

Subject: Niagara Economic Update

Report to: Planning and Economic Development Committee

Report date: Wednesday, January 10, 2024

Recommendations

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

Key Facts

- The purpose of this report is to provide the Planning and Economic Development Committee with a briefing on the regional economy.
- Niagara experienced significant economic growth after the height of the pandemic ranking second in Canada at 5.5%, but a slowing of the regional economy in line with Ontario and Canada is expected.
- The economic growth rate for Niagara is predicted to slow to 1.3% in 2023 and rise to 1.5% in 2024, positioning the region in the middle among major Canadian metropolitan areas.

Financial Considerations

The activities described in this report are within the Council-approved 2023 Economic Development operating budget.

Analysis

Niagara experienced remarkable economic growth coming out of the height of the pandemic. The Conference Board of Canada recently reported that from 2021 to 2022 the average annual economic growth rate for Niagara was 5.5% ranking second in output growth among major Canadian metropolitan areas. Although some recent indicators show early signs of a slowing regional economy, Niagara is still poised for continued growth albeit at a much slower pace. The Conference Board of Canada predicts economic growth to slow to 1.3% in 2023 and rise to 1.5% in 2024, positioning the region in the middle among major Canadian metropolitan areas.

The following report provides a comprehensive economic update shaping the economic landscape of Niagara. It addresses key metrics including consumer price index (CPI), gross domestic product (GDP), salaries and wages, income, housing prices, retail sales, investment in building construction, international trade, business counts, and labour.

Consumer Price Index

CPI is a widely used measure of inflation. In Q2 2021, the year-over-year CPI rate in Ontario was 3.4%. CPI continued to surge to 7.5% by Q2 2022. As a result of the Bank of Canada raising the policy interest rate, CPI decreased to 3.2 in Q2 2023. It is projected to decrease to 2.3% by Q4 2024 and be closer in line with the Bank of Canada's target rate of 2%.

Real Gross Domestic Product

GDP is the end value of all goods and services produced in an economy during a specific period of time. In Q2 2021, Niagara's GDP was \$16.4 billion. By Q2 2023, the GDP for Niagara grew by \$1.4 billion (8.5%) compared to \$47.3 billion (6.4%) for Ontario. GDP is projected to slow substantially, but Niagara is expected to outperform Ontario with growth of 1.4% (\$300 million) for Niagara and 1.0% (\$8 billion) for Ontario by the end of Q2 2024.

GDP per capita measures the total GDP divided by the total population. It is often used to measure the economic productivity of an area. In Q2 2021, Niagara's real GDP per capita was \$36,891 compared to \$50,053 for Ontario. Although GDP per capita was lower in Niagara than Ontario, from Q2 2021 to Q2 2023 Niagara had higher growth of \$1,630 (4.4%) compared to \$807 (1.6%) for Ontario. By Q2 2024, real GDP per capita for Niagara is projected to grow by \$68 (0.2%) while it is projected to decrease by \$596 (1.2%) for Ontario.

Niagara's share of Ontario's total GDP continued to increase steadily. In Q2 2021, Niagara represented 2.22% of the total real GDP for Ontario. By Q2 2023, Niagara's share of Ontario's total GDP grew to 2.26% and by Q2 2024 it is projected to grow to 2.27%.

Salaries and Wages

Average salaries and wages were lower in Niagara than in Ontario but grew at a faster rate. In Q2 2021, average wages and salaries in Niagara were \$52,428 compared to \$60,583 for Ontario. By Q2 2023, average wages and salaries for Niagara grew by

8.4% (\$4,398) compared to 7.4% (\$4,478) for Ontario. By Q2 2024, average salaries and wages for Niagara are projected to grow by 4.1% (\$2,351) outpacing growth by 3.0% (\$1,972) for Ontario.

Income

Household disposable income per capita includes total household disposable income divided by the population. In Q2 2021, household disposable income per capita for Niagara was \$34,812 compared to \$38,519 for Ontario. Growth in Niagara also outpaced Ontario. By Q2 2023, household disposable income per capita grew by 6.9% (\$2,408) compared to 4.1% (\$1,596) for Ontario. However, Niagara still remained lower than Ontario. By Q2 2024, Niagara is expected to grow by 1.6% (\$589) while it is expected to remain the same with no growth for Ontario.

Housing Prices

Housing prices are one of the indicators that respond quickly to changing economic conditions. In Q2 2021, the benchmark house price in Niagara was \$642,200 compared to \$831,800 for Ontario. Housing prices for Niagara and Ontario peaked in Q1 2022 at \$790,800 for Niagara and \$1,049,900 for Ontario. By Q3 2023, the benchmark price in Niagara decreased by \$130,700 (16.5%) compared to \$141,733 (13.5%) for Ontario.

Retail Sales

Retail sales are another indicator that reacts quickly to changing economic conditions. In Q2 2021, total retail sales for Niagara were \$6.03 billion. By Q2 2023, retail sales grew substantially by 27% to \$7.66 billion. This growth could be attributed to heightened consumer spending after the lifting of pandemic restrictions. However, given the impacts of high inflation and high-interest rates, retail sales are projected to see slow growth of 3.9% (\$300 million) by Q2 2024.

Investment in Building Construction

Investment in building construction has slowed gradually across all building types. In Q3 2021, investment in residential building construction reached \$289.5 million. This peaked at \$315.5 million in Q3 2022 but has decreased steadily since reaching \$224.4 by Q2 2023.

Investment in non-residential construction has also slowed gradually across all types, but some more than others. Investment in commercial building construction was \$58.4

million in Q3 2021 and has gradually decreased reaching \$37.2 million in Q2 2023. Investment in industrial buildings has remained relatively stable. In Q3 2021 it was \$27.2 million and decreased gradually to \$22.4 million in Q2 2023. Investment in institutional building construction also decreased substantially with a higher of \$60.2 million in Q4 2021 to a low of \$37.2 million in Q2 2023.

International Trade

International trade data is only available annually. In 2022, total export values for Niagara firms reached \$8.2 billion, which was a substantial growth of \$1.6 billion (25%) over 2021. Comparatively, import values grew by 12.2% (\$300 million). So, Niagara's net trade in 2022 was \$5.1 billion. This was a significant growth of \$1.3 billion (34.4%) over 2021.

Business Counts

Business counts remain strong in Niagara. By 2023, Niagara had 14,014 businesses with employees, an increase of 164 businesses over 2022, and 30,415 businesses without employees, an increase of 902 businesses over 2022.

Labour

Labour indicators for Niagara remained strong. In Q2 2021, the labour force for Niagara was 216,400. In Q2 2022, the labour force reached an all-time high of 238,700 and in Q3 2023 the labour force remained strong at 235,000.

Employment has also remained strong in Niagara. In Q2 2021, it was very low at 189,400, but increased substantially to 226,400 in Q2 2022. In Q3 2023, it remained stable at 220,700.

The unemployment rate also remains stable. In Q2 2022, the unemployment rate in Niagara reached a low of 4.6%. From there, it gradually increased to 6.1% for Niagara compared to 6.2% for Ontario.

The participation rate made minor improvements in Q3 2023 in both Niagara and Ontario. In Q3 2023 it reached 61.3% compared to 66.5% for Ontario. Niagara has historically lagged Ontario given the demographic characteristics of the region.

Conclusion

Niagara's economic performance over the past couple of years has been strong, with notable improvement across most key indicators. The region's GDP witnessed a substantial increase, outpacing the broader Ontario economy. Additionally, while Canada experienced higher inflation rates, the recent adjustments by the Bank of Canada are expected to bring CPI more in line with target levels. The Niagara housing market, a sensitive barometer, demonstrated signs of stabilizing after a period of significant volatility. Retail sales, buoyed by post-pandemic consumer spending, are projected to experience more tempered growth due to inflationary pressures and rising interest rates. Niagara's business landscape remains robust with steady increases in both employee and non-employee establishments. Labour indicators show a steady and resilient workforce, despite minor fluctuations in unemployment rates. Overall, while there are signs of an impending slowdown, Niagara's economic foundation remains solid, positioning the region favourably within the broader Canadian context.

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 Priorities:

- Prosperous Region

Other Pertinent Reports

- ED 5-2023 Niagara Economic Update

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Appendices

Not applicable.