



Peel's Economic Pulse

2023

Corporate Services, Finance Division
Peel Region

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Resilience and Growth in a Rapidly Changing and Uncertain Economic Environment, Impacts & Outlook

Growth in an uncertain economic and geopolitical landscape

In 2023, growth continued at all the global, national, and provincial levels, and was stronger than earlier forecasts suggested. The International Monetary Fund (IMF) estimated that global economic output grew by 3.2 per cent in 2023, which was well above expectations. In Canada, expectations for a recession in the second half of 2023 did not materialize. Despite weakness in the third quarter, the Canadian economy registered growth in the final quarter of the year to avoid a recession and contributed to a 1.1 per cent growth in 2023. Ontario's economy grew by an estimated 1.2 per cent in 2023 to register its third consecutive annual increase.

Economic growth continued despite several ongoing challenges and uncertainties including the following:



Elevated inflation and high prices: Although inflation slowed, it remained elevated globally. In Canada, the annual average inflation rate slowed from 6.8 per cent in 2022 but was well above the target rate at 3.9 per cent in 2023, pushing the consumer price level higher. While Canadian inflation continued to trend down, it remained elevated at just below 3.0 per cent in early 2024.



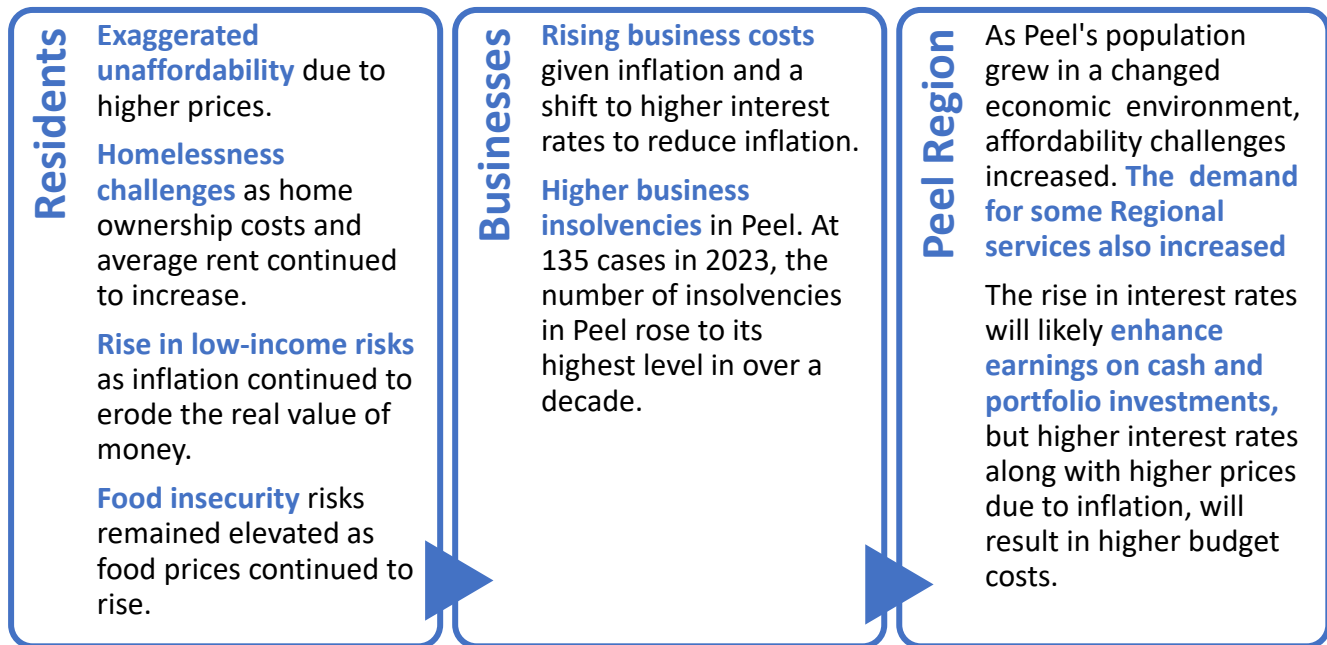
High interest rates: To reduce inflation to targeted levels, Central Bank across the globe continued to increase interest rates. The Bank of Canada increased its trendsetting Overnight Interest Rate from 4.25 per cent at the beginning of the year to 5.0 per cent by July 2023, its highest level since April 2001. The rate remained unchanged until June 5, 2024, when it was reduced to 4.75 per cent.



Heightened geopolitical tensions: Uncertainties persisted throughout 2023 as the Russia/Ukraine war continued. The outbreak of conflict in the Middle East towards the end of the year added to uncertainty and increased trade risks.

Resilience and Growth in a Rapidly Changing and Uncertain Economic Environment, Impacts & Outlook

Impacts on Peel



OUTLOOK: Continued resilience but slower economic growth

Fears of a recession in response to elevated inflation and high interest rates have dissipated significantly. Economic growth is expected to continue in 2024 at the global, national, and provincial levels. According to the International Monetary Fund (IMF), greater than expected growth in the United States (US) and fiscal support from China are expected to fuel global growth. However, the current high interest rates remain a growth risk.

In Canada and Ontario, economic growth is expected to continue in 2024, but at a more modest rate of about 1.2.7 per cent and 0.7 per cent respectively. The more tepid growth is expected as the economy continues to respond to high interest rates. Similar growth risks exist in Peel Region. As growth slows, employment creation is also expected to slow and both national and provincial unemployment rates are expected to rise. However, over the medium-term, and as inflation slows towards the midpoint (2.0 per cent) of the target range of 1.0 per cent to 3.0 per cent, interest rates are expected to continue to fall, and economic growth prospects are expected to improve.

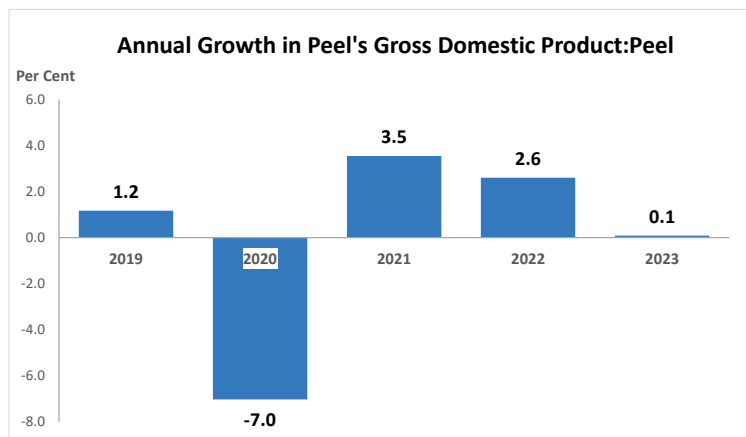
Peel's Performance Review and Outlook: Gross Domestic Product (GDP)

Summary: Resilience through ongoing challenges

Changes in broad growth indicators suggest that Peel remained a growing municipality in 2023. The broadest measure of economic performance, Gross Domestic Product, increased for the third consecutive year. Consistent with this, changes in broad growth indicators such as population, taxable assessment base, and total business establishments registered increases. Higher immigration and the resolution of supply chain challenges exerted positive influences on growth. However, the local economy was not immune from the impacts of the higher priced environment, which continued to erode affordability, reduce demand, and lower growth. While challenges persist, Peel's growth prospects remain positive given its many strategic advantages which will remain the bedrock of growth. Lower inflation and expected reduction in interest rates along with the inflow of immigrants, are also expected to enhance long-term growth prospects.

Slower but sustained growth in GDP

- In 2023, the total goods and services produced in Peel Region, as captured by total Gross Domestic product (GDP), is estimated to have increased by about 0.1 per cent. While this represented a slower growth compared with the 2.6 per cent increase registered in the preceding year, it was the third consecutive year of growth after a COVID-19 induced decline in 2020.



Source: The Conference Board of Canada

- The higher inflation rate and a two-decade high interest rate placed downward pressure on households' purchasing power across Canada, including in Peel Region, leading many households to curtail their discretionary spending and reduce GDP growth. Key sectors in Peel's economy, such as wholesale and retail trade, construction, and transportation and warehousing were negatively impacted.

Peel's Performance Review and Outlook: Gross Domestic Product (GDP)

- Growth slowed in both the goods producing sector (0.4 per cent) and in services (0.0 per cent). Prior to the COVID-19 induced recession in 2020, Peel's GDP increased at an average annual rate of approximately 2.0 per cent. The impact of the COVID-19 pandemic on Peel's economy was severe as reflected in a 7.0 per cent decline in Peel's real GDP, a more pronounced impact than at the national and provincial levels. The economy bounced back to register an annual average growth of 2.1 per cent since then (2021 – 2023).
- In current prices¹, Peel's total GDP amounted to 105.09 billion in 2023. With a population of approximately 1.53 million persons in Q4 2023, this represented a per capita GDP of \$69,500, representing an annual growth of 3.2 per cent.

OUTLOOK: The changed price environment to negatively impact near-term outlook

- Despite the short-run impacts of a changed macroeconomic environment, Peel's medium-term economic outlook remains positive, buoyed by its many strategic advantages which will continue to attract business investments and newcomers, and extend its growth trend into the medium-term.
- Peel's real GDP is expected to grow by about 0.4 per cent in 2024, following a 0.1 per cent increase in 2023. However, as interest rates fall and inflation decelerates towards targeted levels, household demand is projected to increase and influence sectors such as construction, wholesale and retail trade, transportation and warehousing and manufacturing, which are critical to Peel's economic growth. In response, Peel's real GDP growth is expected to average about 2.8 per cent between 2024 and 2027.
- Like the recovery at the national and provincial levels, the main risk to this outlook is that inflation could remain higher than expected, delaying the decline in interest rates. Any escalation in

¹ Current price describes the measurement of actual price in the economy at the time (usually year) specified. There is no adjustment for inflation.

geopolitical tensions could also derail improving business confidence leading to weaker than projected growth.

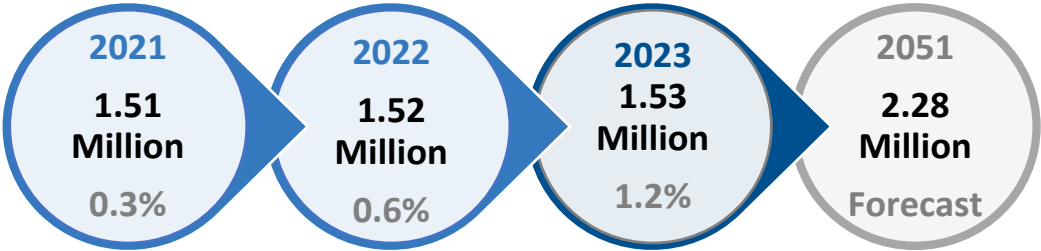
Peel’s Performance Review and Outlook: Population

Accelerated population growth in Canada enhanced Peel’s population growth

The federal government increased Canadian annual immigration target to 465,000 persons in 2023, 485,000 persons in 2024, and 500,000 persons in 2025 and 2026. The increase in immigration is designed to “contribute to economic growth, support diversity and help build vibrant, dynamic and inclusive communities²”. Higher immigration in 2023 fueled Canadian population growth. Between July 1, 2022, and June 30, 2023, Canada’s total population grew by approximately 1.16 million people, (2.9 per cent) to an estimated 40.10 million people. This was the highest annual growth in Canadian population in 66 years³.

Immigrants account for over a half of Peel’s population and Peel continues to be an attractive destination for new Canadians. As immigration fueled Canadian population growth, Peel also registered higher population growth in 2023. In the final quarter of the year, Peel’s total population (including undercount) was estimated at approximately 1.53 million people, 1.2 per cent higher than at the end of 2022. This was the highest Q4 population growth in Peel in six years.

Total population in Peel Region (with undercount)



² [SOCI – Immigration Levels Plan For 2023-2025 – September 28, 2023 - Canada.ca](#)

³ Annual Demographic Estimates: Canada, Provinces and Territories, 2023. [Annual Demographic Estimates: Canada, Provinces and Territories \(statcan.gc.ca\)](#)

Peel's Performance Review and Outlook: Population



Outlook: Higher immigration targets will continue to boost Peel's population growth

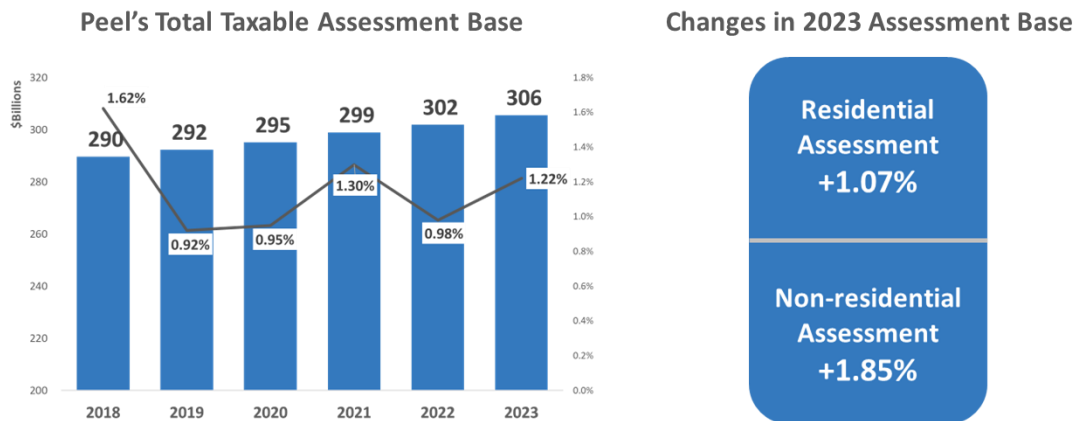
- Higher immigration targets announced by the Canadian government, are expected to bolster Peel's population growth over the medium-term.
- On average, 45 – 50 per cent of Canadian immigrants come to Ontario, and 1 in 5 immigrants to Ontario come to Peel, attracted by Peel's many strategic advantages, which make Peel a place where newcomers can settle relatively fast, and thrive.
- Peel's culturally diverse community also offers its residents a range of cultural experiences that add to its attractiveness to new Canadians.
- Peel's population is expected to increase to approximately 2.28 million by 2051.

Peel's Performance Review & Outlook: 2023 Taxable Assessment Base

Peel's taxable assessment base expands as Peel grows

Peel's total taxable assessment base grew by 1.22 per cent in 2023 (for the 2024 tax year) representing a 25-year uninterrupted expansion in the base. This was an acceleration in growth relative to the 0.98 per cent observed in 2022. Between the introduction of Current Value Assessment (CVA) in 1999, and the current year (2023), the average annual growth in Peel's total taxable assessment base was 2.11 per cent.

The annual growth in Peel's total taxable assessment base accelerated alongside significant growth in Peel in the early 2000s, peaking at 3.96 per cent in 2005. Growth has remained positive since then but slowed as the base increased and required more to generate the same level of growth as before. In 2023, the growth of 1.22 per cent observed fell below the long-term average of 2.11 per cent but was in line with more recent trend.



Source: Data from Municipal Property Assessment Corporation (MPAC) Adjusted by the Provincially Prescribed Tax Rate Calculation Adjustment as provided by Online Property Tax Analysis System

- Both residential (1.07 per cent) and non-residential (1.85 per cent) taxable assessments contributed to the growth in Peel's total taxable assessment base in 2023.

Peel's Performance Review & Outlook: 2023 Taxable Assessment Base



OUTLOOK: Planned growth to support increase in Peel's taxable assessment base

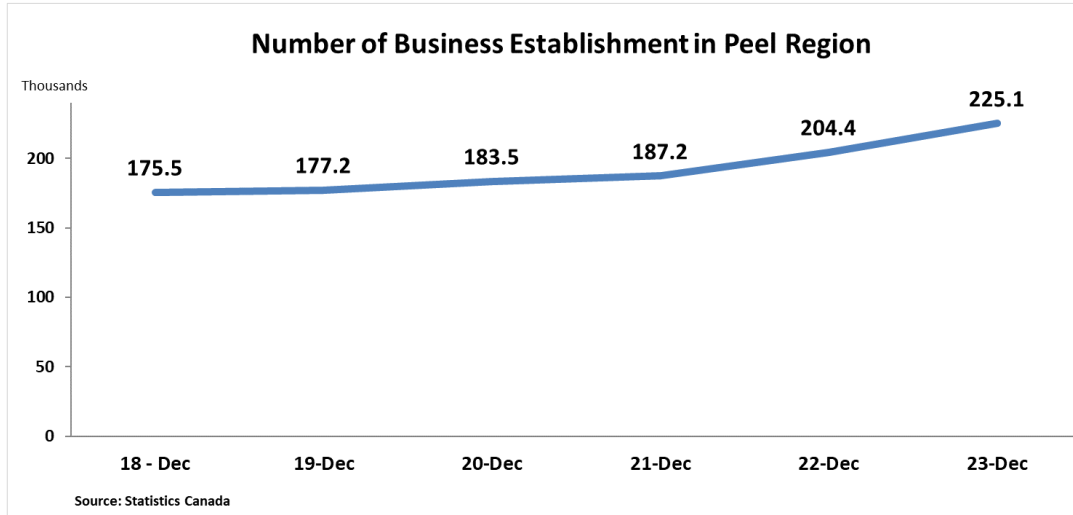
- Based on planned population and job growth, Peel's long-term growth will remain robust. By 2051, total population and jobs in Peel are expected to increase to 2.28 million and 1.07 million respectively. As Peel grows, both its residential and non-residential sectors are expected to expand and support continued growth in Peel's taxable assessment base.
- However, growth is likely to remain below the long-term average given several factors:
 - As the base gets bigger, it will take increasingly more in assessment value to sustain previous growth levels; and
 - Technological advancement continues to influence shifts away from land consumption towards the use of more automated online processes. For example, the increase in online shopping and remote working have reduced the need for some forms of office and commercial space. This has constrained the growth in commercial development in recent

years.

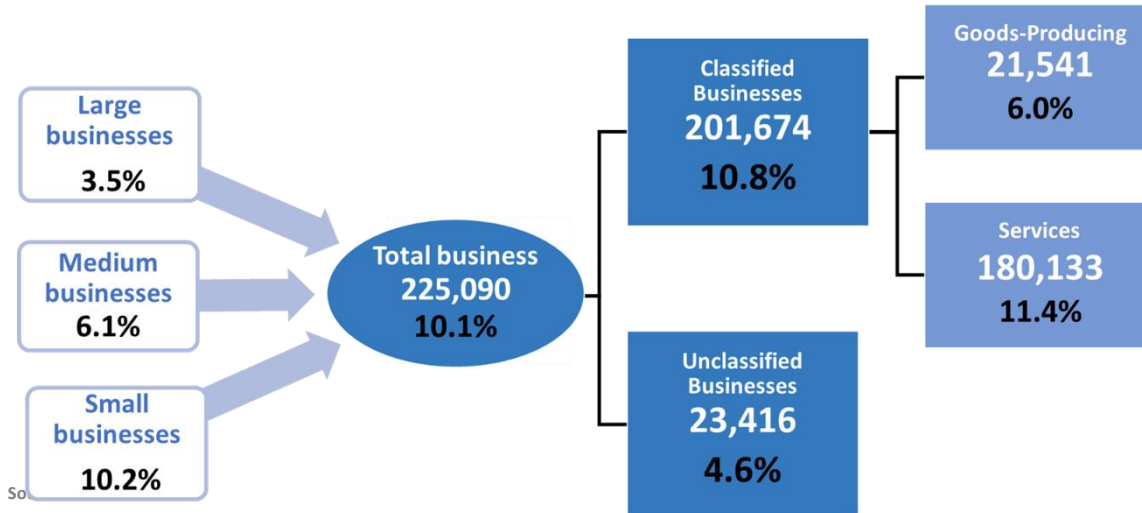
Peel's Performance Review & Outlook: The Business Sector

A record high 225,090 business establishments in Peel Region

Sustained Growth in Peel's Business Sector in 2023



Small Business Establishments Continued to Lead Growth



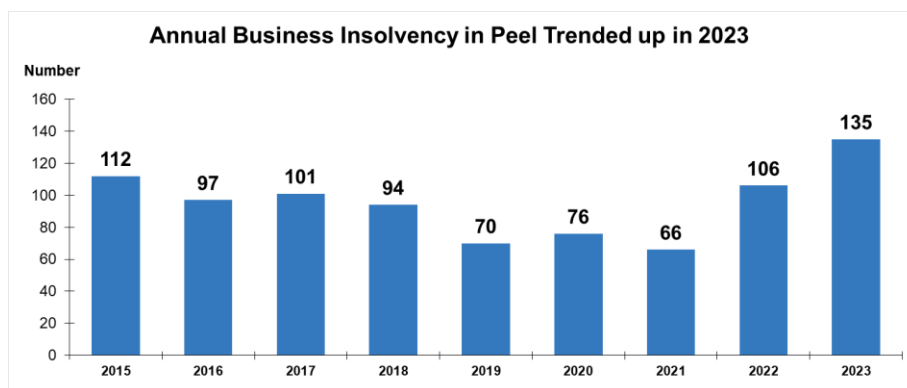
- Peel's business sector continued to grow in December 2023. Total business establishments amounted to 225,090, the highest ever recorded in the Region.
- In December 2023, the number of business establishments in Peel exceeded December 2022 level by 20,677 businesses.

Peel's Performance Review & Outlook: The Business Sector

- While there were more businesses in both the goods producing (up 6.0 per cent) and service (up 11.4 per cent) sectors in Peel, stronger growth in service-related businesses continued to shift Peel's business sector toward services. In December 2023, approximately 89.3 per cent of Peel's businesses were in the service sector compared with 88.8 per cent a year earlier and approximately 86 per cent a decade ago. As an economy becomes more developed, its service sector generally becomes larger.

Higher business insolvencies

- The COVID-19 pandemic had a substantial impact on business dynamics, leading to the temporary or permanent closure of many businesses⁴. Many were able to remain afloat during and immediately after the pandemic, but beginning in 2022, business insolvencies in Canada started to increase. This coincided with the end of COVID-era federal and provincial supports to individual and businesses, as well as the emergence of other factors like supply chain challenges, inflationary pressures, and labour-related obstacles. The courts also reopened and were able to process backlogged insolvency applications.
- While some challenges dissipated in 2023, elevated inflation and a higher interest rate environment negatively impacted the business environment and business insolvencies in Canada (including in Peel) continued to increase.

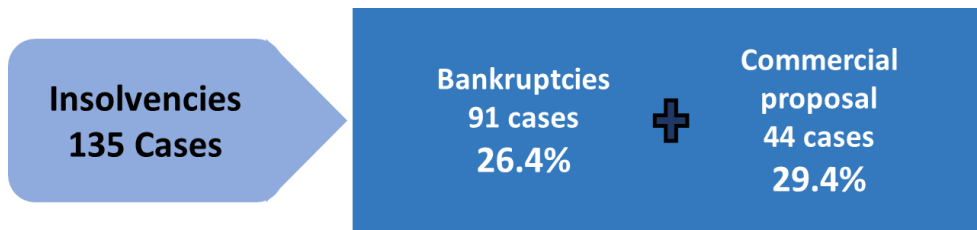


Source: Statistics Canada

⁴ [A profile of corporate exits and insolvencies](#), Statistics Canada. Catalogue no 36-28-0001. Pp. 1.

Peel's Performance Review & Outlook: The Business Sector

- Total business insolvencies recorded in Peel increased to an eleven year high of 135 cases in 2023, up 27.5 per cent relative to the preceding year. Higher insolvency cases reflected an increase in the number of both bankruptcy and insolvency cases.



Source: Statistics Canada

OUTLOOK: Short-term business risks to persist but long-term prospects remain positive

- Elevated levels of risk continue to characterize the Canadian business environment (including in Peel) given elevated (though declining) inflation, high interest rates and ongoing shortage of labour. This was evident in the sustained increase in insolvency cases in the first quarter of 2024.
- These risks are amplified by ongoing technological advancement which have influenced behaviors that have constrained physical business growth.
- As the business sector evolves, the need for physical space will likely continue to change, highlighting the need for a similar evolution in how business growth is measured.
- Notwithstanding ongoing changes, Peel's location in the largest Canadian economic hub, the Greater Toronto Area (GTA), its proximity to the large US market, and its highly developed transportation network linking businesses to the rest of Canada and the world, continue to make it an attractive location for new businesses.

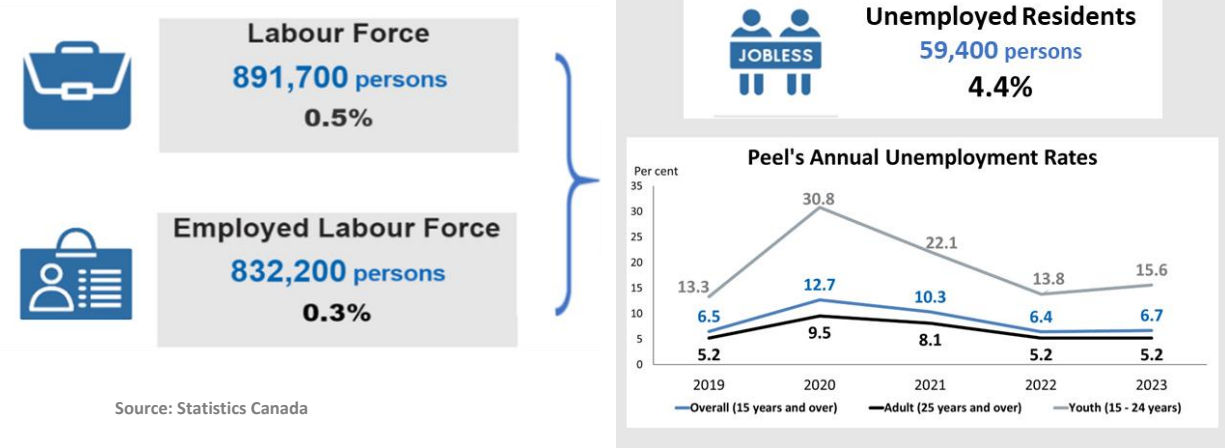
Peel's Performance Review & Outlook: The Labour Market

A return to growth in Peel's labour market

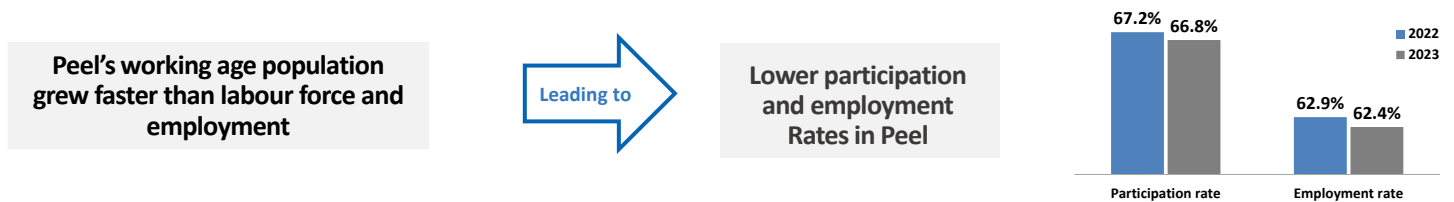
- After pervasive declines in key areas of Peel's labour market in 2022, broad changes showed improvements in 2023. Compared with 2022:
 - Total employment increased by 0.3 per cent (+2,200 positions) to 832,200 positions; and
 - An additional 4,700 residents entered the labour market (+0.5 per cent) in search of work. This increased Peel's total labour force to approximately 891,700 persons.
- However, the number of residents who entered the labour market was more than those who were successful in finding employment, resulting in an increase in the number of residents classified as unemployed, and a rise in Peel's average annual unemployment rate from 6.4 per cent in 2022 to 6.7 per cent in 2023.

Entry in Peel's Labour Market Exceeded Employment Growth

A Rise in Unemployed Residents and higher unemployment rates



- Peel's working age population also increased in 2023 and outpaced the increase in both labour force and employment, leading to slightly lower participation and employment rates.



Rebound in the adult (25 years and over) labour market segment

- Higher employment in Peel concentrated in the adult (25 years and over) segment of the labour market, where both total labour force and total employment rose by 0.8 per cent. This resulted in the adult (25 years and over) unemployment rate remaining unchanged at 5.2 per cent.

Sustained weakness in Peel's youth (15-24 years) labour market

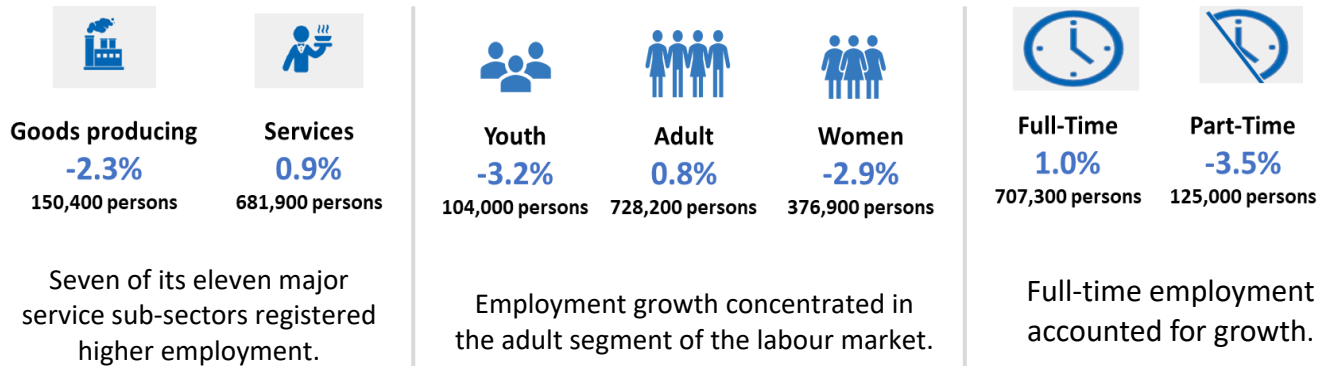
- For the second consecutive year, changes in the youth (15 – 24 years) segment of Peel's labour market weakened:
 - Total employment fell by 3.2 per cent (-3,400 persons) to 123,200 persons as both full-time and part-time employment declined;
 - Approximately 1,400 persons left the labour market (-1.1 per cent);
 - The number of unemployed youth (15 – 24 years) increased by 11.6 per cent; and
 - The youth (15 – 24 years) unemployment rate increased from 13.8 per cent in 2022 to 15.6 per cent in 2023.

Total Employment in Peel's labour market remained below pre-pandemic level

- Since 2020, annual changes in employment have varied, registering alternate years of decreases and increases.
- Over the four-year period 2020 – 2023, the net change in employment was -19,200 positions keeping total employment in Peel in 2023 below pre-pandemic (2019) level.

Peel's Performance Review & Outlook: The Labour Market

More full-time employment and employment in services underpinned employment gain in 2023



- A decline in employment in construction lowered employment in the goods producing sector for the second consecutive year, to keep the sectors employment below pre-pandemic level. The shift to a higher interest rate environment influenced a contraction in construction activities, including employment.
- Total employment in services increased in 2023 but growth was contained to 0.9 per cent due to lower employment in sub-sectors like accommodation and food services (-6.5 per cent or 2,500 positions), and finance, insurance, real estate, and leasing (-3.7 per cent or 2,900 positions).
- Broad weakness in employment in accommodation and food services continued in the post-pandemic environment where the rate of automation has been amplified, while the weakness in finance, insurance and real estate and leasing may reflect the current high interest rate environment and its contractionary effect on activities in that sector.



Peel's Performance Review & Outlook: The Labour Market



- Economic growth in the Canadian and Ontario economies is expected to slow in 2024. As growth slows, labour market changes are expected to weaken at all levels, including in Peel.
- In Q1 2024, Peel's labour market changes were mixed. Employment continued to increase but was not sufficient to accommodate the larger increase in persons who entered the labour market in search of work. This resulted in a rise in Peel's quarterly average unemployment rate to 7.7 per cent, its highest Q1 rate in three years.
- Peel's labour force is likely to continue to grow, boosted by the influx of working age immigrants. At the same time, employment growth may be constrained by a slowing Canadian and Ontario economies. These changes suggest that in the short-term Peel's unemployment rate is likely to rise while the employment rate is likely to fall.
- Over the medium to long-term, Peel's employment rate is expected to improve as new immigrants become more established and integrate into the labour market. They will also boost the pool of workers available to local businesses and enhance the likelihood of long-term economic growth in Peel.
- Long-term labour market prospects remain positive.

Rising home ownership costs weighed heavily on construction activities



In 2023, several factors influenced construction activities in Canada, including in Peel. These influences kept home ownership costs high and reduced demand as higher costs pushed home ownership out of the reach of many prospective owners. The main influencing factors included:



Higher interest rates: Canadian interest rates continued to increase in 2023 as the Bank of Canada remain focused on lowering inflation by increasing interest rates. By July 2023, The Bank of Canada's Overnight interest rate was at its highest level in over two decades. In response, mortgage rates increased. Canada Mortgage and Housing Corporation (CMHC) conventional mortgage lending rate, 5-year term, increased to a 15-year high of 6.47 per cent in November 2023.



Labour shortage: According to Canadian Mortgage and Housing Corporation (CMHC), the construction industry has been experiencing labour shortage in recent years as retirements outpaced the entry of new workers into the construction industry. This was worsened by the pandemic as many changed careers⁵. Labour shortage continued to be a challenge in the sector in 2023.



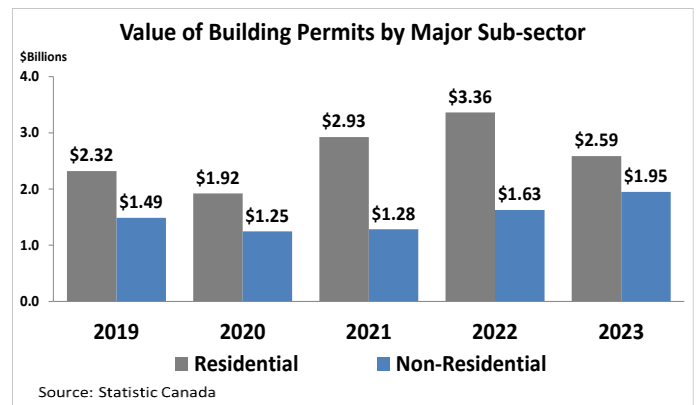
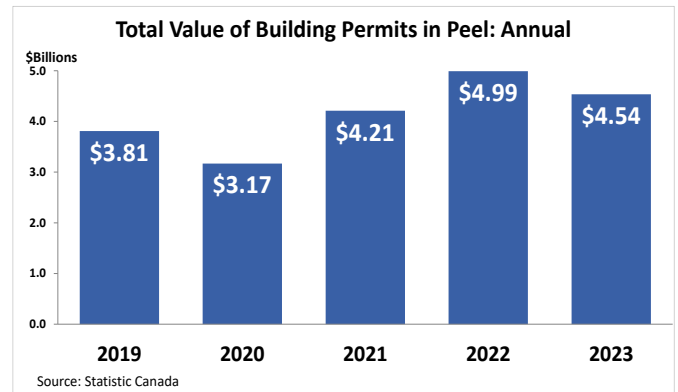
Higher construction prices: The rate of change in construction prices has fallen substantially. In the Toronto CMA, the increase in the Non-Residential Construction Price Index slowed from 16.2 per cent in 2022 to 8.2 per cent in 2023. Although the change in average price slowed, it continued to rise, pushing prices higher. This kept overall average construction costs elevated.

⁵ [Housing Supply Report](#), Spring 2024, pp. 11

Peel's 2023 Construction Sector Review & Outlook: Building Permits

Peel's building intentions pulled back from the 2022 record level

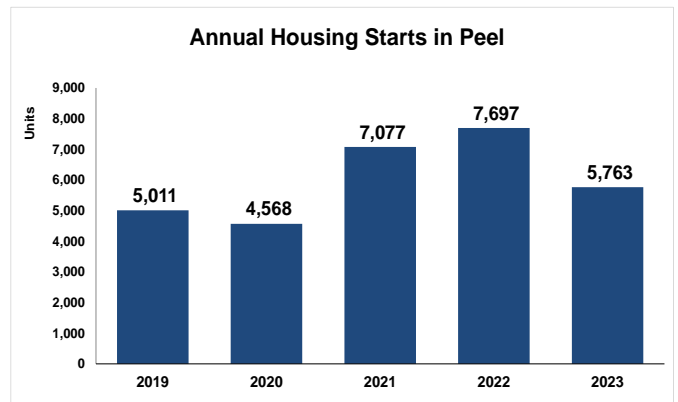
- In 2023, the total value of building permits issued in Peel retreated from the record \$4.99 billion recorded in 2022, registering a 9.1 per cent decline to \$4.54 billion.
- Despite the pull back, the total value of building permits issued in 2023 was the second highest on record.
- Lower building permits value in 2023 was the result of a decline in the large residential sub-sector. The total value of residential building permits issued in Peel was \$2.59 billion, 23.1 per cent lower than that recorded in 2022.
- The total number of units associated with the value of building permits issued also fell (-28.6 per cent) in 2023, suggesting that rising home ownership costs are impacting homebuilding intentions.
- The total value of Non-residential building permits grew by 19.7 per cent to a record \$1.95 billion, supported by higher commercial and institutional building permits.
- The total value of commercial building permits increased by 62.6 per cent to \$1.16 billion to influence the growth in non-residential building permits. This was above the previous record of approximately \$1.02 billion registered in both 2019 and 2020.
- In the aftermath of the 2020 pandemic, and the accelerated shift in consumer behavior, the value of commercial building permits issued in Peel weakened. The increase in 2023 may signal a gradual readjustment to pre-COVID habits (like in-person shopping), which may be influencing building intentions in the commercial space.
- The total value of institutional permits issued in 2023 more than doubled relative to 2022 to \$269.70 million.



Peel's 2023 Construction Sector Review & Outlook: Housing Starts and New Home Sales

Peel's housing starts fell to a three-year low

- The post-pandemic rebound in housing starts in Peel halted in 2023 when total starts fell by 25.1 per cent to 5,763 units.
- Both segments of the market contributed to the decline. The number of single starts led the decline with a 38.0 per cent fall to 859 units, while the number of multiple starts fell by 22.3 per cent to 4,904 units.
- Higher immigration helped to boost the demand for housing units, but elevated costs and affordability challenges mitigated against an increase in starts locally.

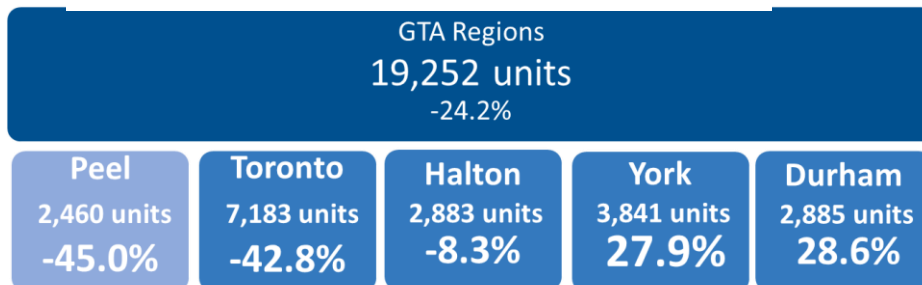


Source: Statistics Canada

Lower new home sales in Peel

- In 2023, and for the second consecutive year, new homes sales in Peel declined in 2023 as higher interest rates continued to erode housing affordability.
- Following a 41.8 per cent decline in 2022, total new home sales in Peel fell by 45.0 per cent to 2,460 units in 2023. A 62.2 per cent drop in the sale of condominium units was the source of the decline. Single family units sold increased by 40.4 per cent.
- There were declines in the number of units sold in three of the five GTA Regions. As a result, the total number of new homes sold in the GTA in 2023 was 24.2 per cent below total sales in 2022.

New home sales by GTA Region in 2023

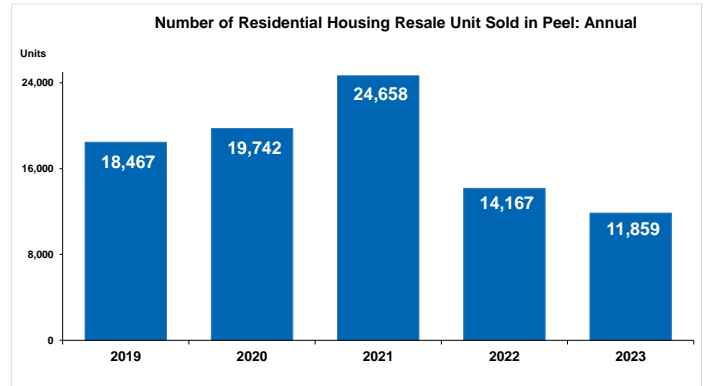


Source: Altus Group

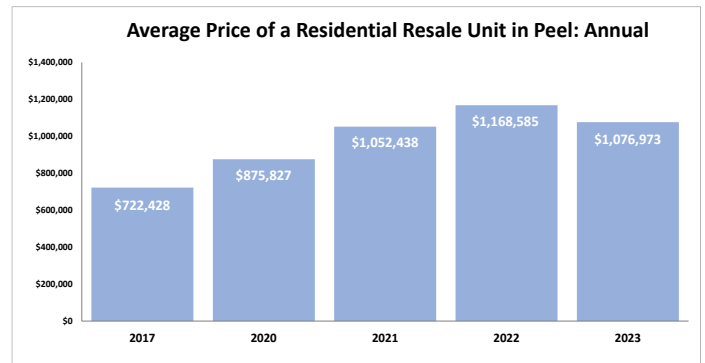
Peel's 2023 Construction Sector Review & Outlook: Residential Resale

A second consecutive year of contraction in Peel's residential resale market

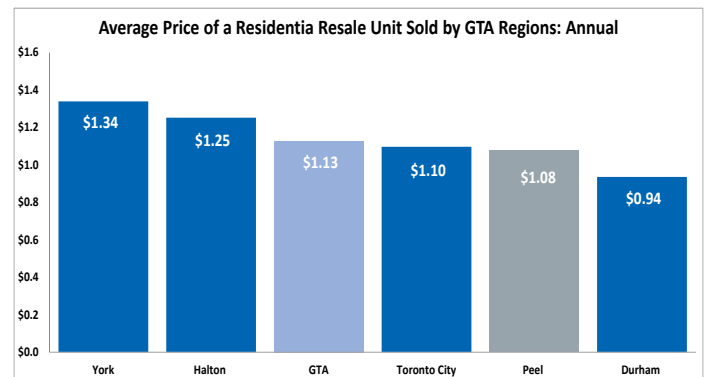
- Activities in Peel's residential resale market fell in 2023, as interest rates continued to increase. Home ownership costs rose in response, and demand for homes fell.
- This marked the second consecutive year in which activities in Peel's residential resale market retreated.
- The number of residential resale units sold in Peel, fell to a multi-decade low of 11,859 units in 2023, 16.3 per cent lower than in 2022.
- In the broader GTA, the change was similar. Compared with 2022, the number of residential resale units sold declined by 12.2 per cent to 65,982 units.
- As the number of units sold fell, the average price of a residential resale unit sold in the GTA, and all its Regions also declined.
- In Peel, the average price of a residential resale unit was approximately \$1.08 million in 2023, or 7.8 per cent lower than in 2022.
- In the Greater Toronto Area (GTA), the average price fell by 5.3 per cent to \$1.13 million over the same period.



Source: Statistics Canada



Source: Toronto Real Estate Board



Source: Toronto Real Estate Board

Peel's 2023 Construction Sector Outlook



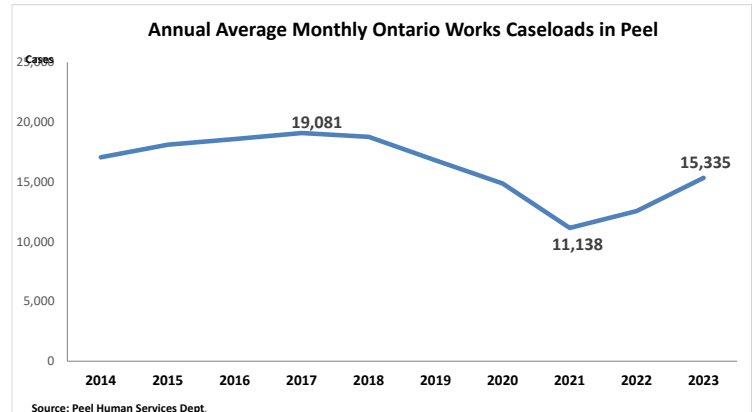
OUTLOOK: Short-to-medium-term challenges to persist

- Activities in Peel's building construction industry is expected to be influenced by several factors in upcoming periods.
- In the short-term the high interest rate is expected to remain restrictive as it continues to keep homeownership costs high. Further, while housing prices have retreated from the record level reached in 2022, they remain elevated. Together, these factors are expected to keep housing unaffordability risks high and constrain activities in the residential sub-sector.
- Over the medium-to-long-term, construction activities in Peel are expected to improve. Canadian interest rates have started to decline as the Central Bank reduced its Overnight Interest Rate on June 5, 2024. Market expectations are for further declines in the near-term.
- In addition, Peel is a key growth area in the GTA and Canada and is therefore expected to benefit from the planned federal and provincial infrastructure expansion that is required to meet the needs of a growing population.

Peel's 2023 Ontario Works (OW) Review & Outlook

Peel's OW caseloads increased for the second consecutive year

- In 2023, and for the second consecutive year, Peel's average monthly OW caseloads increased, up 22.1 per cent to 15,335 cases.
- Monthly OW caseloads trended upwards throughout 2023 to influence the rise in average monthly caseloads for the year.



- The increase in Peel's average monthly OW caseloads came against the background of changes which increased unaffordability for many. These include:
 - The end of Government supports to COVID-19-impacted Canadian individuals in late 2021;
 - Higher inflation led by rising food and housing costs;
 - High interest rates that have elevated home ownership costs. At the same time, rental rates have increased significantly;
 - Employment in Peel increased in 2023 but remained below pre-pandemic level. Many residents remained unemployed in 2023 and Peel's unemployment rate rose to 6.7 per cent, which was just above the rate of 6.5 per cent registered in 2019, prior to the pandemic; and
 - In the past 2-3 years, there has been a significant increase in population. As population increased, many vulnerable residents sought support through OW.
- Although Peel's average monthly caseloads increased in 2022 and 2023, in 2023, they were below pre-pandemic (2019) level of 16,790 cases.

Peel's 2023 Ontario Works (OW) Review & Outlook



OUTLOOK: Higher OW caseloads expected in 2024

- Peel's OW caseloads are expected to be influenced by several factors in the short to medium-term:
 - Elevated prices and high interest rates have eroded the real value of money and increased several risks including low income, housing unaffordability and food insecurity;
 - Peel's labour market changes have fluctuated since the pandemic, and while employment has recovered from pandemic lows, it remained below pre-pandemic (2019) levels. Peel's unemployment rate in 2023 (6.7 per cent) was above the 2019 rate of 6.5 per cent; and
 - Canada has welcomed many persons who are fleeing their homelands for various reasons. Many are supported through OW in the initial stages of settlement.
- Together, these factors suggest that the need for social support will likely rise. Peel's average monthly caseloads continued to increase in Q1 2024 and are projected to continue to trend upwards throughout the remainder of the year.

Emerging and ongoing Risks and outlook for Peel

Elevated risks and uncertainties

- The impacts of the changed price environment is expected to continue in 2024. Growth in the Canadian and Ontario economies is expected to slow in 2024, but both economies are expected to avoid a recession for the second consecutive year.
- However, many of the challenges that have emerged since the COVID-19 pandemic remain and continue to fuel uncertainties and increase risks. These are as follows:
 - **High prices, elevated inflation, and high interest rates:** Prices remain high and the progress on inflation remains slow. Inflation has eased from record levels registered in 2022, allowing the Bank of Canada to reduce its Overnight Interest Rate on June 5, 2024. Lower inflation and a reduction in interest rates will be critical to reducing unaffordability and enhancing long-term growth.
 - **The broadening of geopolitical tensions:** Geopolitical tensions have broadened to include conflicts in the Middle East and disruption to trade in the Red Sea. These can negatively impact trade and investments, reignite supply chain challenges and impinge on growth at all economic levels, including in Peel.
- While there are short-term challenges to overcome, expectations are for them to be resolved in the medium to long-term and set the stage for a return to more robust global, national, and provincial economic growth. As an economy that is highly dependent on trade, the resolution of existing challenges will also enhance local growth prospects.

