



Ontario Economic Outlook

Hamilton City Council Budget Meeting

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- 1) Recovery proceeding, but omicron variant could delay it
- 2) Supply-demand imbalances:
 - Limited input product availability
 - Inflation
 - Labour shortages
- 3) Auto sector vulnerability for Ontario
- 4) Net migration to Ontario negative during pandemic, but more people moving to Hamilton

Structure of this Presentation

A. Global Economic Backdrop

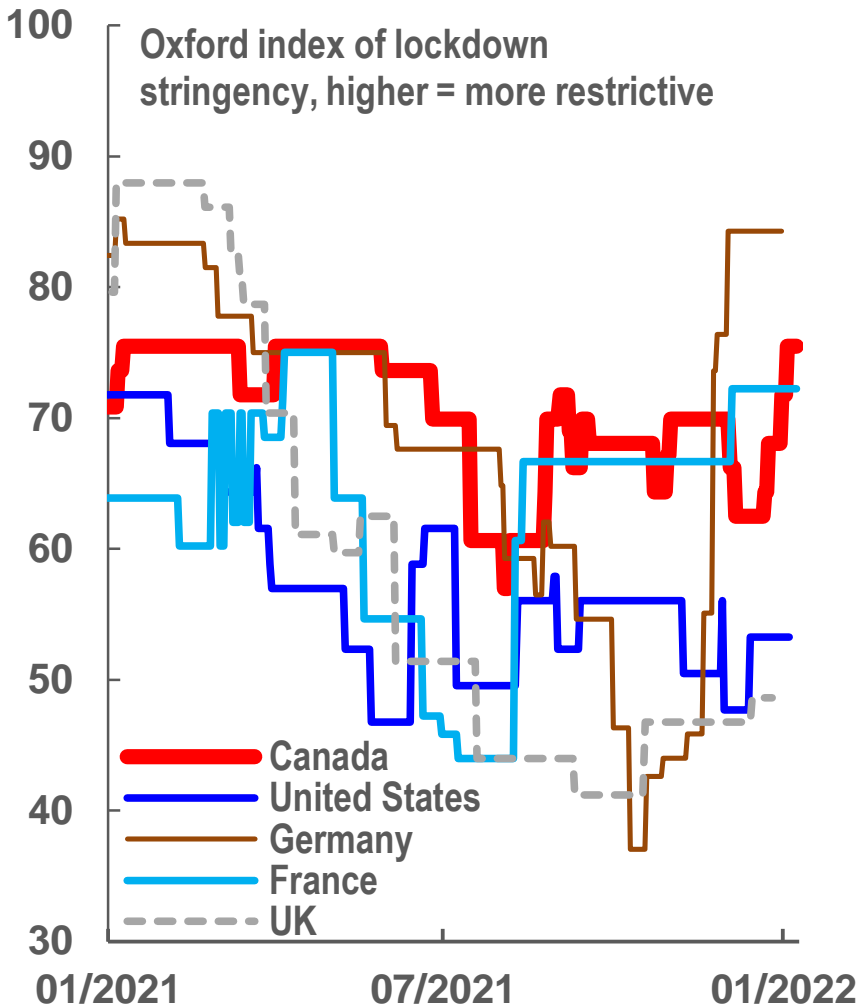
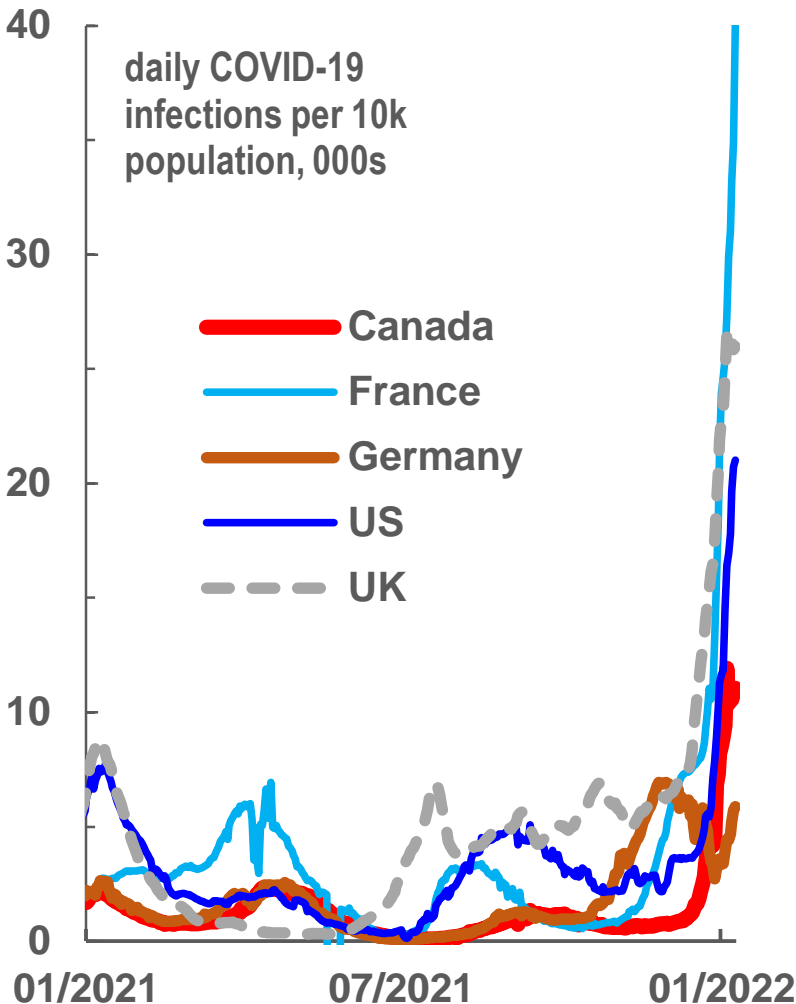
B. Ontario Economic Outlook

C. Ontario Fiscal Situation

D. Longer-Run Considerations

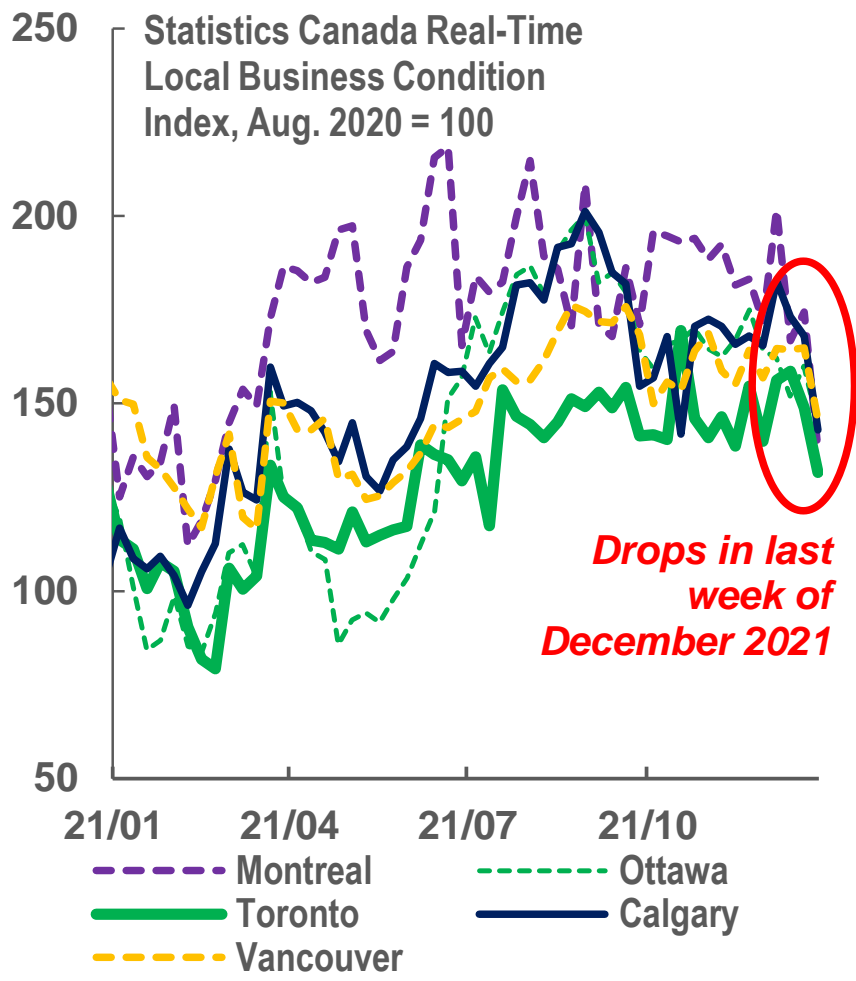
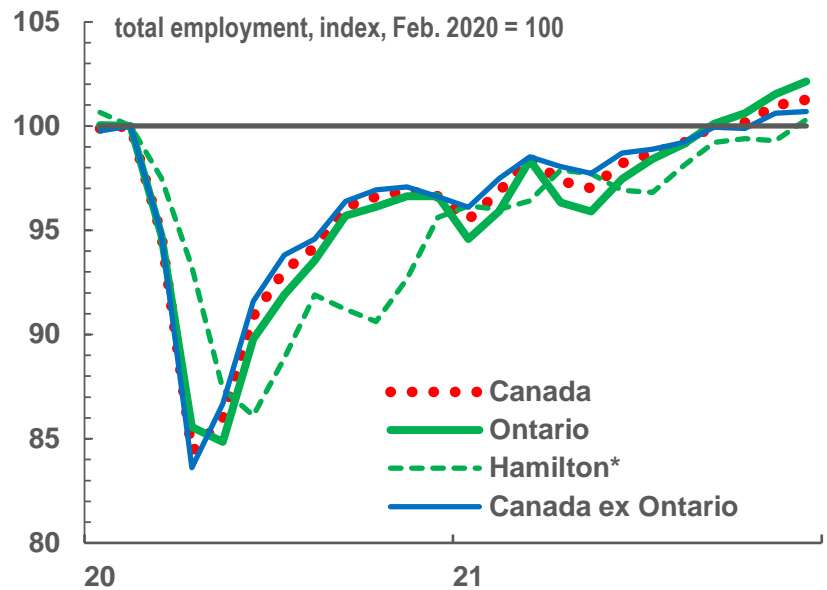
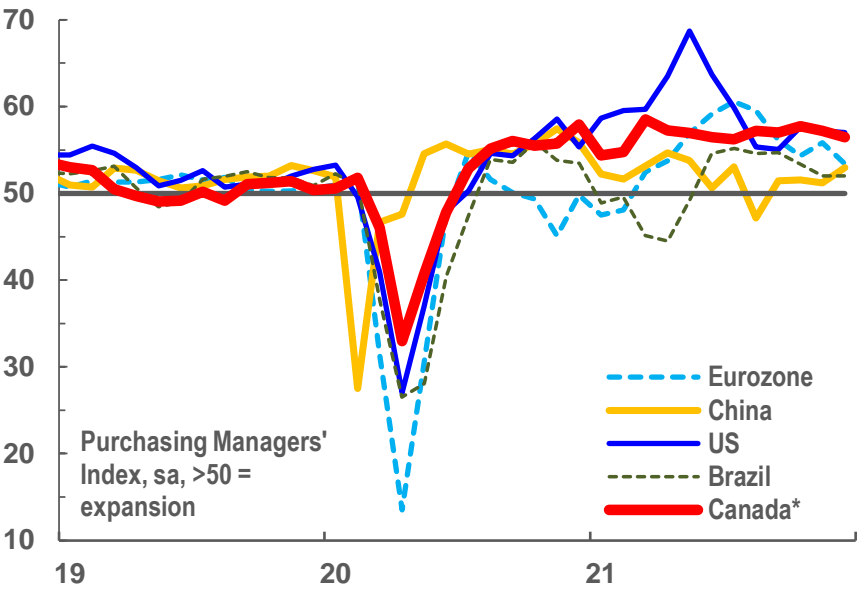
A. Global Economic Backdrop

Omicron Surge, New Restrictions Could Weigh on Growth



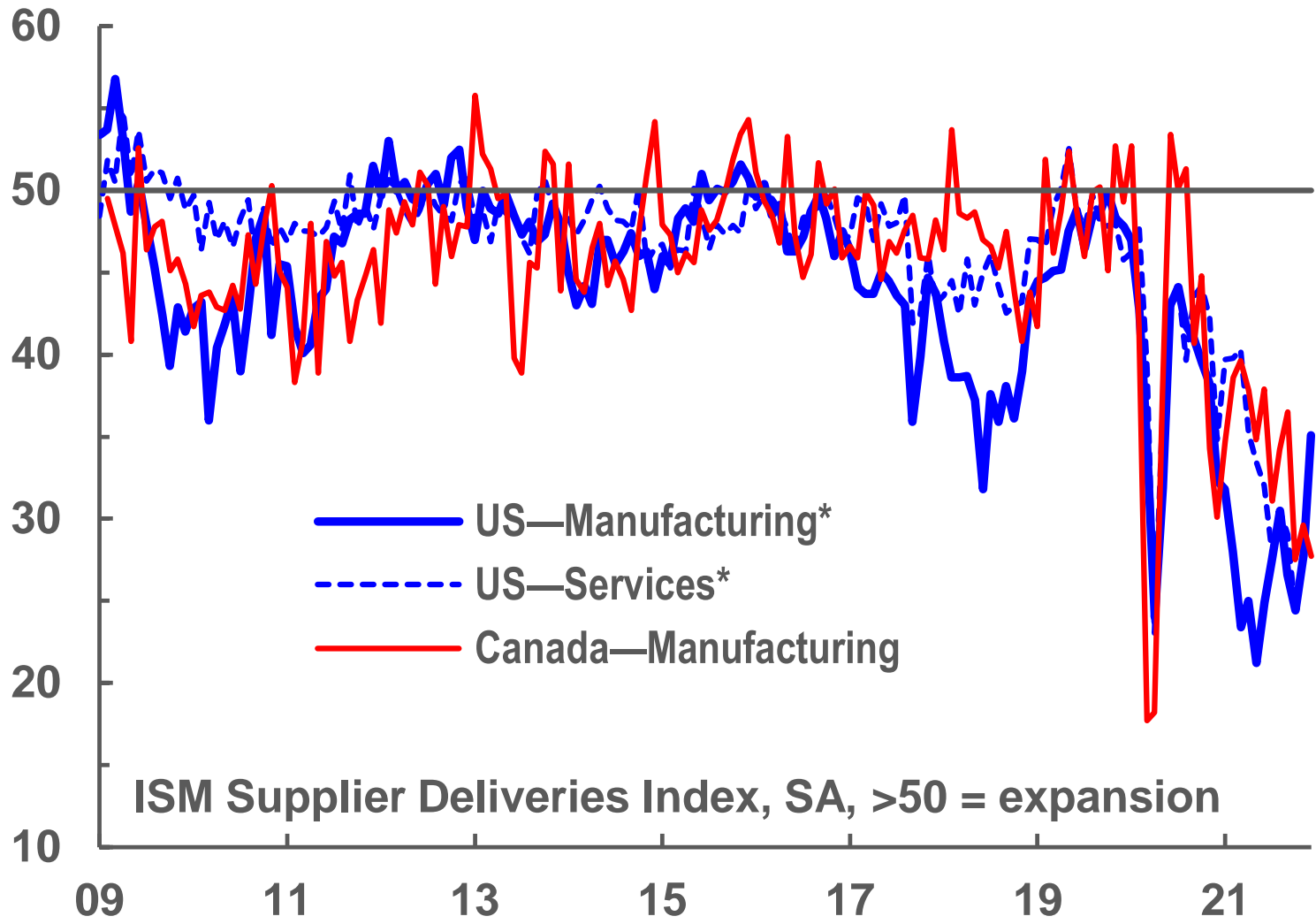
Sources: Scotiabank Economics, Johns Hopkins University, United Nations, Oxford University.

Significant Slowdown Not *Yet* Showing in Data



* Manufacturing only.
 ** Three-month moving average.
 Sources: Scotiabank Economics, IHS Markit, Statistics Canada.

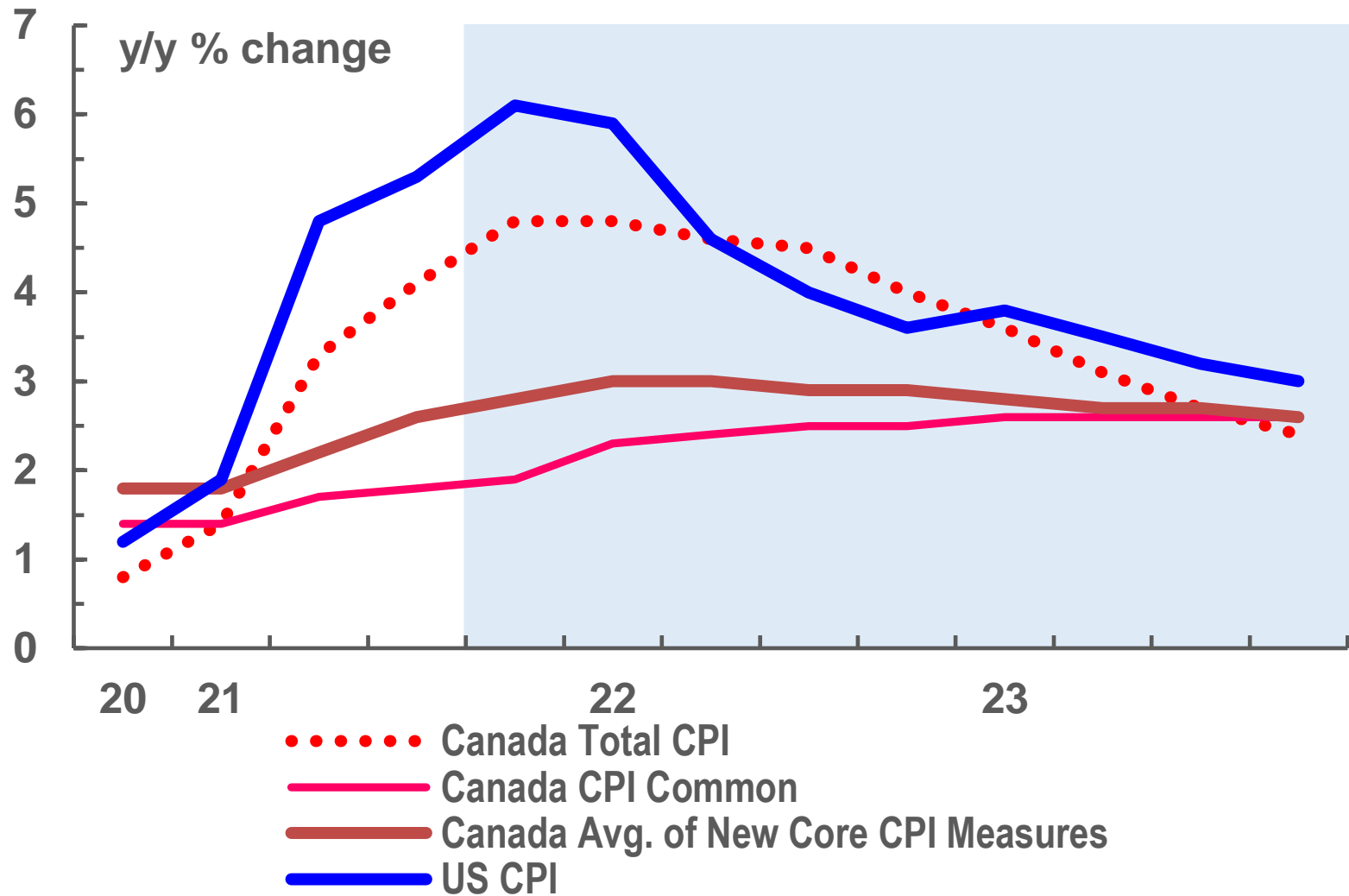
Supply-Demand Imbalances: Supply Chain Constraints



ISM Supplier Deliveries Index, SA, >50 = expansion

* Inversed for consistency with Canadian measure.
Sources: Scotiabank Economics, Bloomberg, IHS Markit.

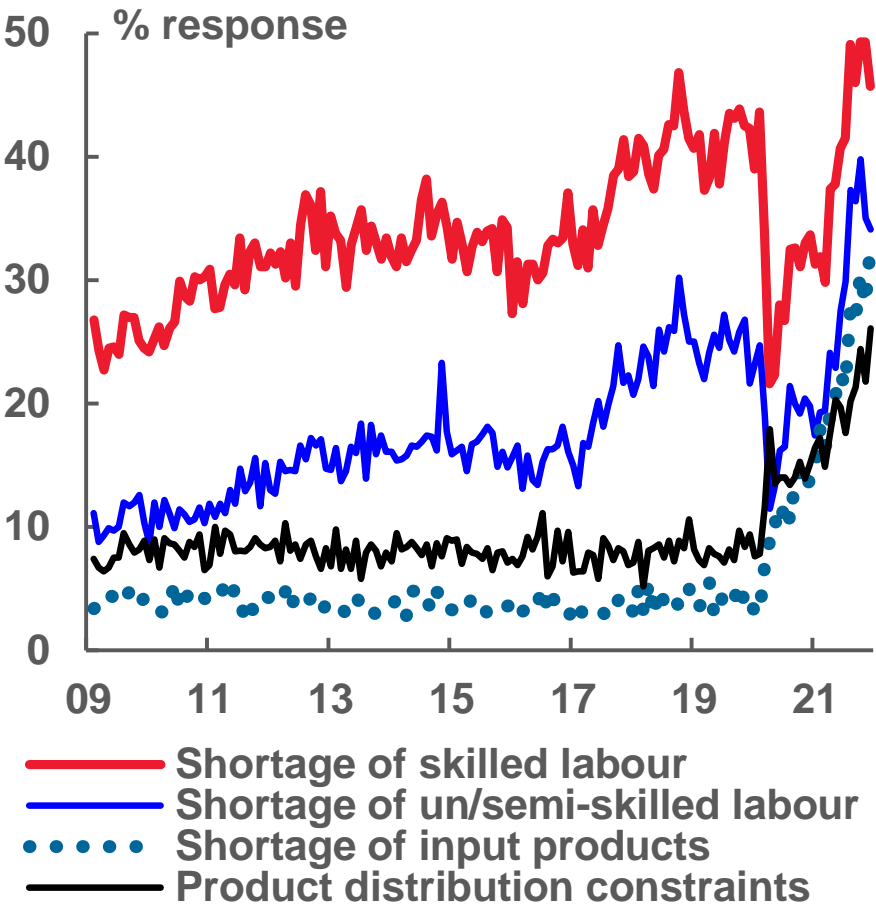
Supply-Demand Imbalances: Inflation (Consumers, Producers, Transportation)



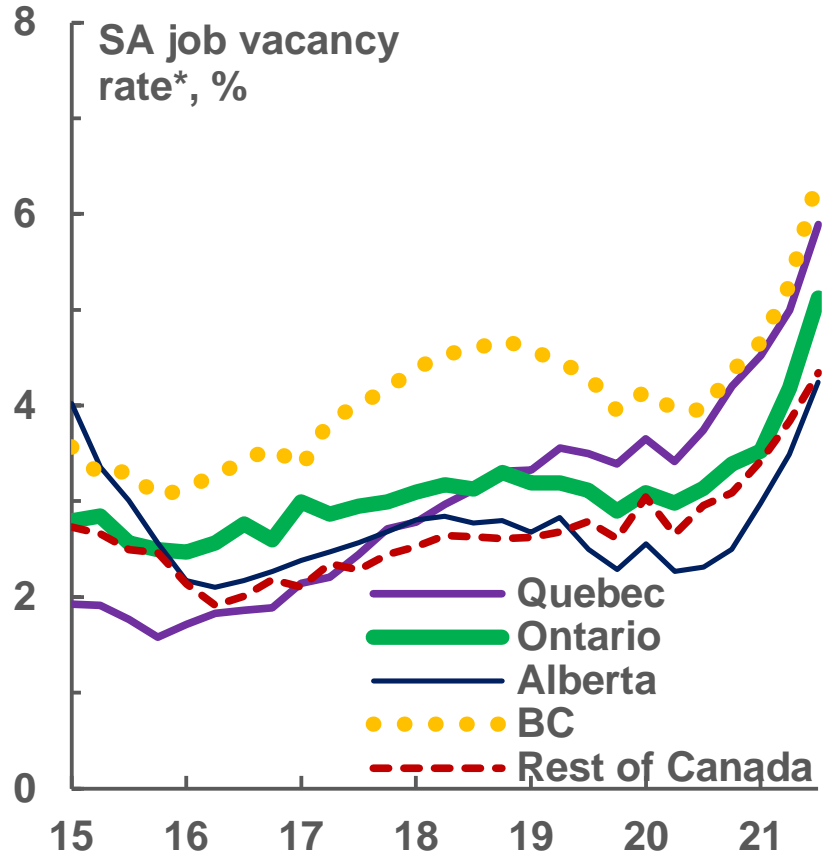
Sources: Scotiabank Economics, BLS, Statistics Canada.

Supply-Demand Imbalances: Labour Shortages

Limitations on Growth

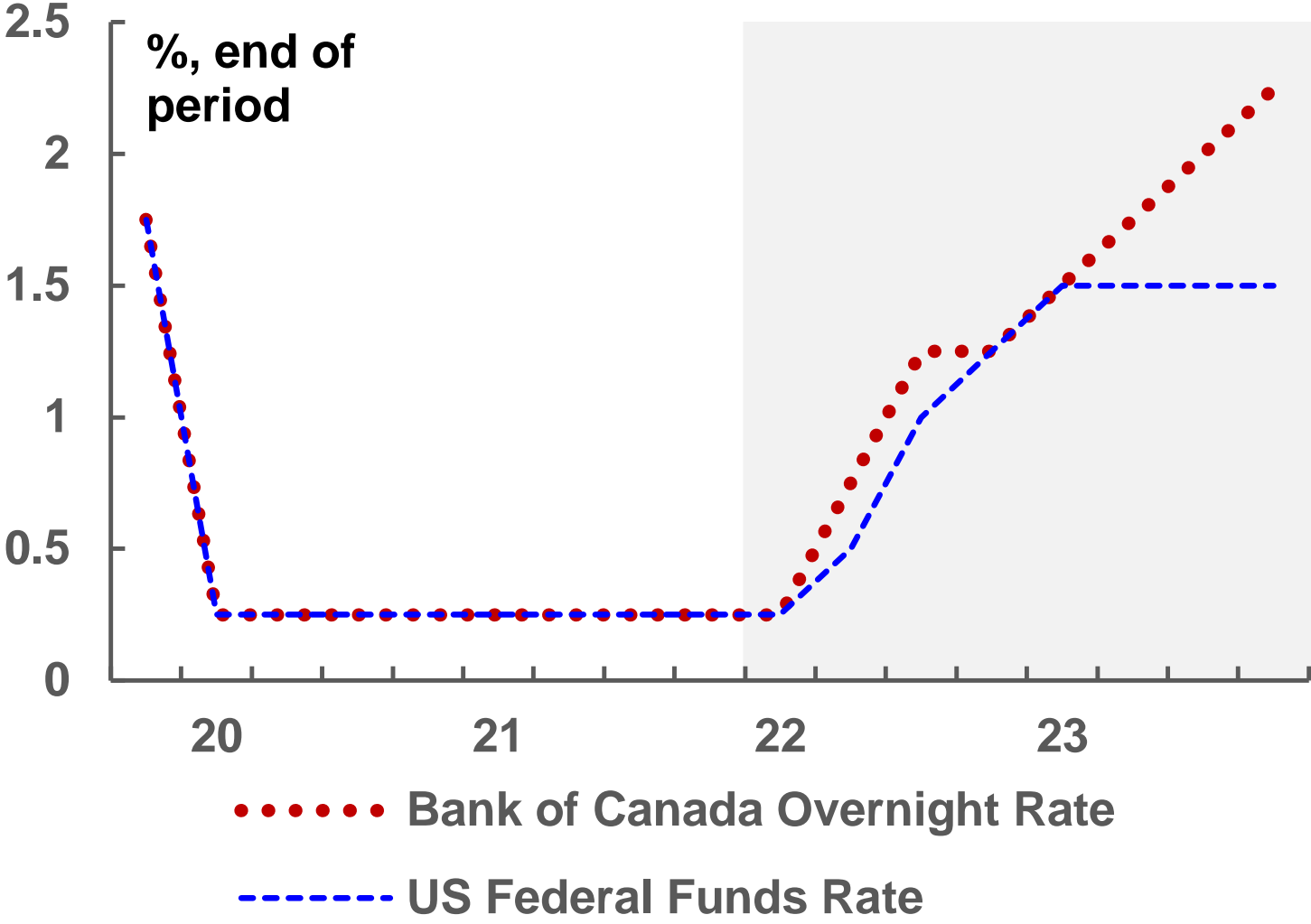


Canadian Labour Shortages Most Acute in Quebec, BC



* Seasonal adjustment by Scotiabank Economics.
Sources: Scotiabank Economics, Statistics Canada, CFIB.

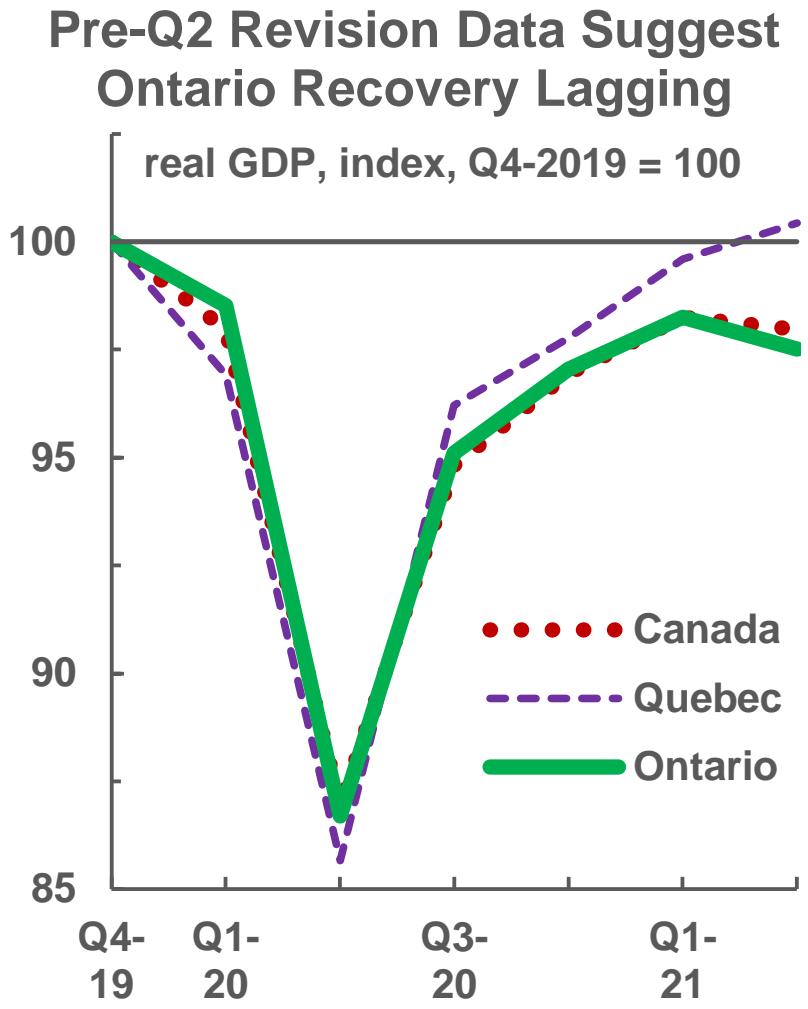
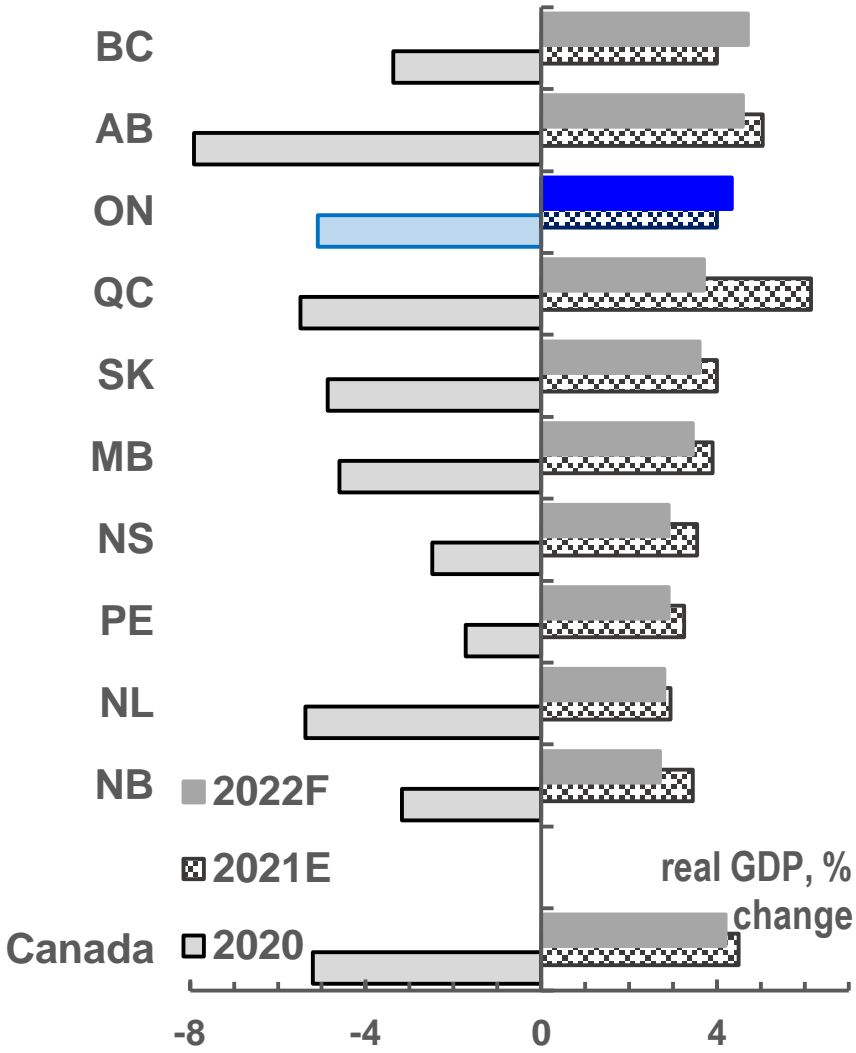
Rising Central Bank Rates Mean Higher Debt Costs



Sources: Scotiabank Economics, Haver Analytics.

B. Ontario Economic Overview

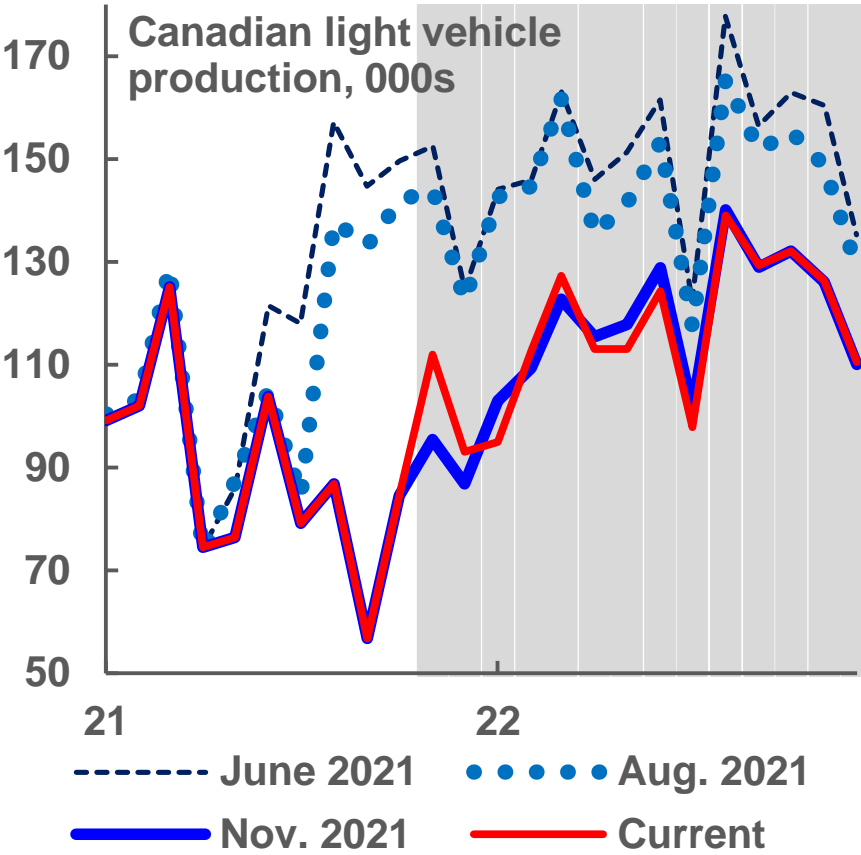
Provincial Outlook: Ontario Expected to be Strong Performer in 2022



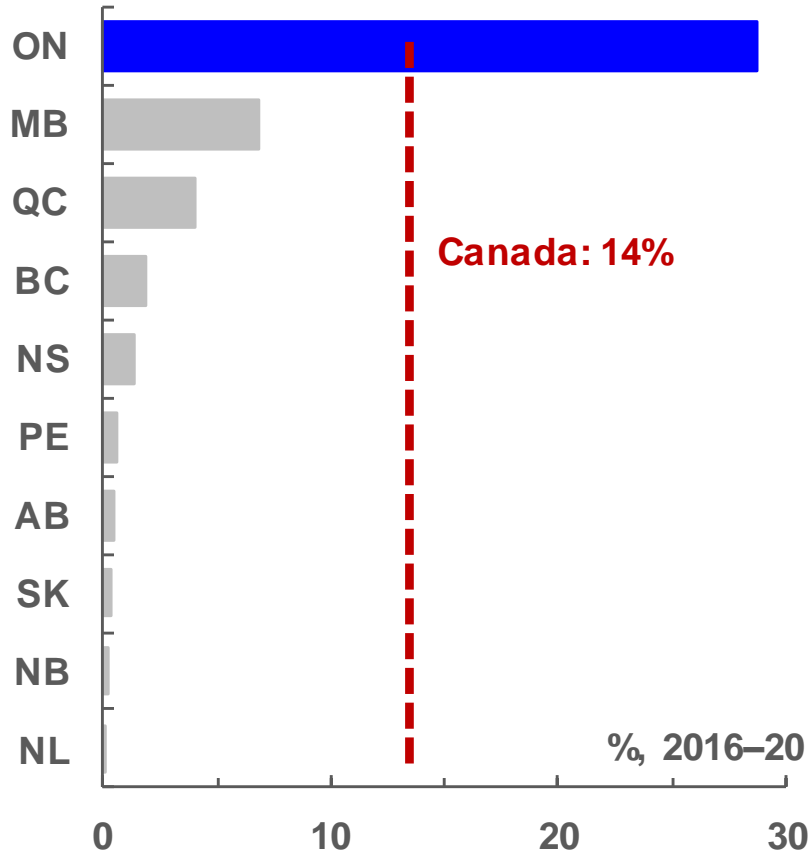
Sources: Scotiabank Economics, Statistics Canada, Ontario Finance, Institut de la Statistique du Québec.

Auto Sector Exposure a Key Risk for Ontario

Car Production Lowered Progressively Since Semiconductor Issues Emerged



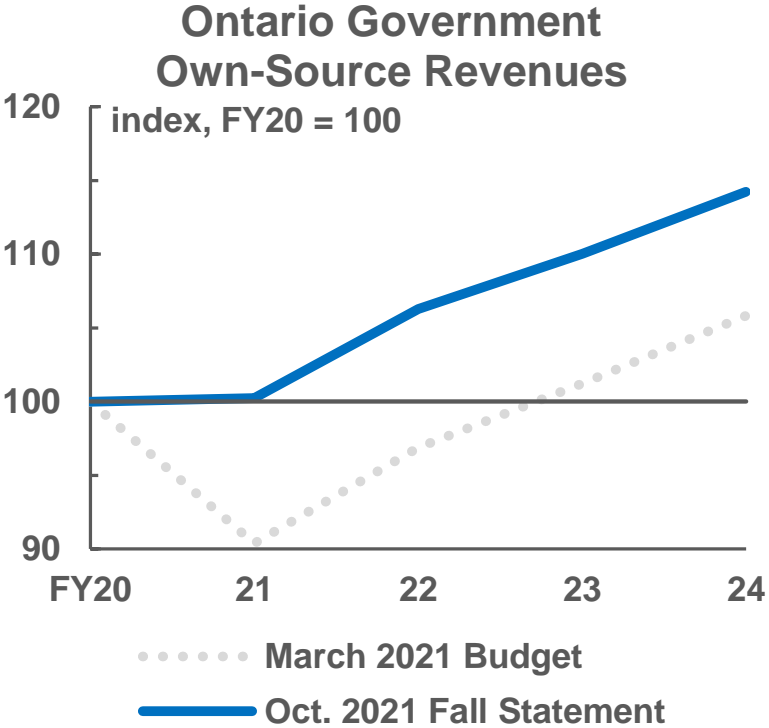
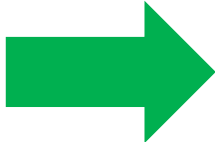
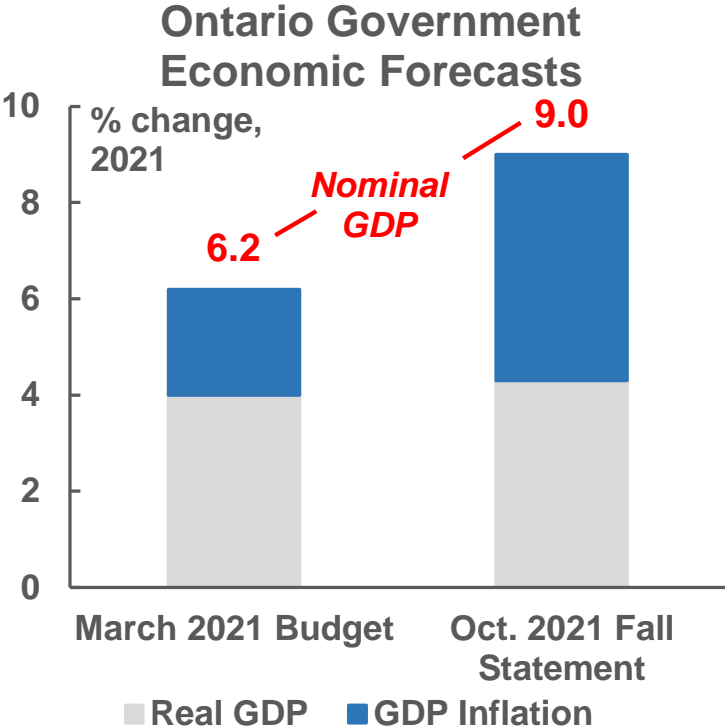
Motor Vehicles and Parts as a Share of Merchandise Exports



Sources: Scotiabank Economics, Wards Automotive, Statistics Canada.

C. Ontario Fiscal Situation

Inflationary Pressures Lift Revenue Projections



From Ontario Budget 2021:

Economic Factors

Nominal GDP

Revenue Sources

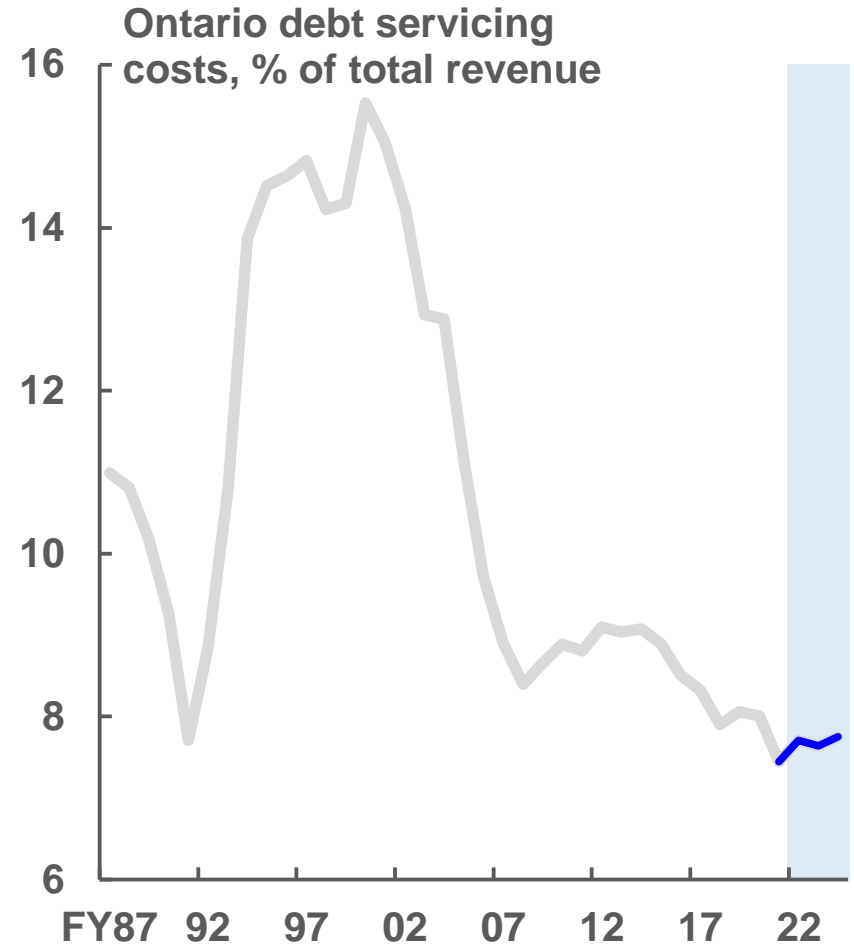
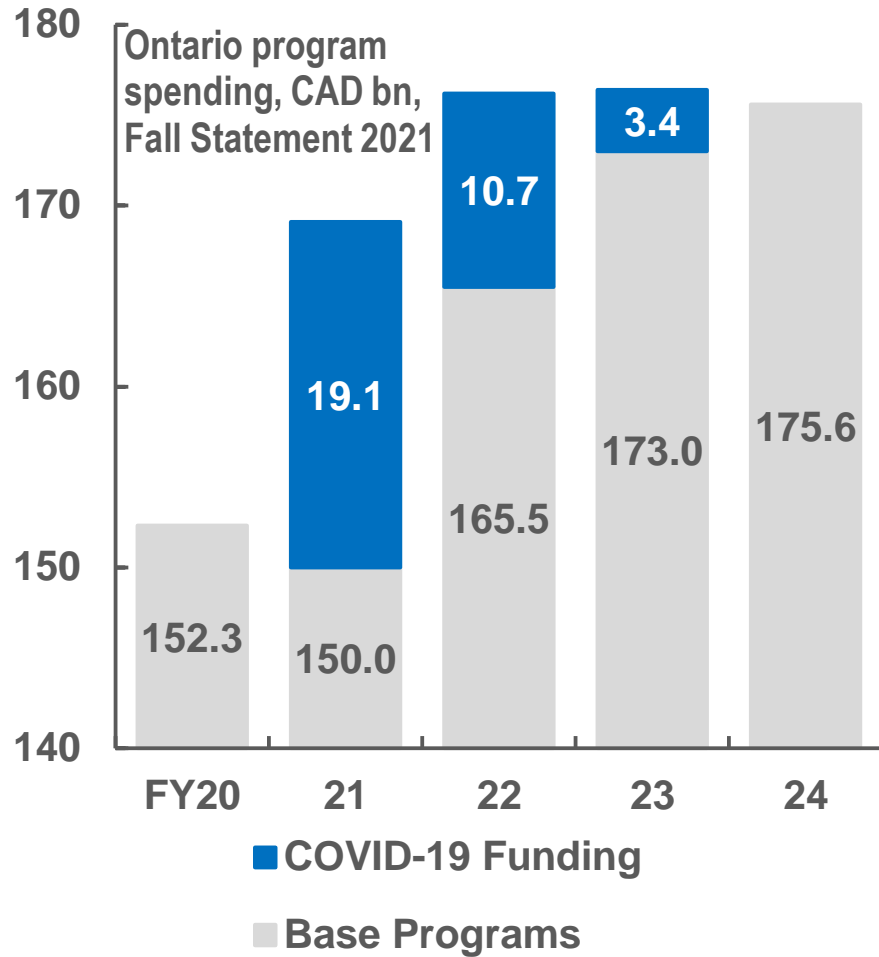
Total Taxation Revenue

2021–22 Sensitivities

\$1,100 million revenue change for each percentage point change in nominal GDP growth. This can vary significantly, depending on the composition and source of changes in GDP growth.

Sources: Scotiabank Economics, Bloomberg, BLS, Statistics Canada.

Ontario Spending Plans

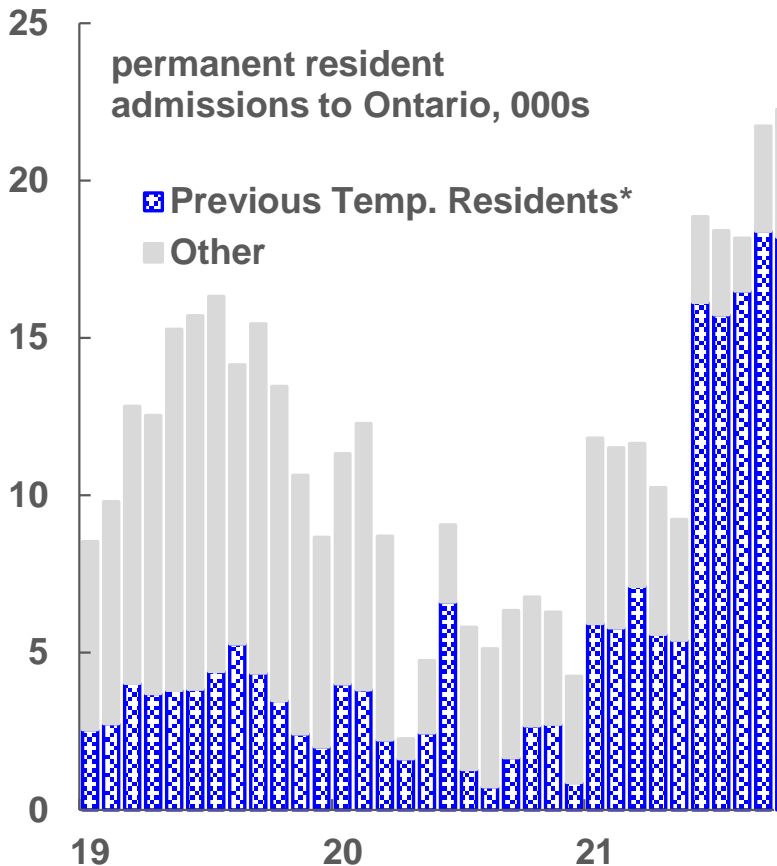


Sources: Scotiabank Economics, Statistics Canada, Ontario Finance.

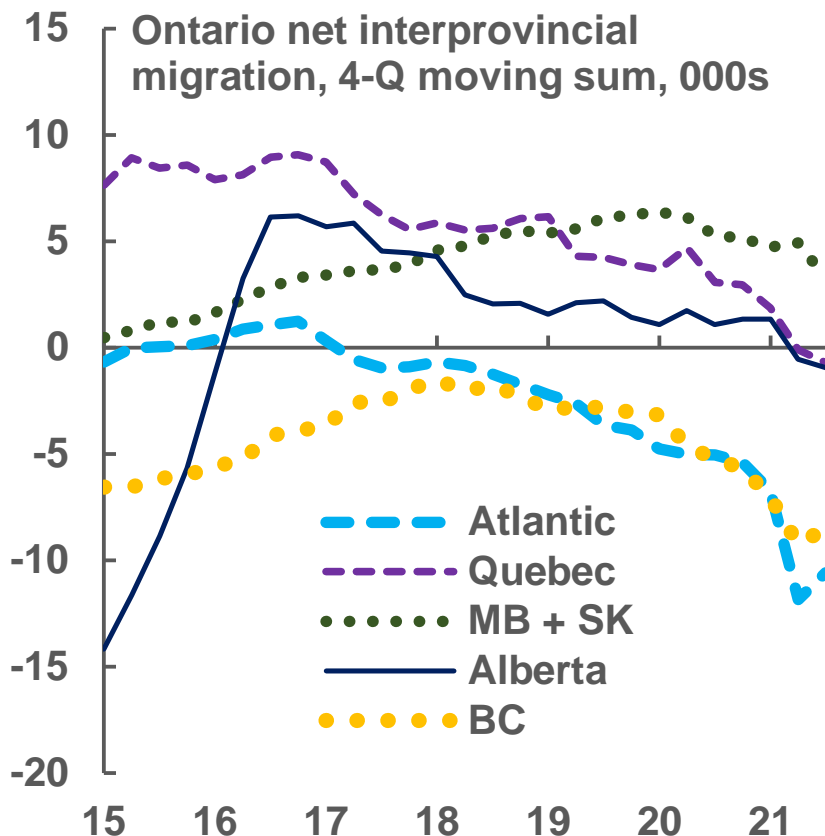
D. Longer-Run Considerations

Thinking Longer-Term: Population Flows

Immigration Rallies as Temporary Residents Gain Permanent Status



Ontario Residents Flock to Other Provinces During Pandemic

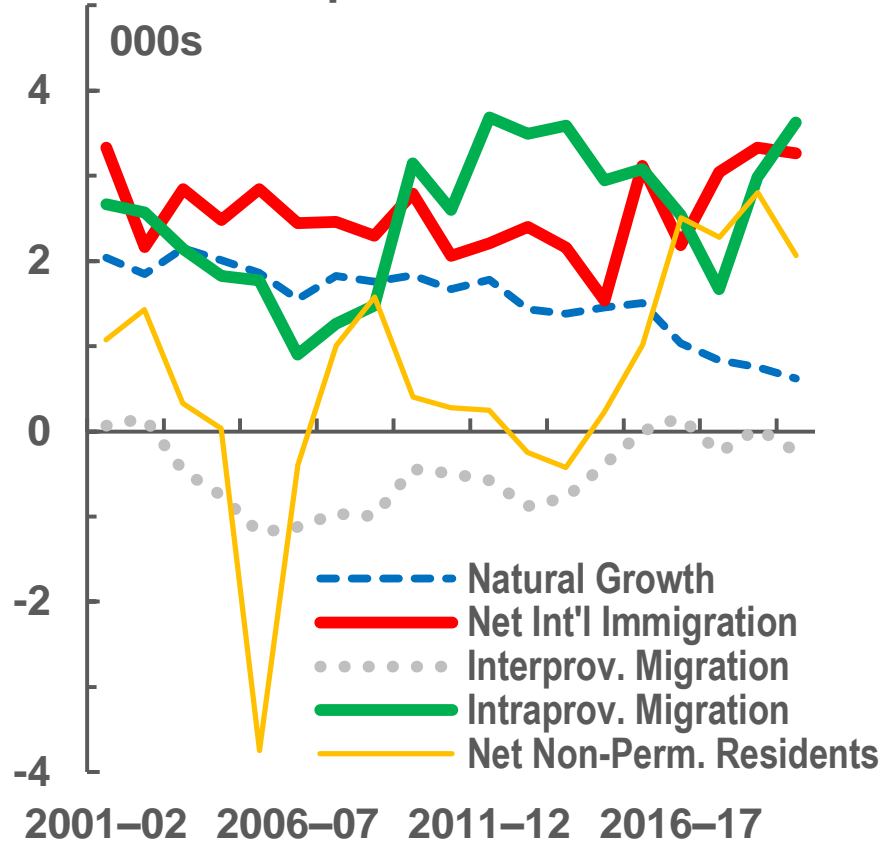


* Includes permanent residents who previously held study, temporary foreign worker, International Mobility Program, and Post-Graduate Work Permits.

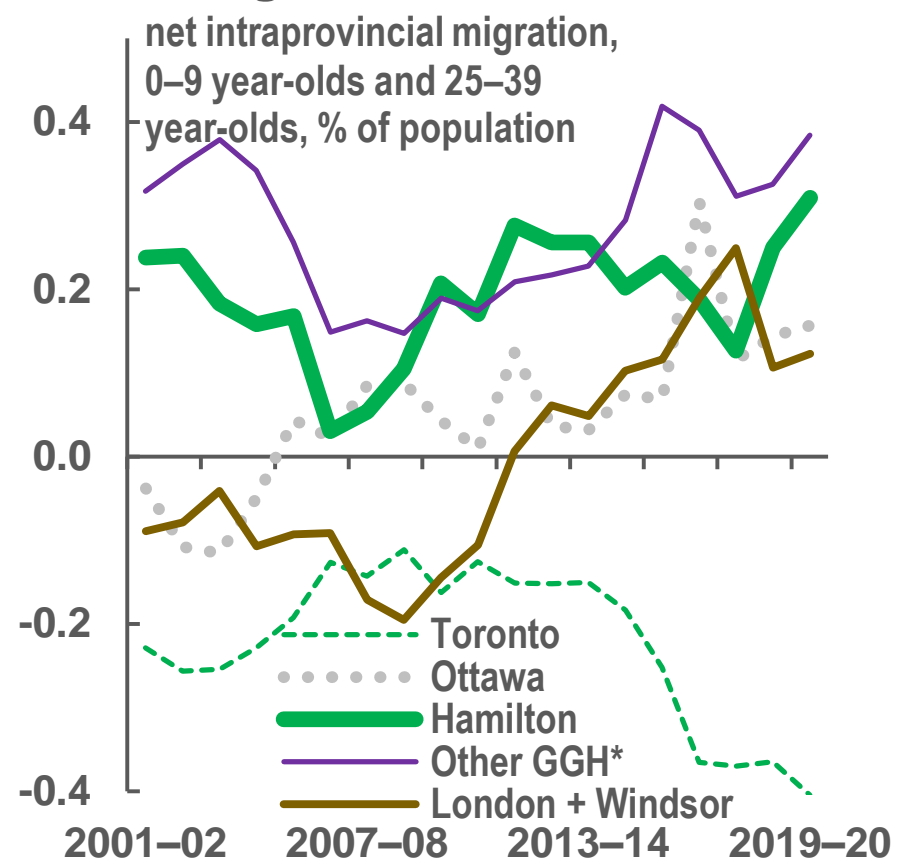
Sources: Scotiabank Economics, Statistics Canada.

Thinking Longer-Term: Population Flows

Sources of Hamilton Population Growth



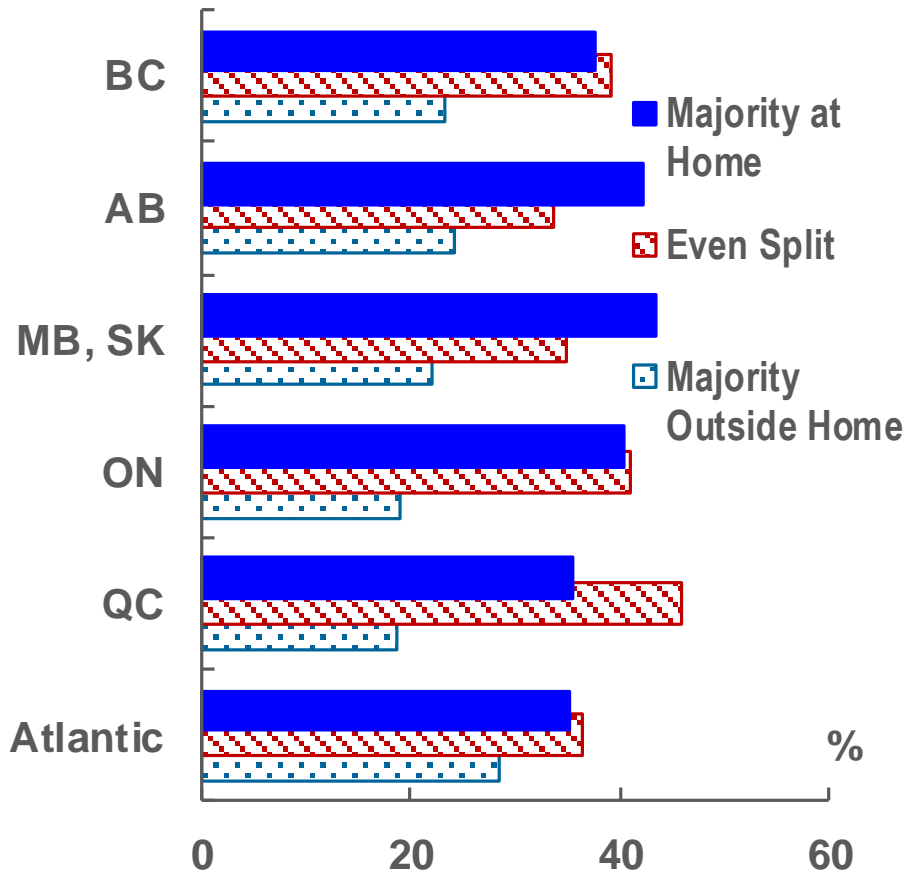
Young Families Appear to be Driving Inflows Into Hamilton



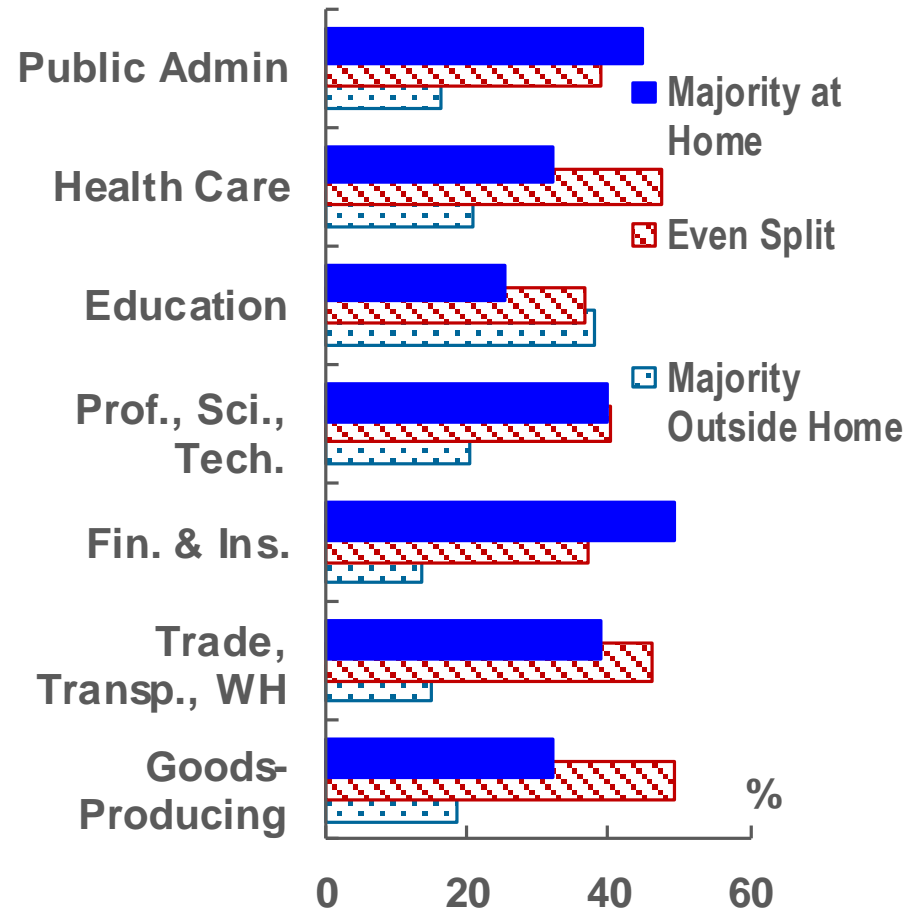
* Greater Golden Horseshoe. Sources: Scotiabank Economics, Statistics Canada.

Working From Home: A Hybrid Post-Pandemic World?

Post-Pandemic Work Location Preferences by Province...



...and by Industry

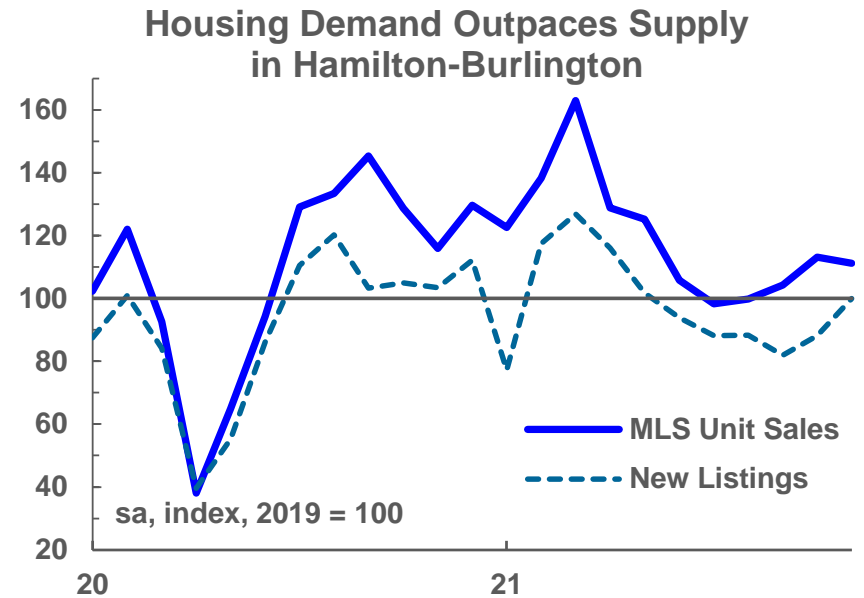
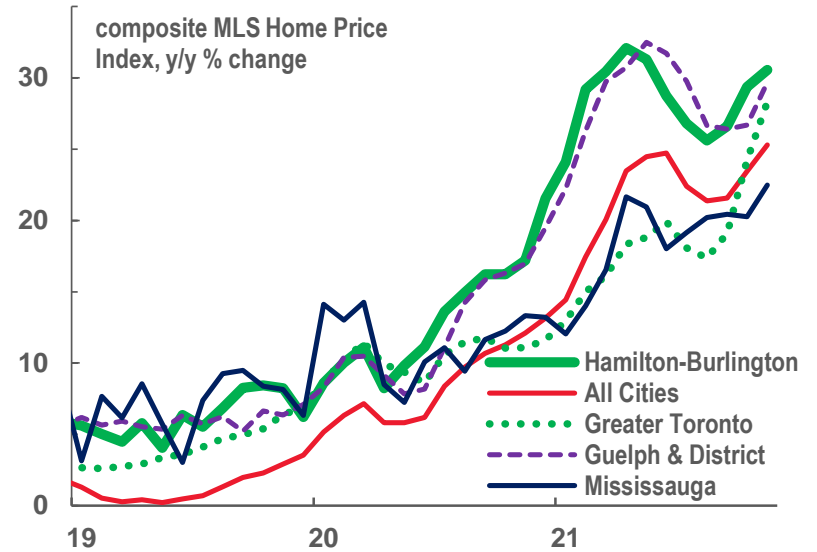


Sources: Scotiabank Economics, Statistics Canada.

Housing: More Supply Needed

Number of Housing Units per 1000 Residents in 10 Largest CMA's

Region	2016	2020e
Canada	427	424
Vancouver	398	406
Calgary	379	378
Winnipeg	401	398
Toronto	365	360
Hamilton	381	377
Ottawa-Gatineau	421	412
Montreal	440	437
Quebec City	475	484
Kitchener	389	376
Edmonton	394	393



Sources: Scotiabank Economics, Statistics Canada, CREA.

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