

Peel's Economic Bulletin-2017

Macroeconomic Environment

- Trade uncertainties (NAFTA talks underway) which may impact Ontario and Peel
- End of current economic cycle is imminent
- Increasing public and private indebtedness
- Higher inflation and interest rates likely to create a higher cost business environment

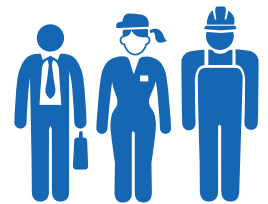
Growing Population, Larger Workforce and Lower Unemployment Rates

Population with undercount
1.48 Million
+2.1%
Over 50% of the total population are immigrants

Estimated working age population
1.31 Million
+5.2%
(Working age 15 years & over)
More 65+ year old residents in the workforce

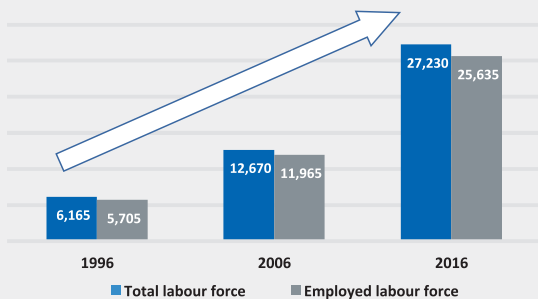
Total Labour Force
872,600
+2.1%
Residents working and looking for work is expanding

Total Employed Labour
812,500
+2.5%
Residents who are successful in finding work are increasing



Peel's workforce is growing and aging

Residents 65+ years in labour market



Source: STATCAN

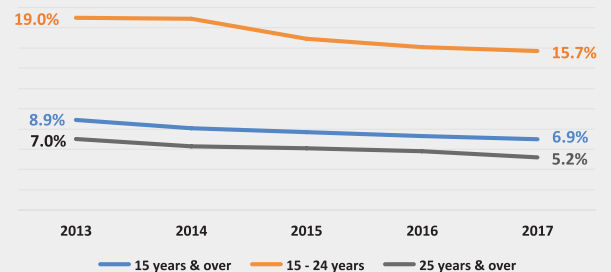
Unemployment Rate (65+ years)

5.9%
in 2016

Participation Rate (65+ years)

16.0%
in 2016

Peel's unemployment rates by age group



Source: STATCAN

IMPLICATION Given the aging workforce, continuous training and talent management will be required to maintain efficiency gains from technological advancement.

Peel's Economic Bulletin-2017

Increase in Precarious Employment

Services +2.8%
(641,300 Positions)

Median Wage Rate
\$22.53

Full-Time positions
669,800

84% of total employed
labour force in 2017

Goods-Producing +1.3%
(171,200 Positions)

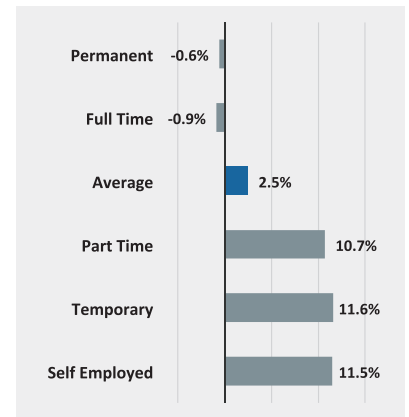
Median Wage Rate
\$29.14

Part-Time positions
142,700

16% of total employed
labour in 2017

Residents increasingly
employed in precarious
type employment.

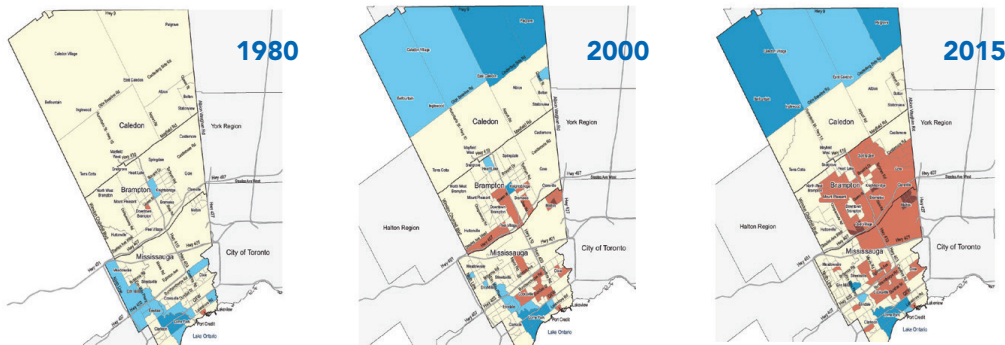
Low paying and
precarious type
employment
influencing the
growth in total
employment.



Source: STATCAN

IMPLICATION There is a risk for higher demand for Regional services.

Rising Incidence of Low Income and Income Disparity



More low-income earners and
fewer middle and high-income
earners in Peel.

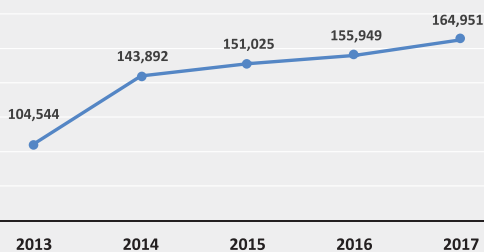
- Very High: 140% to 279% (9 CTs, 4% of Peel Region)
- High: 120% to 140% (4 CTs, 2% of Peel Region)
- Middle: 80% to 120% (105 CTs, 43% of Peel Region)
- Low: 60% to 80% (116 CTs, 47% of Peel Region)
- Very Low: 52% to 60% (11 CTs, 4% of Peel Region)
- Not Available

Source: United Way of Toronto and York Region

IMPLICATION Negative changes in income and income disparity persist, increasing the risk for greater demand for some Regional services.

Increasing Business Sector Employing Less People

Number of Business Establishments



54,620
+2.2%

Total business establishments
with employees in 2017

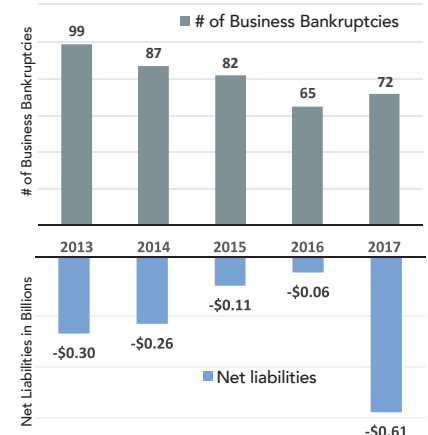
+2.2% Small business
+2.4% Medium business
-1.7% Large business

Number of business establishments
in Peel continued to grow, and 66.9%
of businesses are without employees.

Business sector dominated by
small businesses, and 67.3% of the
businesses with employees employ
1-5 persons.

Source: STATCAN

Business Bankruptcy in Peel



Source: Office of the Superintendent of Bankruptcy

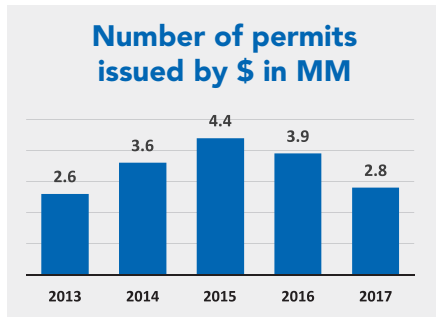
IMPLICATION Lower job creation may reduce employment opportunities for residents in Peel.

Peel's Economic Bulletin-2017

More Stable Housing Market with Risk of Housing Unaffordability



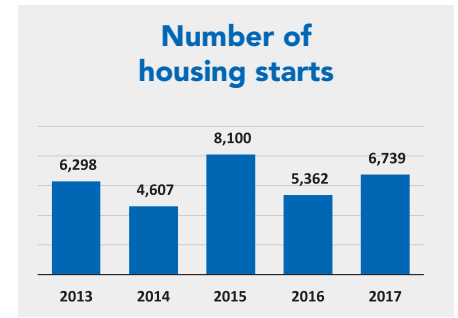
The number of building permits issued fell in 2017 by **-18.8%**



Source: STATCAN



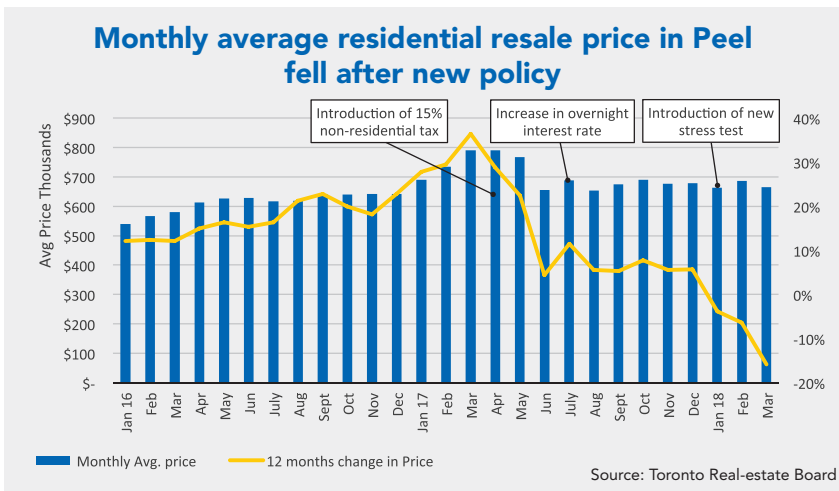
Annual average housing starts at long term sustainable level **+25.7%**



Source: Canada Mortgage and Housing Corporation

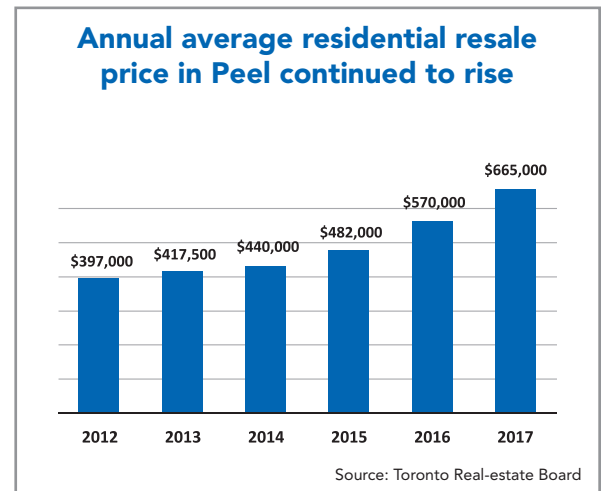
IMPLICATION Buoyant housing construction activities adding to housing stock as expected.

More Stable Housing Market but Unaffordability Risk Remains Elevated



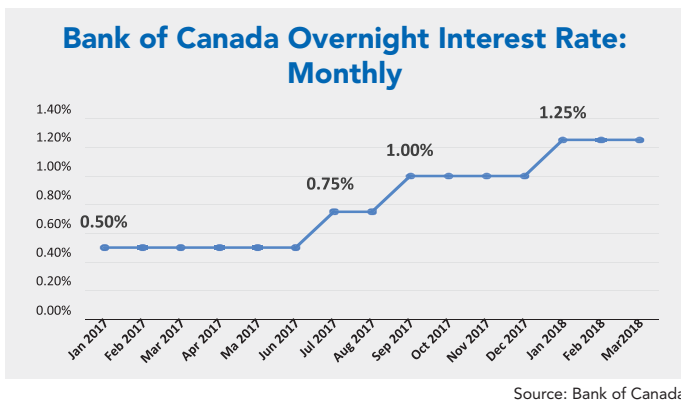
New policies introduced in 2017 stabilized monthly average price. Rising interest rate and new stress test to further stabilize the housing market.

IMPLICATION More stability and low risk in the housing market; however housing affordability challenge remains.



Annual average prices for the year 2017 were above those recorded in 2016 elevating the risk for a rise in the demand for affordable housing in Peel.

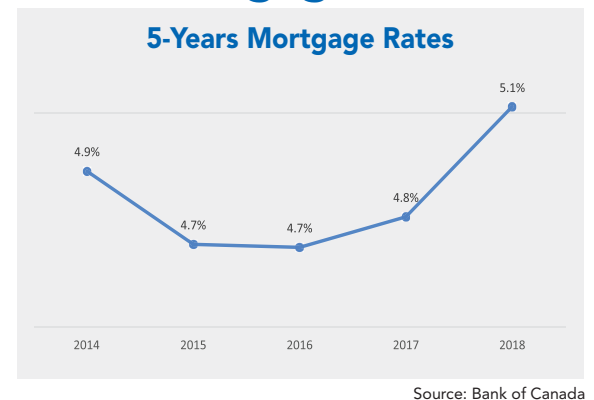
Interest rate



Higher interest earnings to be generated from higher interest rates, but debt servicing costs on new debt and expenditure levels to increase from higher inflation.

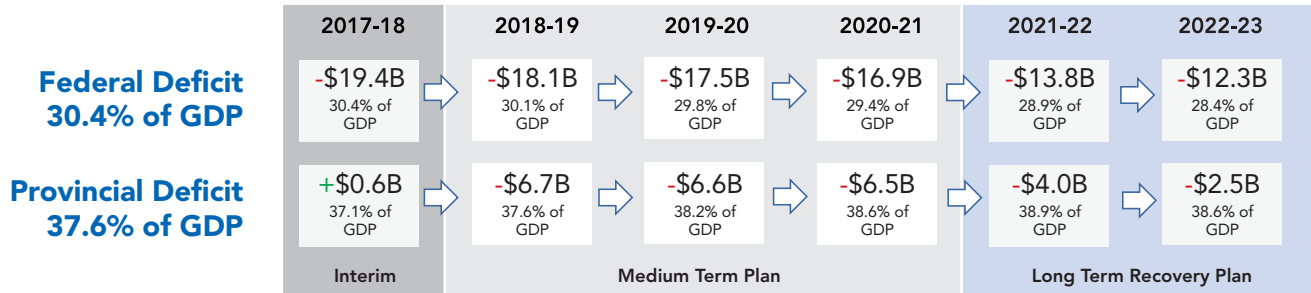
IMPLICATION Higher interest rate adds to housing affordability challenge.

Mortgage rate



Peel's Economic Bulletin-2017

Economic Outlook



Sources: 2018 Federal Budget Fiscal Projection, 2018 Ontario Budget: Ontario Fiscal Plan

Debt to Disposable Income ratio



Household Indebtedness

Source: STATCAN

IMPLICATION Positive short-term growth prospects but rising indebtedness is a key long-term risk to business and economic growth.

Cap & Trade and Minimum Wage

On January 1, 2017, Ontario's *Climate Change mitigation and Low Carbon Economy Act, 2016* came into effect.

Regulated entities Include:

- industrial/institutional emitters
- natural gas distributors
- petroleum product distributors
- electricity importers

Entities with: **25,000+ tonnes CO₂** are mandatory participants.



Source: Osler, Hoskin & Harcourt LLP

Ontario's Minimum Wage

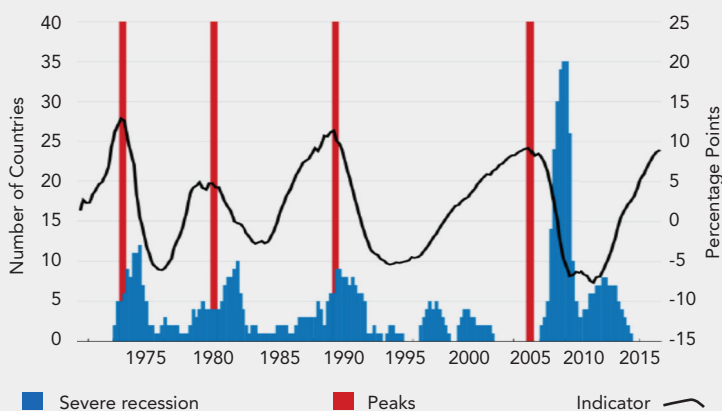
Oct 2016	\$11.40
Oct 2017	\$11.60
Jan 2018	\$14.00
Jan 2019	\$15.00

IMPLICATION Higher minimum wage and the new cap and trade regulation add to a less competitive business environment in Ontario and Peel.

Less Positive Economic Forecast

Housing price booms precede recessions

Global real house price index



Higher cost business environment in Ontario.

"High debt can increase risks for medium-term real activity."

The OECD indicator suggest an impending economic downturn.

IMPLICATION Change in economic cycle is around the corner.

Note: Blue areas represent the number of countries in a severe recession. The global real house price index is constructed as a GOP-weighted average across OECD countries and is measured as deviation from trend. Source: Hermansen and FZOhn (2017).