
Subject: Niagara Economic Update

Report to: Planning and Economic Development Committee

Report date: Wednesday, April 14, 2021

Recommendations

1. That Report ED 9-2021 **BE RECEIVED** for information.

Key Facts

- The purpose of this report is to provide PEDC with an update on Niagara's regional economy while highlighting the impacts of the COVID-19 pandemic.
- In 2020, Niagara experienced a 7.5% reduction in GDP over 2019. In comparison, the Great Recession of 2008-2009 resulted in a 3.1% decline in GDP.
- Unlike the Great Recession, which took many years to recover from, Niagara is forecasted to rebound quickly with recovery happening over 2021 and a return to an economic growth trajectory by the end of 2022.
- Current challenges that threaten recovery include the possibility of COVID-19 variants prolonging economic restrictions, the loss of people from the labour force who exited during the pandemic, affordability challenges exacerbated by a forecasted high rate of inflation and increasing housing market prices, access to skilled talent, age and gender equity issues that were exacerbated by the pandemic, a delayed return of international tourism markets, and the return of export markets among a renewed interest in global trade protectionism.

Financial Considerations

None applicable.

Analysis

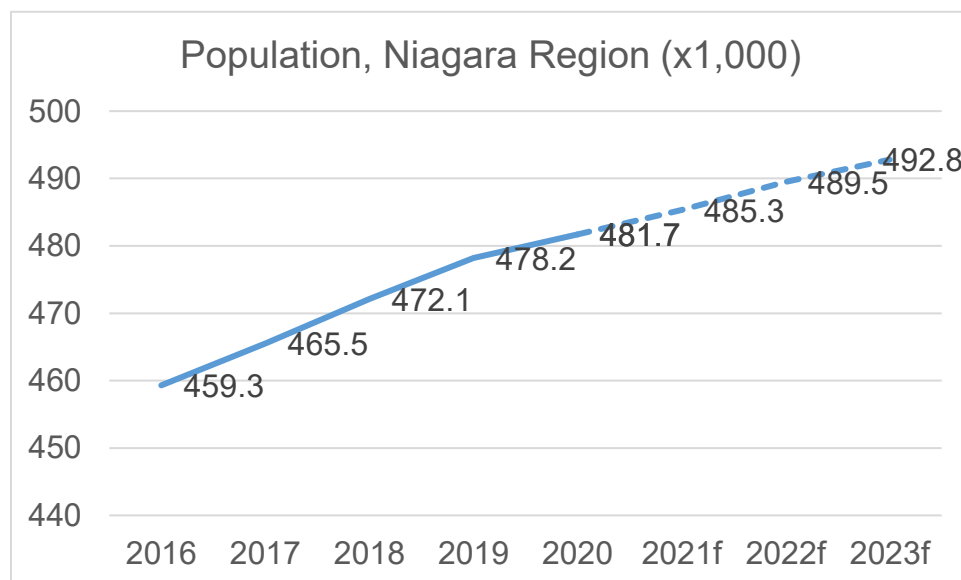
It is quite evident that the COVID-19 pandemic has had extensive negative impacts on the Niagara regional economy. The onset of the pandemic has resulted in the biggest economic disruption in the history of Niagara. Lockdowns, supply shortages, market disruptions, market instability, and loss of employment and income in some of Niagara's most important economic sectors has put Niagara's economy in a precarious position.

Niagara's economic future is dependent on the course of the COVID-19 virus, which is evident in the data discussed below.

That said, there are signs that Niagara's economy can recover quickly. Population growth remains strong, the housing market remains very strong, investment in building construction and building permit values remain very strong, and GDP and retail sales are forecasted to rebound quickly, which will improve employment and income conditions. However, this is strictly contingent on the course of the virus. Employment and GDP are directly affected by pandemic restrictions. Once the population is vaccinated and the virus is contained and restrictions are lifted, the economy is forecasted to fully recover within the next couple of years.

This report explores major economic indicators including population, employment, income, inflation, housing prices, investment, building permits, business counts, gross domestic product (GDP), retail sales and international trade.

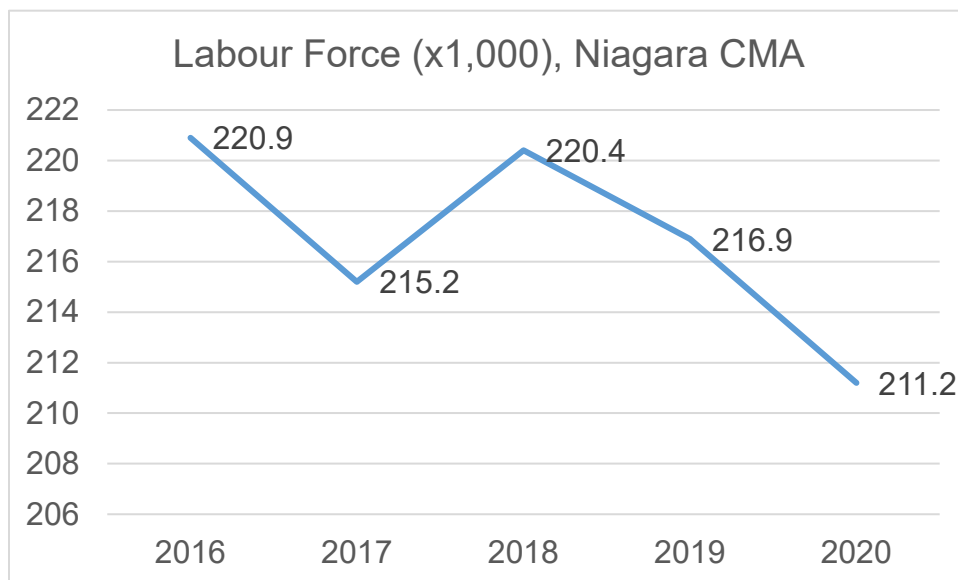
It addresses the past few years of economic activity and provides some forecasts for the next few years with consideration for the impact of COVID-19 on the regional economy.



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

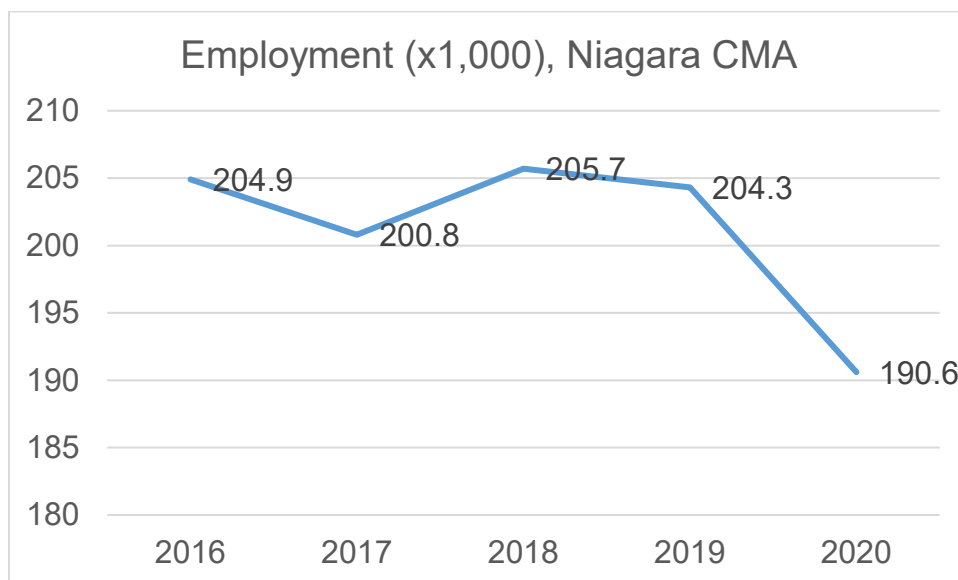
- Prior to 2016, population growth in Niagara was an annual average of 0.8%
- Since 2016, population growth has accelerated to an annual average of 1.3%.

- From 2016 to 2020, the population grew by 22,465 people or 5%.
- Niagara's population is forecasted to grow by another 11,085 or 2.3% by 2023.



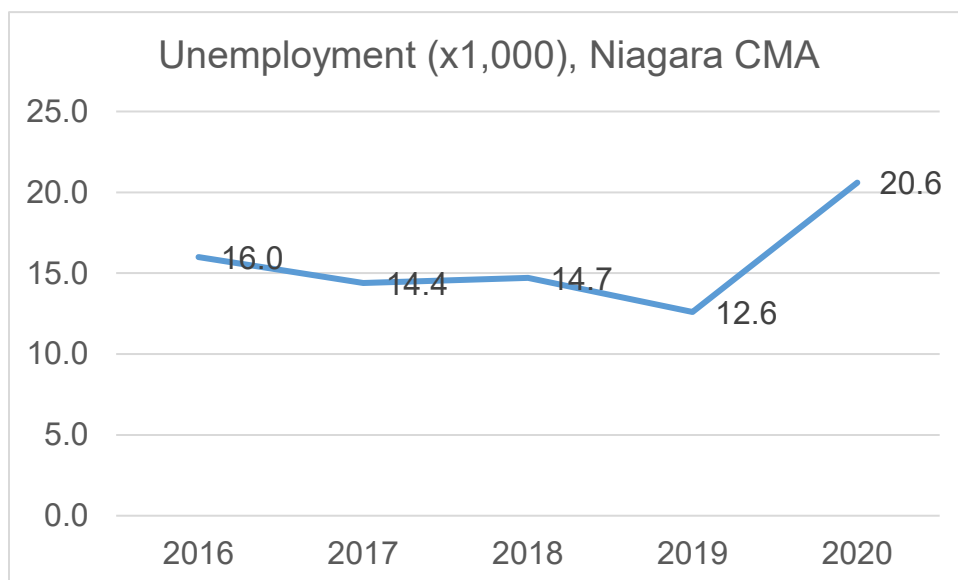
Statistics Canada, Table: 14-10-0385-01

- Niagara's labour is often volatile due to characteristics such as an aging demographic in Niagara choosing to leave the labour force. However, 2020 shows a significant decline.
- The labour force experienced a major decline of 5,700 or 2.6% people from 2019 to 2020.
- The decline in labour force reflects the number of people seeking not to work or seek work during this period.



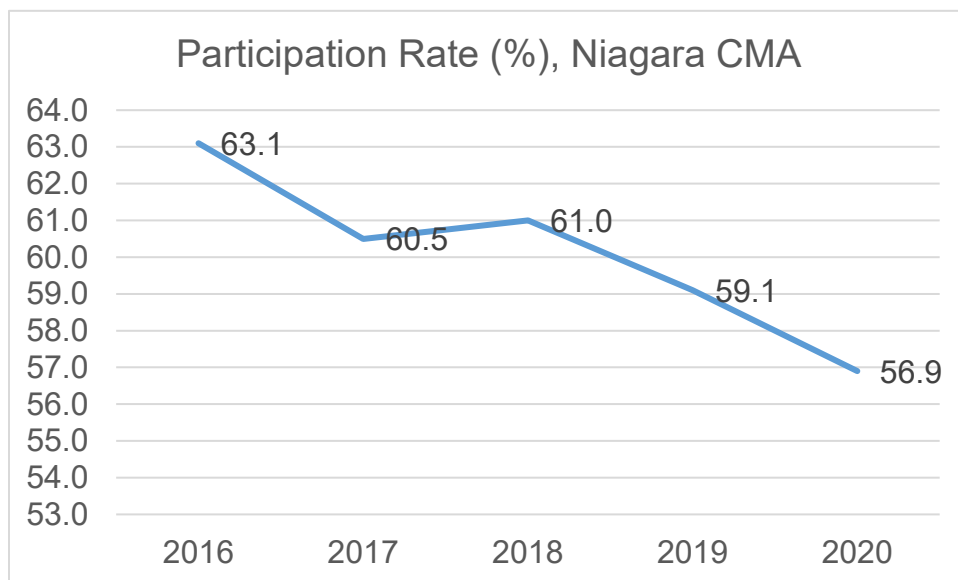
Statistics Canada, Table: 14-10-0385-01

- Employment remained strong in 2018 and 2019. However, it experienced a massive decline in 2020 of 13,700 people or 6.7%.
- Forecasts by The Conference Board of Canada suggest that employment will fully rebound by 2022, but it is contingent on the course of COVID-19.



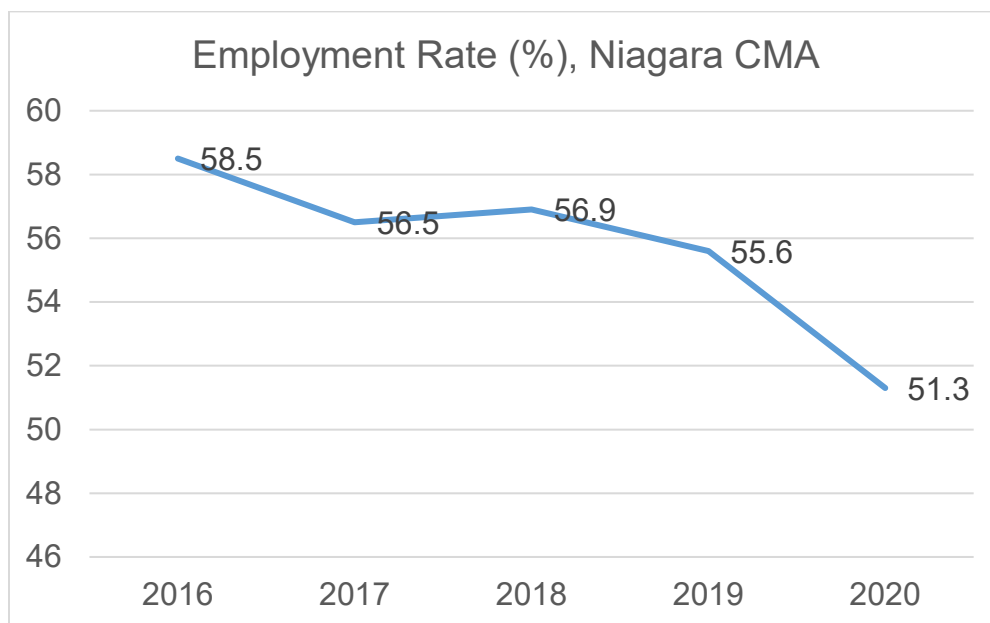
Statistics Canada, Table: 14-10-0385-01

- Unemployment gradually declined by 3,400 or 2.1% from 2016 to 2019. However, there was a major increase of 8,000 people or 6.3% from 2019 to 2020.



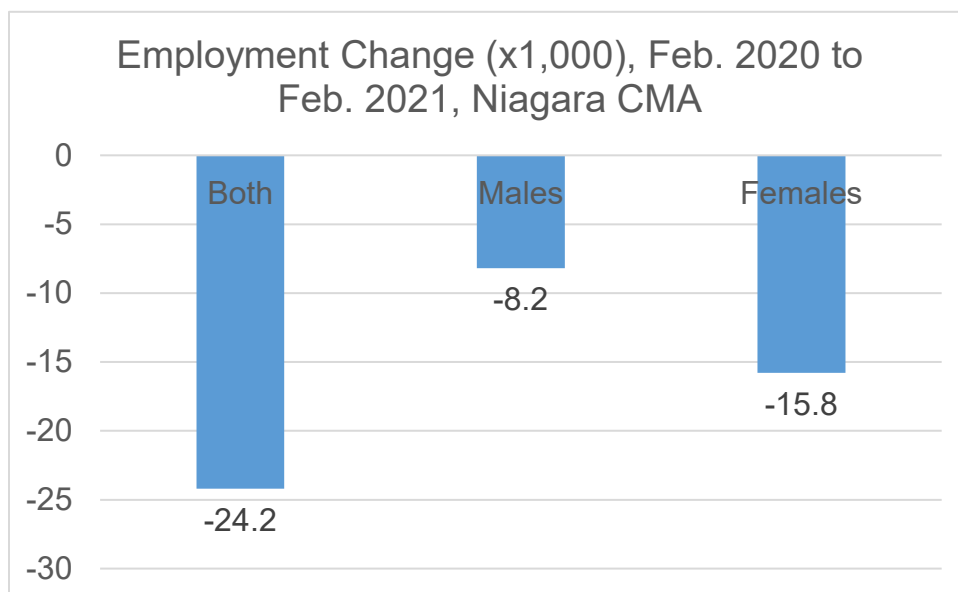
Statistics Canada, Table: 14-10-0385-01

- Niagara's participation rate has been in a gradual decline. From 2016 to 2020, there are 6,200 or 6.2% fewer people participating in the labour force.
- One would think this decline is a result of the aging demographic in Niagara. However, 2019 to 2020 was unique. A closer look at the data shows that the biggest loss was from the 15 to 25 years demographic (-15.6%).
- Females were affected disproportionately more at -31.3% compared to males at -3.2%.
- Interestingly, the biggest gains were in the 55 to 64 years demographic at 9.7%. Males gain by 9.7% and females by 7.5%.
- The 65 years and over demographic continued to decline at -4.6%.



Statistics Canada, Table: 14-10-0385-01

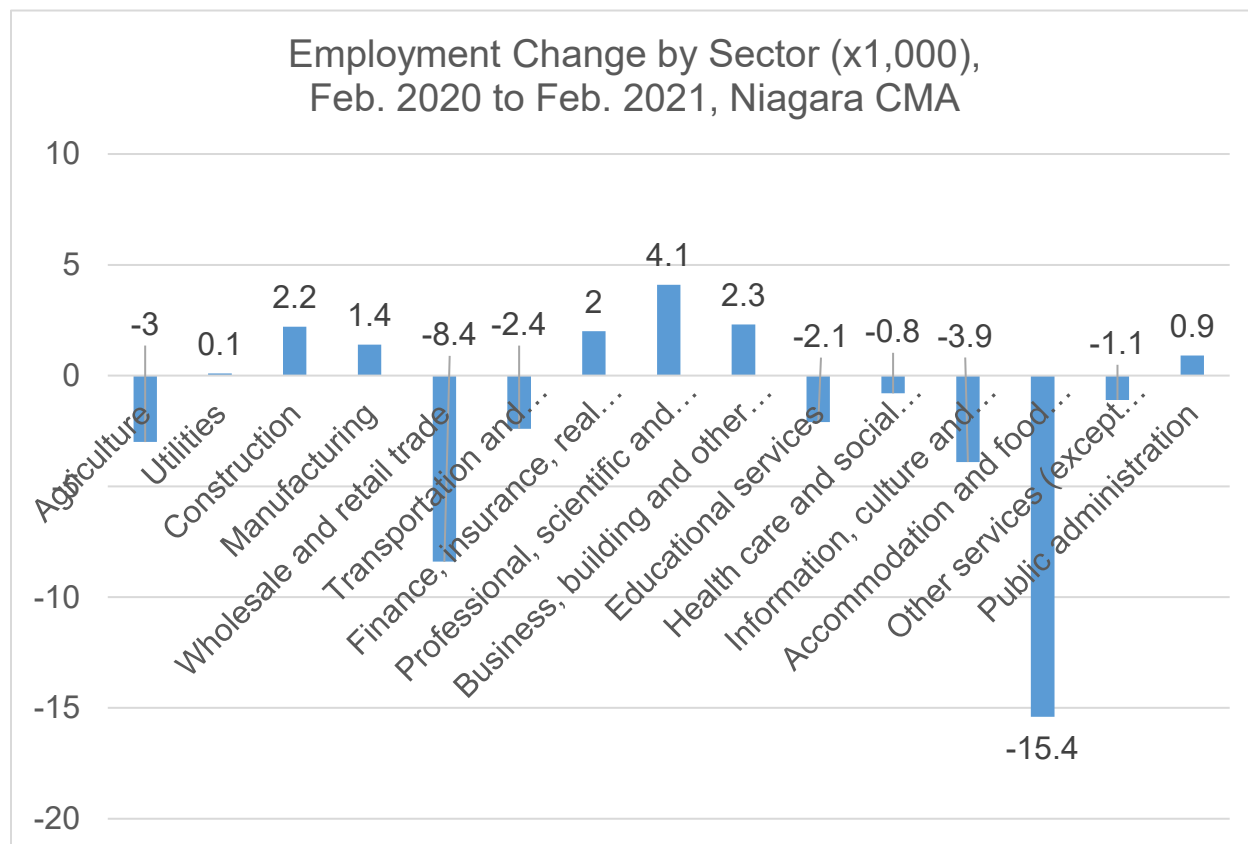
- Niagara's employment rate has experienced a gradual decline since 2016, but it accelerated drastically in 2020.
- From 2018 to 2020, the employment rate declined by 4.3%.



Statistics Canada, Table: 14-10-0378-01

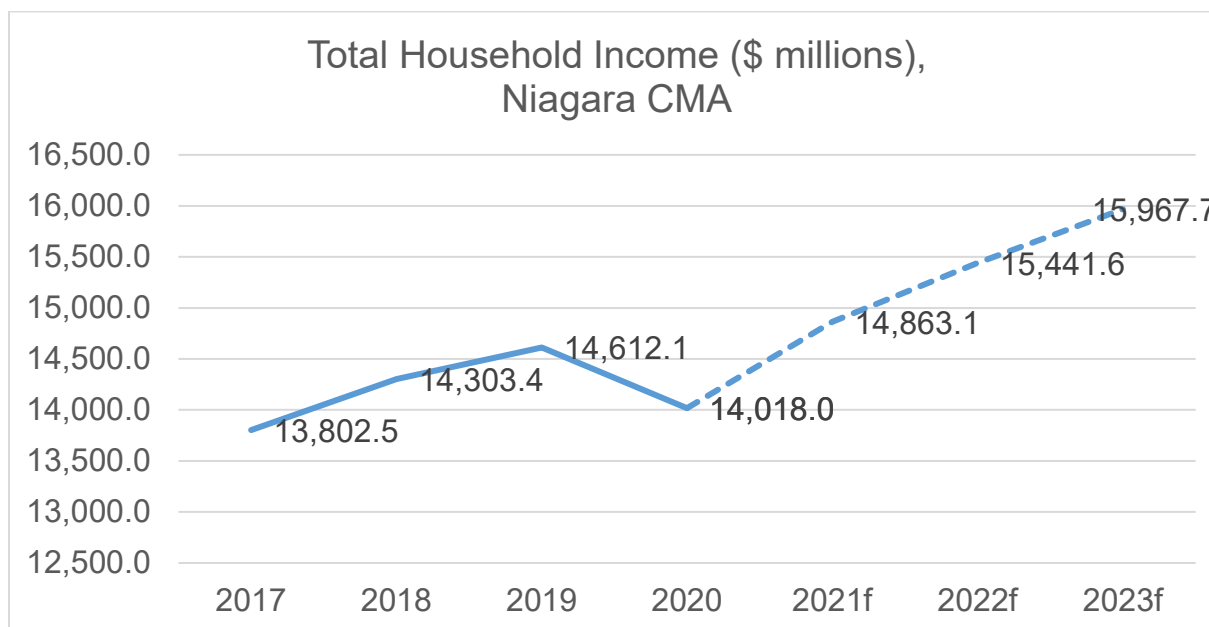
- From February 2020 to February 2021, employment declined by 24,200 people.

- The impacts of this were felt disproportionately between males and females.
8,200 of these people were male and 15,800 were female.



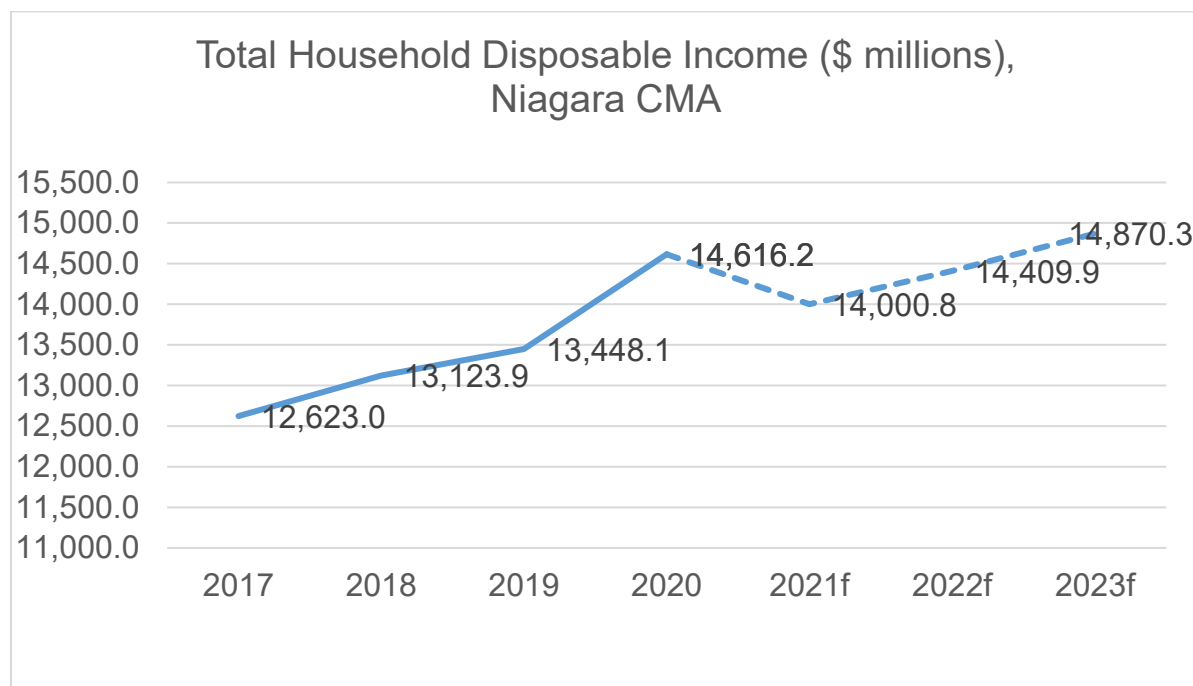
Statistics Canada, Table: 14-10-0379-01

- The decline in employment in Niagara impacted the industry sectors disproportionately.
- Construction; finance, insurance, real estate, rental and leasing; professional, scientific and professional services; business, building and other services; and public administration all experienced modest employment gains.
- Agriculture; wholesale and retail trade; transportation and warehousing; educational services; health care and social assistance; information, culture and recreation; accommodation and food services; and other services all experience a significant decline in employment.



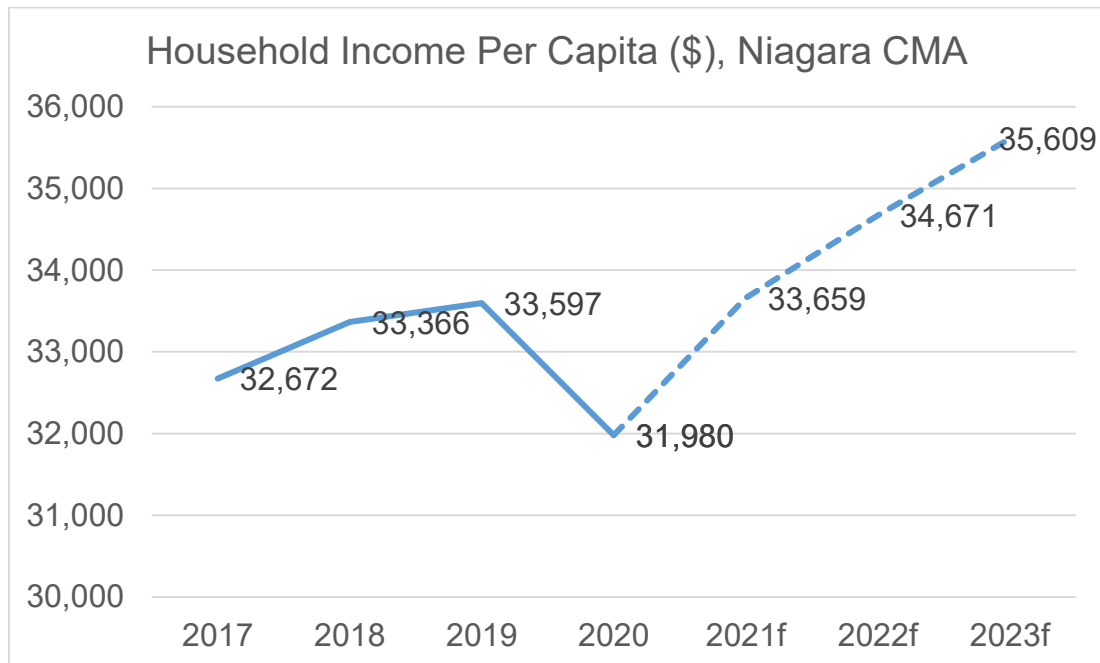
The Conference Board of Canada, Key Economic Indicators, St. Catharines-Niagara

- Total housing income in Niagara was growing, but experienced a significant decline in 2020 of \$594.1 million or 4%.
- It is forecasted to recover through 2021 and be on a growth trajectory again in 2022.



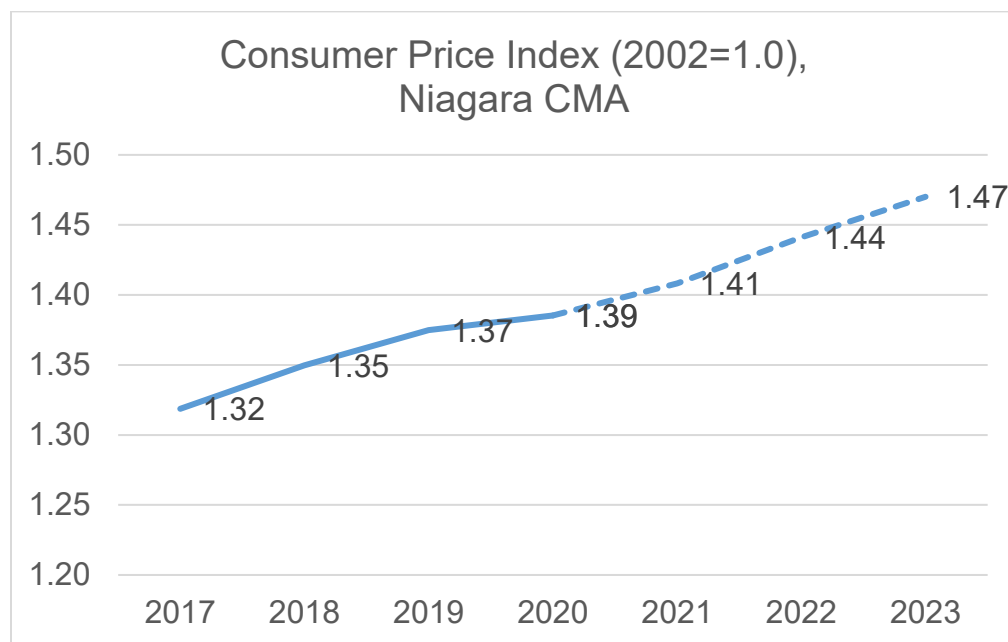
The Conference Board of Canada, Key Economic Indicators, St. Catharines-Niagara

- From 2019 to 2020, total household disposable income actually grew significantly by \$1.2 billion or 8.7%.
- It is forecasted to decline over 2021 as the economy reopens and people with income begin spending their money again.



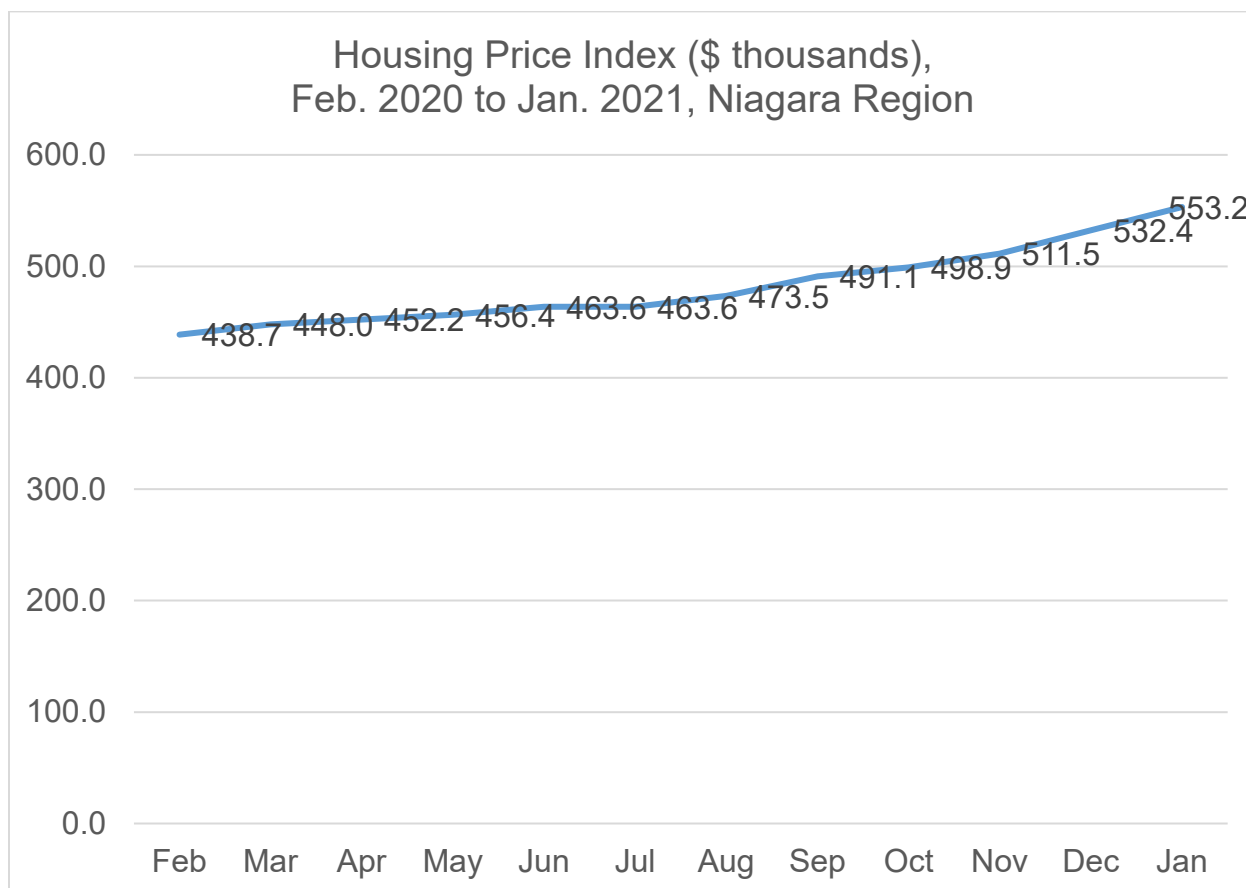
The Conference Board of Canada, Key Economic Indicators, St. Catharines-Niagara

- Household income per capita in Niagara also experienced a significant decline of \$1,617 or 4.8% from 2019 to 2020.
- It is forecasted to make a rapid recovery in 2021 with significant growth for 2022 and 2023.



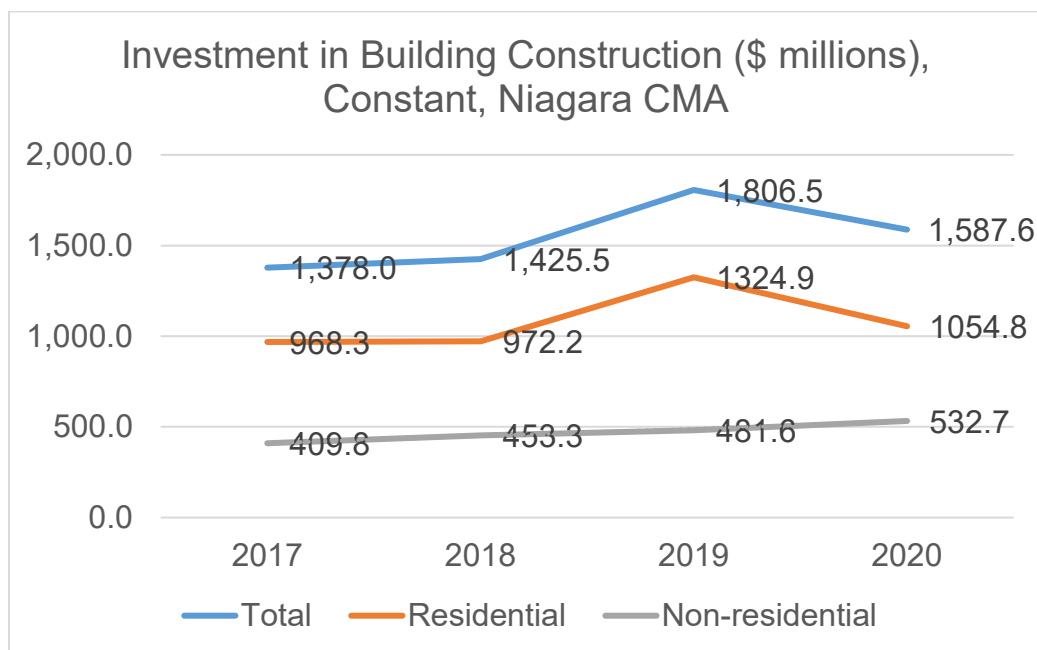
The Conference Board of Canada, Key Economic Indicators, St. Catharines-Niagara

- Consumer Price Index is a measurement of inflation. It remained stable from 2019 to 2020.
- It is forecasted to increase again in 2021 to 2023, and the cost of living is forecasted to increase by 6.1% from 2020 to 2023 compared to 5.1% increase from 2017 to 2020.



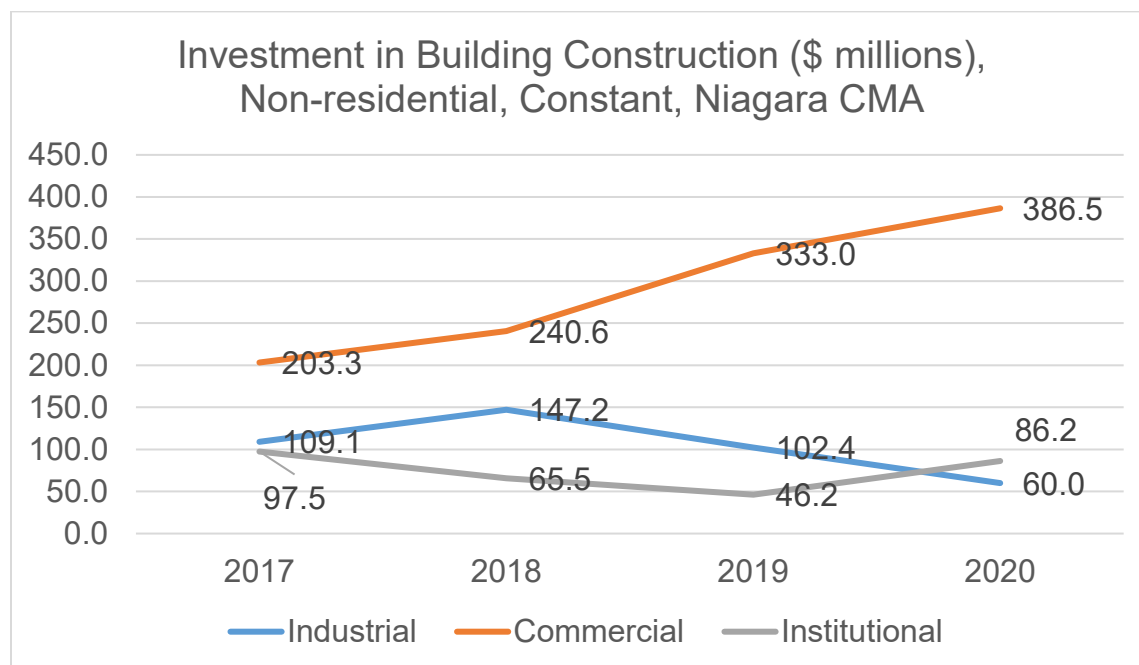
Niagara Real Estate Association

- Similar in concept to the consumer price index (CPI), the housing price index (HPI) measures the rate that housing prices change over time.
- Niagara benchmark housing price grew by \$114,500 or 26% from February 2020 to January 2021.



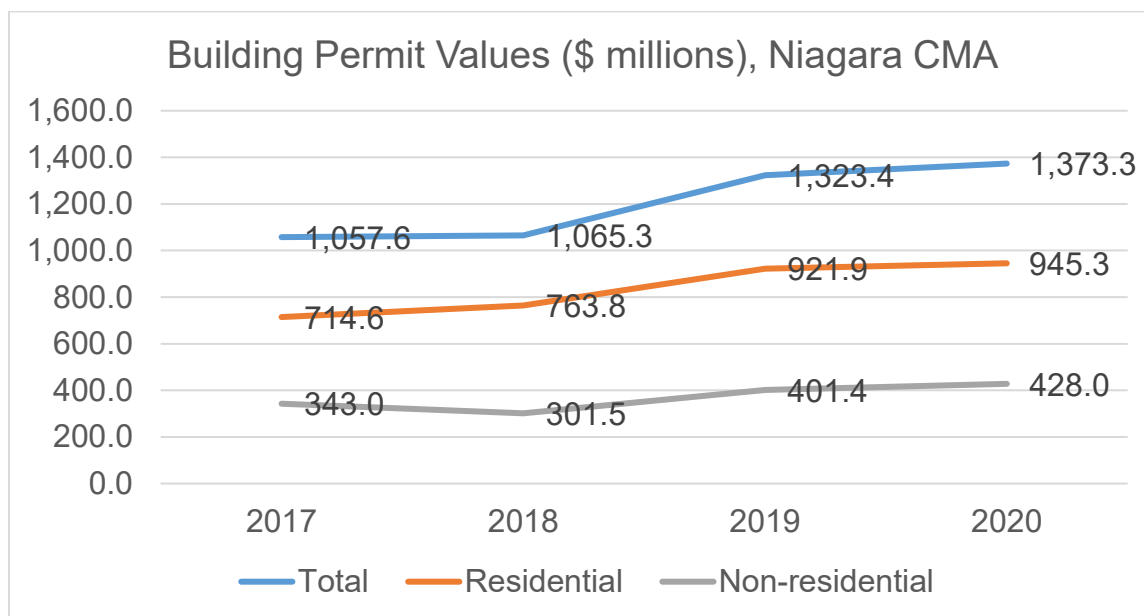
Statistics Canada, Table: 34-10-0175-01

- Despite COVID-19, investment in building construction in Niagara remained strong in 2020.
- Although total investment was down \$218.9 million or 12.1% in 2020, 2019 was a banner year and 2020 was still historically very strong.
- Investment in residential building construction was down \$270.1 million or 20%, but investment in non-residential building construction was actually up \$51.2 million or 10.6%.



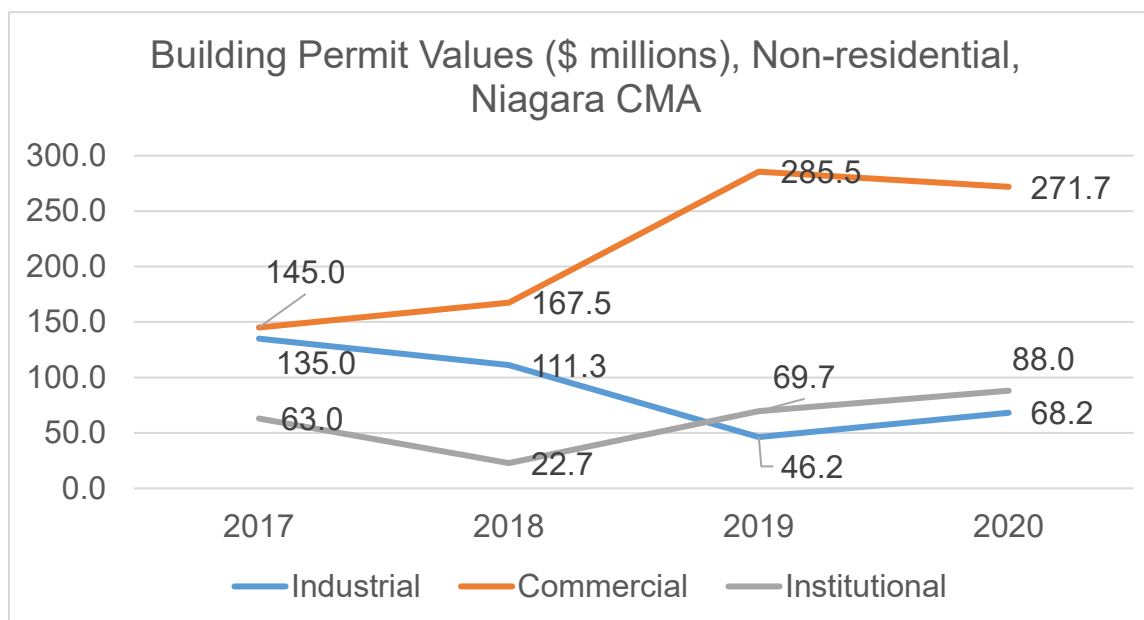
Statistics Canada, Table: 34-10-0175-01

- From 2019 to 2020, investment in commercial building construction grew by \$53.6 million or 16.1%.
- Investment in industrial building construction experienced a significant decline of \$42.4 million or 40%.
- Investment in institutional building construction grew by \$40.0 million or 86.5%.



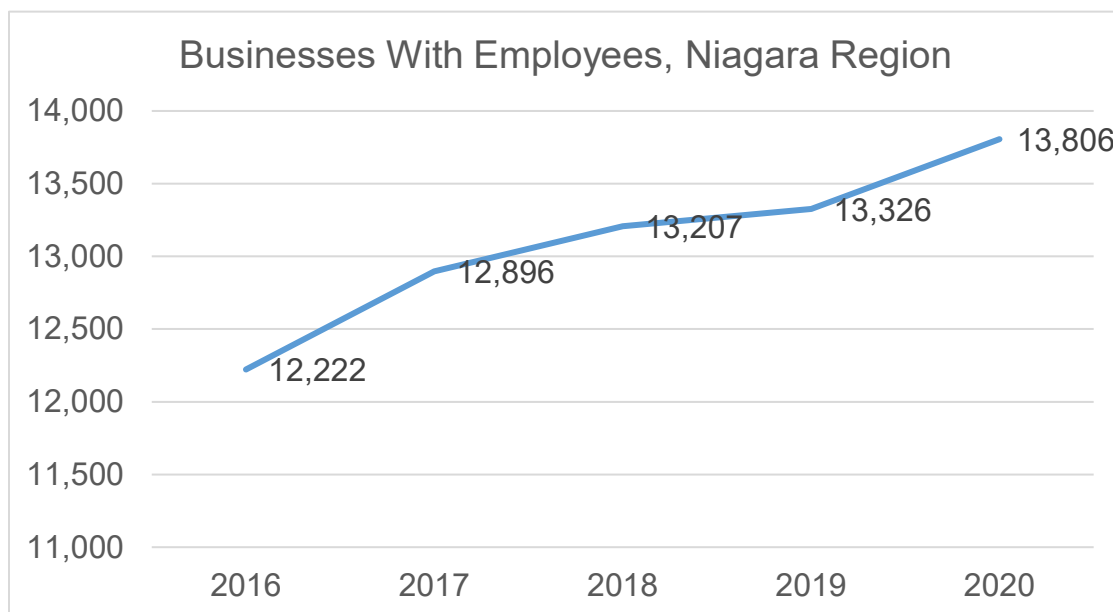
Statistics Canada, Table: 34-10-0066-01

- Building permit values for Niagara remained strong in 2020 at \$1.4 billion, which was \$50 million over 2019 or 3.8%.
- Residential building permit values grew by \$23.4 million or 2.5%, while non-residential building permit values grew by \$26.6 million or 6.6%.



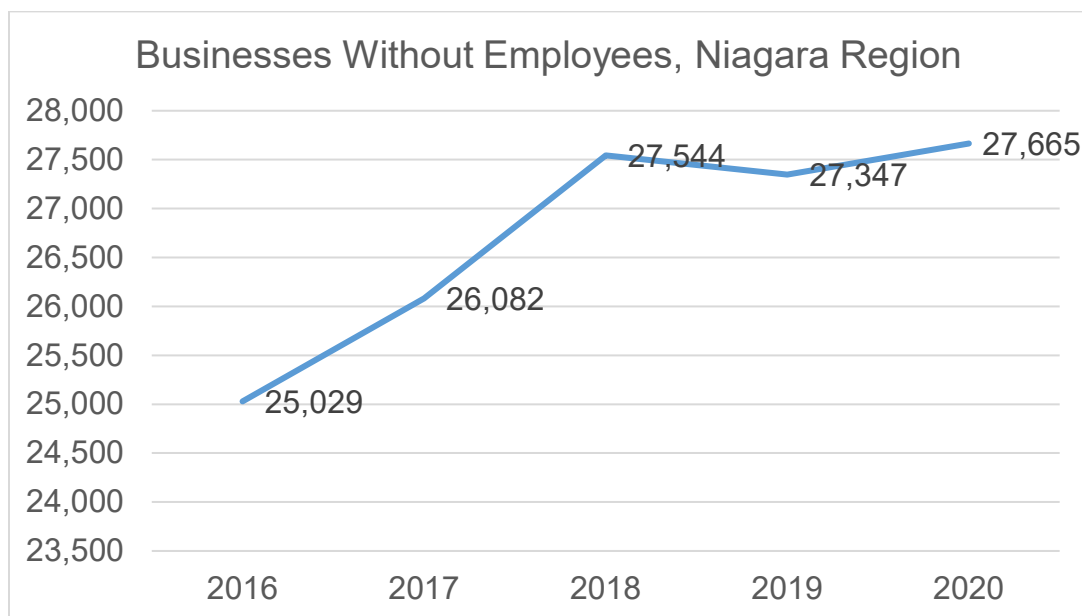
Statistics Canada, Table: 34-10-0066-01

- From 2019 to 2020, non-residential building permit values remained strong across all building types.
- Although commercial building permit values experienced a slight decline of \$13.8 million or 4.8%, industrial building permit values grew by \$22 million or 4.8%, and institutional building permit values grew by \$18.4 million or 26.4%.



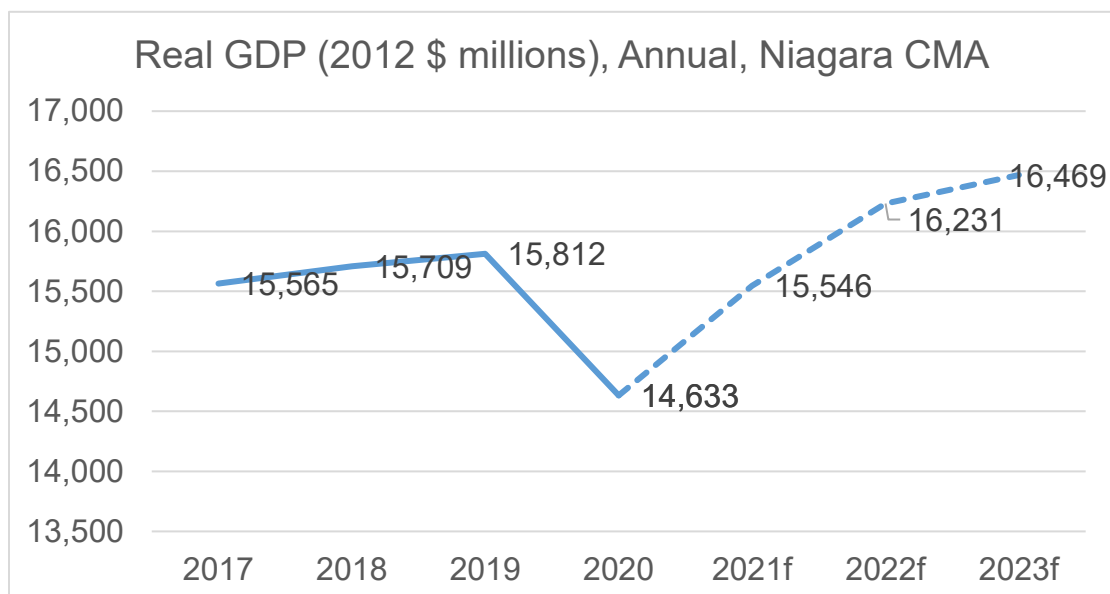
Statistics Canada, Canadian Business Counts

- From 2019 to 2020, Niagara actually gained 480 businesses with employees.
- However, it is important to note that this is not an accurate reflection of the impact of COVID-19 on business counts given the fluidity of the situation and lag in data collection. This data was collected before businesses may have closed as a result of the pandemic. This will eventually be reflected in the data as more is collected.



Statistics Canada, Canadian Business Counts

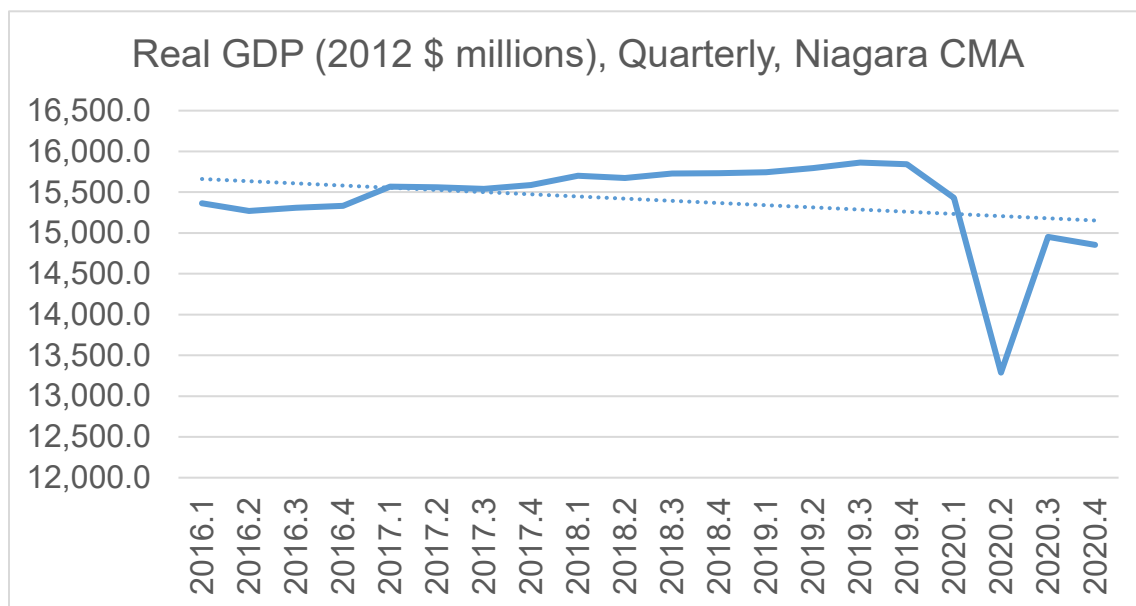
- From 2019 to 2020, Niagara gained 318 businesses without employees.
- However, as mentioned above, the impacts of the pandemic are not yet reflected in this data.



The Conference Board of Canada, Key Economic Indicators, St. Catharines-Niagara

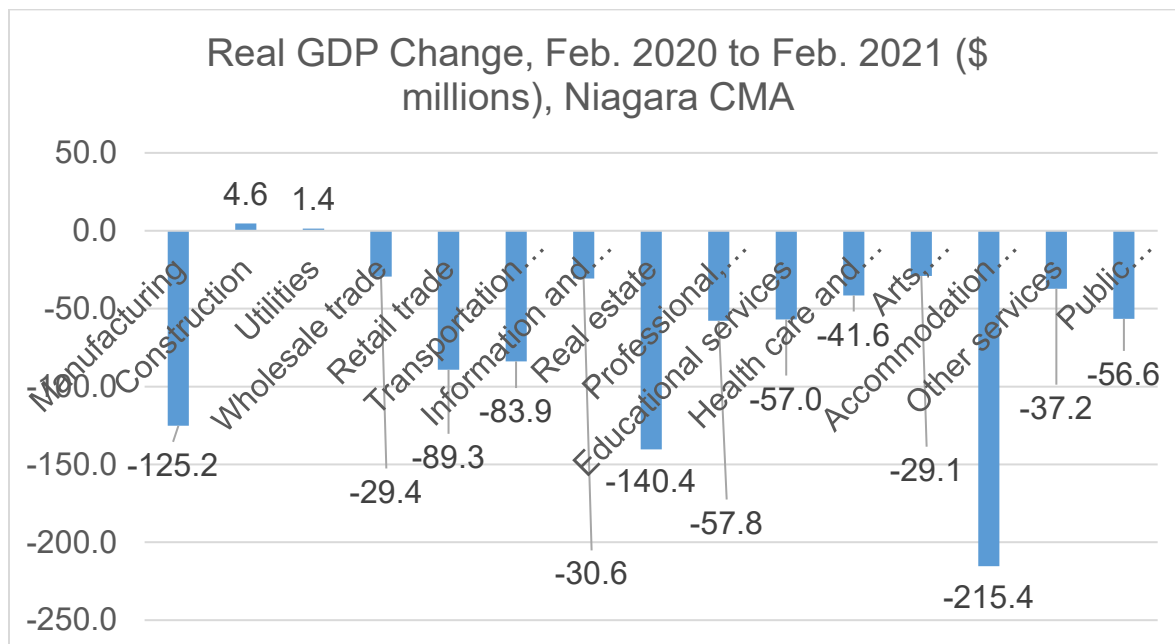
- Real GDP experienced a drastic decline in 2020 of \$1.2 billion or 7.5%. This indicates a massive loss of productivity in the regional economy in 2020.

- For comparison sake, Niagara's GDP declined by \$440.0 million or 3.1% during the Great Recession in 2008 and 2009.
- However, since the current economic downturn is self-imposed due to the pandemic, GDP is forecasted to rebound quickly by 2022.



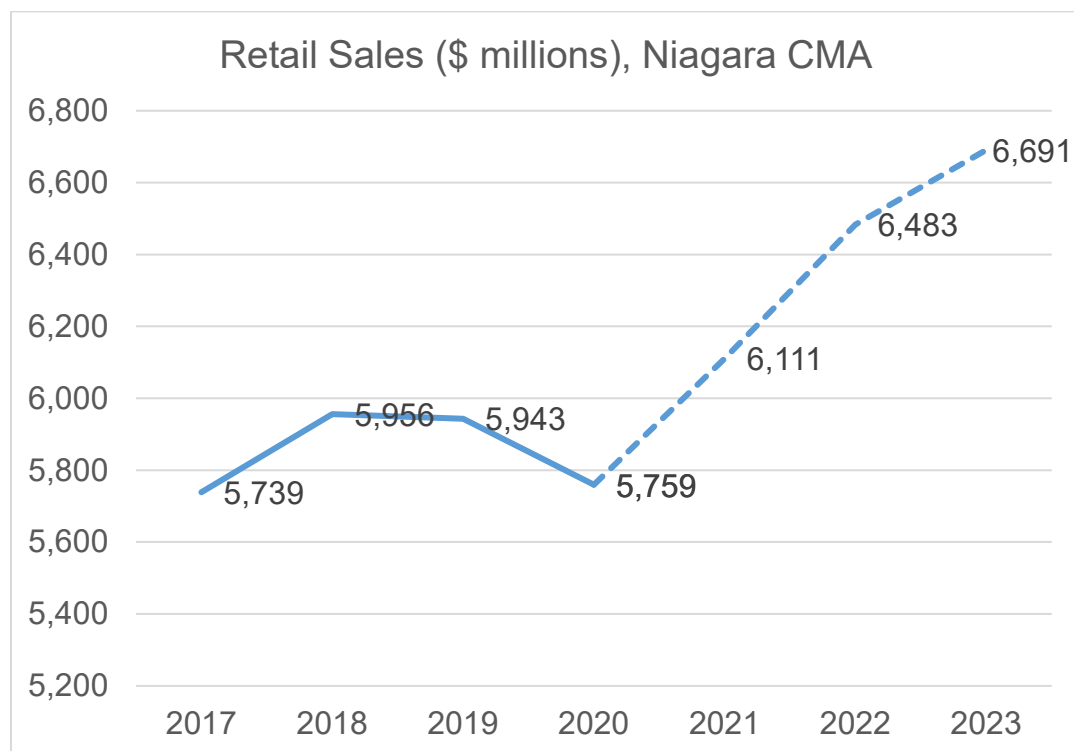
The Conference Board of Canada, GDP at Basic Prices, St. Catharines-Niagara

- Real GDP was strong going into 2020, but experienced a significant decline in Q1 and Q2 in 2020 where GDP declined by \$2.6 billion or 16%.
- GDP rebounded in Q3 of 2020, but then began to decline again in Q4 2020. This is a reflection of the impact of the COVID-19 lockdown measures and other COVID-19-related disruptions on the regional economy.



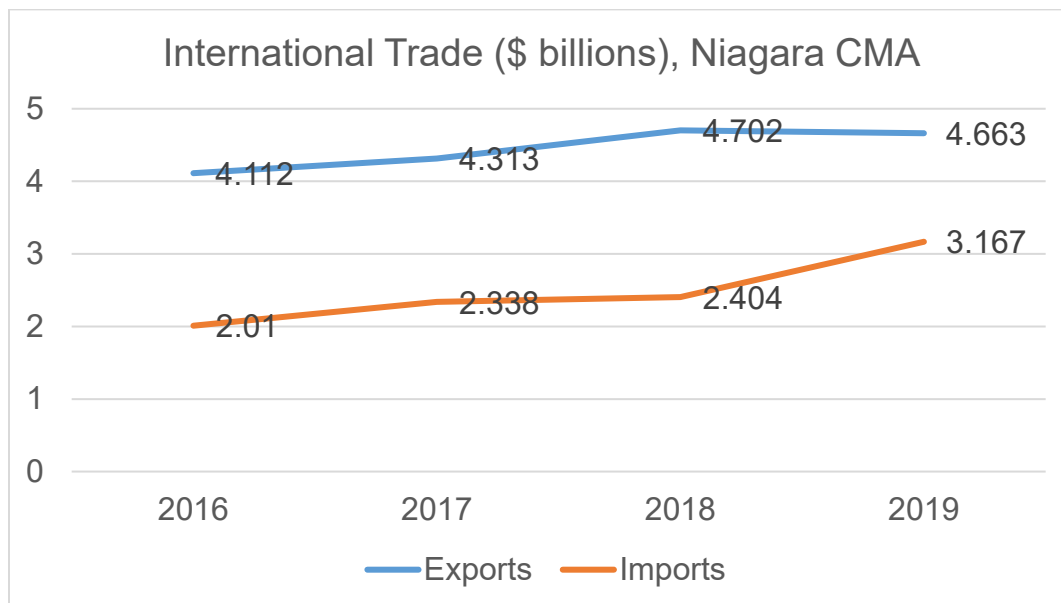
The Conference Board of Canada, GDP at Basic Prices, St. Catharines-Niagara

- From February 2020 to February 2021, all sectors lost GDP except for construction and utilities.
- Although some sector like manufacturing; real estate, rental and leasing; professional, scientific and professional services; and finance and insurance gained employment during this period, they still lost GDP, which is a reflection of the loss of productivity and/or market opportunities for these industry sectors in 2020.
- Accommodation and food services was impacted significantly harder than other industry sectors with a \$215.4 million in lost GDP.



The Conference Board of Canada, Key Economic Indicators, St. Catharines-Niagara

- Retail sales stagnated in Niagara in 2019 and then experienced a significant decline in 2020 of \$183.7 million or 3.1% in 2020.
- Given the pent up household disposable income, retail sales are forecasted to make a strong rebound in 2021 of \$351.0 million or 6.1% with substantial growth into 2023.



Statistics Canada, Trade in Goods by Exporter and Importer Characteristics

- In 2019, Niagara had a strong position in international trade with \$4.7 billion in export values, \$3.2 billion in import values, and a trade balance of \$1.5 billion.
- The 2020 figures are not yet available, but international trade will be an important component of Niagara's post-pandemic economic recovery.

Conclusion

- Niagara's population continues to grow despite the pandemic with a continued growth trajectory.
- All labour indicators show that the pandemic is having a major negative impact on workers. 24,200 people in Niagara became unemployed during the pandemic with disproportionate affects on the youth (15 to 24 years) and female demographic.
- Prior to the pandemic, employers in Niagara had challenges recruiting and retaining employees. The pandemic may exacerbate this problem with more people not participating in the labour force.
- Accommodation and food services; retail trade; and, information, arts, culture and recreation saw much greater employment losses compared other sectors.
- Many sectors actually gained employment despite a loss in sector GDP. This indicates that relief programs such as Canada Emergency Wage Subsidy (CEWS) were effective at helping companies retain and grow their workforces

despite market challenges and a decline in productivity due to lockdowns, supply chain disruptions, etc.

- Total household income declined significantly while household disposable income actually grew by \$1.2 billion. This indicates that while many people lost income, those who retained income saved a significant amount of disposable income. This will help by providing an influx of capital into the economy when it reopens.
- Household income per capita reflect the true loss of income to the individual. This is forecasted to improve drastically once the economy is able to reopen and people in the hardest hit sectors are able to return to full employment.
- While inflation has remained relative stable from 2019 to 2020, it is forecasted to increase going forward, which will increase the cost of living.
- Housing prices in Niagara are also increasing at an astounding rate. Over the past year, prices increased on average by \$114,500 or 26%. This is the largest year-over-year increase on record. This is presenting many challenges in Niagara as incomes are not keeping pace and Niagara residents will struggle to be able to afford home ownership and housing.
- Despite the pandemic, investment in building construction, as well as building permit values remain very strong indicating that there is strong market demand for Niagara real estate.
- Business counts in Niagara remain stable, but this could change as business bankruptcies and closures are reflected in the data going forward.
- Real GDP in Niagara declined drastically with the onset of COVID-19. This is a result of the loss of productivity in almost all sectors in Niagara other than construction and utilities. The service-oriented sectors experienced the largest decline.
- Retail sales also declined significantly as a result of COVID-19 lockdowns, but is forecasted to recover rapidly and remain very strong into 2023 given the high level of pent up capital in the regional economy.
- International trade remained strong in 2019. The figures are not yet available for 2020, but given the loss in GDP and productivity, it is expected that international trade has also declined.

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 16-2020 Niagara Economic Update
- ED 8-2021 COVID-19 Response and Business Continuity in Economic Development
- ED 5-2021 Economic Recovery Plan Update 3

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Appendices

None applicable.