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**Subject:** Niagara Economic Update

**Report to:** Planning and Economic Development Committee

**Report date:** Wednesday, March 9, 2022

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## Recommendations

1. That this Report **BE RECEIVED** for information.

## Key Facts

- The purpose of this report is to provide Planning and Economic Development Committee (PEDC) with a summary of the bi-annual update on Niagara's regional economy while highlighting the impacts of the pandemic.
- In 2021, Niagara experienced 4.8% growth in GDP over 2020, but that is still \$400 million (2.3%) short of pre-pandemic levels in 2019.
- In 2021, Niagara experienced some significant improvements over 2020 including GDP growth, retail sales growth, export values growth, strong investment, and labour force and employment growth.
- There are still many persistent challenges including sector specific GDP and employment loss, a very high rate of inflation outpacing income growth, lower income growth relative to Ontario, a decline in import values, a significant net loss of employer businesses, and employment challenges in the hardest hit sectors.

## Financial Considerations

The activities described in this report are within the Council approved 2022 Economic Development operating budget.

## Analysis

This report is a summary of the annual Niagara Economic Update that provides a comprehensive overview of the economic performance of Niagara. It is intended to address major macroeconomic indicators in order to provide insight into the various facets of the regional economy.

The COVID-19 pandemic has drastically affected the economic performance of Niagara's economy. While some indicators suggest a return to pre-pandemic economic activity, many are still showing a prolonged struggle and areas of vulnerability.

The following summary will address trends in gross domestic product (GDP), consumer price index (CPI), income, retail sales, international trade, investment, business counts, and labour and employment characteristics.

### **Gross Domestic Product (GDP)**

Real GDP rebounded to near pre-pandemic levels in 2021 to \$15.9 billion, up by \$700 million (4.6%) from \$15.2 billion in 2020.

Although real GDP is still \$400 million (2.3%) short of the \$16.3 billion achieved in 2019, it is projected to fully recover to \$16.7 billion through 2022 and remain on a steady growth trajectory through 2024.

### **Consumer Price Index (CPI)**

Niagara experienced a steep decline in CPI in 2020 to 0.6%; however, it rose drastically in 2021 to 3.4%. As of January 2022, CPI for Niagara is 5.7% higher than it was in January 2021 indicating a steep increase in the cost of goods and services.

CPI is expected to decline but remain relatively high throughout 2022 at an annualized increase of 2.8%. It is projected to return to regular levels around 2.0% in 2023.

### **Income**

In 2021, Niagara's household income growth rate increased by 0.8% to 3.1% while household disposable income declined drastically by 4% to 2.1%.

With current high rates of inflation, household disposable income is expected to not grow in 2022, but is expected to grow again in 2023 and 2024.

In 2021, disposable income per capita for Niagara was \$4,962 less than Ontario. From 2018 to 2021, that gap grew steadily; however, it is projected to decline from 2022 to 2024.

## **Retail Sales**

Total retail sales made a significant recovery in 2021 growing by \$382 million (7%) to \$5.94 billion. However, it has not fully recovered to the pre-pandemic level of \$6.02 billion in 2019.

Retail sales values are projected to reach pre-pandemic levels of \$6.04 billion in 2022, which will be supported by fewer pandemic restrictions on businesses and more spending activity.

## **International Trade**

From 2019 to 2020, export values for Niagara grew by \$1.43 billion (31%), which is an unprecedented amount of growth. During the same time, import values declined by \$831 million (-26%), which is also unprecedented for Niagara.

It appears that international demand for products made in Niagara grew drastically during the pandemic as evident in the large increase. However, it appears Niagara companies in general imported a lower value in goods. This could be the result of international supply chain challenges and product shortages.

## **Investment**

Investment in building construction remained strong in Niagara in 2021 with \$1.6 billion in new investment. Although it was a decline of \$51 million over 2020, this only represented a -3% change and investment trends continue to remain strong for Niagara.

Investment in residential building construction represented 69% of total investment in building construction for Niagara in 2021. Although there was a decline in investment from 2020 to 2021, it was less than -1% and the values remain relatively high.

Investment in non-residential building construction also remained relatively strong in 2021 with a total of \$489 million.

## **Business Counts**

From 2020 to 2021, Niagara lost a net 388 (-2.1%) businesses with employees, but gained 1,245 (4.5%) businesses without employees.

Niagara did gain a net 857 businesses (2.1%) from 2020 to 2021, but again, these are all businesses without employees.

### **Labour and Employment**

The labour force took a steep decline at the height of the pandemic in 2020, but actually outperformed pre-pandemic levels in 2021 reaching 220,400 people. This was an increase of 9,200 (4%) of people in the labour force.

Employment improved significantly through 2021 growing by 8,100 people (4%), but it did not fully recover, although current monthly data indicates that the employment is already performing better than pre-pandemic levels in 2022.

The unemployment rate in Niagara continued to be high in 2021. From a relatively low level of 5.8% in 2019, the unemployment rate grew by 4% to 9.8% in 2020 and remained at that level in 2021.

Although the participation rate is still relative low, it did grow by 2.1% from 2020 to 2021 to 59.0%. This indicates that more people are re-entering the labour force in 2021, which is also a sign of recovery.

### **Conclusion**

Overall, economic performance is trending in the right direction and 2021 showed a great deal of improvement over 2020, but Niagara did not achieve full economic recovery. However, changes in pandemic policy may help businesses in struggling industrial sectors bring back employment and contribute to future economic growth and opportunity.

### **Alternatives Reviewed**

All activities described in this report are key functions of Regional Economic Development and the tactics being used are consistent with accepted economic development practices.

### **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 8-2021 COVID-19 Response and Business Continuity in Economic Development
- ED 9-2021 Niagara Economic Update
- ED 13-2021 Niagara COVID-19 Business Impact Report Part 3

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### **Appendices**

Appendix 1            Niagara Economic Update