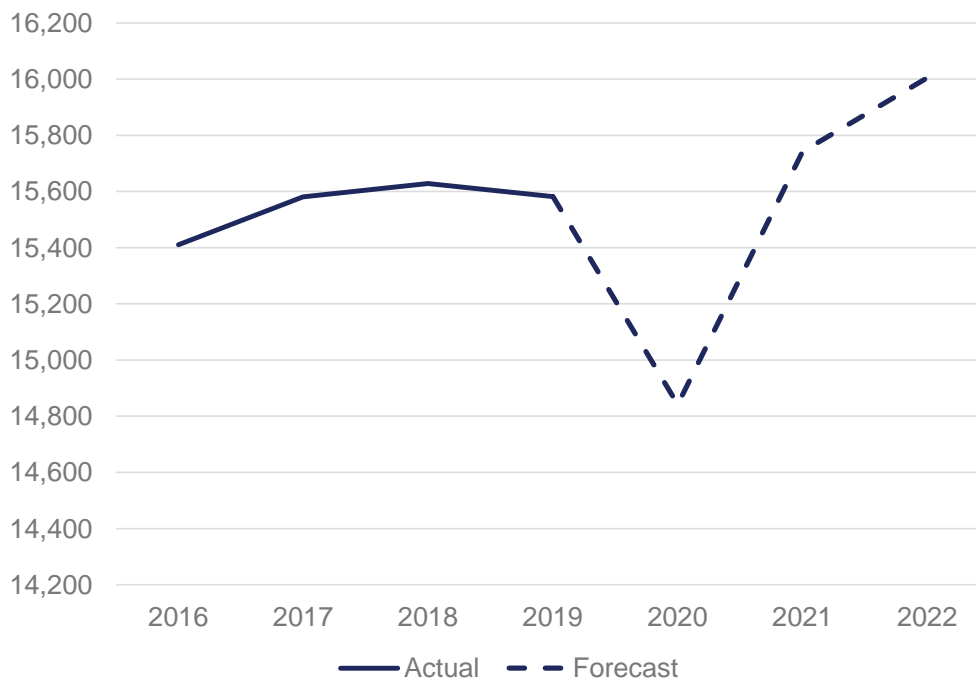
Businesses With Employees, Niagara Region



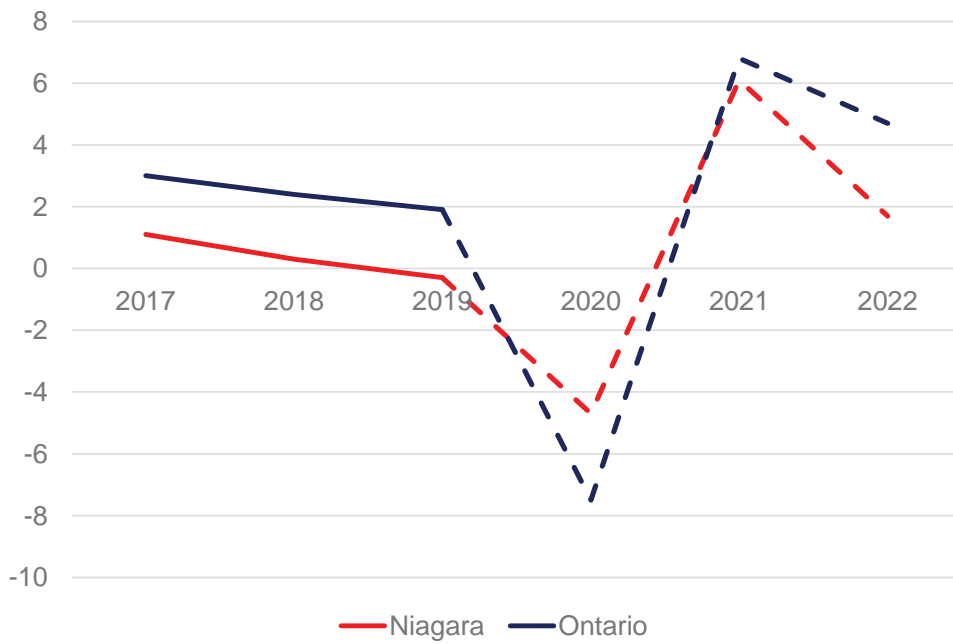
Businesses Without Employees, Niagara Region



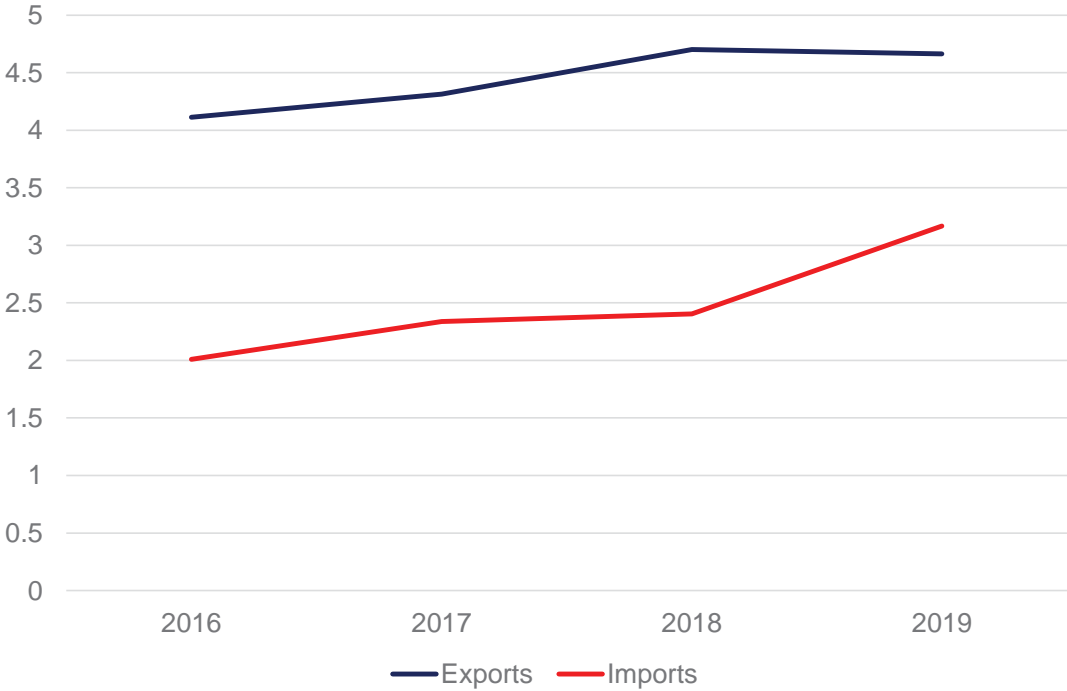
Real GDP (2012 \$ millions), Niagara CMA



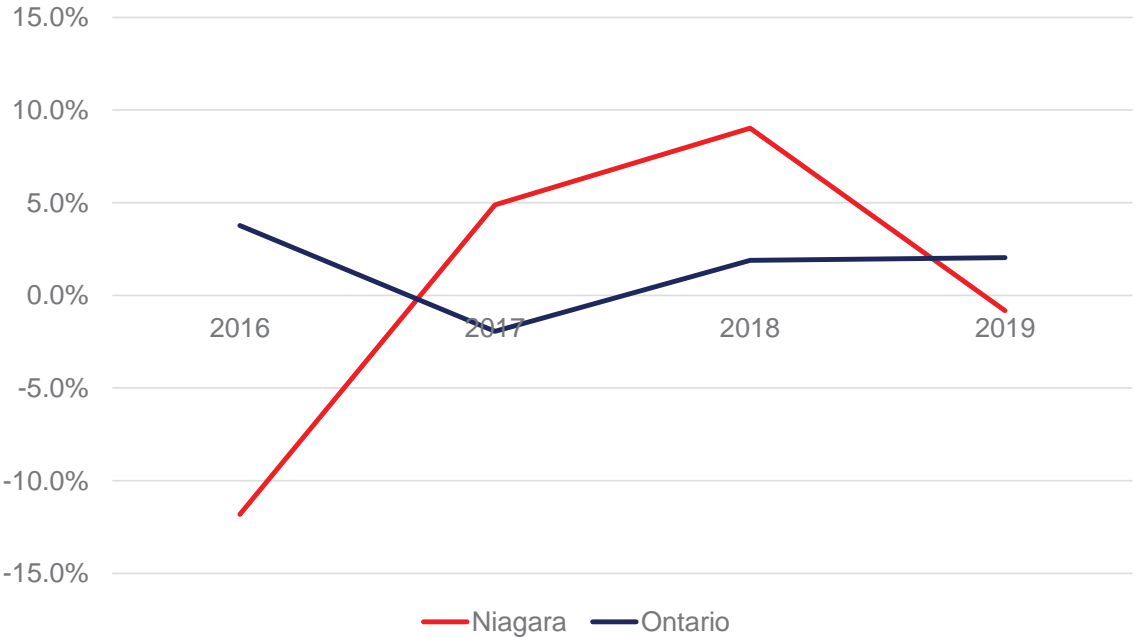
Real GDP Growth Rate (%), Niagara CMA and Ontario



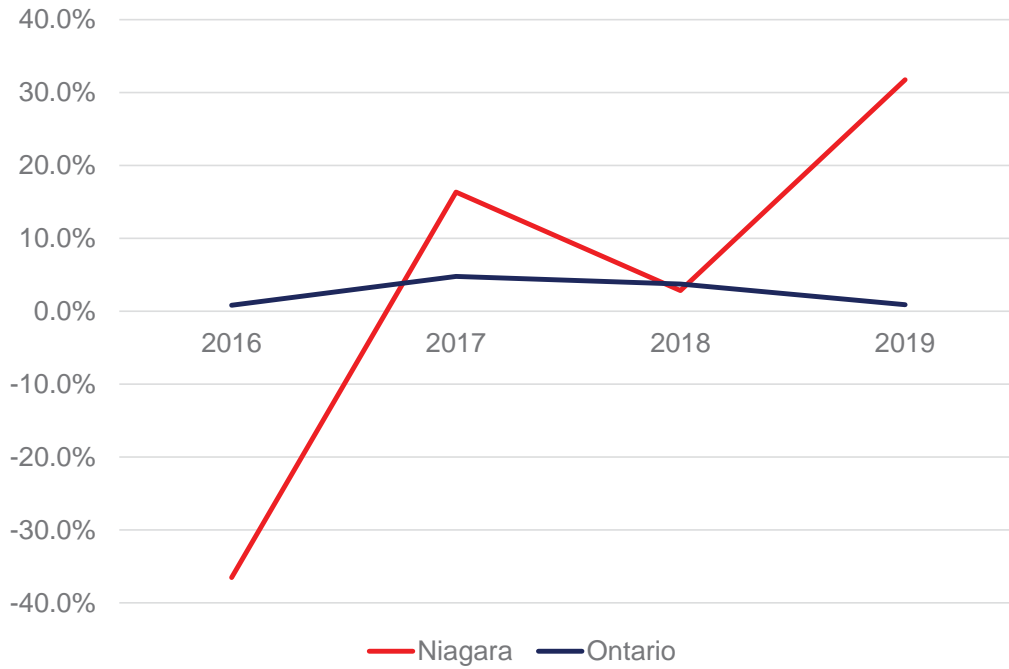
International Trade (\$ billions), Niagara CMA



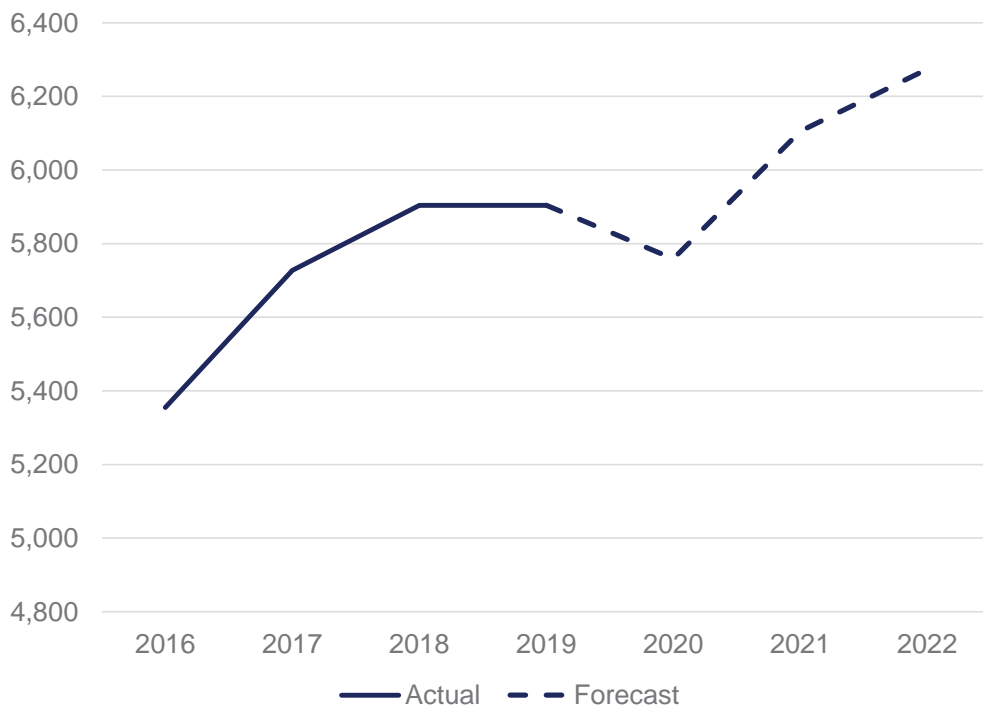
Export Growth Rate (%), Niagara CMA and Ontario



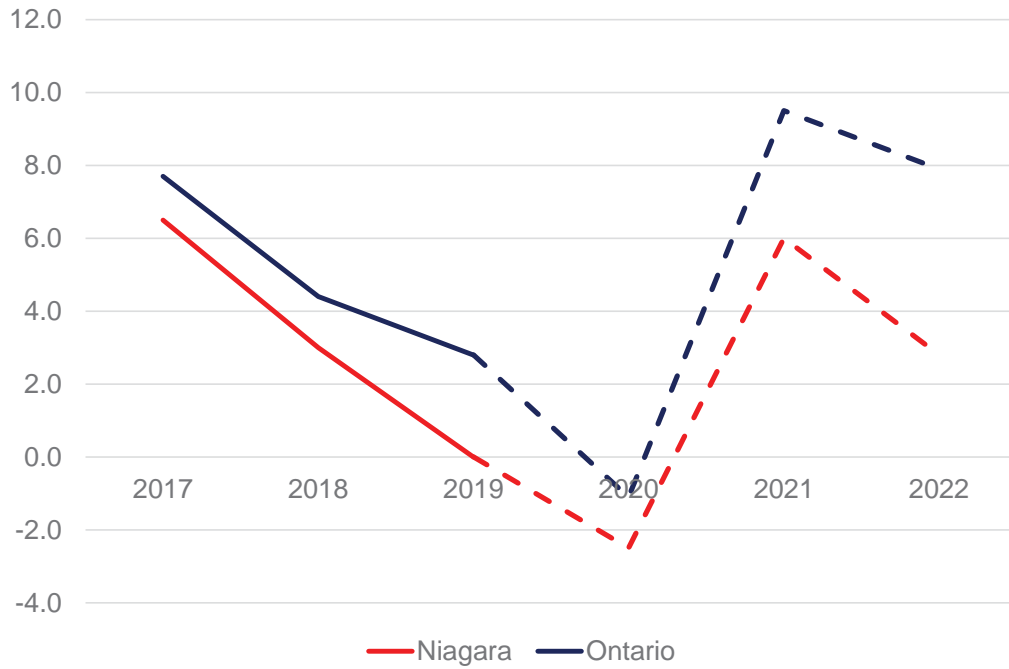
Import Growth Rate (%), Niagara CMA and Ontario



Retail Sales (\$ millions), Niagara CMA



Retail Sales Growth Rate (%), Niagara CMA and Ontario



Discussion

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Subject: Niagara Economic Update

Report to: Planning and Economic Development Committee

Report date: Monday, November 9, 2020

Recommendations

1. That report ED 16-2020 **BE RECEIVED** by the Planning and Economic Development Committee for information.

Key Facts

- The purpose of this report is to provide PEDC with an update on the performance of Niagara's economy in light of the COVID-19 pandemic.
- COVID-19 has had a major impact on Niagara's economic momentum, but forecasts show that the damage can be reversed within a couple of years if the virus is contained.
- The main challenges include high unemployment; rising cost of living that is outpacing income growth; vastly reduced retail sales values; drastically reduced GDP for 2020; and a major disruption in tourism visitors and spending, and international trade.
- Some positive attributes include heightened momentum in investment in building construction across residential and commercial building types; investment stability in industrial and institution/government building types; and, substantial growth in new employer businesses.

Financial Considerations

None applicable.

Analysis

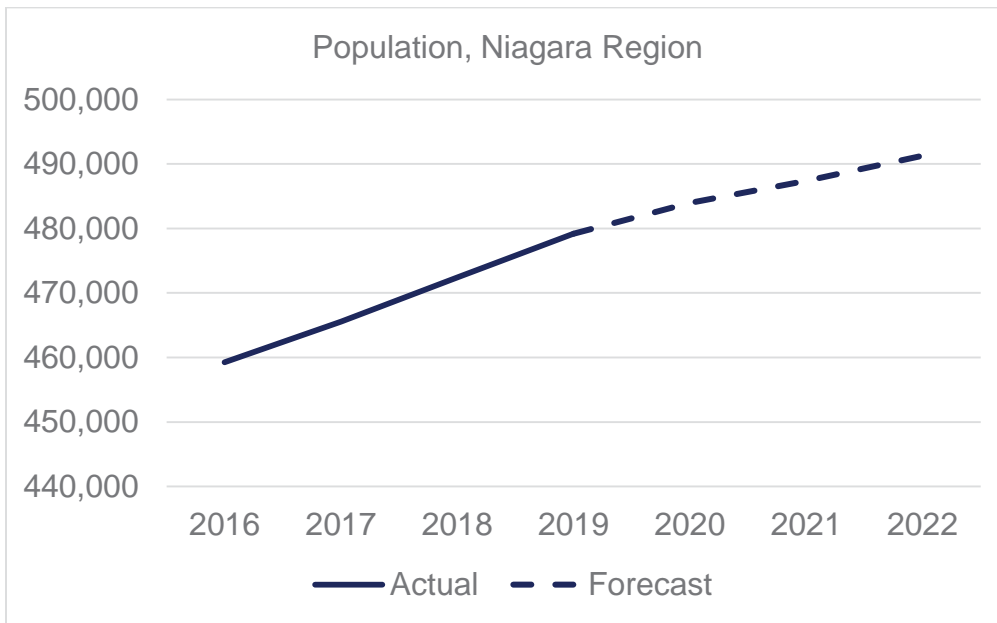
The COVID-19 pandemic has had extensive negative impacts in addition to the spread of the disease and ensuing healthcare crisis. The onset of the pandemic has resulted in the largest economic disruption in history. Lockdowns, supply shortages, market disruptions, market instability, and many other factors due to COVID-19 are threatening global economic stability so long as the virus remains uncontained. Niagara's

dependence on international trade and tourism has put the region in a precarious economic situation while the infection rates are prevalent.

Until the pandemic, Niagara was performing very well economically with a historically low unemployment rate, record levels of new investment and job creation, high levels of new business creation, high volumes of tourism visitors, high levels of tourism spending, strong retail sales, growing income levels, very strong export values, and consistent GDP growth. However, the pandemic has greatly disrupted Niagara's economic progress. Niagara businesses have lost billions in revenue, many thousands of people have become unemployed, the tourism sector has lost an entire season with billions in lost tourism expenditures, hospitality businesses have been forced to operate at greatly reduced capacities with many closing permanently, and there is an existing threat of increased infection spread that would make matters worse.

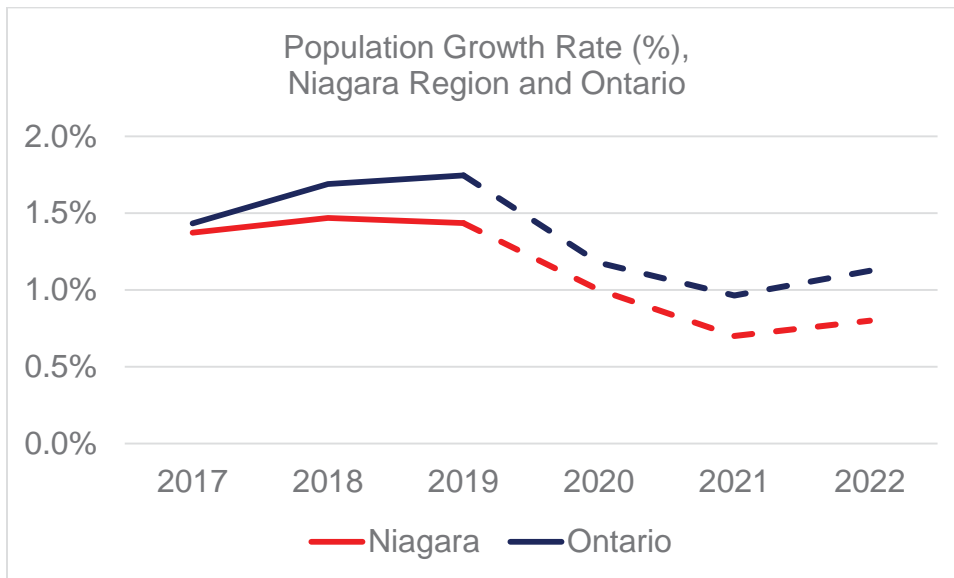
That said, there are signs of resiliency in Niagara's regional economy and if the spread of infection can be contained, Niagara is well poised for economic recovery.

This report explores major economic indicators including population, employment, income, inflation, investment, business counts, gross domestic product, international trade, and retail sales. It addresses the past few years of economic activity, as well as provides forecasts for the next couple of years with a consideration for the impact of COVID-19 on the regional economy.



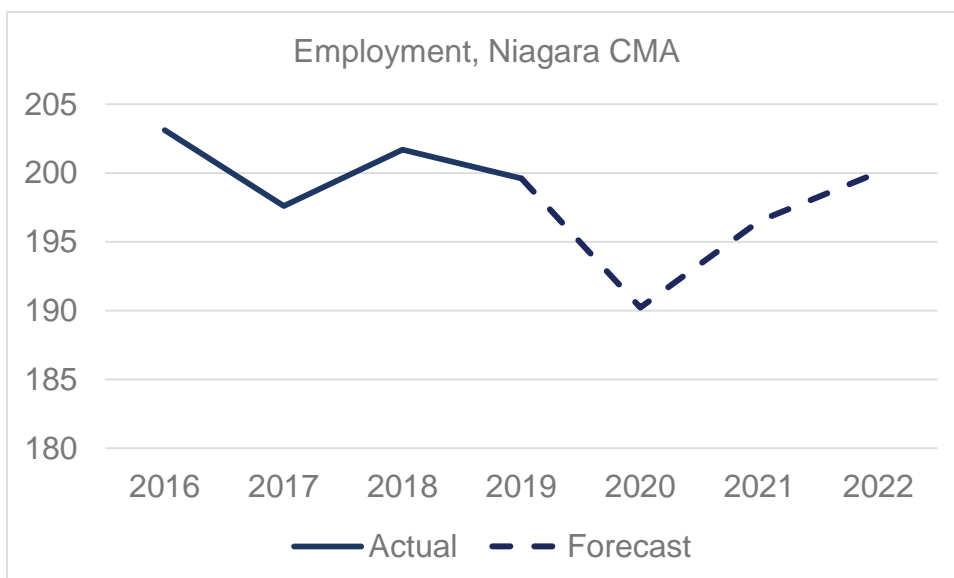
Statistics Canada, Table: 17-10-0142-01; forecasts from the Conference Board of Canada

- The population of Niagara grew by 19,921 people from 2016 to 2019 at a growth rate of 4.3%.
- The population is forecasted to grow by 12,079 people, or 2.5% from 2019 to 2022.



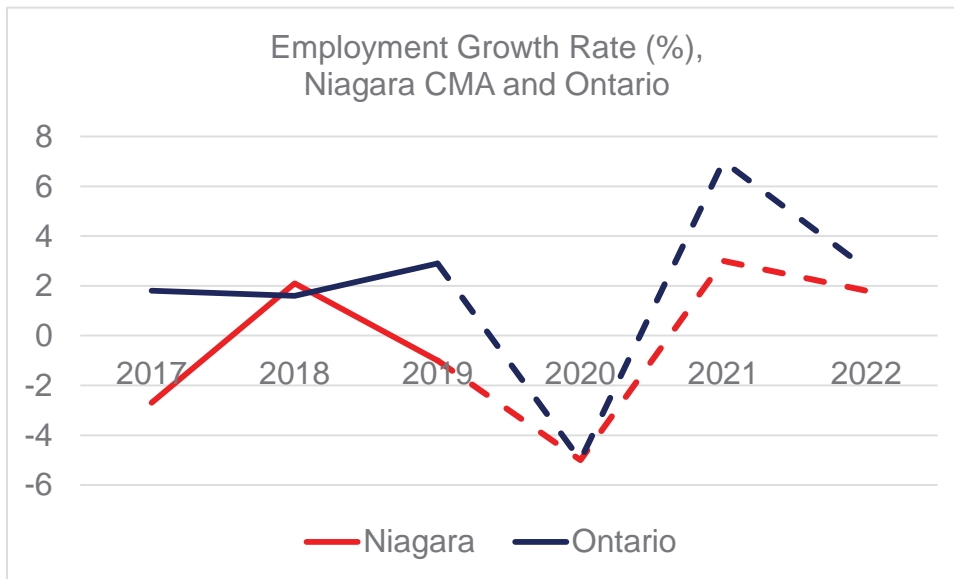
Statistics Canada, Table: 17-10-0142-01; forecasts from the Conference Board of Canada, July 2020

- The population of Niagara has grown slightly slower than Ontario from 2017 to 2019.
- The population of Niagara is forecasted to grow slightly slower than Ontario from 2019 to 2022, but will follow the same growth trend.



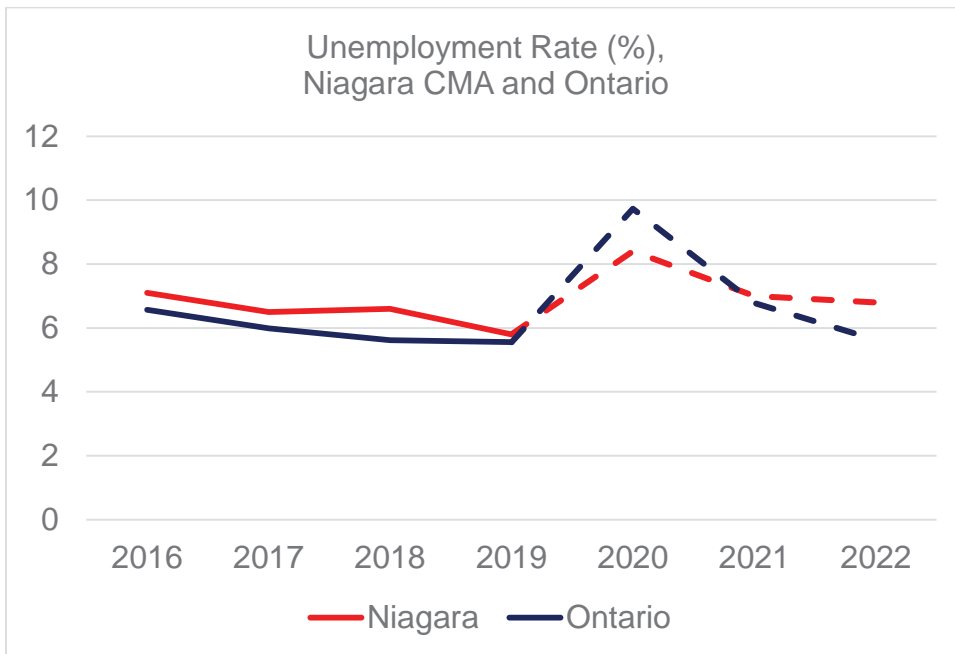
Conference Board of Canada, Major City Insights, July 2020

- Employment in Niagara remained relative stable from 2016 until 2020 where it is forecasted to decline by 12,900 people at a rate of 6% due to COVID-19. This is the estimated net loss for 2020.
- Employment is forecasted to begin to rebound in 2021 with a full recovery to 2019 levels by 2022.



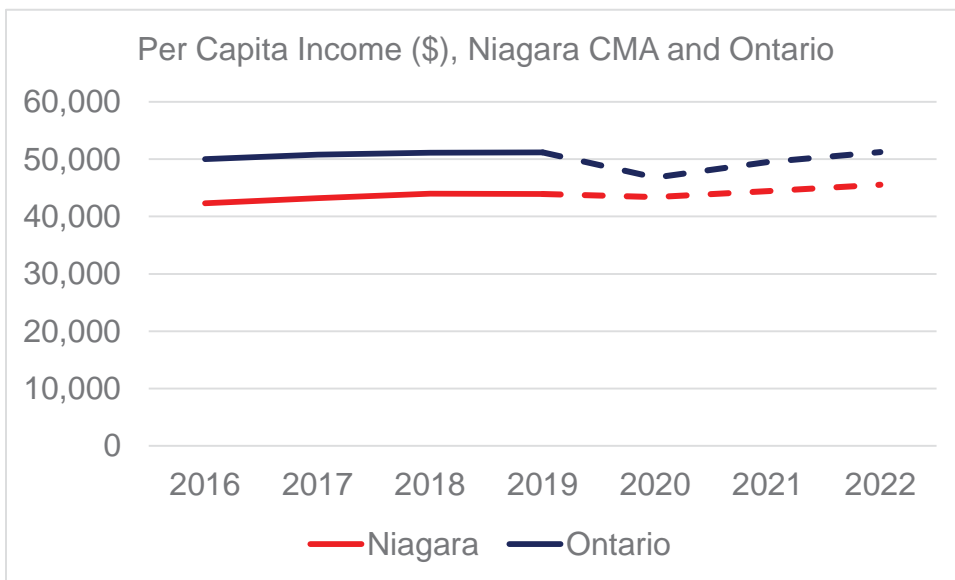
Conference Board of Canada, Major City Insights, July 2020

- The employment growth rate for Niagara was much lower than Ontario in 2017 but surpassed Ontario in 2018.
- While the Niagara employment growth rate declined in 2019, Ontario's grew. However, both the Niagara and Ontario employment growth rate are forecasted to drop significantly in 2020 due to COVID-19. Employment growth rate for Niagara is forecasted to grow significantly in 2021, but not as much as Ontario.
- The employment growth rate is forecasted to stabilize in 2022 for Niagara and Ontario.



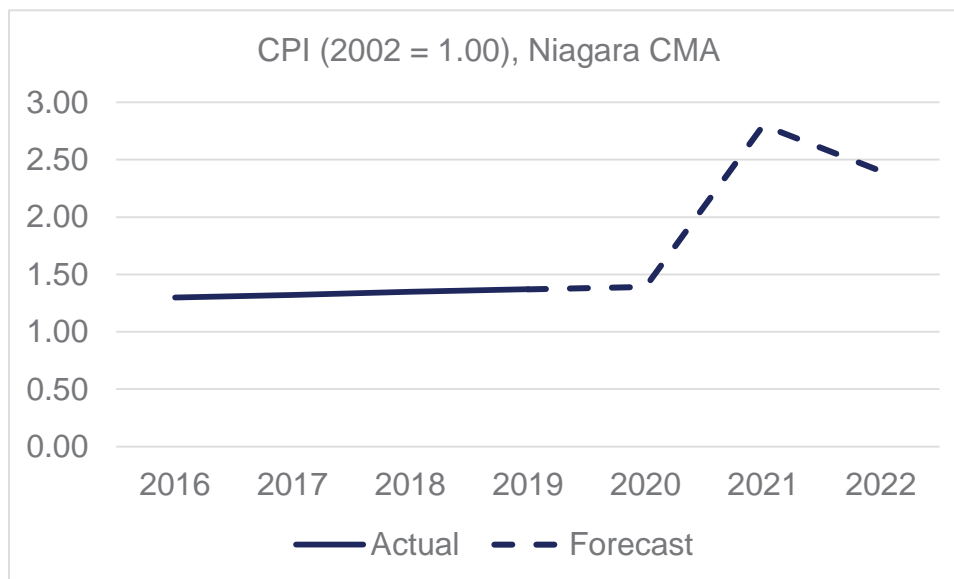
Conference Board of Canada, Major City Insights, July 2020

- The unemployment rate for Niagara was slightly higher than Ontario from 2016 to 2018 with Niagara closing the gap in 2019.
- The unemployment rate for Niagara is forecasted to drop below Ontario for 2020 and 2021, and increase above Ontario in 2022.



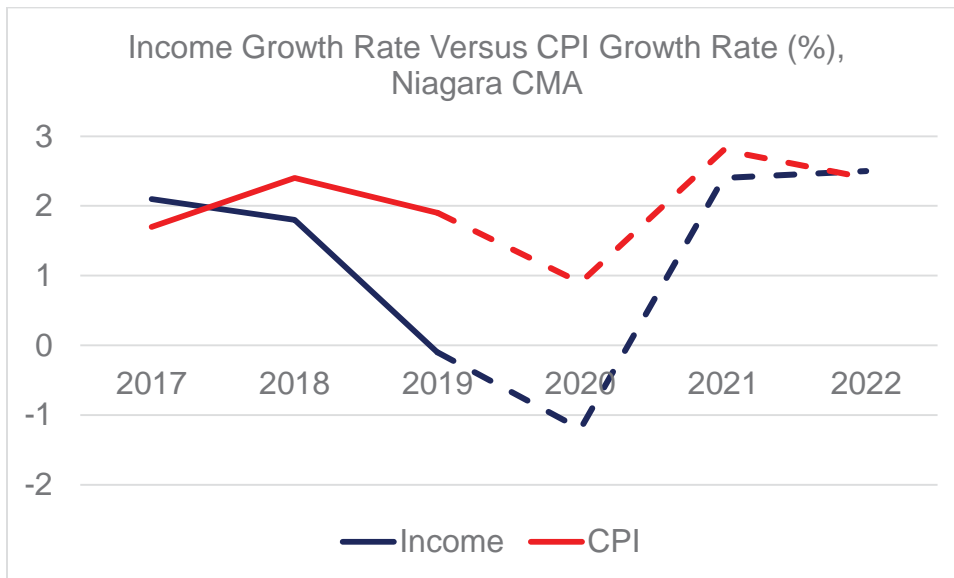
Conference Board of Canada, Major City Insights, July 2020

- Per capita income measures the average income earned per person in a given geographical region. It is a good way to assess a region's level of wealth and affordability.
- Per capita income for Niagara has historically lagged Ontario. However, from 2016 to 2019 per capita income for Niagara increased by \$1,655 (3.9%) while Ontario increased by only \$1,198 (2.4%).
- The per capita income gap is projected to get smaller. From 2019 to 2022, per capita income for Niagara is expected to increase by \$1,596 (3.6%) while Ontario is expected to remain stagnant at only \$37 (0.1%) growth. Niagara is catching up to Ontario.



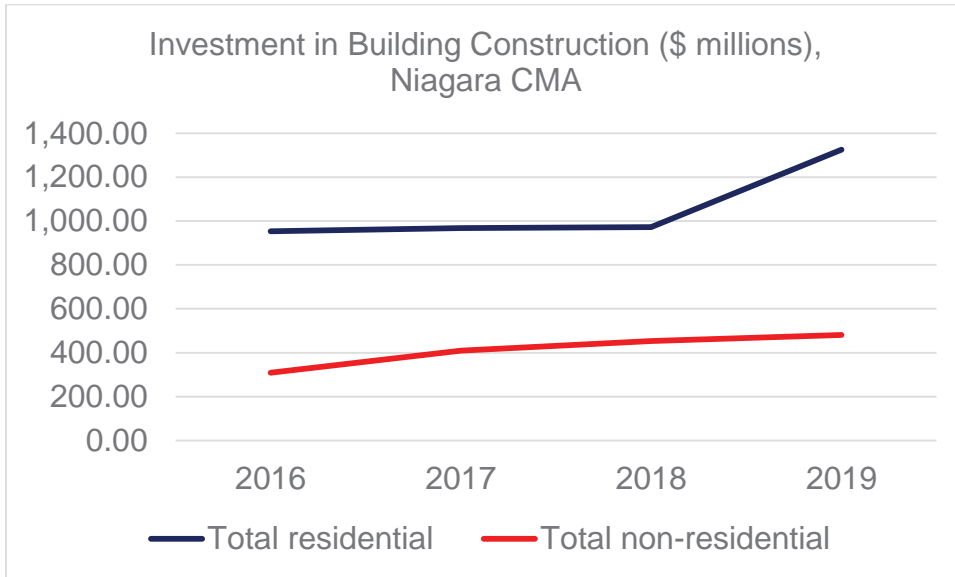
Conference Board of Canada, Major City Insights, July 2020

- The Consumer Price Index (CPI) is a way to measure inflation.
- The CPI for Niagara increased by 6% from 2016 to 2019 and are forecasted to remain stable into 2020.
- The CPI is forecasted to increase significantly in 2021 and remain high in 2022, which is a sign that the cost of living will increase substantially.



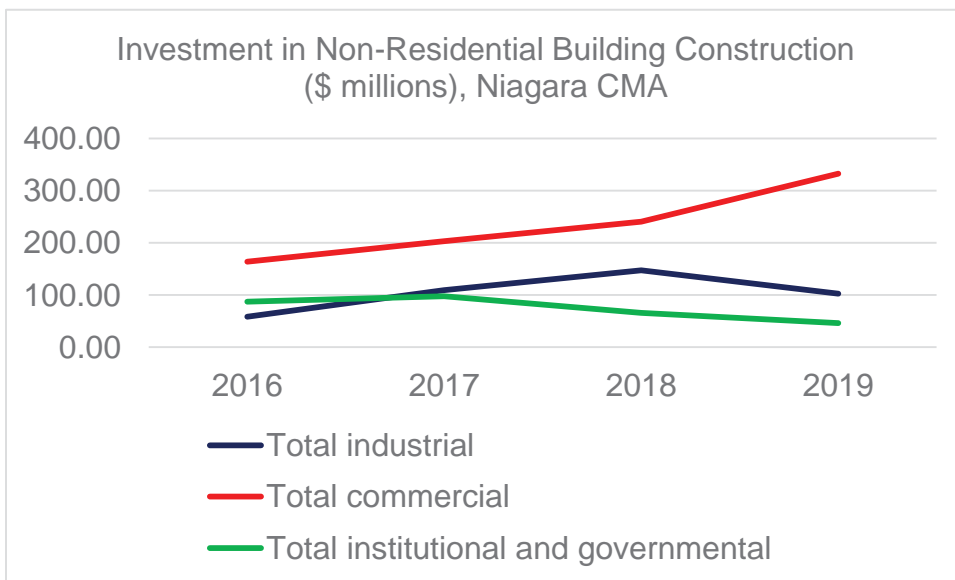
Conference Board of Canada, Major City Insights, July 2020

- In 2017, the income growth rate for Niagara was above CPI, which means income was growing faster than inflation.
- In 2018 and 2019, CPI growth was much higher than income growth.
- In 2020, both income and CPI are forecasted to dip drastically due to COVID-19 but are forecasted to rise above pre-pandemic levels in 2021 and into 2022.
- The income growth rate is expected to surpass CPI again in 2022, which means incomes will begin to increase faster than inflation again.



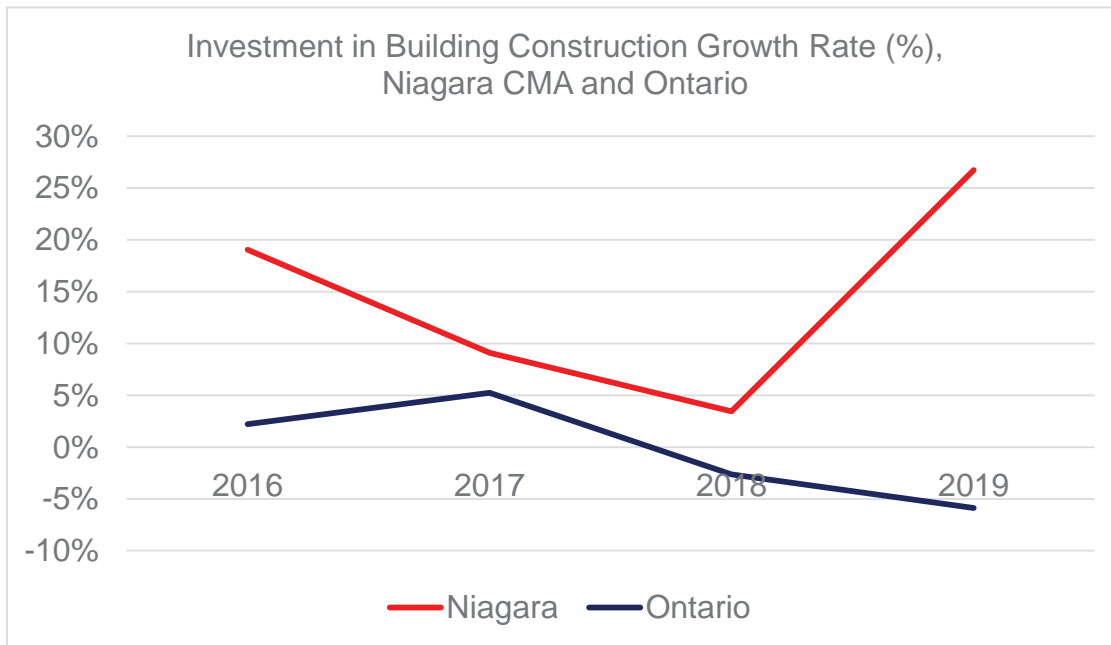
Statistics Canada, Table: 34-10-0175-01

- Investment in building construction in Niagara continues to grow for both residential and non-residential buildings.
- From 2016 to 2019, investment in residential building construction grew by 39% while investment in non-residential building construction grew by 56%.



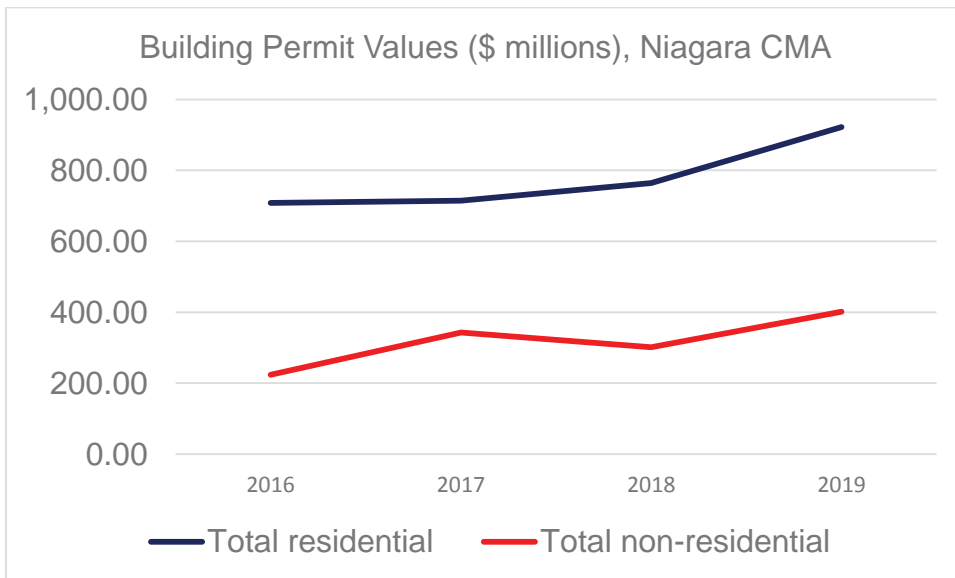
Statistics Canada, Table: 34-10-0175-01

- From 2016 to 2019, investment in non-residential building construction has been driven by commercial building construction. However, investment in industrial and institutional and government has remained stable.
- From 2016 to 2019, investment in commercial building construction has grown by 103%, while industrial has grown by 76%, and institutional and government has grown by 46%.



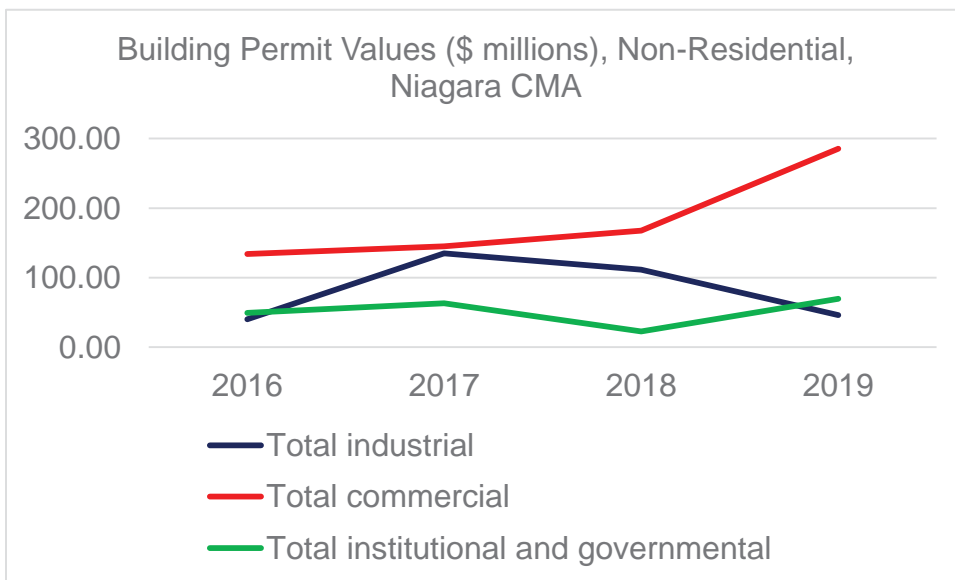
Statistics Canada, Table: 34-10-0175-01

- From 2016 to 2019, growth in investment in building construction for Niagara has significantly outpaced Ontario.
- Both Niagara and Ontario experienced a decline in growth rate for building construction; however, Ontario declined more drastically.
- In 2019, Niagara experienced a drastic increase in investment growth by 27% while Ontario continued to decline to -6%.



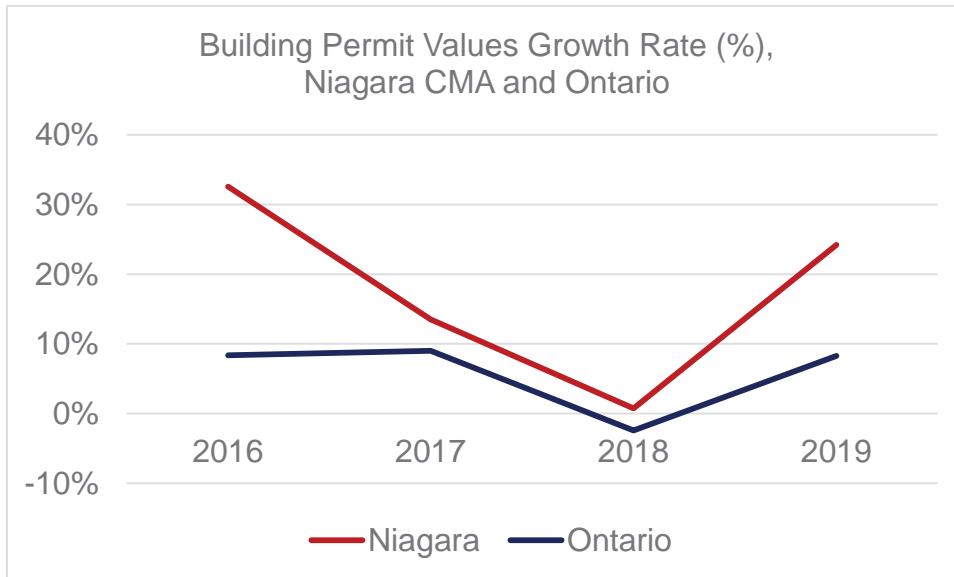
Statistics Canada, Table: 34-10-0066-01

- Both residential and non-residential building permit values have continued to grow in Niagara.
- From 2016 to 2019, total building permit values grew by 42% with 39% in residential and 80% growth in non-residential.



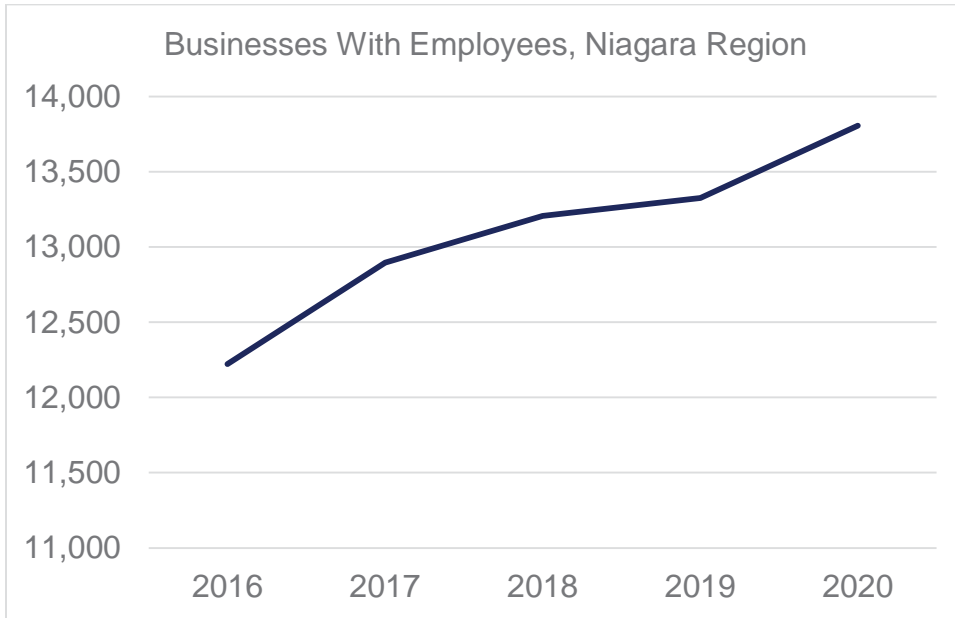
Statistics Canada, Table: 34-10-0066-01

- As mentioned, total non-residential building permit values grew by 80% from 2016 to 2019. Commercial building types drove this growth.
- Commercial building permit values grew by 113%, while industrial grew by 15%, and institutional and government grew by 41%



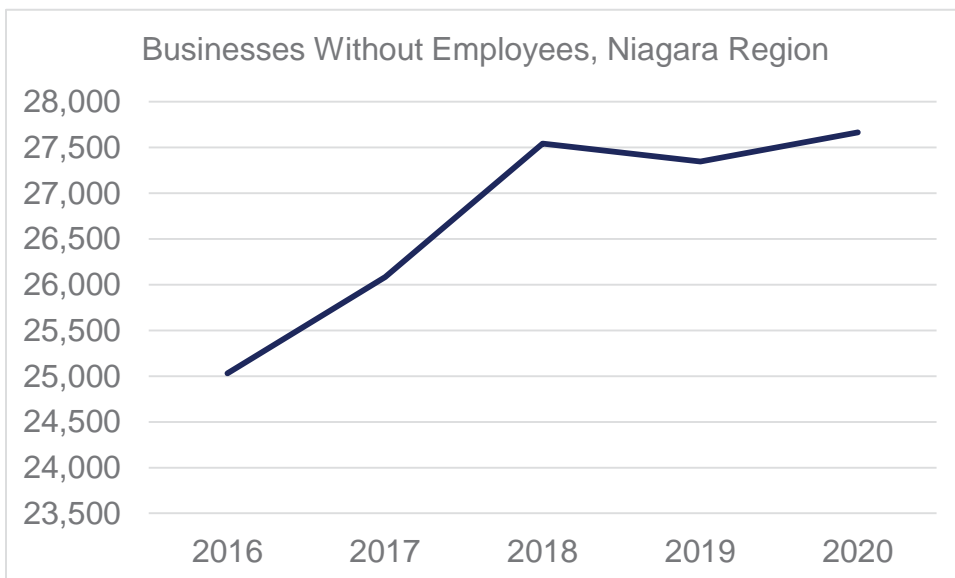
Statistics Canada, Table: 34-10-0066-01

- From 2016 to 2019, Niagara has consistently outpaced Ontario in growth rate of building permit values.
- In 2016, Niagara had a building permit value of 33% compared to 8% for Ontario. This gap narrowed in 2017 and 2018, but in 2019 building permit values for Niagara rose drastically above Ontario again.



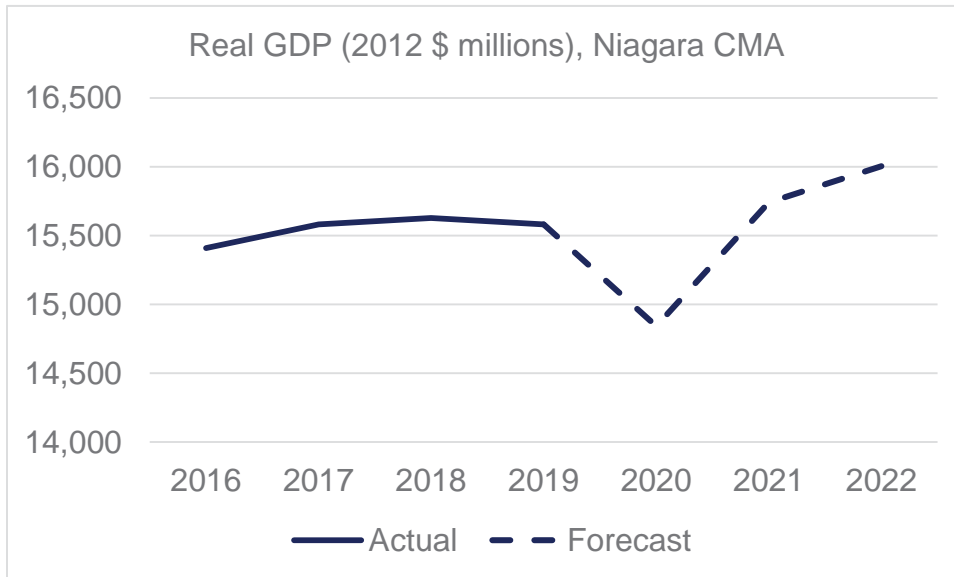
Statistics Canada, Canadian Business Counts, June 2020

- From 2016 to 2020, Niagara gained 1,584 businesses with employees at a growth rate of 13%.
- Despite the COVID-19 pandemic, Niagara gained 480 new businesses with employees by June 2020.



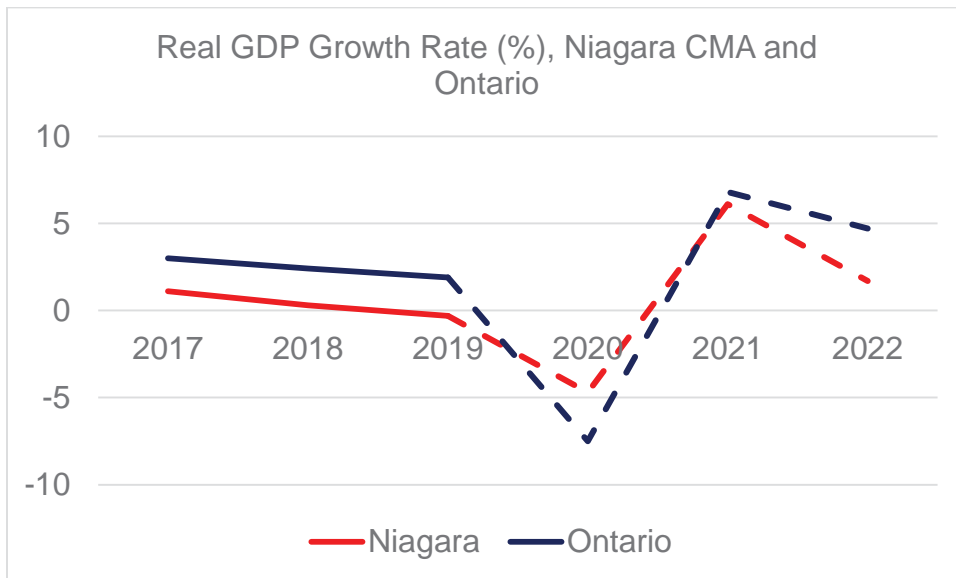
Statistics Canada, Canadian Business Counts, June 2020

- From 2016 to 2020, Niagara gained 2,636 business without employees at a growth rate of 11%.
- Again, despite the impact of the COVID-19 pandemic, Niagara still had a net gain of 318 businesses without employees.



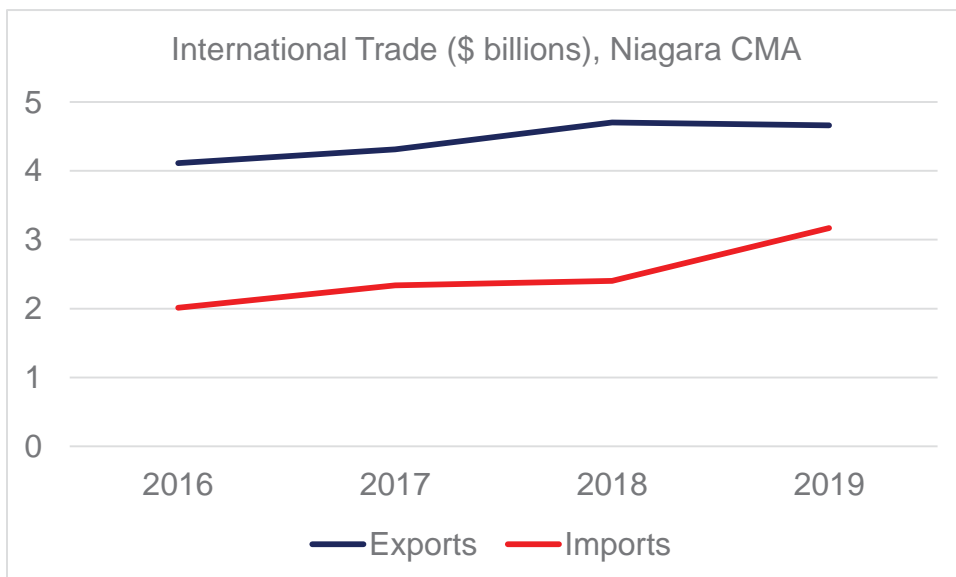
Conference Board of Canada, Major City Insights, July 2020

- Gross domestic product (GDP) is the monetary value of total goods and services produced in a certain geographical area. Real GDP is adjusted for inflation in order to assess the real economic growth of a region.
- From 2016 to 2019, GDP for Niagara has remained relatively stagnant at only 1.1% growth.
- In 2020, GDP is forecasted to plummet by -4.7% over 2019 due to the COVID-19 pandemic.
- GDP is forecasted to recover significantly over 2021 and 2022 at 7.8% over 2020.



Conference Board of Canada, *Major City Insights*, July 2020

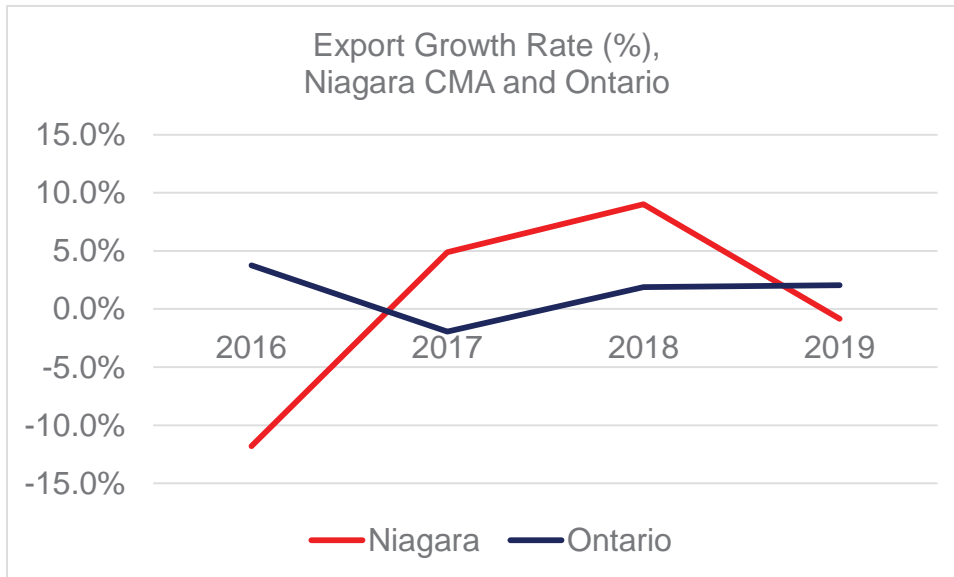
- GDP growth for Niagara lagged Ontario from 2017 to 2019.
- In 2020, GDP growth rate for Niagara is forecasted to drop with Ontario dropping further, but Ontario will outpace Niagara again in 2021 and 2022.



Statistics Canada, *Trade by Exporter and Importer Characteristics*

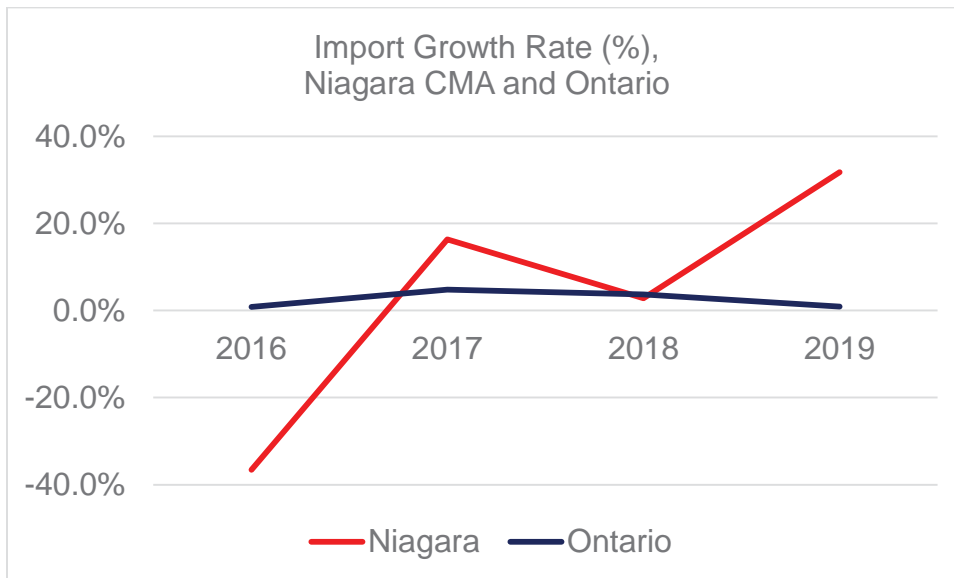
- From 2016 to 2019, value of exports for Niagara grew by \$551 million at a rate of 13% but leveled off in 2019.

- Value of imports for Niagara also increased. From 2016 to 2019, value of imports grew by \$1.2 billion at a rate of 58%.
- Net trade for Niagara grew from 2016 to 2019, but was reduced significantly in 2019 given the significant increase in import values.



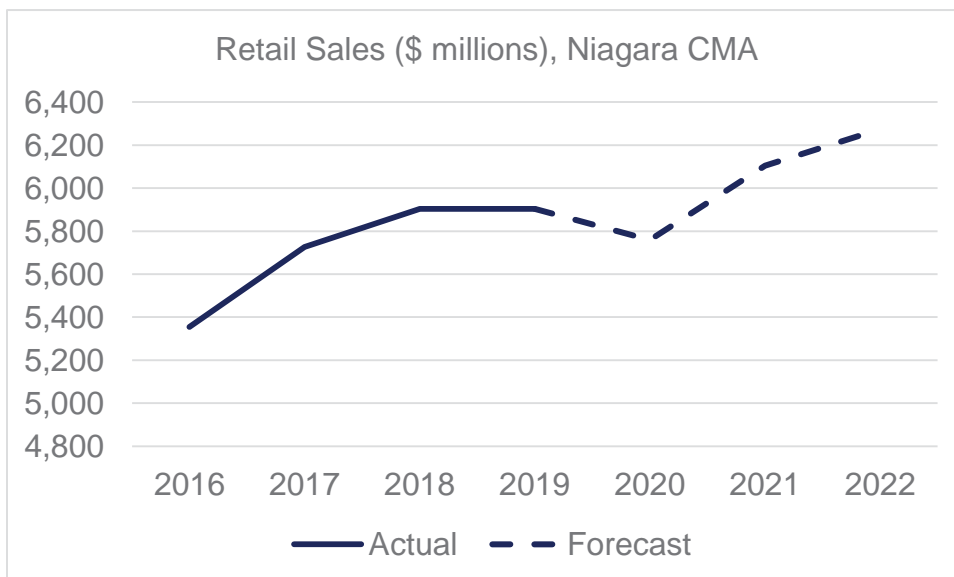
Statistics Canada, Trade by Exporter and Importer Characteristics

- Niagara's export growth rate was significantly lower than Ontario in 2016, but increased drastically in 2017 and 2018, but dipped by 9.8% in 2019.
- The export growth rate for Ontario dipped a little from 2016 to 2017, but remained stable from 2017 to 2019.



Statistics Canada, Trade by Exporter and Importer Characteristics

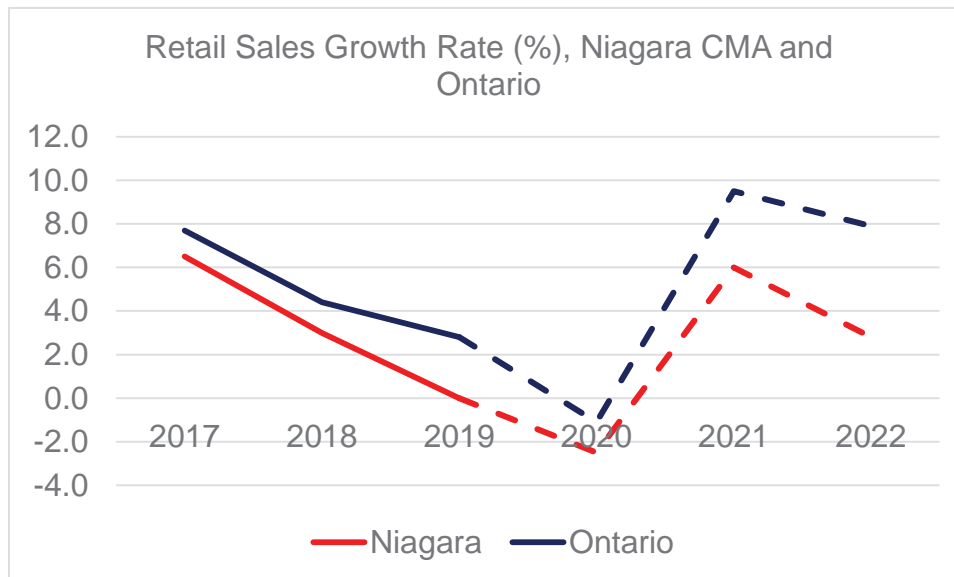
- Niagara had a very low import growth rate in 2017, but it increased significantly by 52% in 2017.
- The export growth rate for Ontario remained relatively stable from 2016 to 2019.



Conference Board of Canada, Major City Insights, July 2020

- Retail sales in Niagara grow significantly from 2016 to 2018 by \$549 million at a rate of 10%, but flattened out in 2019.

- In 2020, Retail sales in Niagara are forecasted to decline by \$145 million at a rate of 10% due to the COVID-19 pandemic.
- Retail sales are forecasted to rebound strongly in 2021 and 2022 by \$370 million at a rate of over 6%.



Conference Board of Canada, Major City Insights, July 2020

- Retail sales growth rate has lagged Ontario from 2017 to 2019 and is forecasted to continue to lag Ontario through 2020 to 2022.
- Retail sales growth rate for Niagara and Ontario bottomed out in 2020 due to the COVID-19 pandemic, but are forecasted to grow substantially in 2021 by 6% for Niagara and 10% for Ontario and dropping again in 2022.

Conclusion

- Niagara's population is forecasted to continue to grow into the future, but the growth rate lags slightly behind Ontario.
- Employment in Niagara was reduced significantly 2020 due to the pandemic and is not expected to recover fully until 2022.
- Niagara's employment growth rate was stable until 2020. This is expected to stabilize again through 2021 and 2022, which is in line with Ontario.
- Niagara's unemployment rate has trended downward for a number of years until COVID-19 where it increased substantially. Along with Ontario, it is forecasted to return to lower levels by 2022.

- Cost of living is outpacing per capita income in Niagara. However, it is expected to start catching up within a couple of years.
- Investment in building construction remains very strong in Niagara, especially in residential and commercial building types. Also, Niagara's growth rate in investment in building construction far exceeds that of Ontario.
- Building permit values have remained historically strong, especially in residential and commercial building types. Industrial and institutional and government have declines compared to the past few years, but have remained stable.
- Niagara continues to gain net employer businesses. However, we have yet to see the full impact of COVID-19 on business bankruptcies and closures. Businesses without employees (i.e. self-employed) have seen little growth in the past couple of years.
- Niagara GDP growth has been underperforming. COVID-19 has intensified this, but it is expected to recover rather quickly. Niagara's GDP growth rate is in line with Ontario.
- Niagara remains strong in international trade. However, growth rate in exports has softened while imports have strengthened, which has reduced the trade surplus.
- Retail sales have been relatively stagnant over the past couple of years and have declined in 2020 due to COVID-19, but they are expected to rebound over the next couple of years.
- Niagara remains an attractive place for new residents and businesses and demand for property is expected to remain high despite the pandemic. However, this will exacerbate the affordability issue since Niagara incomes are lower than neighbouring regions, which are driving up real estate demand.
- Lastly, economic recovery is highly dependent on containing the COVID-19 virus and ending the pandemic. If infections continue to spread, the economic damage will continue to worsen and recovery will be prolonged.

Alternatives Reviewed

None applicable.

Relationship to Council Strategic Priorities

This report supports the following Council Strategic Priority because it is essential to be aware of and understand the characteristics of Niagara's regional economy in order to make informed decisions pertinent to business and economic growth:

- Supporting Businesses and Economic Growth

Other Pertinent Reports

- ED 11-2020 Economic Recovery Plan Progress Update
- ED 12-2020 COVID-19 Response and Business Continuity in Economic Development
- ED 13-2020 COVID-19 Impact on Investment and Development in Niagara

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Manager, Economic Research and
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Recommended by:

Valerie Kuhns
Acting Director
Economic Development

Submitted by:

Ron Tripp, P.Eng.
Acting Chief Administrative Officer

Appendices

None applicable.