Subject: Niagara Economic Update

Report to: Planning and Economic Development Committee

Report date: Wednesday, May 7, 2025

Recommendations

1. That Report ED 4-2025 **BE RECEIVED** for information.

Key Facts

- The purpose of this report is to provide the Planning and Economic Development Committee with an update on the regional economy.
- Niagara's economy has slowed in recent years, primarily due to higher interest rates aimed at controlling inflation. With inflation now under control, Niagara was poised for economic growth. However, the potential tariffs from the US present a significant threat to future growth prospects.
- If the US proceeds with the current proposed tariffs and Canada maintains and implements further countermeasures, the Canadian economy could shrink by 5.4%, with 160,000 job losses by Q2 2025. Conversely, if US tariffs and Canadian countermeasures are lifted, the Canadian economy could grow by 3.9% by Q3 2025. Niagara would be disproportionately affected given a strong reliance on the US market.

Financial Considerations

The activities described in this report are accommodated within the Council approved 2025 Economic Development operating budget.

Analysis

Economic growth in Niagara has slowed considerably over the past two years, primarily due to a significant increase in interest rates by the Bank of Canada aimed at managing high inflation. While this measure successfully reduced inflation, Niagara was well poised for continued growth. However, other external challenges have emerged, including tariffs imposed by the United States, which threaten both national and regional economic stability.

It is important to note that the data and projections in this report reflect the economic situation as of March 7, 2025, when the data was published. Given the fluid nature of the tariff situation, these projections are likely to change.

The Conference Board of Canada (CBoC) has recently reported that if the tariffs and countermeasures remain in place, the Canadian economy could shrink by 5.4% on an annualized basis, with 160,000 potential job losses in Q2 2025 alone. Conversely, if the tariffs and countermeasures are removed by Q3 2025, a 3.9% economic expansion and increased hiring could be expected. Given Niagara's heavy reliance on cross-border trade, the region's economy is likely to feel these impacts acutely.

This report provides an in-depth analysis of key economic indicators for Niagara, with comparisons to Ontario as a whole.

Population

Post-census population data shows that Niagara continues to grow at a fast pace. The population of Niagara reached 539,180 in 2024, marking a 10% increase compared to 2020. In comparison, Canada's population grew by 8.6%, and Ontario's population grew by 9.2% during the same period.

Consumer Price Index (CPI)

The CPI is a widely used measure of inflation. The Bank of Canada aims to keep inflation at the 2% midpoint of a 1% to 3% control range. Regional CPI has trended downward over the past two years, from 3.3% in Q2 2023 to 1.8% in Q2 2025. The CBoC predicts that regional inflation will rise to 2.6% by Q1 2026 before decreasing again in Q2 2026.

Gross Domestic Product (GDP)

Real GDP represents the total value of all goods and services produced in an economy, adjusted for inflation. A sustainable real GDP growth rate for an advanced economy is typically 2% to 3% per year. Both Niagara and Ontario have experienced relatively low real GDP growth over the past two years. Niagara's GDP growth was 0.8% from Q2 2023 to Q2 2024 and 1.3% from Q2 2024 to Q1 2025. Meanwhile, Ontario's GDP growth was 1.0% from Q2 2023 to Q2 2024 and 1.3% from Q2 2024 to Q2 2025.

GDP per capita, calculated by dividing total GDP by the population, is a commonly used indicator of economic productivity. Niagara has underperformed Ontario, with a GDP per capita of $41,309 compared to $54,690 as of Q2 2025. From Q2 2023 to Q2 2025, Niagara’s GDP per capita grew by 1.9%, compared to 2.5% for Ontario. However, the CBoC predicts that Niagara’s GDP per capita will grow at 2.3%, compared to 2.1% for Ontario from Q2 2025 to Q2 2026.

Wages and Salaries

Wages and salaries per employee measure the average compensation (in the form of wages and salaries) received by employees. Niagara has lagged behind Ontario in this indicator, with average wages and salaries of $55,407 in Q2 2025 compared to $68,799 in Ontario. From Q2 2023 to Q2 2025, Niagara's average wages and salaries increased by 5.9%, slightly higher than Ontario's 5.7%. The CBoC also predicts that Niagara will grow at the same rate as Ontario, at 2.2% by Q2 2026, so it will continue to lag Ontario.

Income

Household disposable income per capita measures the income remaining after taxes and other mandatory deductions. It is commonly used to assess purchasing power. Niagara’s household disposable income per capita has lagged behind Ontario, at $35,700 compared to $41,255 in Q2 2025. From Q2 2023 to Q2 2025, household disposable income per capita grew by 4.5% for Niagara, compared to 4.6% for Ontario. The CBoC predicts that from Q2 2025 to Q2 2026, Niagara’s growth will be 2.7%, compared to 2.1% for Ontario.

House Prices

The House Price Index (HPI) is a tool that measures changes in the prices of residential properties over time. It is considered more stable than average or median prices because it accounts for factors such as property features and location, while also tracking changes in value. In Q1 2025, the HPI composite benchmark for Niagara was $633,300, compared to $859,350 for Ontario. The composite benchmark in Niagara grew by 1.3% from Q1 2024 to Q1 2025, while Ontario experienced a decline of 1.0%.

Retail Sales

Retail sales measure the total revenue generated by retail stores, both physical and online, from selling goods and services to consumers over a specific period. Retail sales in Niagara reached $7.83 billion in Q2 2025. From Q2 2023 to Q2 2025, retail sales in Niagara grew by 1.7%, compared to 2.3% for Ontario. The CBoC predicts that from Q2

2025 to Q2 2026, retail sales will grow by 2.8% in Niagara, with the same growth forecast for Ontario.

Investment In Building Construction

Investment in building construction measures the total spending on construction activity by households, businesses, and governments, including both residential and non-residential building types, but excluding land value. Investment in residential building construction has been on a declining trend. In Q4 2024, investment in residential building construction totaled $218.5 million, representing a 28% decrease from Q4 2023.

Investment in non-residential building construction was stronger compared to residential. Investment in industrial building construction reached $38.2 million in Q4 2024, marking an increase of 28.4% over Q4 2023. Investment in commercial building construction was also strong, reaching $46 million in Q4 2024, an increase of 18% over Q4 2023. Investment in institutional building construction remained stable, reaching $40.1 million in Q4 2024, a slight decrease of 0.2% from Q4 2023.

International Trade

International trade data such as import and export values, provides insights into Niagara's economic activity, trade relationships, and global competitiveness. Although 2024 will not be available until May 2025, international trade remained strong in Niagara throughout 2023. Total exports reached $8.17 billion, while imports totaled $2.99 billion, resulting in a net trade balance of $5.18 billion. Although exports declined slightly by 0.1%, they remained historically high. During the same period, imports decreased by $110.5 million, contributing to the region's solid net trade balance.

Business Counts

Business counts data captures the number of businesses that have employees on payroll or businesses that have annual revenues greater than $30,000. In 2025, the number of businesses in Niagara with employees reached 14,281 and businesses with no employees reached 36,450. This was growth of 84 businesses (5.9%) with employees and 3,326 businesses (10%) without employees.

Labour

Labour indicators, including the labour force, employment, and unemployment rate for Niagara, were relatively strong in Q1 2025, while the participation rate remained stagnant. The labour force in Niagara reached 253,900, a 2.2% increase over Q1 2024, compared to 3.3% growth for Ontario. Employment in Niagara reached 238,500, a 4.0% increase, compared to 2.3% growth for Ontario.

In Q1 2025, Niagara’s unemployment rate was 6.1%, a decrease of 1.5% from Q1 2024. In comparison, Ontario’s unemployment rate was 7.6% in Q1 2025, a 1.3% increase from Q1 2024. Niagara’s participation rate in Q1 2025 was 60.1%, a 0.6% decrease from Q1 2024, while Ontario’s participation rate remained unchanged at 65.3%.

Conclusion

In conclusion, while Niagara's economy has faced significant challenges over the past two years, including the impact of rising interest rates and now the threat of US tariffs, the region has shown economic resilience. The region's economic outlook remains highly sensitive to external factors, particularly the potential continuation of trade tensions with the US. As the situation evolves, Niagara’s economy could see further contraction. Or, if the tariffs and counter tariff measures are resolved the region could return to more robust growth. Moving forward, it will be essential for policymakers and business leaders in Niagara to stay attuned to these dynamics in order to adapt and capitalize on emerging opportunities while mitigating risks.

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

Tracking and reporting on key economic indicators for Niagara supports the Council Strategic Priority of a Prosperous Region.

Other Pertinent Reports

- ED 14-2024 Niagara Economic Update

  (https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=01fb28b8-34a0-4140-ab8b-8a70c5fa09ff&Agenda=Agenda&lang=English&Item=13&Tab=attachments)

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Appendices

None.