



# **Economic Challenges and Opportunities for Southwest Ontario and the GTA**

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**February 2015**

**Mowat Centre**  
ONTARIO'S VOICE ON PUBLIC POLICY

# Overview

This presentation will look at:

1. Global megatrends
2. Economic outlook
3. Economic Risks and Opportunities for Peel
4. A Sectoral Model of Economic Opportunity in Peel
5. Recommendations

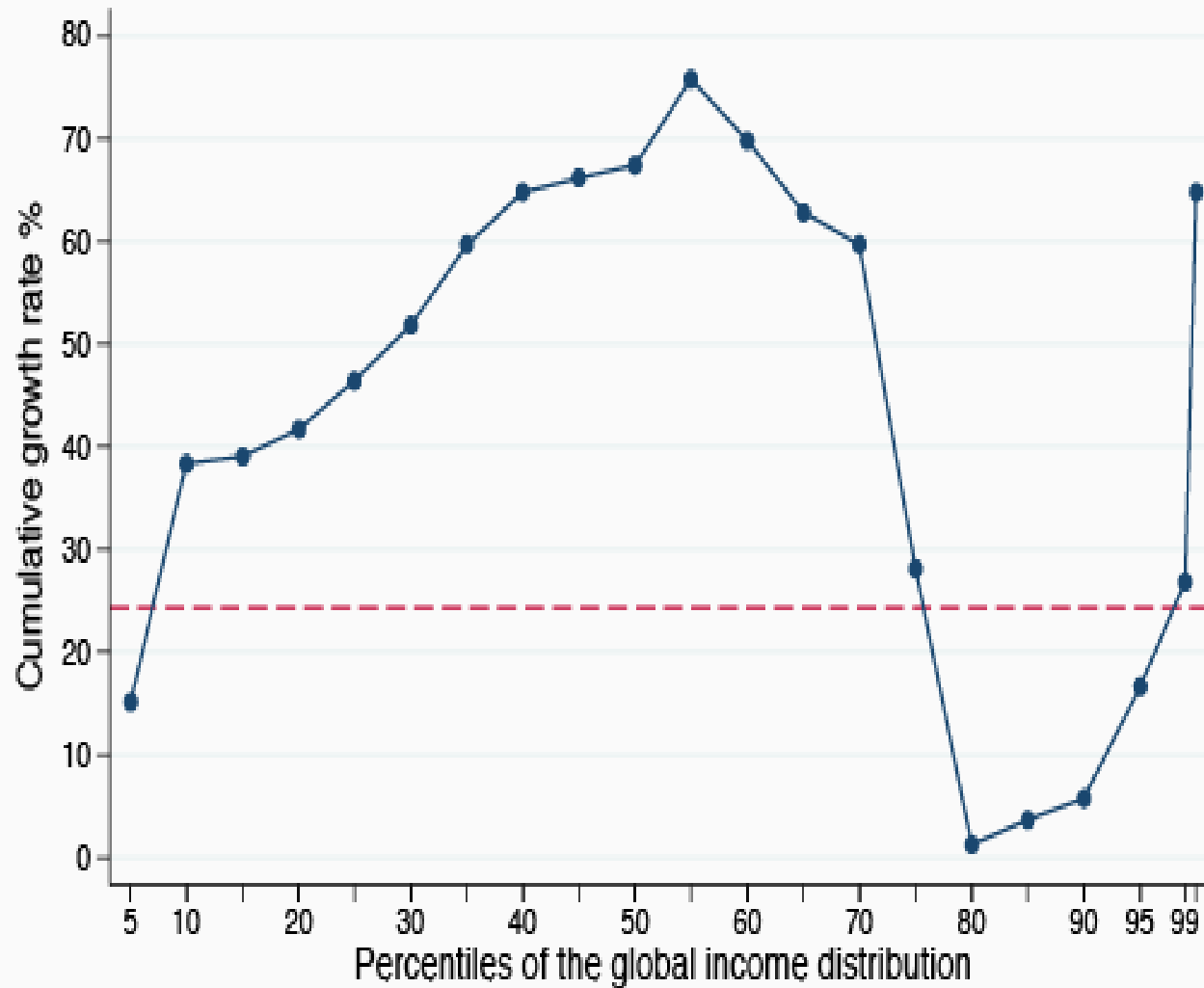
# Main Messages for Today

1. Great deal of volatility in short-to-medium term outlook
2. Demographic and cultural shifts changing the nature of work
3. New landscape emerging for Canadian exporters
4. Return to the status quo ante (pre-2008) unlikely
5. Significant competitive advantages for Peel to exploit with the right infrastructure
6. Policy responses required by three levels of government



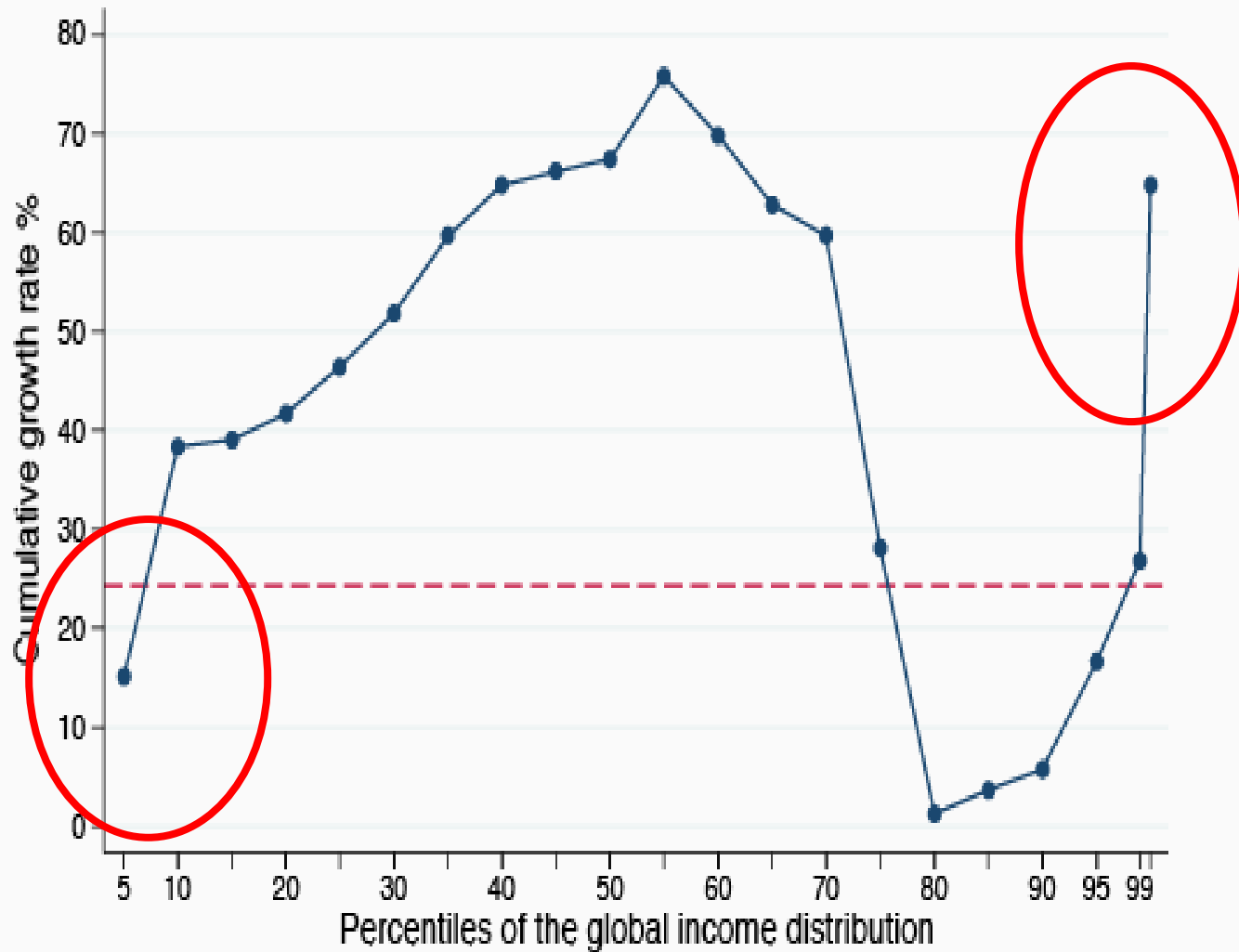
**Context**

### Global growth incidence curve, 1988–2008



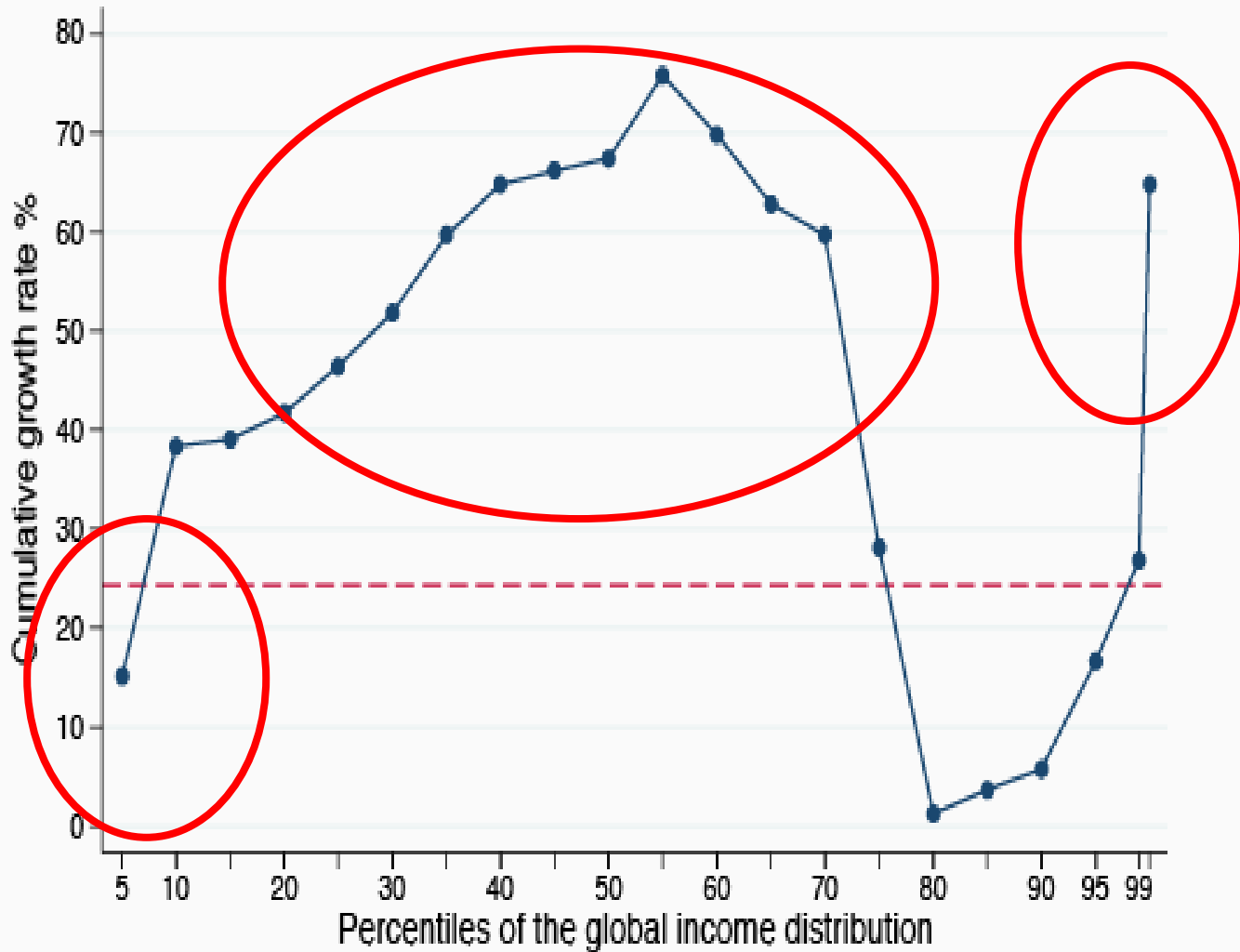
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Growth incidence evaluated at ventile groups (e.g. bottom 5%); top ventile is split into top 1% and 4% between P95 and P99.  
The horizontal line shows the growth rate in the mean of 24.34% (1.1% p.a.).

### Global growth incidence curve, 1988–2008



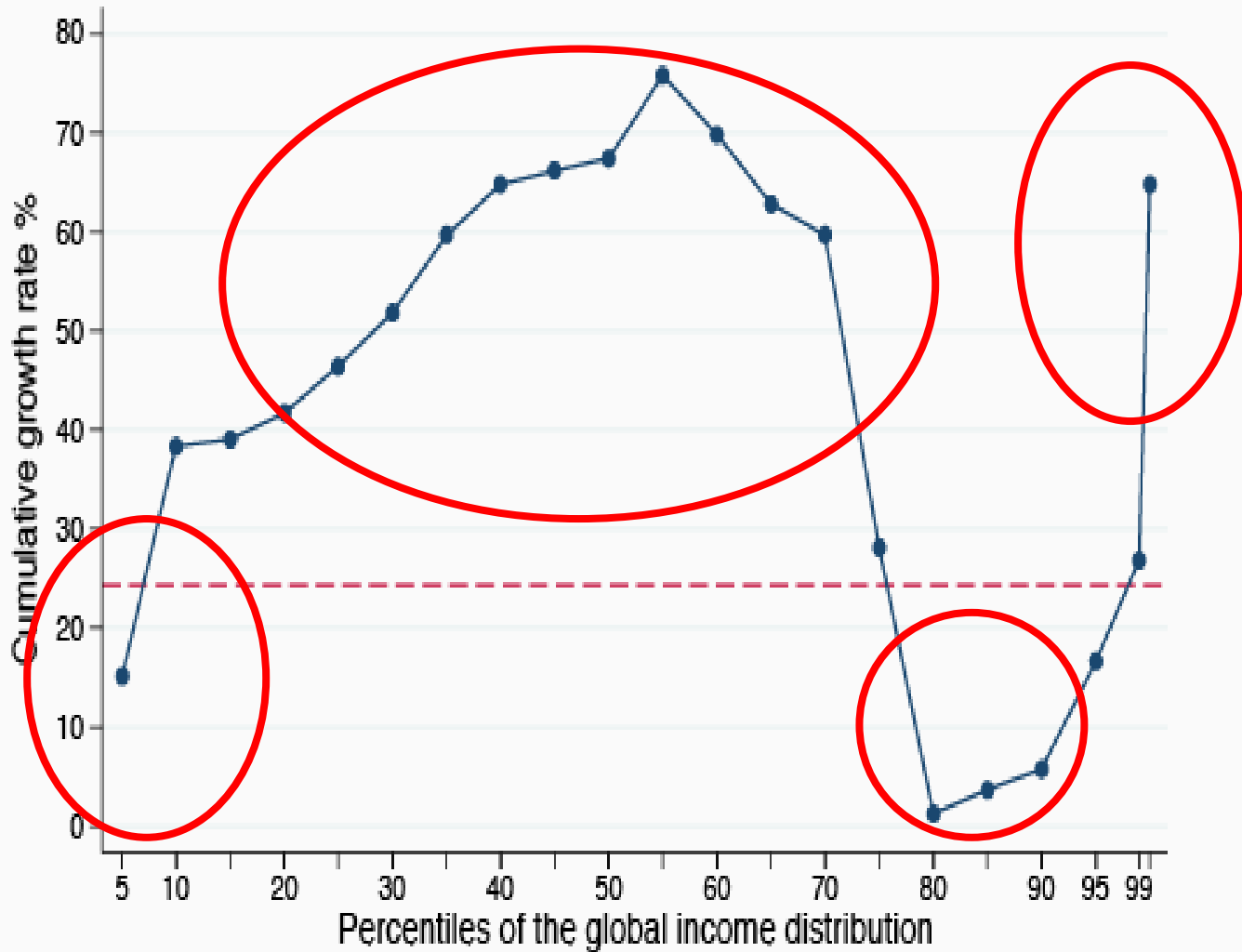
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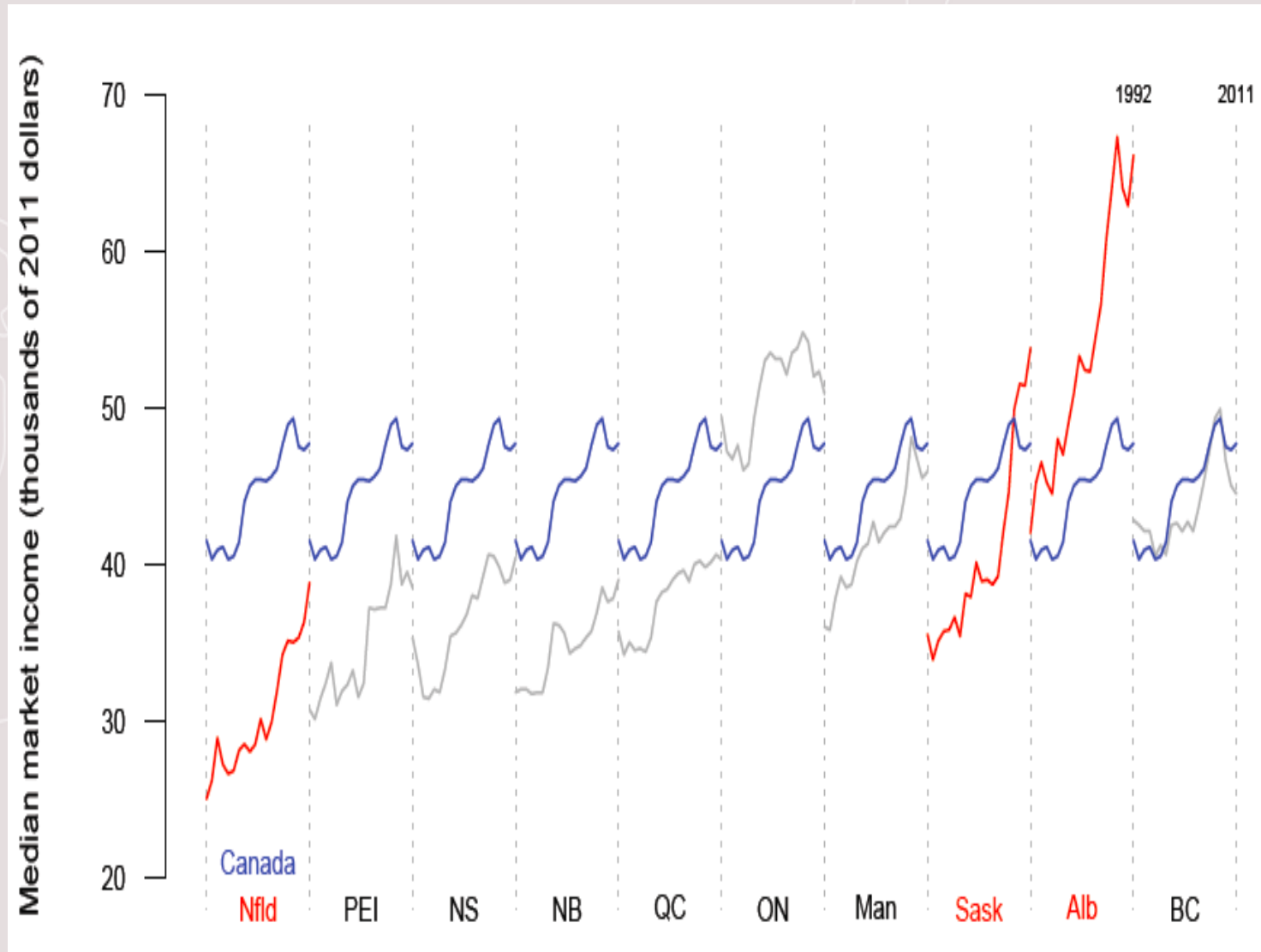
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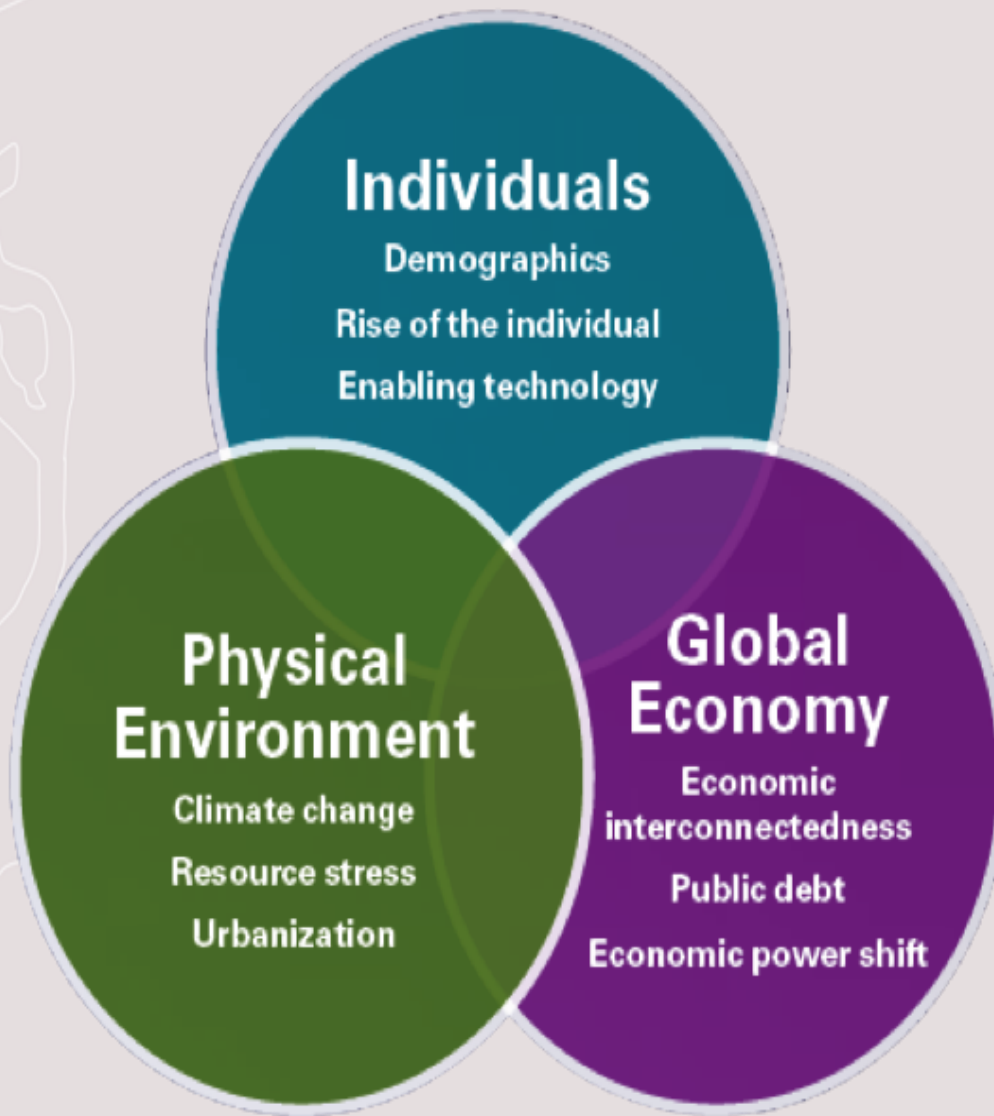
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# Change in income in last 30 years by province



# The global context



Interconnected  
trends at the global  
level shape  
Ontario's prospects

## Global Megatrends Most Relevant to Peel Region

- Globalization
- Automation
- Digitization
- Rise and Fall of Oil
- Demographics
- Resource stress and climate change
- Inequality and precariousness

The background is a solid teal color. A white outline of a world map is visible, showing the continents of North America, South America, and parts of Europe and Africa. The map is positioned in the upper right and lower right areas of the slide.

# Global, Canadian and Provincial Outlook

# Global Theme for 2015 - Volatility



Reuters

**Loonie Traders on Edge as Poloz Nurtures Volatility:** Curr...

Bloomberg - Feb 26, 2015

(Bloomberg) – Bank of Canada Governor Stephen Poloz has currency traders feeling shell-shocked, and they're starting to think that's the way ...

**Bank of Canada to hold fire on interest rates next week: Reuters poll**

Reuters - Feb 26, 2015



**Oil's Big Swings Are the New Normal**

Wall Street Journal - 15 hours ago

**Volatility** is roiling the oil market, luring traders in search of quick profits but discouraging longer-term investors who had grown accustomed to ...

**MarketsOil fails to stir ahead of latest US rig count**

Financial Times - 19 hours ago



**In a market that loves certainty, more volatility**

CNBC - Feb 1, 2015

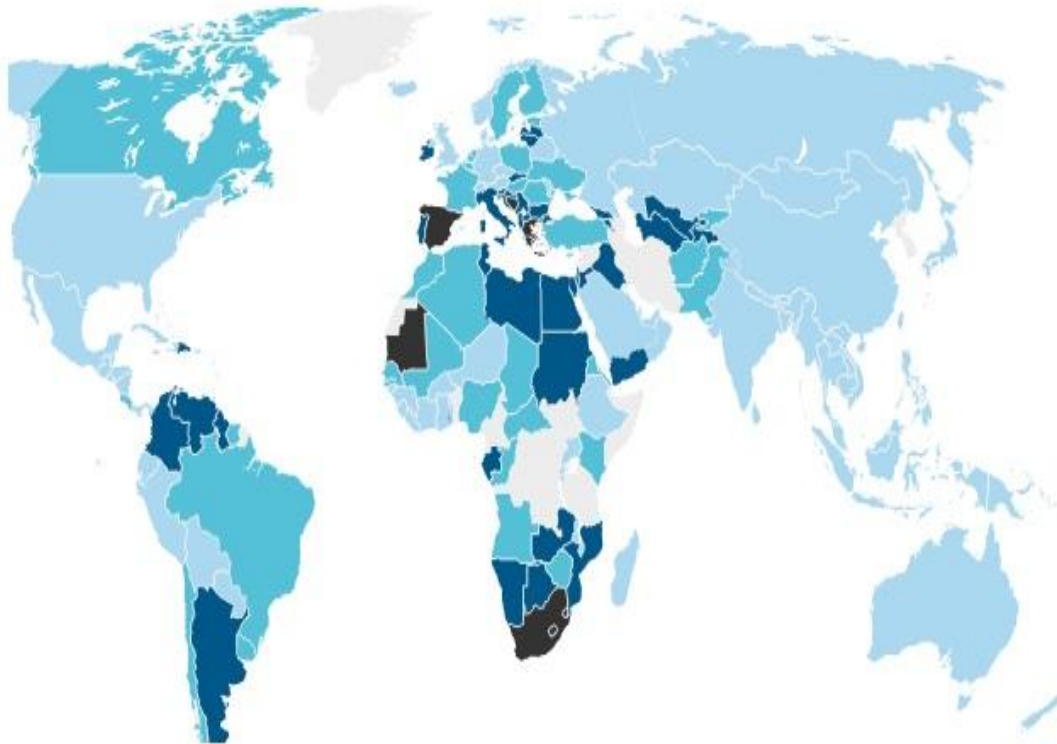
The CBOE **Volatility** Index, a measure of investor uncertainty, jumped nearly 12 percent on Friday, leaving it up almost 26 percent for the week.

# Global Theme for 2015 – Uneven Labour Markets

## Unemployment rate per country

Percent, 2015

Key | ■ 0-5% ■ 6-10% ■ 11-15% ■ 16-31% ■ No data available

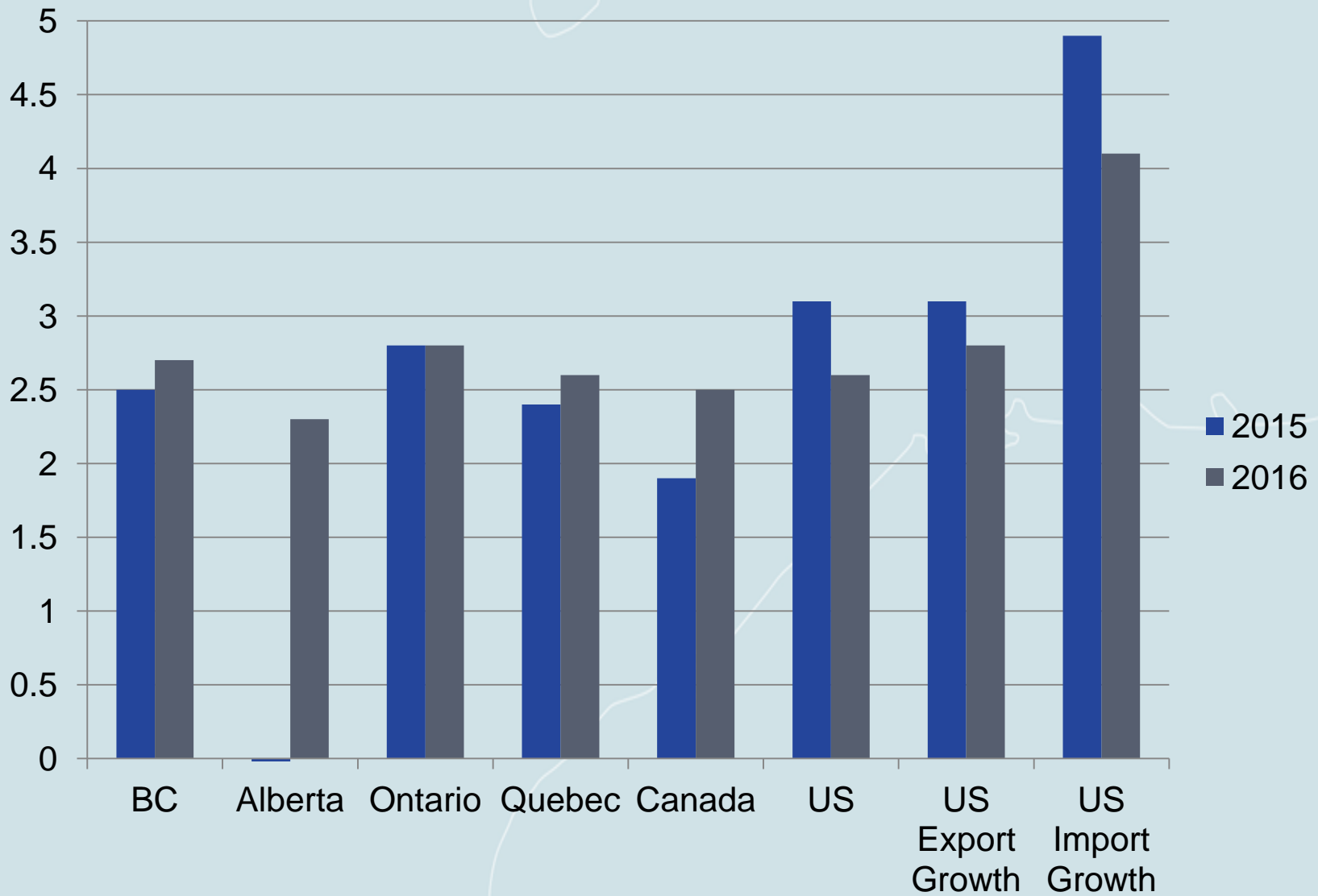


GUARDIAN GRAPHIC

SOURCES: ILO

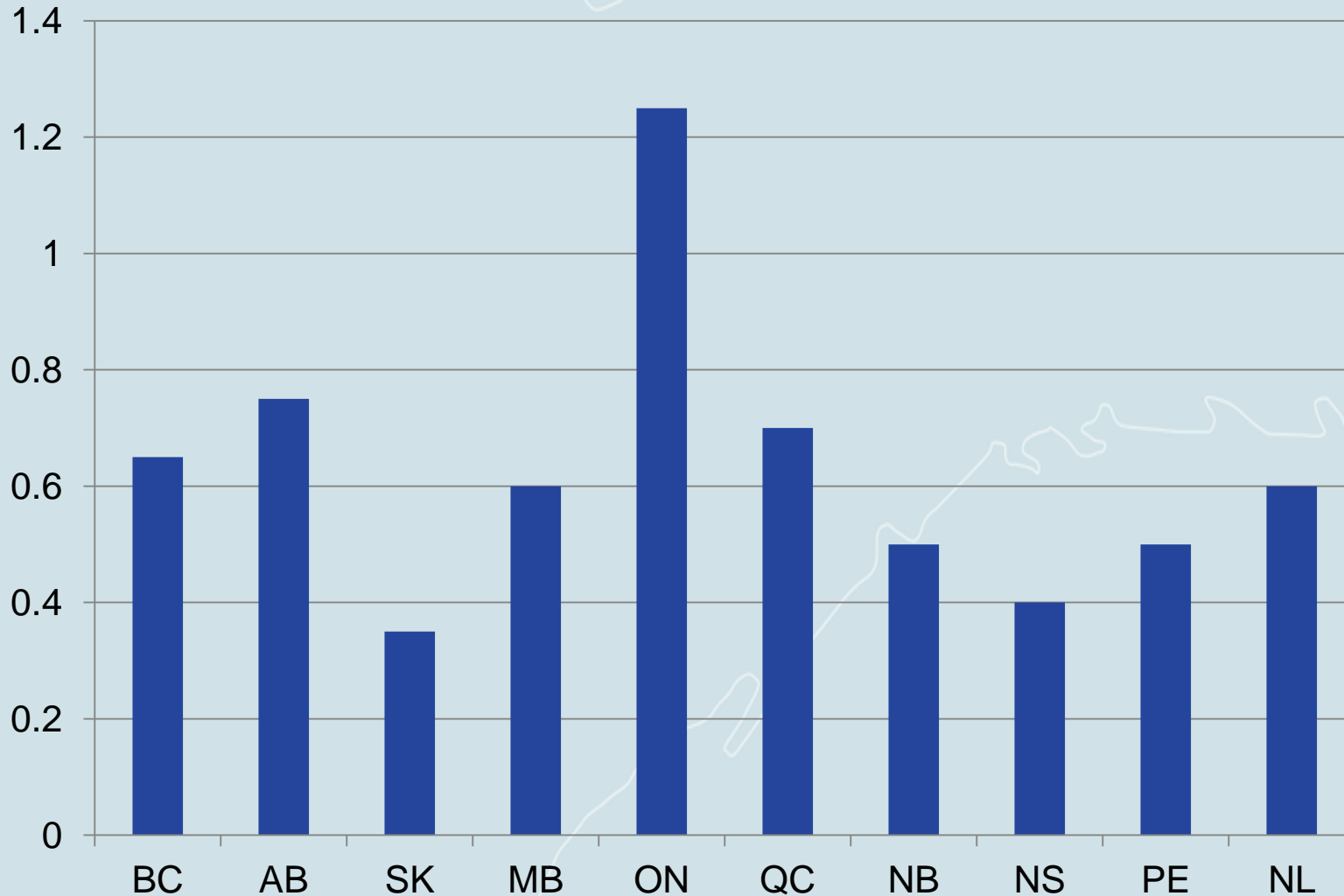
*Source: The Guardian*

# GDP Growth Consensus Forecasts



# Ontario – US Economic Link

Sensitivity to 1% Change in Real US Growth (% of Real GDP)





# Risk Factor – Oil Prices

## WTI Spot Price (USD)



## Risk Factor – Oil Prices

### Effects of Lower Oil Prices

**Lower Canadian GDP**

Increased Purchasing Power

Lower Canadian Dollar

Higher US Economic Growth

Lower Interest Rates  
(and further lower dollar)

**Higher Ontario GDP**



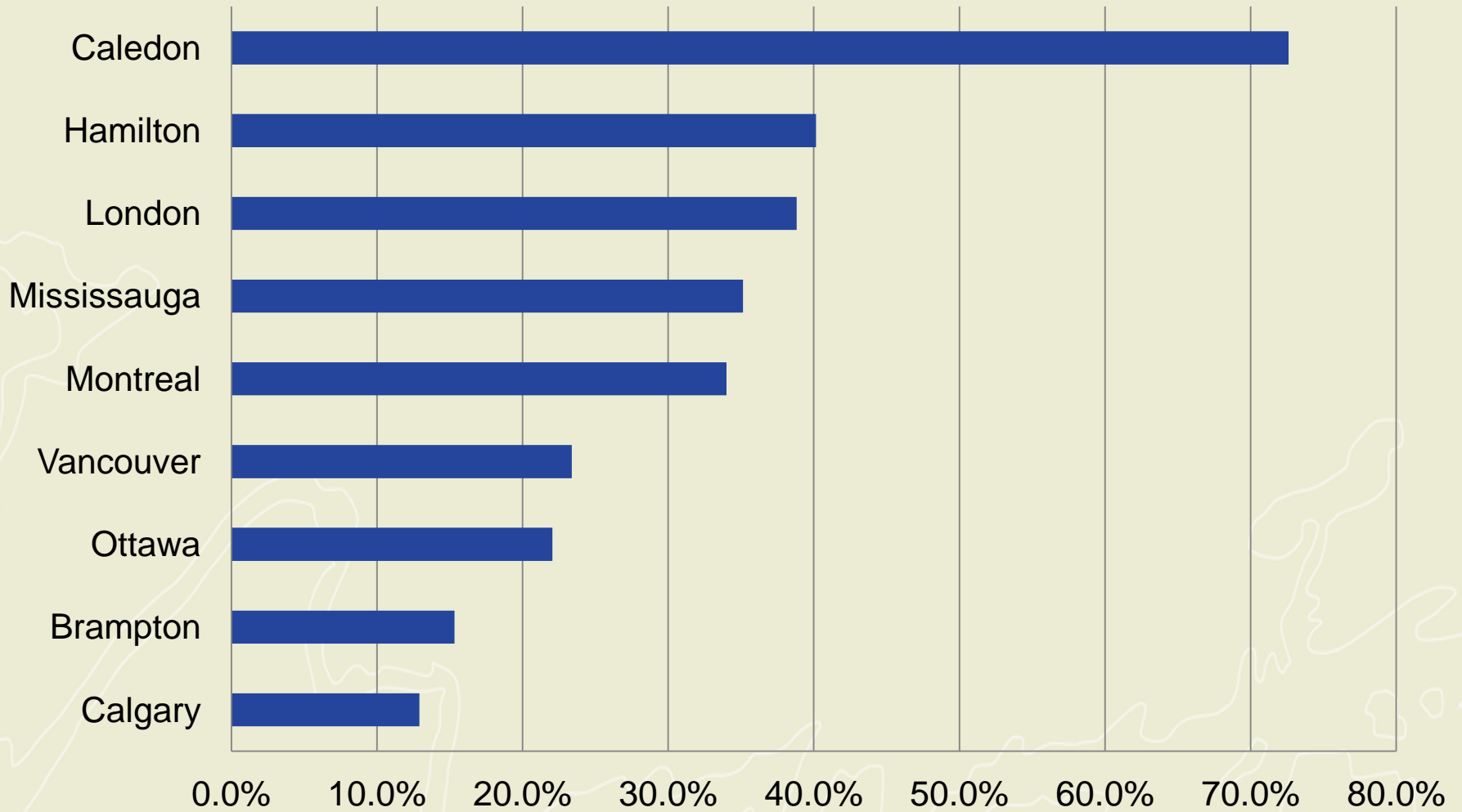
# Economic Risks and Opportunities for Peel

## Major Shifts Occurring in Peel Region and Canada

1. Aging population
2. Who has full-time jobs?
3. Young Canadians and entrepreneurship
4. Changing of Canadian trade patterns

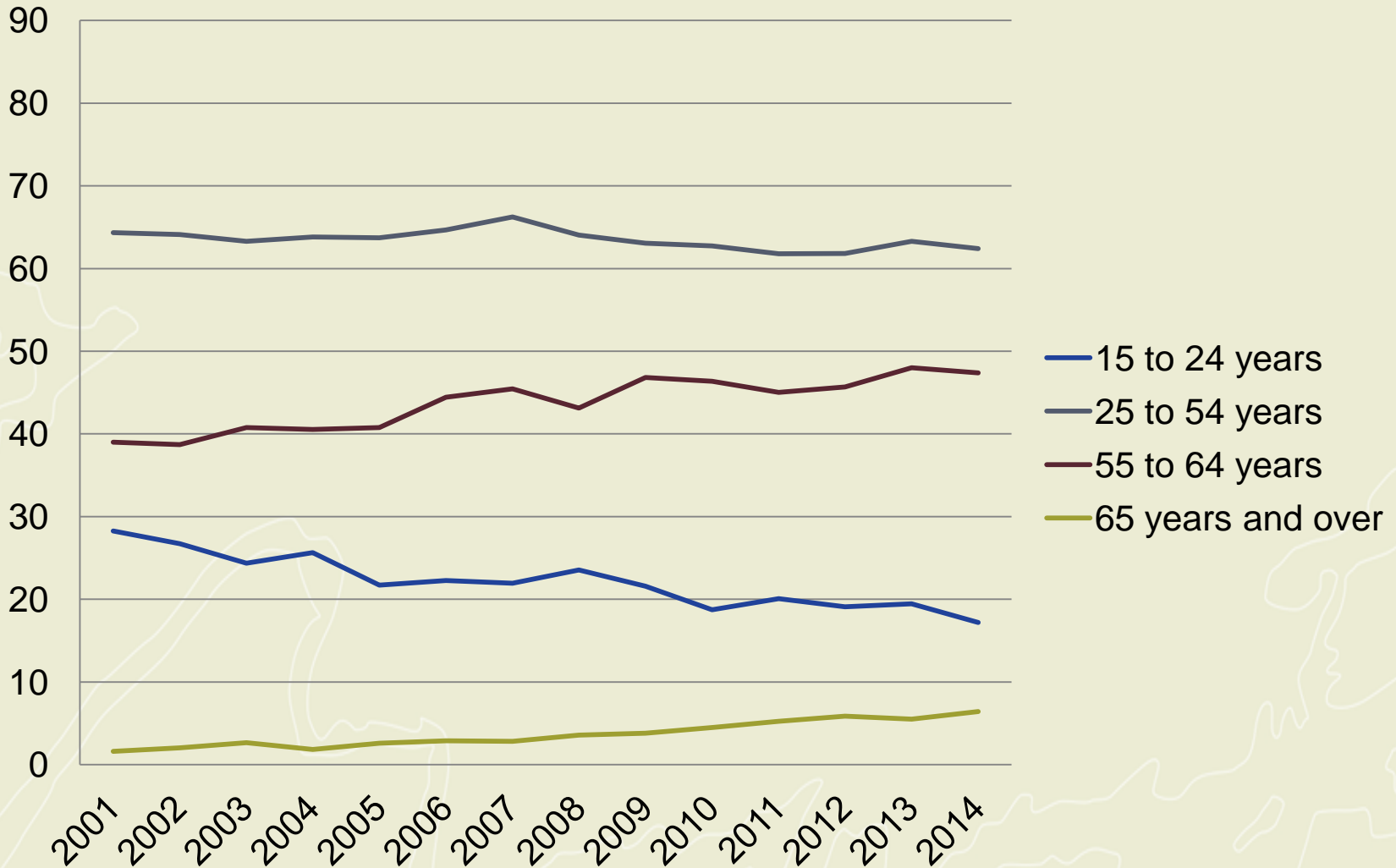
# Aging Populations

**% of Population Growth, 2006-2011, From Individuals 65+**



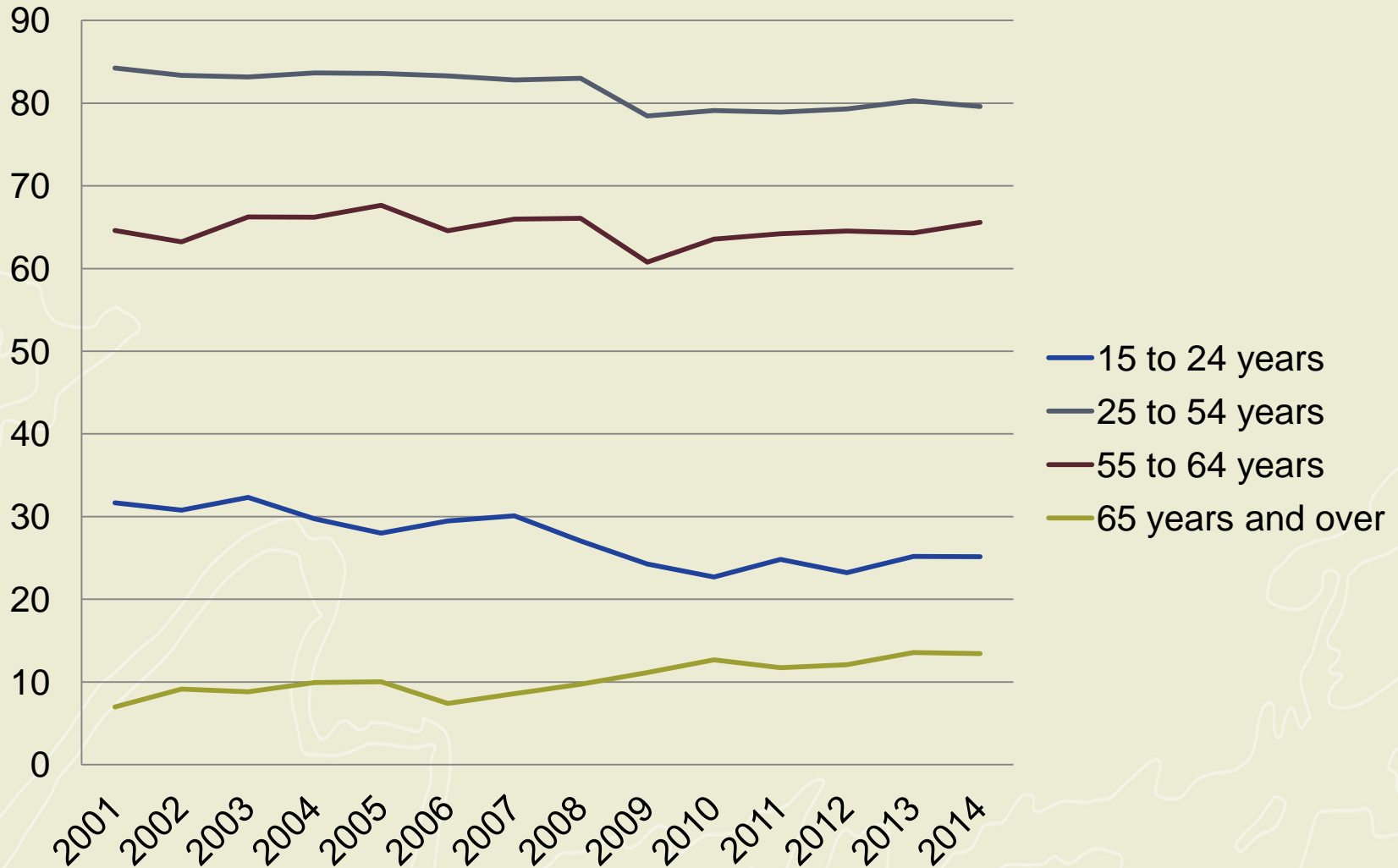
# But... Older Workers Retaining Full-Time Employment

## Full-Time Employment Rates for Women in GTA



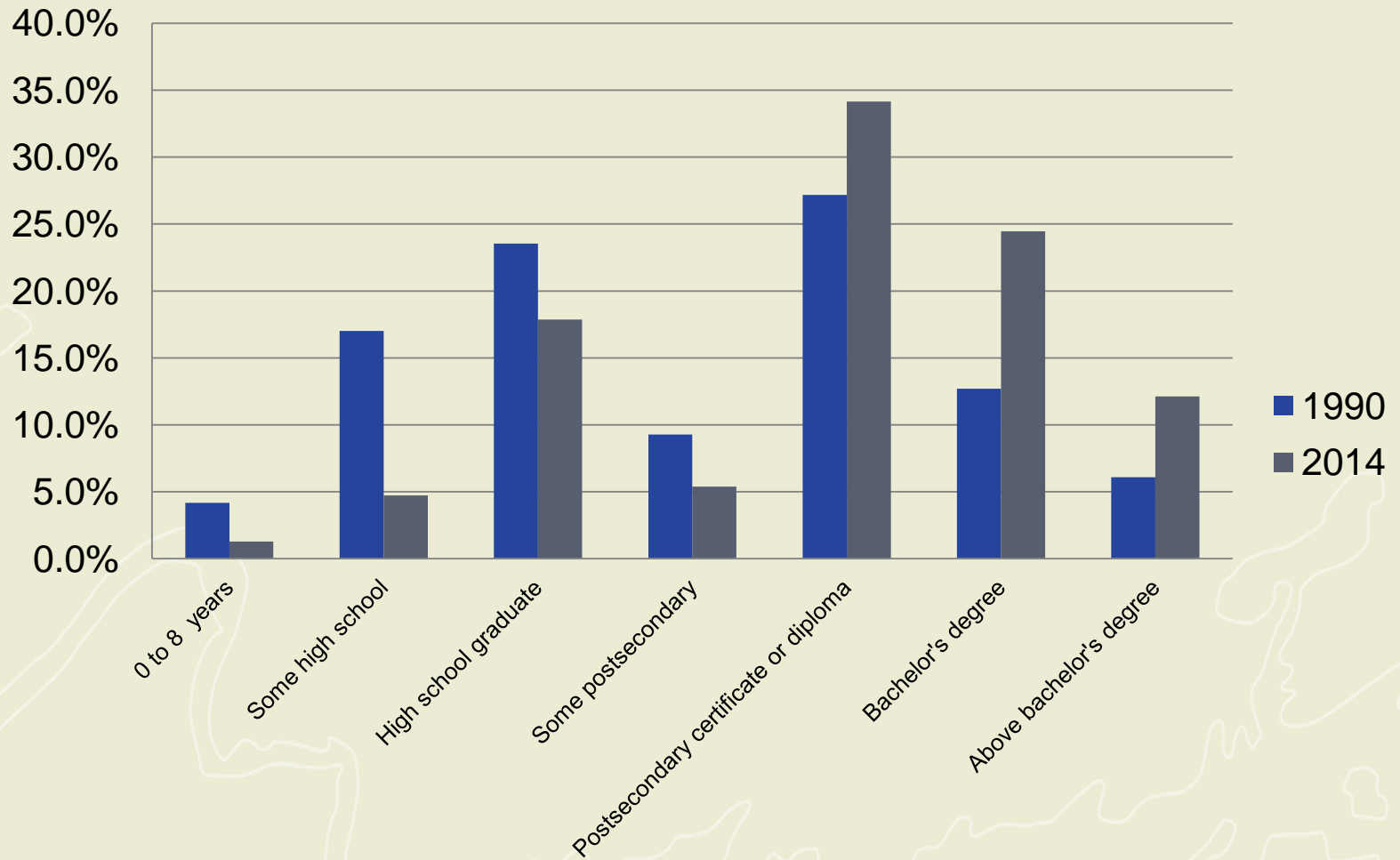
# But... Older Workers Retaining Full-Time Employment

## Full Time Employment Rates for Men in GTA



# Why Are The Young Absent From the Labour Force?

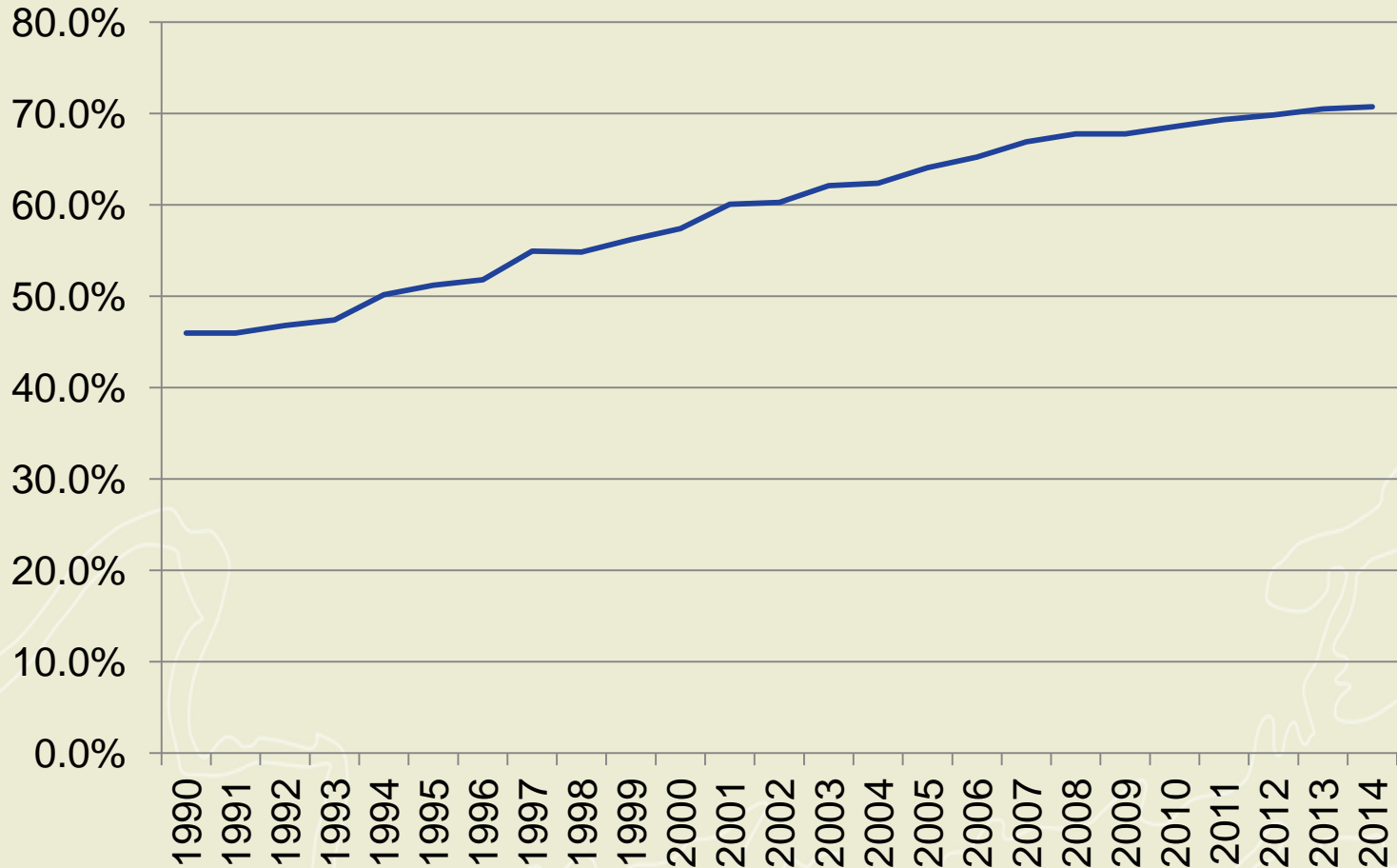
## Educational Attainment - Ontarians Aged 25-44





# Why Are The Young Absent From the Labour Force?

## Percentage of Ontarians, Ages 25-44, With a Diploma or a Degree

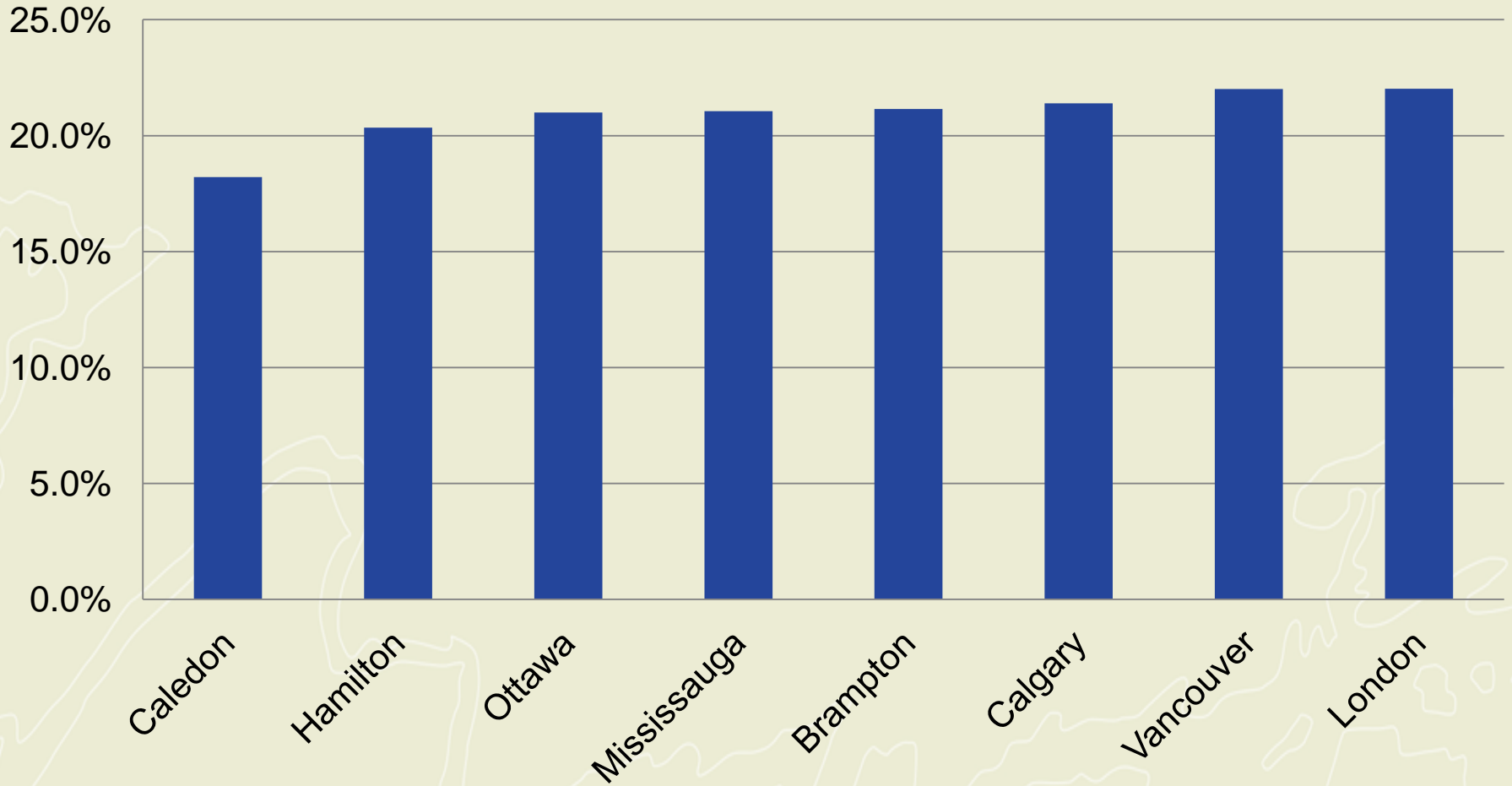


## **GTA Following Trends Seen in Canada and in Other Developed Countries**

1. Full time employment rates for under 24 continue to fall with youth staying in school longer.
2. Increases in percentage of women in the workforce tailing off.
3. Full-time employment for men not recovered from recession
4. **Workers staying on past age of 65**

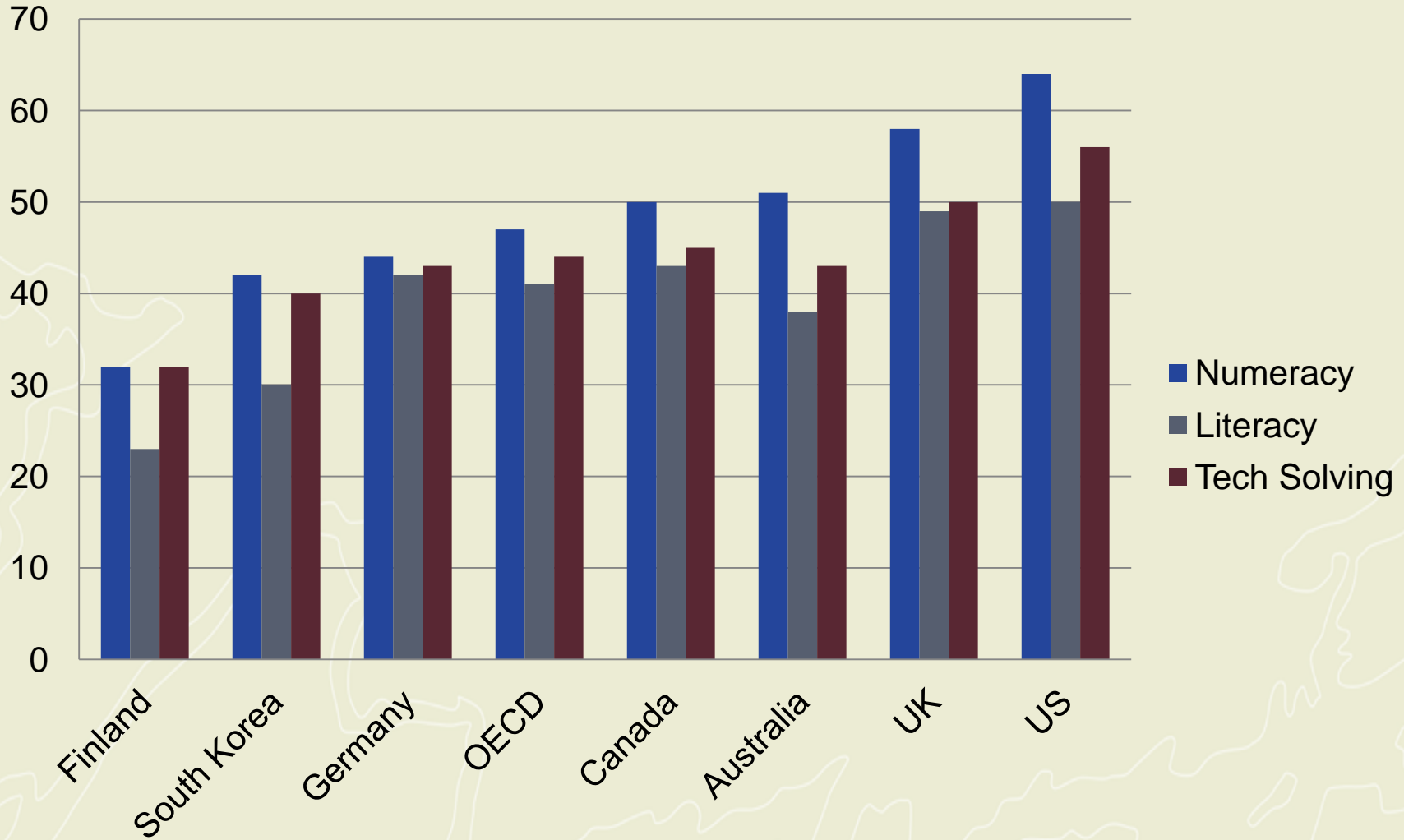
# No Advantage in Young Workers (2011 Census)

## Percentage of the Population Between Ages 15-29 (2011 Census)



# Basic Skills of Young Workers

## 16-34 Year Olds Scoring 'Below Proficiency'

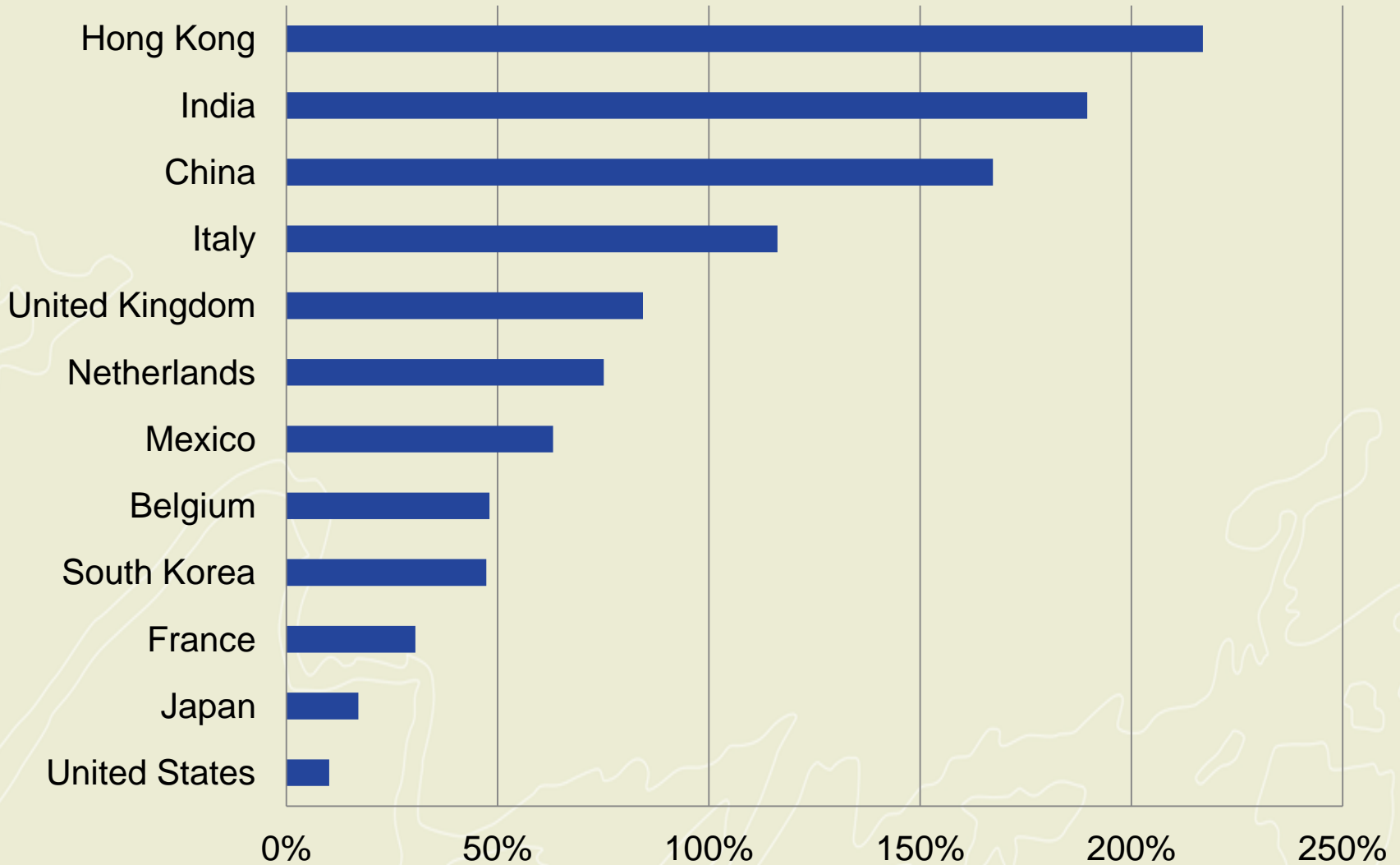


# Future Workforce of Peel

1. Mississauga and Brampton have similar sized cohort of 15-29 year olds to other Canadian cities.
2. Start-ups founded by youth – no big demographic advantage for the region.
3. Canada lacking in ability to create and maintain mid-sized firms (BDC report)
4. Canada middle of pack when it comes to youth levels of baseline skills.

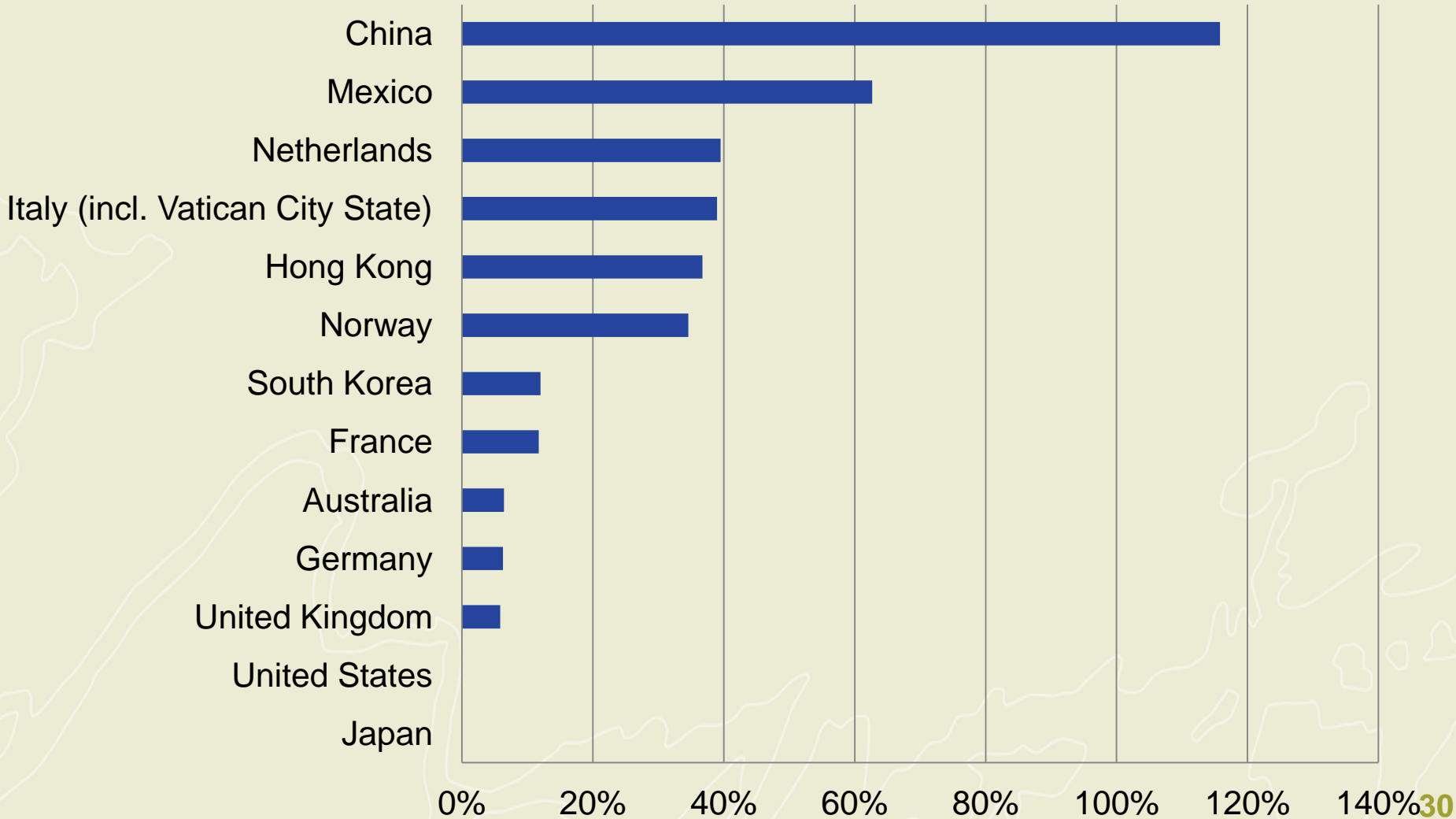
# Canadian Trade Flows – Top 12 Export Destinations

Nominal \$ Growth in Canadian Goods Exports to 12 Largest Export Markets, 2005-2014



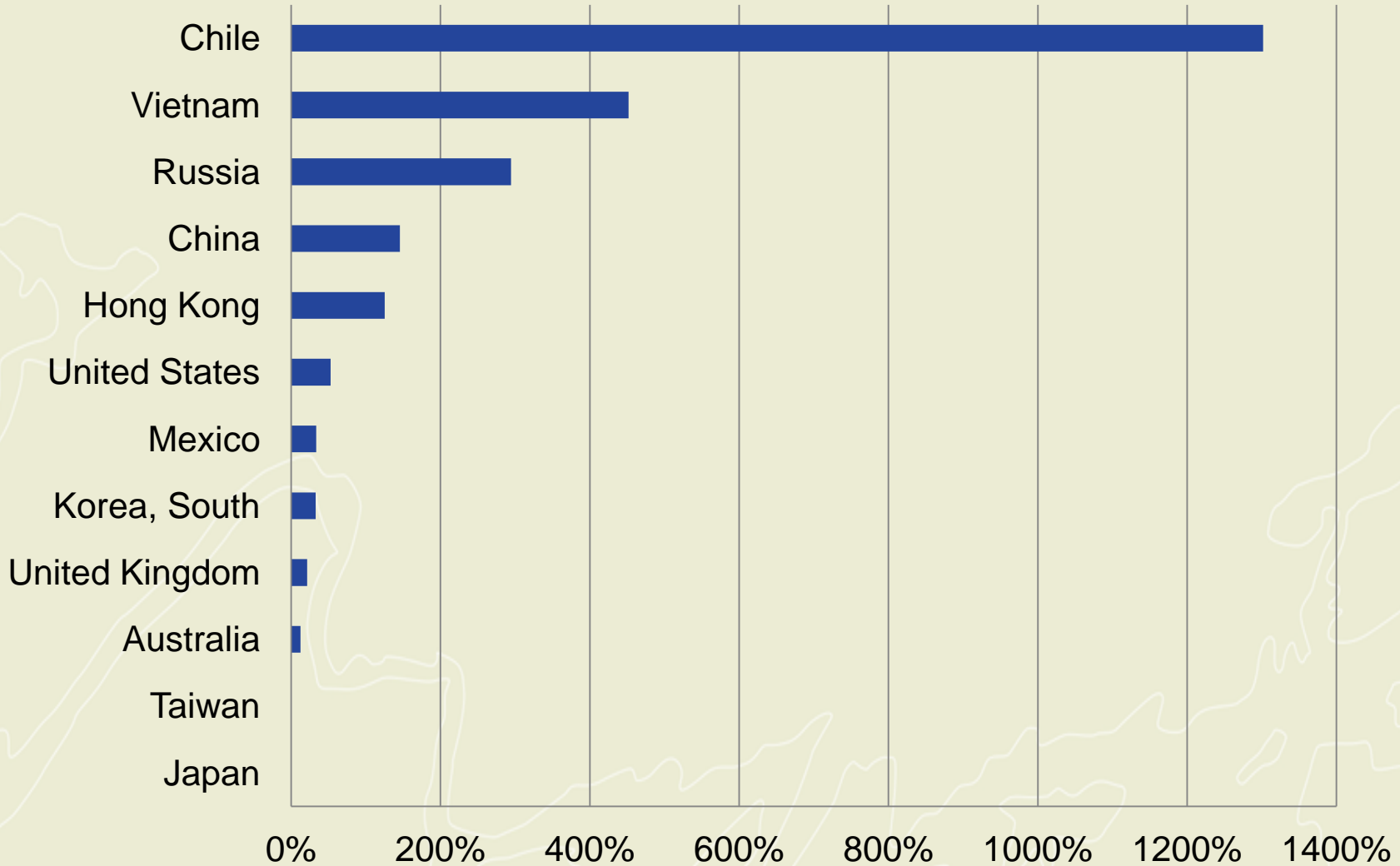
# Top 12 Manufactured Goods Export Destinations

Nominal \$ Growth in Canadian Manufacturing Exports (2005-2014)



# Top 12 Food Manufacturing Export Destinations

Nominal \$ Growth in Canadian Food Manufacturing Exports (2005-2014)







# **Sectoral Model of Potential Economic Growth Opportunities**

## Which sectors display high growth potential?

### Key criteria:

- Current sector footprint (employment, output etc.)
- Sectors in which we have competitive advantages.
- Market opportunity, either regional or global
- Consistent with sustainable economic growth and environmental risks

### Additional considerations:

- labour cost, geography

## Competitive advantages

- Highly educated workforce
- Competitive tax environment and strong Foreign Direct Investment
- Diverse immigrant communities and networks
- Arable land, natural resources, freshwater
- Safe, attractive communities and public services
- Globally competitive clusters and firms
- Dynamic global city region
- Rule of law, regulatory standards – the “Canada Brand”
- Healthy consumer market

## Some potential sustainable growth sectors

- Financial Services, including asset management
- Advanced Manufacturing
- Biomedical and Life Sciences, including pharma
- Agri-food
- Aerospace and Robotics
- Information and Communications Technology
- Creative Industries
- Logistics Management
- Environmental Technologies/cleantech

A white outline map of Southeast Asia is positioned on the left side of the slide, showing the geographical shapes of the region's countries. The word "Recommendations" is written in a bold, white, sans-serif font, centered horizontally over the map.

# Recommendations

## Peel as Export Hub

- Growth in goods exports coming from India and China and other developing markets – less so US. Peel well positioned to access these markets given current transportation infrastructure.
- Deep cultural ties to growing markets, important for establishing trade relationships.
- Airport as a comparative advantage – take care with transportation infrastructure

## Focus on Strategic Sustainable Infrastructure

- Growing consensus on importance of infrastructure investments for economic growth
- Adequate infrastructure increases productivity by reducing business costs.
- Infrastructure investment has spinoff benefits (e.g., innovation, growth in private sector expertise)
- Infrastructure renewal must combine hard and soft
- Not just more, but respond to emerging trends:
  - Economic trends (broadband, internet of things)
  - Transportation approaches (transit, new technologies)
  - Demographic needs (urbanization, aging population)
  - Environmental pressures (climate change, resource stress)

## Other Recommendations

- Continue to encourage better data collection.
- Don't count on a return of manufacturing as it was pre-2008
- Focus on broadband
- Diversity of population is a huge benefit
- Skilled labour shortages and needs of business must be considered, including shortcomings inherent to post-secondary education system and the skills being acquired
- Beware of growing number of precarious workers without employer-based benefits
- Consider a focus on community wealth building
- Do not sacrifice your competitive advantages in sectors likely to produce high growth in the future





## Five possible pieces of a federal economic agenda

1. Repair our relationship with NAFTA partners.
2. Reduce red tape for Canadian exporters.
3. Address gridlock in GTA and streamline border-crossings.
4. Ensure all companies can access high-speed broadband, so as not to fall behind US competitors.
5. Expand regional airports and increase transportation links to Pearson.

# Thank you

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