

2023 ONTARIO ECONOMIC REPORT

Prosperity Northwest,
Thunder Bay

February 15, 2023

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#OER2023





ECONOMIC OUTLOOK



ECONOMIC INDICATORS

2022

Indicator	Ontario	NW Ontario
Real GDP (% change)	3.2	–
Population growth (% change)	1.4	0.2
Employment growth (% change)	4.3	0.9
Jobless rate (%)	5.6	4.9

Source: BMO Bank of Montreal

ECONOMIC INDICATORS

2023 forecasts

Indicator	Ontario	NW Ontario
Real GDP (% change)	-0.4	–
Population growth (% change)	1.5	0.5
Employment growth (% change)	0.5	0.1
Jobless rate (%)	6.5	5.6

Source: BMO Bank of Montreal

RISK FACTOR: GLOBAL UNCERTAINTY

- Invasion of Ukraine led to sharp price increases in food, energy, and commodities (e.g. 5000% increase in neon gas prices)
- Inflation for G20 economies reached 8.2% in 2022
- Global growth expected to soften to 2.3% in 2023
- Retraction of China's zero-COVID policy to bolster global supply of goods

RISK FACTOR: LABOUR

- **Job vacancies**

- Labour shortages have nearly/more than doubled for most sectors
 - Food & accommodation services (9.9% job vacancy rate)
 - Construction (6.6%)
 - Health care (6.4%)
 - Retail (5.5%)

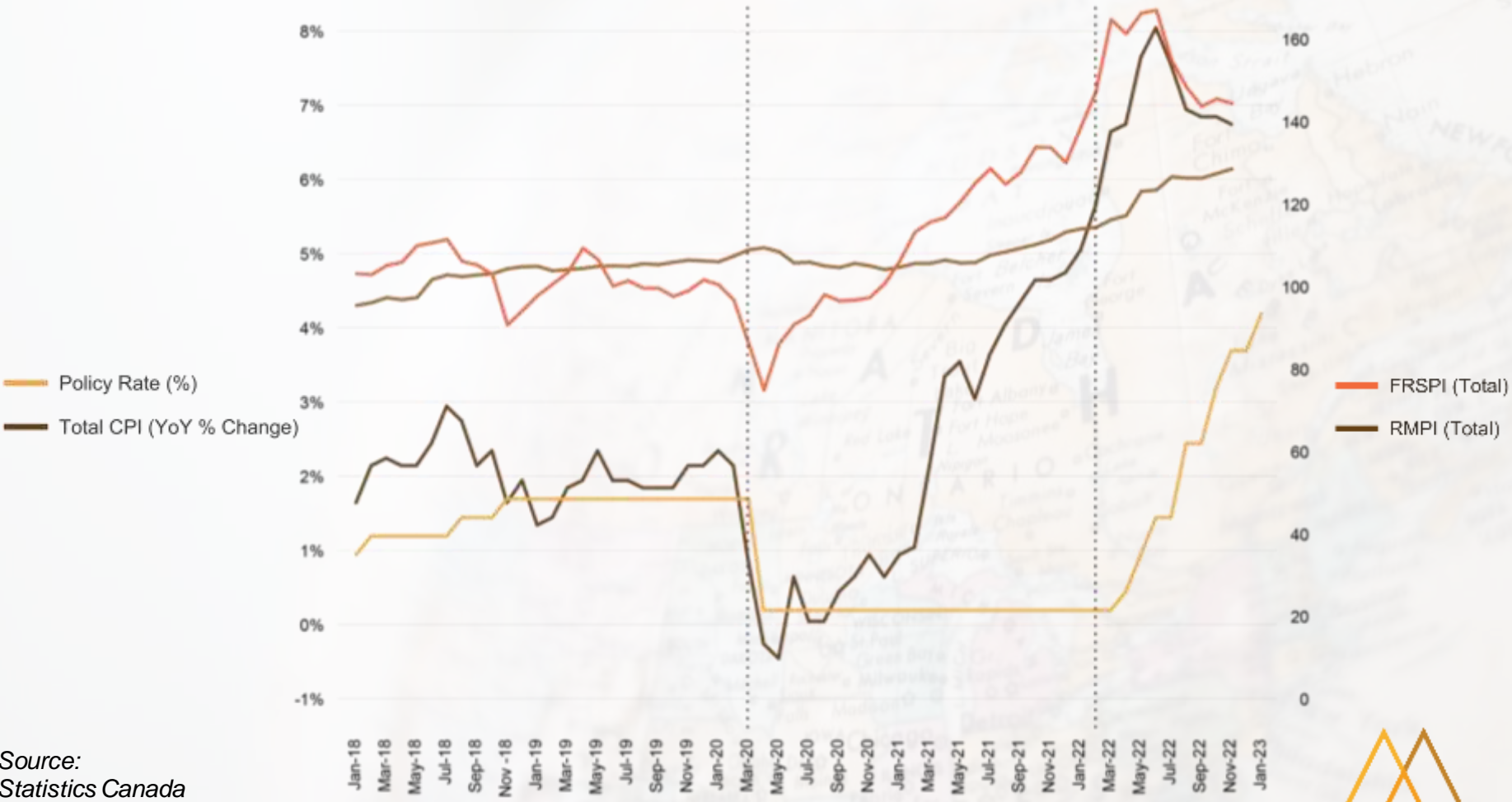
- **Unemployment**

- Significant drop in unemployment from 8% (2021) to 5.6% (2022)

- **Interprovincial migration**

- Net loss of 11.6K persons in Q3 2022 alone – the largest quarter-over-quarter loss since 1980

RISK FACTOR: INFLATION



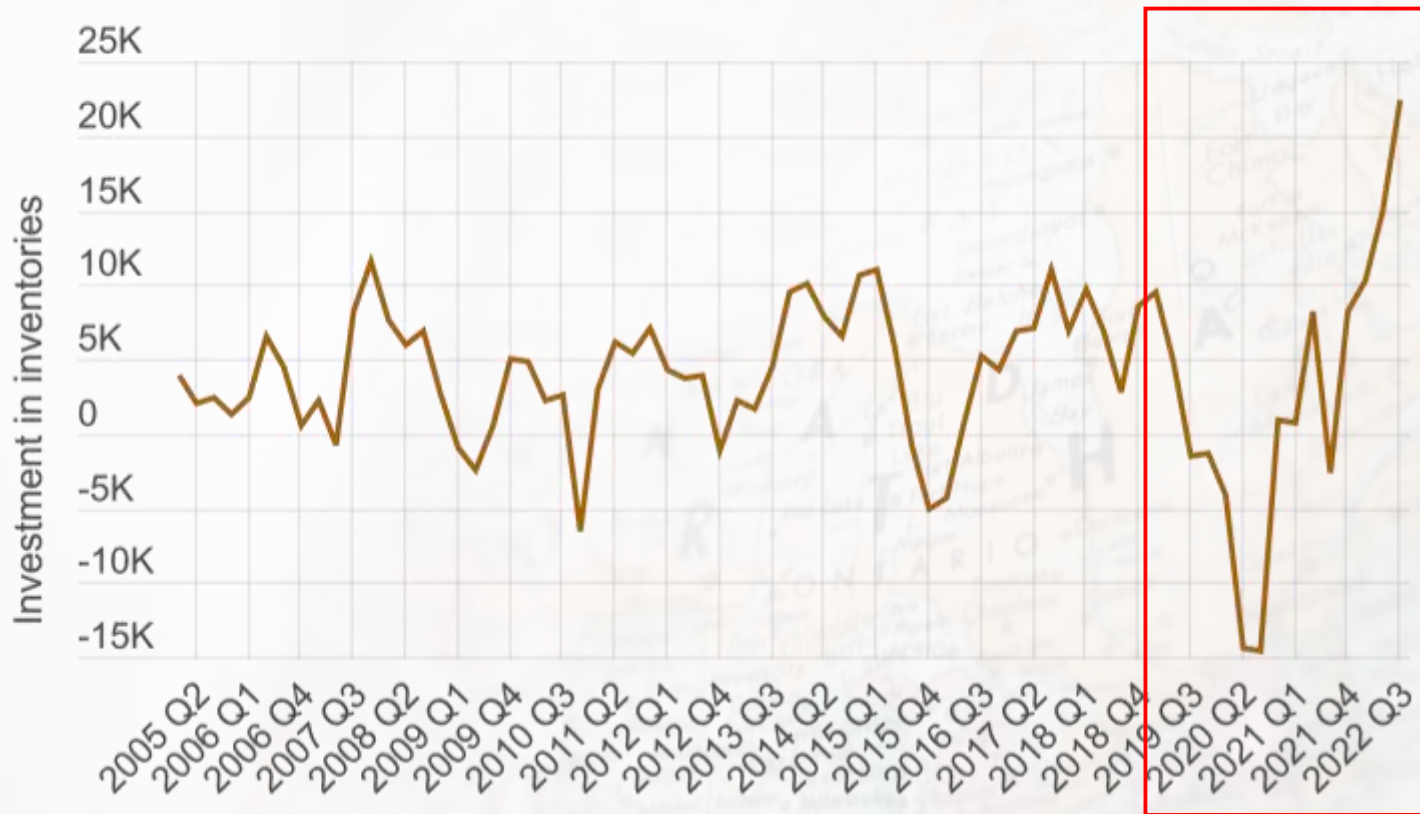
Source: Statistics Canada

BUSINESS

- Business investment continued to decline in 2022 to 3.2% (Q3)
- Business inventory reached \$22.4B in Q3 2022 (compared to record-low level seen in Q3 2020 of -\$14.6B)
- Business insolvencies, bankruptcies, and proposals on the rise
 - By September 2022, bankruptcies increased 35% and proposals 25% YoY

Figure 18: Investment in inventories, annual, seasonally adjusted, millions of chained (2012) dollars

Source: Ministry of Finance (Ontario Economic Accounts)



HOUSEHOLDS

- Household consumption declining from 3.6% (Q2 2022) to -0.9% (Q3 2022)
- Households saving rate declined from 10.3% (Q3 2021) to 6.9% (Q3 2022)

Housing Market Activity

	2019	2020	2021	2022 (expected)	2023 (forecasted)
Existing Home Prices	6.2	15.3	24.9	4.5	-11.4
Home Sales	8.9	8.9	18.6	-32.7	-15.5
Housing Starts (000s)	68.9	81.3	101.2	92.0	72.0

Source: BMO and TD Bank



BUSINESS CONFIDENCE SURVEY



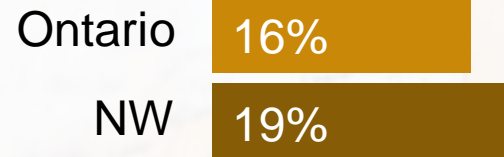
BUSINESS CONFIDENCE SURVEY

- The OCC's annual Business Confidence Survey offers data on the perspectives of Ontario's business community.
- 1,912 organizations – broad range of industries & regions
- Survey conducted online by Golfdale Consulting between October 18 → November 30, 2022
- Topics: business confidence; business growth; policy priorities; labour shortages; employee health and well-being; succession planning; climate change; reconciliation; remote work

CONFIDENCE IN ONTARIO'S OUTLOOK

Confidence in Ontario's economy has dropped to a record low in 2023.

% of businesses confident in
Ontario's economic outlook:



Top reasons for pessimism (NW Ontario):

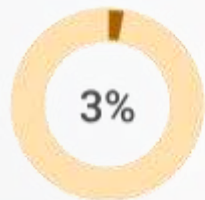
1. Cost of living
2. Labour shortages/ skills gaps
3. Trade & supply chain issues
4. Federal policies
5. Regulatory burdens

Inflation and labour shortages are driving confidence down in 2023.

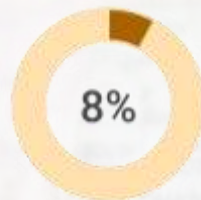
CONFIDENCE IN ONTARIO'S OUTLOOK



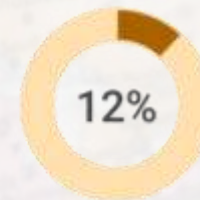
Least confident sectors:



1. Information and cultural industries



2. Retail trade



3. Wholesale trade

INTERNAL CONFIDENCE

% of businesses confident in their **organizational outlook**:

Ontario

53%

NW

57%

% of businesses that **grew in 2022**:

Ontario

45%

NW

53%

Most businesses are confident in their internal outlooks this year thanks to consumer demand.

A tight labour market will sustain employment and spending, and population growth will create new demand.

LABOUR SHORTAGES

Our organization is currently facing a labour shortage:



Labour shortages are particularly common in some sectors:

- Large businesses (87%)
- Utilities (92%)
- Construction (75%)
- Education (73%)
- Accommodation & food services (72%)

TOP 5 POLICY PRIORITIES

Northwest Ontario

1. Invest in **workforce development**
2. Reduce/simplify **business taxes**
3. Invest in **broadband infrastructure**
4. Improve access to **mental health & addiction services**
5. Encourage Ontarians to **buy/ travel locally**

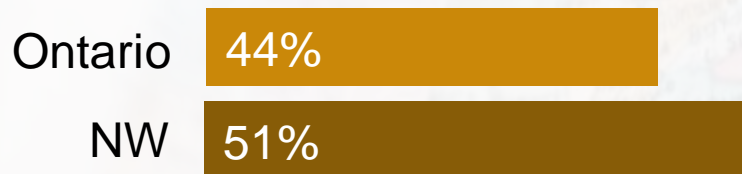
MENTAL HEALTH & DEAI

Businesses in Northwest Ontario are taking action around employee mental health and diversity/ equity/ accessibility/ inclusion (DEAI).

We have a formal strategy for employee **mental health** & well-being



We have a formal **DEAI** strategy



ECONOMIC RECONCILIATION

Businesses in Northwest Ontario are more likely to be taking action on economic reconciliation.

Actions Taken	Ontario	NW Ontario
No measures taken	21%	9%
Staff training	17%	30%
Partnership & engagement strategies	14%	32%
Community investments	14%	34%
Hiring strategies	11%	34%
Procurement policies	5%	25%

EMERGING ISSUES

- **Climate change** – 70% of businesses in Northwestern Ontario see climate action as a priority and 45% feel prepared to achieve their climate environmental goals.
- **Succession planning** – 39% of business owners in Northwestern Ontario expect to retire or sell their business within the next 10 years, but only 27% have completed a succession plan.

Diverse-led businesses are more likely to be taking action around mental health, DEAI, reconciliation, and climate change.

SO WHAT?

- In 2023, Ontario's economy is feeling the headwinds of inflation and rising interest rates, labour shortages, supply chain constraints, and an overstretched health care system.
- Policymakers & businesses need to invest strategically in economic resilience, productivity, and growth.
- Key areas of focus:
 - Inclusive workforce development
 - Growth-enabling infrastructure
 - Small business prosperity
 - Innovation ecosystem

THANK YOU

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