



2021 ONTARIO ECONOMIC REPORT

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Executive Summary





The Ontario Economic Report (OER) is the landmark research platform of the Ontario Chamber of Commerce (OCC), offering a unique perspective on the experience of businesses of all sizes across the province. The OER is a data-driven, evidence-based document rooted in the OCC's annual survey of its members, the Business Confidence Survey (BCS).

This year, the data and content contained within the OER reflects the unprecedented year that was 2020 and the unpredictability of 2021, examining the economic crisis created by the COVID-19 pandemic, and the disproportionate impacts it has had on certain businesses and individuals in Ontario.



Insights from the 2021 Business Confidence Survey

- Business confidence reached an all-time low amid the COVID-19 pandemic. Organizations continue to feel more confident in the outlook of their own organizations than that of the provincial economy, but both indicators dropped to record lows this year (48 and 21 percent, respectively).
- Sectors most negatively impacted by the crisis included: accommodation and food services; arts, entertainment, and recreation; and retail. Businesses in these sectors were among those most pessimistic about the economic outlook and most likely to have shrunk and let go of staff in 2020.
- Small businesses have been challenged enormously and there is some uncertainty about the rebound of entrepreneurship after the pandemic.
- Although government support programs varied in their helpfulness, the most popular programs were the Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Business Account (CEBA).

- Despite lagging confidence in Ontario's economic outlook and ongoing regional and sectoral disparities in how businesses have been impacted by the crisis, the majority of businesses believe their communities have enough economic opportunities for them to thrive.
- Businesses' priorities for governments during economic recovery included enhancing access to capital, reforming business taxes, encouraging Ontarians to buy local, and investing in broadband infrastructure.



Insights from Ontario's Economic Outlook

- Data provided by the Bank of Montreal indicates the current, unprecedented health and economic crises have had a considerable negative impact on Ontario's principal economic indicators, which have yet to recover to pre-pandemic levels. Ontario witnessed a steep decline in real GDP growth (-5.6 percent) in 2020 but is projected to see a moderate rebound of 4.8 percent in 2021, fuelled largely in part by expectations for vaccination rollout and the eventual re-opening of the economy.
- Unsurprisingly, all economic regions of Ontario felt the impacts of the recession, though some considerably more than others. Employment growth declined throughout the province in 2020 and is expected to make a steady recovery in the year ahead.
- Current lockdown measures coupled with low business confidence and bleak outlook sentiments have produced significant declines in business investment and household spending. Targeted support programs and pro-growth policies will be critical for facilitating a more balanced recovery for all regions of the provincial economy.
- Despite the unfavourable circumstances, Ontario stands a chance to benefit in the medium- to long-term from a number of infrastructure projects announced by the Governments of Ontario and Canada, such as investments in broadband, transportation, digital, and green initiatives, that will help stimulate demand and set the stage for job creation, opportunities to innovate, and growth in real GDP that will pivot the province to remain sustainably competitive at the national and international levels.



Section I

The 2021 Business Confidence Survey





Each year, the OCC surveys its members to better understand the experience of business in Ontario. This data provides our members' perspective on the economy and can identify developing trends in economic activity. This year, in light of the rapidly evolving COVID-19 crisis, the OCC fielded three separate surveys to capture a dynamic picture of business sentiment:

- Round 1 was in field between September 3 and September 23, 2020.
- Round 2 was in field between October 8 and November 3, 2020.
- Round 3 was in field between November 10 and December 13, 2020.¹

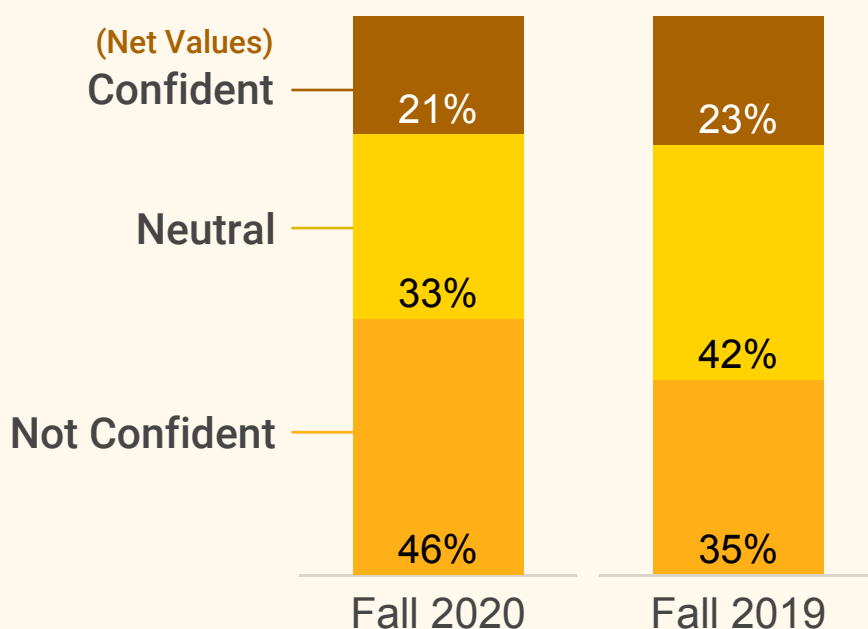


Business Confidence - Ontario's Economic Outlook

The business community's confidence in **Ontario's economic outlook** **dropped to an unprecedented low** as they grappled with the pandemic-induced economic crisis. During the fall of 2020, only **21 percent** of survey respondents expressed confidence in Ontario's economic outlook, a record low since the OCC began measuring business confidence in 2011.

Pessimism persisted throughout the fall, as the province battled a second wave of COVID-19 cases and continued uncertainty. Although promising news around vaccine development emerged while the survey was in field, the results are indicative of the lived hardships preoccupying organizations on the ground.

Figure 1: How confident are you about Ontario's economic outlook as of right now?



(For a breakdown by region and by size of business, [see Appendix A here](#))

Confidence varied considerably across sectors of the economy, a testament to the uneven nature of the pandemic. The most pessimistic sectors were accommodation and food services (62 percent were not confident in Ontario's outlook); arts, entertainment, and recreation (55 percent); and retail trade (51 percent).

Similar to previous years, small businesses were less likely to express confidence in Ontario's outlook than medium and large ones (20 and 27 percent, respectively). Last year, we attributed the difference to issues with regulatory compliance and access to talent. This year – in addition to those challenges – small businesses are facing unprecedented liquidity constraints as the pandemic led to increased costs and reduced revenues. While larger businesses were not immune, smaller ones tended to have less room to maneuver on their balance sheets and limited resources to manage the disruption to their operations.

From a regional perspective, we observed no clear association between COVID-19 case counts and business confidence. For example, Stratford-Bruce Peninsula (13 percent confident) and Northwest Ontario (14 percent confident) expressed more pessimism compared to other regions in Ontario. However, some regional variance can be explained by industry compositions. For example, confidence was lowest in the Hamilton-Niagara region (12 percent), where cross-border tourism accounts for a large portion of the economy. By comparison, businesses in another tourist-heavy region – Muskoka-Kawartha – were nearly twice as confident in Ontario's outlook (23 percent), likely because Ontarians traveled more within this region as international travel was restricted.

This also aligns with employment data, which shows far fewer job losses in Muskoka-Kawarthas than other regions in 2020 (change in employment was -0.9 percent in Muskoka-Kawarthas and -4.9 percent across Ontario, see [Ontario's Economic Outlook](#)).²

In Toronto, confidence was close to the provincial average (19 percent) despite considerably higher case counts. Again, this is likely due to the composition of Toronto's economy, which includes a large portion of finance, insurance, public sector, and other industries less impacted by the crisis, in relative terms.

The Uneven Impacts of COVID-19

While the COVID-19 crisis is disrupting all corners of the economy, it is having an outsized impact on some groups. According to the BCS, **the hardest-hit occupations were those requiring considerable face-to-face contact**, namely: accommodation and food services; arts, entertainment, and recreation; and retail. These sectors were most affected by changes in consumer behaviour and public health measures implemented by governments to contain transmission of the virus.

Even when these businesses were allowed to remain open, we know that consumers were hesitant to patronize them. In fact, over the summer, Angus Reid polling found that 47 percent of Ontarians were actively avoiding restaurants and 73 percent were avoiding movie theatres.³

As a result, we observed larger impacts in these sectors on business confidence, human resources, and organizational growth. These disparities are evident throughout this report.

This had demographic implications as well. For example, women are more likely to be employed in the hardest-hit sectors. In addition to child care, this is one of the reasons women were disproportionately impacted by the pandemic. The pandemic also led to greater impacts on lower-income, racialized, and younger Ontarians, who are similarly overrepresented in the most affected sectors.

Among businesses that were confident in Ontario's economic outlook, their main reasons were: the provincial government's response to COVID-19 (52 percent), the federal government's response to COVID-19 (51 percent), and "buy local" campaigns" (51 percent). These findings suggest businesses have overall approved of political leadership as well as efforts by consumers and other groups to lend their support.

Conversely, the main reasons for pessimism were high levels of national debt (54 percent), high levels of provincial debt (48 percent), and the provincial government’s recovery plans (47 percent). Although businesses appreciate the need for elevated government spending, many are concerned about the long-term impacts on government balance sheets and the province's outlook for economic recovery. However, this question was posed in October, ahead of Ontario’s 2020 Budget and the federal government’s Fall Economic Statement, both of which announced new measures to support economic recovery.

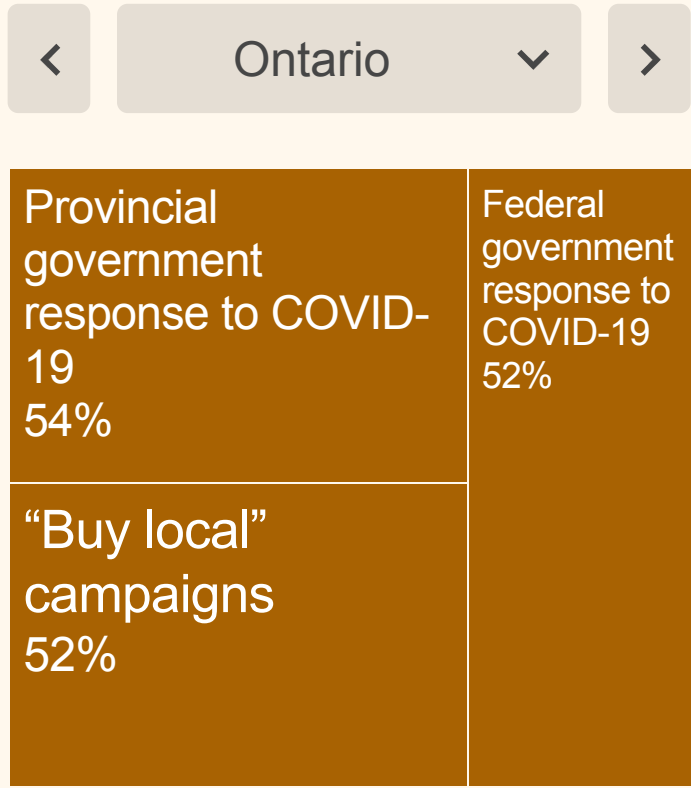
Intuitively, regions that border the United States (Windsor-Essex and the Hamilton-Niagara Peninsula) were more likely to identify border closures as a reason for low confidence. Many businesses in these regions rely heavily on the United States for clients and their supply chains. See below for a full breakdown of the drivers of confidence and pessimism, filtered by region.

Figure 2:

Reasons for Pessimism

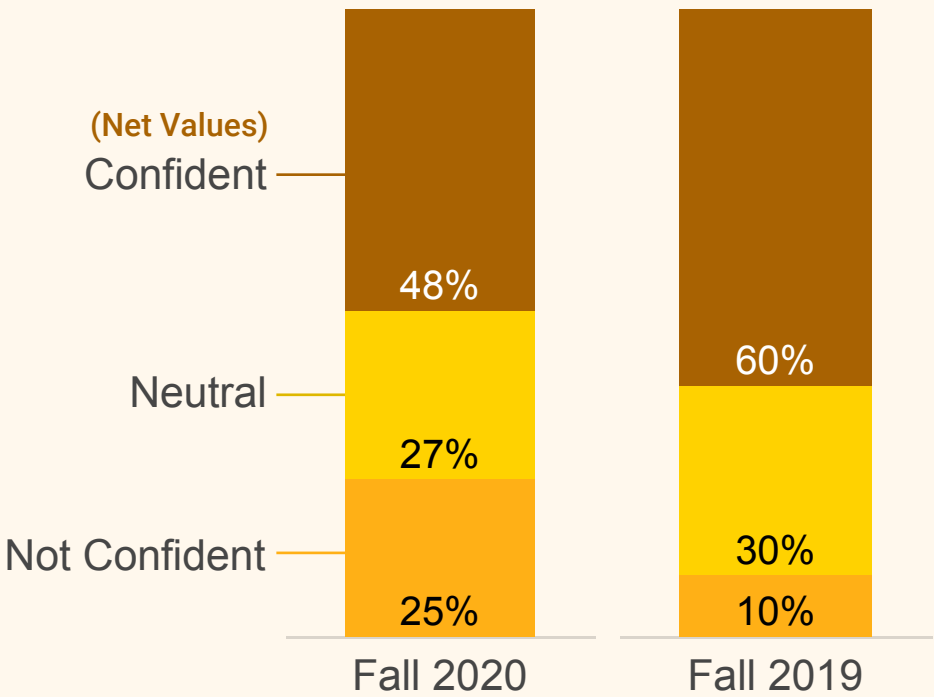


Reasons for Confidence



Organizational Confidence

Figure 3: How confident are you in your own organizational economic outlook as of right now?



(For a breakdown by region and by size of business, see [Appendix B here](#).)

As in previous years, survey respondents reported feeling more optimistic about their own organizations than the province as a whole. However, **organizational confidence dropped considerably this year**, with fewer than half (**48 percent**) of respondents saying they were confident about the economic outlook of their organizations, down from 60 percent last year. This year also marks the lowest level of organizational confidence since the OCC began measuring it in 2011.

Overall, smaller businesses were less confident in their organizations than medium and large ones (45 and 60 percent, respectively).

Sectors most optimistic about their organizational outlooks included: administrative and support, waste management and remediation services (87 percent); utilities (85 percent); government (70 percent); and finance and insurance (65 percent).

Businesses that were confident about their own outlooks see their products and services as in-demand in a growing market, despite the economic backdrop. Specifically, the most common reasons were: increased demand for products/services (56 percent); and growing client base (48 percent). Newer businesses were more likely to cite these two factors than older ones. Increased demand was also more common among respondents within certain sectors: information and cultural industries; professional, scientific and technical services; and agriculture.

Sectors most pessimistic about their organizational outlooks heading into 2021 included: arts, entertainment, and recreation (26 percent confident); and accommodation and food services (28 percent confident).

Among organizations that were pessimistic about their own outlooks, the main reasons were: low consumer confidence (49 percent); provincial government response to COVID-19 (46 percent); federal government supports for business (39 percent); and provincial government supports for business (39 percent). The sectors most likely to cite the provincial government's response to COVID-19 as a factor were: educational services and information and cultural industries. Again, this question was posed in October, prior to several new measures announced by the federal and provincial governments.

Business Impacts of COVID-19

To better understand the business impacts of COVID-19 in Ontario, we asked respondents whether their organizations had grown or shrunk over the previous six months, as well as how the pandemic impacted their human resources.

Figure 4: Over the last 6 months, how much has your organization shrunk or grown?



(For a breakdown by region and by sector, [see Appendix C here](#))

The staggered timing of this question was designed to capture an evolving picture of the pandemic's impacts. Overall, **58 percent** of survey respondents said their organizations shrank between April and September, while only 17 percent grew. The impact of the first wave was slightly greater than the second wave, when 53 percent of survey respondents said their organizations shrank between June and November and 19 percent grew.

Again, the results reflect the uneven impacts of the pandemic, with sectors most adversely affected by the pandemic overall being most likely to say they shrank: accommodation and food services (83 percent); arts, entertainment and recreation (81 percent); and information and cultural industries (76 percent). By contrast, the industries most likely to report growth between April and September were: utilities (46 percent); management firms (33 percent); and finance and insurance (32 percent).

From a regional perspective, businesses were most likely to say they shrank in Hamilton-Niagara Peninsula (70 percent) and Northwest Ontario (68 percent). Both of these regions reported above-average employment losses in 2020. A more detailed analysis of regional employment numbers can be found in Ontario's Economic Outlook below.

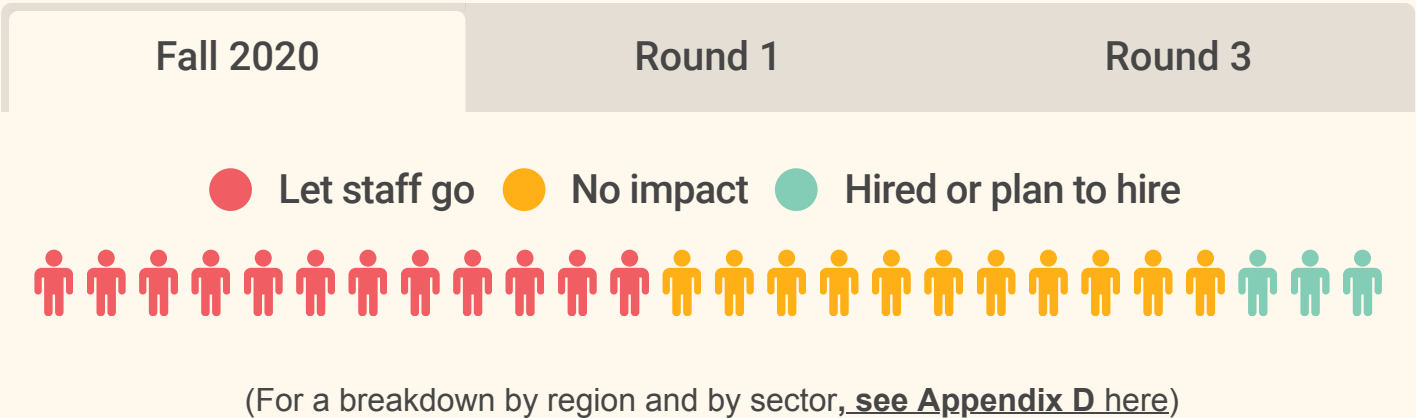
A similar pattern was observed with human resources and staffing considerations, with **47 percent** of organizations saying they let employees go as a result of COVID-19 (23 percent permanently and 24 temporarily).

In some sectors, more than two-thirds of organizations let staff go: labour (83 percent), accommodation and food services (70 percent); arts, entertainment, and recreation (68 percent); and transportation and warehousing (67 percent).

On the other end of the spectrum, fewer than one-third of organizations let staff go in the following sectors: management firms (14 percent); utilities (20 percent); government (25 percent); finance and insurance (25 percent); non-profits (31 percent); and real estate, rental and leasing (33 percent).

Small organizations were less likely to reduce their staff than medium-sized or large organizations (46, 55, and 56 percent, respectively). This could be because employees in larger organizations tend to perform more specialized functions that can be cut back when experiencing financial challenges.

Figure 5: What impact did COVID-19 have on your human resources?



These results diverge from the optimism reported last year, when 65 percent of respondents expected their organizations' revenue to grow in 2020 and 41 percent expected their workforces to grow.⁴

Figure 6: Revenue growth: expectations and reality

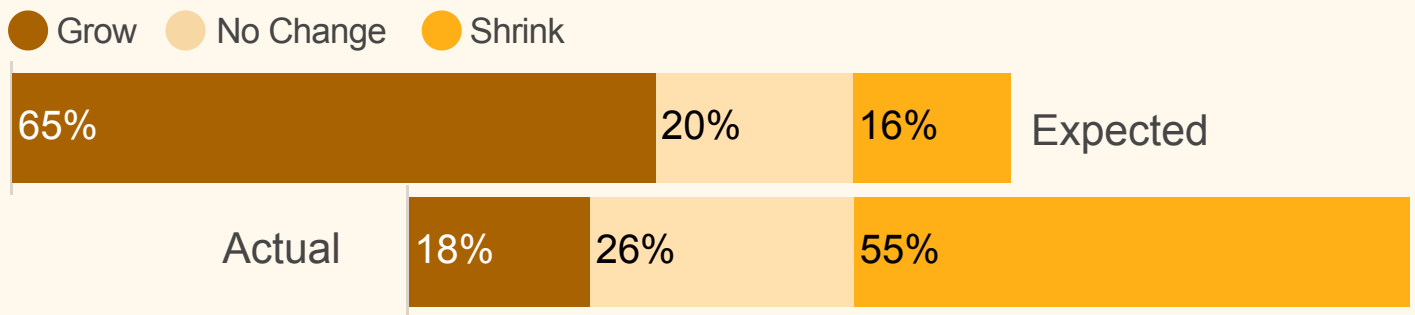
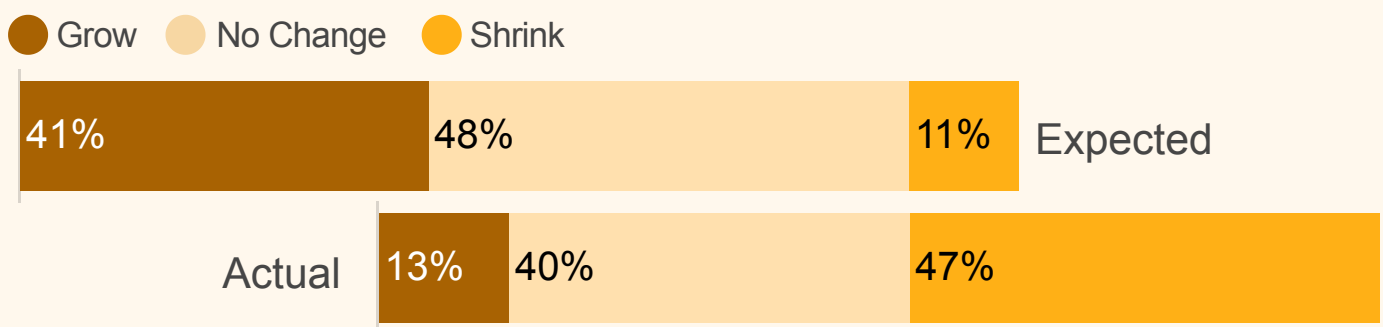


Figure 7: Workforce growth: expectations and reality



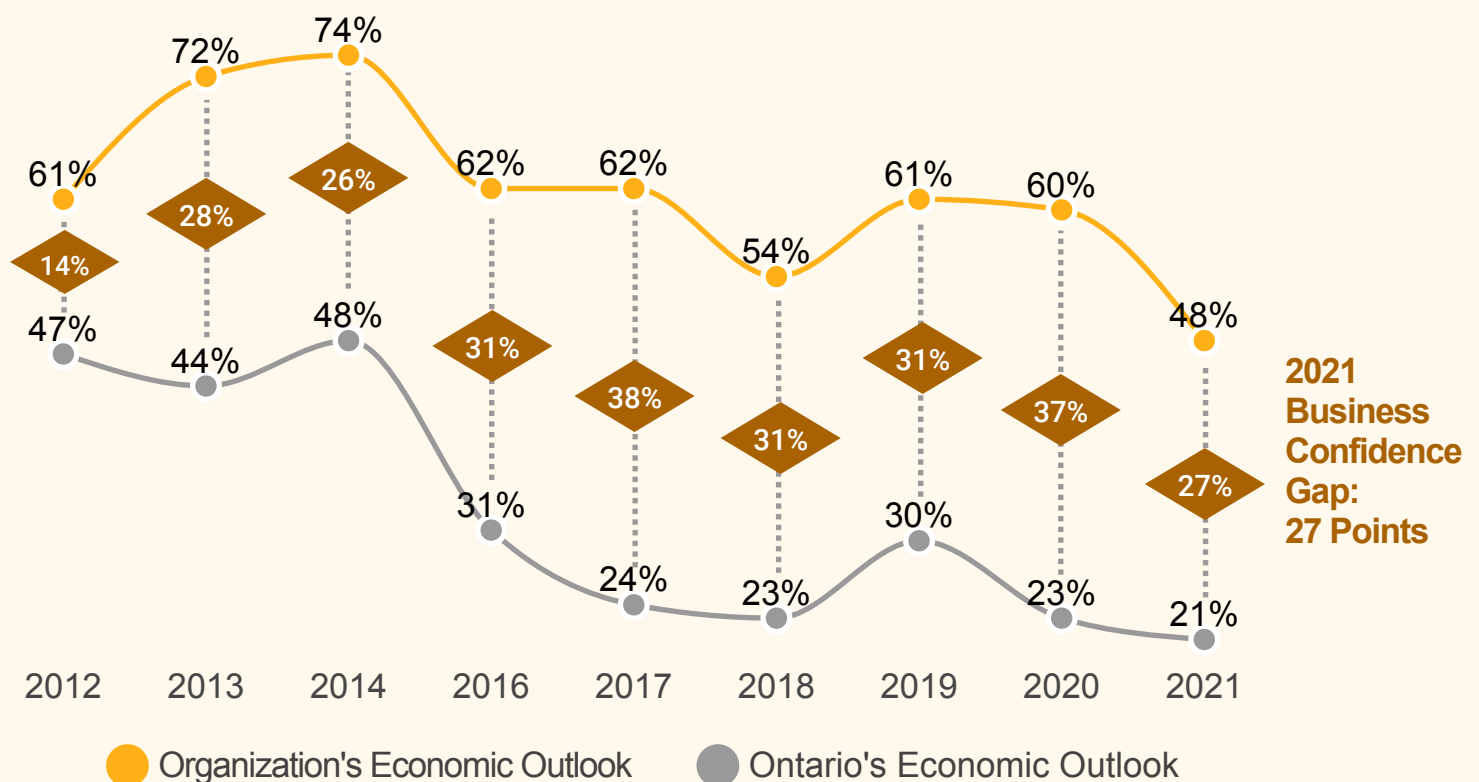
Further, organizations are more pessimistic about future growth than previous years. In November, only **32 percent** of businesses said they expected their organizations to grow over the next six months, 31 percent said they expected to shrink, and 37 percent expected to stay the same. These projections should be interpreted cautiously; when this question was posed Ontario was experiencing a surge in COVID-19 case counts. Uncertainty about the future of the pandemic was also high despite early reports of vaccines being delivered to Canada emerging while the survey was in field.

Confidence Gap

The OCC measures the ‘confidence gap’ between how businesses view the economic outlook of their own organizations versus that of the province as a whole. As noted above, the OCC has consistently observed members reporting stronger confidence in their own organization than the broader economic outlook of the province.


In 2021, the gap narrowed to **27 points**, as confidence in organizational outlooks dropped far more than confidence in Ontario’s outlook. Notably, last year’s confidence gap widened to near historic levels (37-point differential) with the majority of businesses being confident in their own ability to succeed, despite lacking confidence in Ontario’s economic outlook amidst slower economic growth projections and continued trade uncertainty. This year, a smaller confidence gap reflects the fact that macro- and microeconomic conditions were inextricably linked, as the spread of the virus commanded consumer behaviour, business confidence, and broader economic conditions.

Figure 8 : Business Confidence Gap



Business Supports & Recovery Priorities

Government measures aimed at supporting businesses were well received by businesses. For more information about these programs, see the [Government of Canada](#) and [Government of Ontario](#) websites.

The Canada Emergency Wage Subsidy (CEWS) was the most popular government measure, with 64 percent of respondents identifying it as a helpful. 

A close second was the Canada Emergency Business Account (CEBA), with 63 percent of organizations finding it helpful. CEBA loans were most popular among small organizations, who were the intended target of this program.

Some responses varied somewhat by sector as well. For example, organizations in the arts, entertainment and recreation sectors were most likely to identify the Canada Emergency Response Benefit (CERB) as a helpful program (73 percent). These were among the sectors most likely to reduce their staff, many of whom would have been eligible for the CERB.

Electricity rate relief was particularly helpful for the manufacturing sector (67 percent). We know electricity costs are one of the biggest challenges for manufacturers, particularly small and mid-sized ones whose rates increased the most during the pandemic.

Table 1: How helpful have the following government programs been to your business?

To sort responses, click [here](#) or [here](#)

	Applicability to business	<i>Somewhat + Very Helpful*</i>
Canada Emergency Wage Subsidy (CEWS)	68%	64%
Canada Emergency Business Account (CEBA)	68%	63%
Electricity rate relief	68%	56%
Canada Emergency Response Benefit (CERB)	67%	56%
Tax deferrals	62%	50%
Sector-specific grants	46%	34%
Ontario-Canada Emergency Commercial Rent Assistance (CECRA)	45%	29%
Canada Emergency Rent Subsidy (CERS)	39%	27%
Digital Main Street	40%	26%
Large Employer Emergency Financing Facility	24%	11%





* % shown is only of respondents who indicated the program was applicable to their business

The relatively low popularity of the Ontario-Canada Emergency Commercial Rent Assistance (CECRA) speaks to low take-up due to the design of the program, which required landlords to opt-in. The OCC worked alongside other provincial chambers to advocate for necessary amendments to the CERCA to better align incentives between commercial tenants and landlords. This program was later replaced by the Canada Emergency Rent Subsidy (CERS) – a more direct form of support – whose reported popularity should be interpreted with caution, as most applicants would not have received payments at the time of survey completion.

Additionally, our survey did not ask respondents about certain programs announced within or after the 2020 Ontario Budget, including the new Ontario Small Business Support Grant. These measures would not have been in effect while the survey was in field.

Figure 9: What recovery or stimulus priorities should the provincial government focus on to support your organization or sector?

Top four priorities:⁵

- | | |
|---|---|
|  | 1. Help businesses acquire credit or capital |
|  | 2. Reform and/or lower business taxes |
|  | 3. Encourage Ontarians to buy local |
|  | 4. Invest in broadband infrastructure |

We also asked respondents about their priorities for economic recovery.⁶ Access to capital was a priority across industries and organizational sizes, reflecting the liquidity challenges of businesses this year. The OCC will publish a policy brief this year exploring this issue further, providing policy recommendations to enhance businesses' access to capital during economic recovery.

Compliance and interaction with the tax apparatus, as well as tax-related regulation, continues to be a pain point and a competitiveness issue for Ontario business. Measures announced in the Government of Ontario's Budget 2020 included several reforms aimed at reducing the tax burden on businesses, including standardizing the Business Education Tax rate and making the higher Employer Health Tax threshold permanent. As policy makers contemplate various tools to encourage business investment and job creation as part of recovery efforts, modernizing provincial and federal taxes with the aim of fostering growth and improving productivity should continue to be top of mind.

Broadband investments were similarly critical to all business segments. While internet access has long been important, the sudden need for physical distancing has accelerated the digital transformation and made connectivity more essential to health care, education, business competitiveness, and overall community well-being. The private sector has made significant investments in digital infrastructure. However, there remain unserved and underserved communities that require government intervention to help expedite and increase digital infrastructure programs.

Encouraging Ontarians to buy local was more of a priority for smaller organizations than medium or large ones (35 percent, 19 percent, and 12 percent, respectively). In addition, buying local was more of a priority for organizations in the retail trade (57 percent) and agriculture (50 percent) industries; both of these sectors are usually the focus of support for buy local campaigns. It is worth noting that many such campaigns were subsequently launched ahead of the holiday season, including campaigns by the Government of Ontario, the Government of Canada, the OCC, and several municipalities (see, for example, the [Canada United movement](#)).

Commercial rent assistance was more of a priority for sectors that were ordered to close their doors in full or in part due to the pandemic: arts, entertainment, and recreation (35 percent); accommodation and food services (26 percent); and retail trade (26 percent). Meanwhile, access to personal protective equipment was more likely to be identified as a priority by organizations in the health care and social assistance, manufacturing, and retail trade sectors.

Businesses found support and resources from a variety of organizations during the pandemic. By November, approximately one-third of survey respondents said they sought help from chambers of commerce, boards of trade, and/or industry associations.

Figure 10: Most frequently used non-governmental sources of support by businesses.⁷

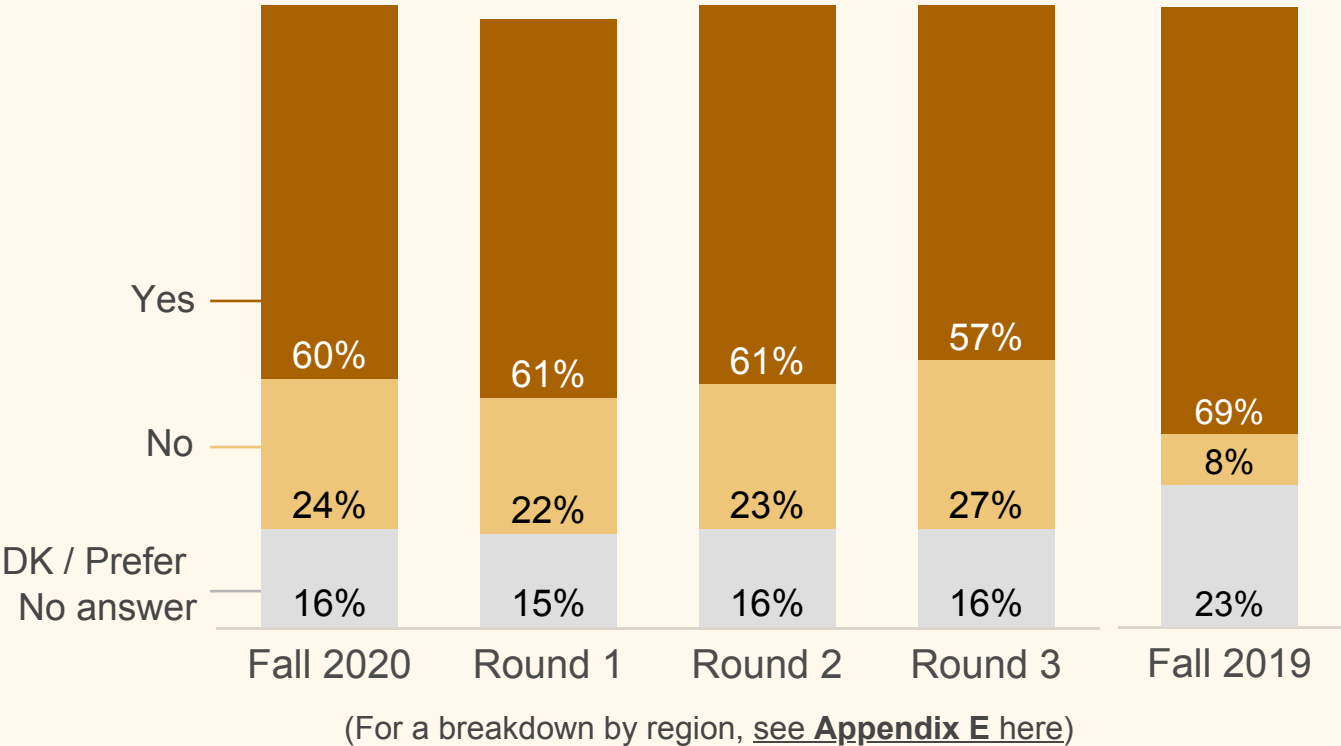
1. Chamber of commerce or board of trade	2. Industry association
3. Community groups	4. Business improvement areas

Businesses primarily looked to chambers of commerce, boards of trade, and industry associations for clarity around government information, help navigating government support programs, and policy and advocacy work. Industry associations were also perceived as helpful for their guidance on health and safety.

Ability to Thrive

Despite lagging confidence in Ontario’s economic outlook and ongoing regional and sectoral disparities in how businesses have been impacted by the crisis, an encouraging 60 percent of businesses believe their communities have enough economic opportunities for them to thrive. Along with the other findings in this report, this measure of confidence dropped from previous years and continued to drop over the course of the fall.

Figure 11: All things considered, do you believe the community you live and work in has enough economic opportunity for your business to thrive?



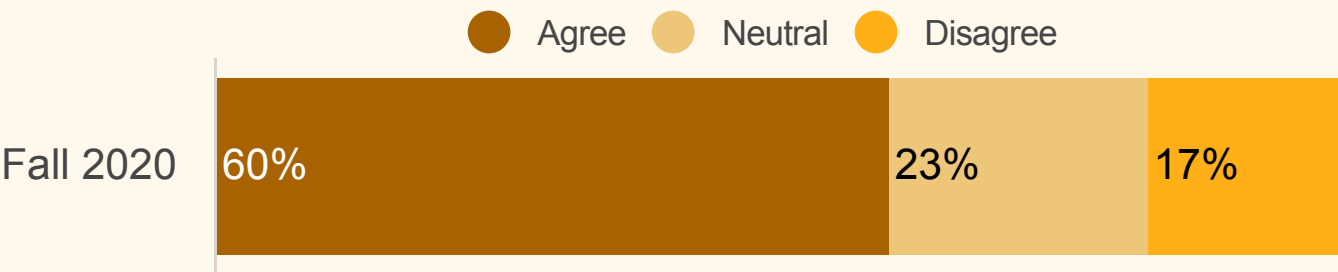
Organizations in the following regions were most likely to perceive an ability to thrive in their communities: Greater London Area (70 percent); Greater Ottawa Area (68 percent); and Waterloo-Barrie (66 percent). Regions in which respondents were least likely to feel they can thrive were Hamilton-Niagara Peninsula (45 percent) and Northwest Ontario (49 percent).

A closer look at the regional data reveals a strong positive correlation between organizations who believe they can thrive in their communities and those who are confident about their own economic outlook. Evidently, geography is also linked with perceptions of economic opportunity for Ontario businesses.

Further, **60 percent** of businesses reported feeling confident that entrepreneurship would rebound after the pandemic. Entrepreneurship and small business growth will play an essential role in Ontario’s economic recovery. While it is encouraging that most businesses are confident in the rebound, we would hope for this number to be much higher.

Confidence in the future of entrepreneurship was highest in among organizations in finance and insurance (75 percent); manufacturing (69 percent); government (69 percent); and professional, scientific and technical services (69 percent). Industries most pessimistic about the rebound of entrepreneurship included: information and cultural industries (42 percent); agriculture, forestry, fishing and hunting (44 percent); and educational services (45 percent).

Figure 12: Entrepreneurship in Ontario will rebound after the COVID-19 pandemic.



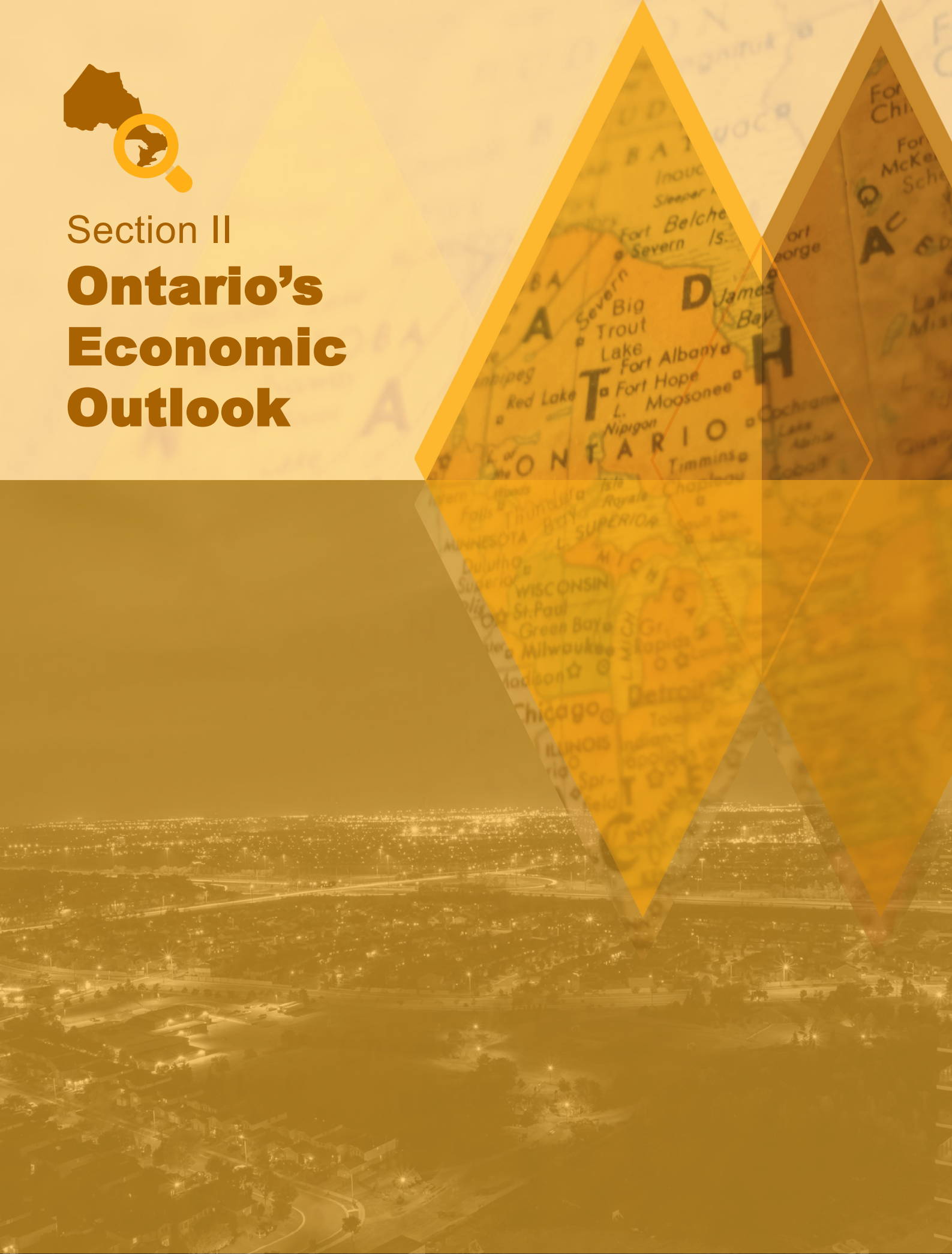
(For a breakdown by sector, [see Appendix F here](#))





Section II

Ontario's Economic Outlook





Provincial Economic Outlook

In light of the ongoing pandemic, Ontario saw a steep decline in overall economic output and productivity in 2020. Real GDP declined by 5.6 percent last year, with 2021 projections indicating a relatively strong rebound of 4.8 percent (**Table 2**). The unprecedented and unpredictable nature of COVID-19 has resulted in a myriad of economic challenges, including low business confidence, substantially high unemployment, weakened investment and consumer spending, as well as growing government deficits. In 2021, Ontario is expected to see low-to-moderate inflation growth (as measured by the Consumer Price Index (CPI)), high unemployment, and uneven economic recovery across Ontario's regions and demographic groups.

Households

In 2020, the implementation of lockdowns and physical distancing requirements in Ontario muted household consumption (down 14.3 percent in the second quarter), though this is likely to pick up in 2021 due to pent-up demand and growing consumer confidence in the wake of vaccination deployment.⁸ Additionally, Ontario's household savings rate also saw a large increase, likely motivated by temporary income measures like the CERB, high unemployment rates, and elevated economic uncertainty.⁹

The 2021 CPI forecast puts the economy at moderate inflation growth, essentially making up for low inflation growth in 2020. Despite inflationary pressures from greater government spending and the anticipated return to economic growth, inflation is expected to increase steadily in the short- to medium-term and remain within the Bank of Canada's target range of 1 to 3 percent.

Regardless of economic uncertainty, the housing market has performed above expectations, with many Ontarians deciding to take advantage of record-low interest rates to purchase homes. In line with growing demand, housing starts have considerably outperformed 2019 numbers and are expected to remain at pre-pandemic levels if not higher.

Housing benchmark prices remain heated in Toronto, Ottawa, and markets in Southwestern Ontario.¹⁰ Increasing housing supply in these regions should continue to be a priority in order to cool down housing prices and manage the local cost of living, which was once again identified to be a barrier to business competitiveness in the 2021 BCS.

Table 2: Bank of Montreal Ontario Economic Forecast

	2020	2021 Forecast
Real GDP (% change)	-5.6	4.8
Consumer Price Index (% change)	0.7	1.8
Employment (% change)	-4.9	5.5
Jobless Rate (%)	9.6	7.8
Population (% change, age 15+)	1.6	1.2
Housing Starts (thousands)	81.3	76.0

Source: BMO Capital Markets

Commercial

In line with lower business confidence detailed by the 2021 BCS—coupled with concerns over liquidity constraints—total business investment shrank in 2020 and is likely to see moderate recovery in 2021.¹¹ Recent measures and programs announced in the 2020 Ontario Budget and Fall Economic Statement, including the Ontario Small Business Support Grant, should garner business investment growth. Other recent investments announced by the Governments of Ontario and Canada, such as broadband, transportation, digital, and green infrastructure projects, are expected to stimulate demand, create jobs, and sustainably contribute to the success of Ontario businesses.^{12, 13}

Labour Markets

Provincial data underscores the severity of the pandemic on employment. Last year, unemployment rose to levels higher than those seen during the 2008-2009 financial crisis and are projected to remain high, albeit improved, in 2021. Although Ontario's employment is projected to increase by 5.5 percent, it has yet to fully offset last year's total employment losses; for instance, the jobless rate is expected to remain above pre-pandemic norms at 7.8 percent. On a more positive note, in the years preceding the pandemic, the unemployment rate was the lowest it had been in over two decades, indicating near-full capacity is still largely attainable in a post-pandemic world.

Further, the latest Labour Force Survey data released by Statistics Canada reveal disparities in unemployment across regions (discussed in more detail below), and across demographic groups. Even though many of these disparities existed prior to COVID-19, the pandemic has intensified them.¹⁴

Looking ahead, a strategic and timely economic recovery plan, focused on investing in the foundations of growth while reducing unnecessary barriers to private sector job creation, should help pave a path towards strong employment growth.

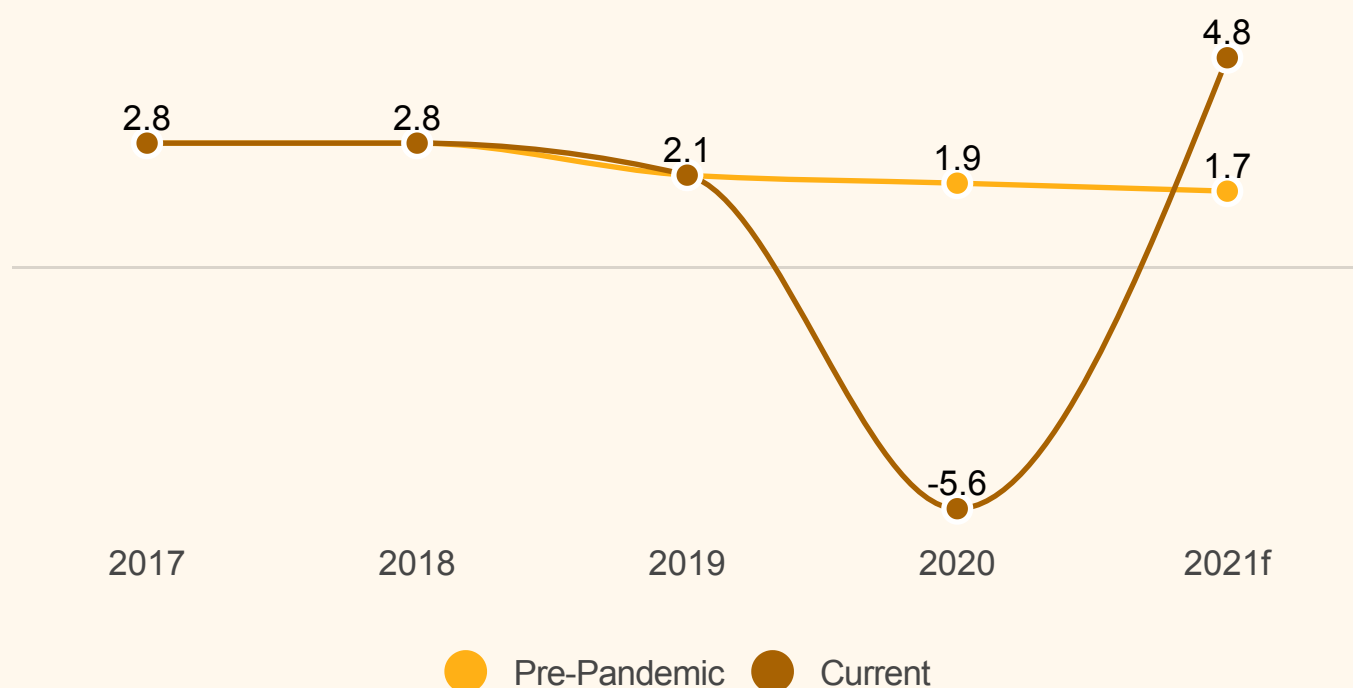
Government

The 2021 BCS revealed that many businesses cite high national and provincial debt and deficits as one of the primary reasons for their pessimistic economic outlook. While growing debt is a justifiable risk to consider when assessing the future of an economy, it is important to note that current government spending on various investment and infrastructure projects are critical for ensuring sustained GDP growth. At present, the pandemic has incited low confidence at the household and commercial level—rendering low spending and investments, which in turn have dampened economic growth. Government spending, or fiscal stimulus, tends to have a larger multiplier effect on the overall economy, thereby spurring investments, productivity growth, and the creation of jobs at a time when the economy is in dire need of a boost.

Likewise, a deficit at the government level often means a deficit foregone at the household and business levels in the medium- to long-term. The increase in government borrowing comes with the added benefit of low debt-servicing costs following record-low interest rates.

With the second wave of COVID-19 in full swing, the current economic outlook differs greatly from that portrayed in our 2020 Ontario Economic Report. Prior to the onset of the pandemic, real GDP growth was steady though rather stagnant (**Figure 13**). The large divergence between Ontario's current real GDP growth and pre-pandemic projections is largely driven by an economy that is operating well below its capacity, rooted in unemployment and stifled business activity. Certain sectors saw larger unemployment rates than others, including accommodation and food services; arts, entertainment, and recreation; and retail. Though unemployment has grown significantly throughout all regions of Ontario, differences in industry composition have further culminated uneven economic impacts at the regional level.

Figure 13: Ontario's pre-pandemic and current real GDP growth projections



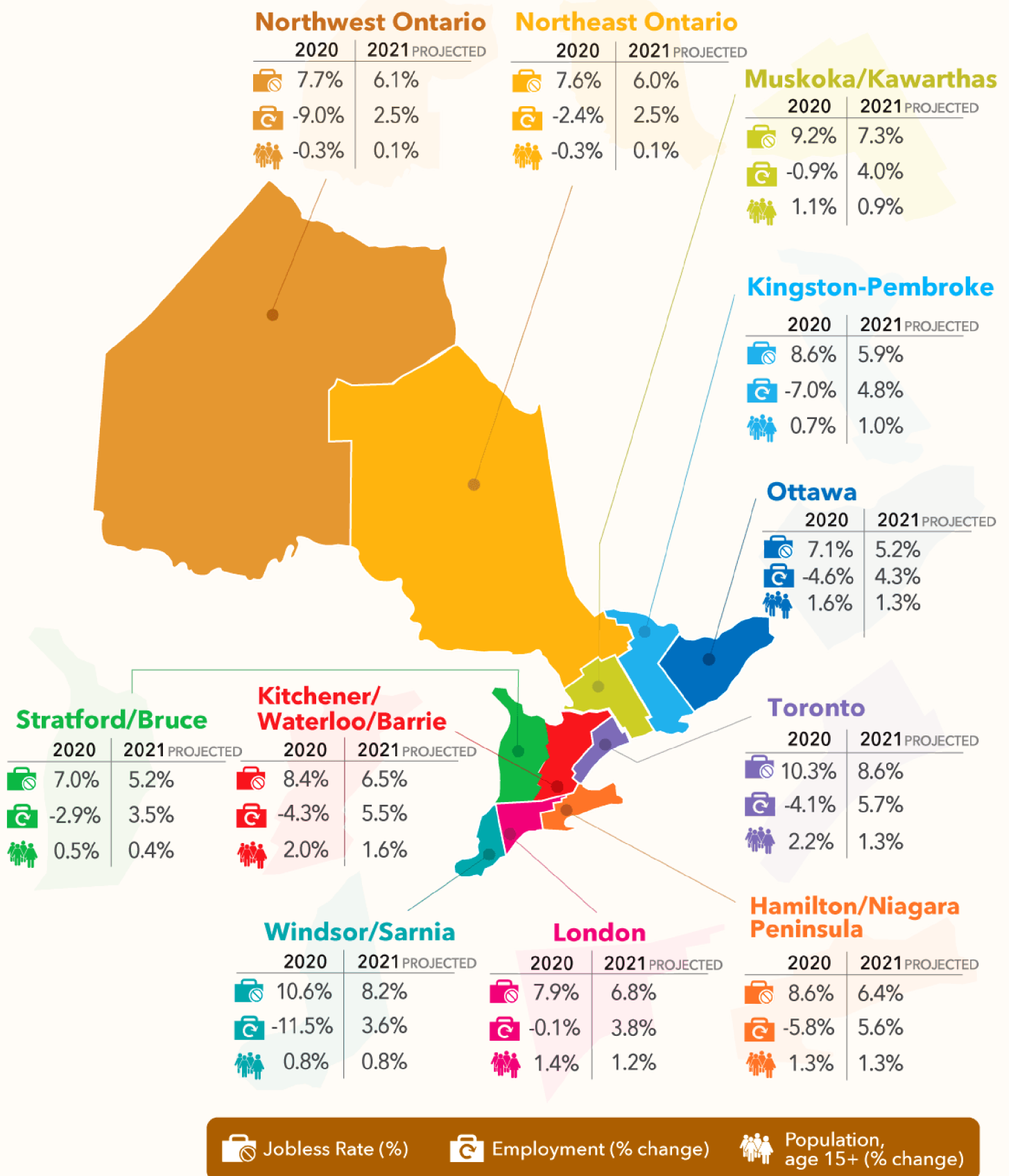
Source: BMO Capital Markets, 2019 Ontario Fall Economic Statement^{15, 16}
2021f indicates forecast values for the year 2021

Regional Economic Outlook

The OCC's 2019 report, *The Great Mosaic: Reviving Ontario's Regional Economies*, revealed large imbalances in economic growth across Ontario regions, with employment growth in Toronto, Ottawa, and the Greater Golden Horseshoe (GGH) substantially surpassing that of other regions.¹⁷ While no region of Ontario has been spared from the recessionary effects of the pandemic, prominent disparities continue to preside amongst regions. A balanced and inclusive approach to economic recovery will be critical to Ontario's overall competitiveness.

Figure 14 illustrates the 2021 forecasts for Ontario's 11 economic regions as defined by Statistics Canada along with three principal indicators: jobless rate, the change in employment, and population growth. The forecasts demonstrate employment growth in Toronto (5.7 percent), Hamilton-Niagara Peninsula (5.6 percent), Kitchener-Waterloo-Barrie (5.5 percent), and Kingston-Pembroke (4.8 percent) outpacing forecasted growth in Northeast (2.5 percent) and Northwest (2.5 percent). Population growth is expected to follow a similar path, with the highest growth rates forecasted in Kitchener-Waterloo-Barrie (1.6 percent), Ottawa (1.3 percent), Toronto (1.3 percent), Hamilton-Niagara Peninsula (1.3 percent), and London (1.2 percent), compared to the lowest growth rates in Northern Ontario (0.1 percent).

Figure 14: Ontario Regional Economic Outlook



Source: BMO Capital Markets

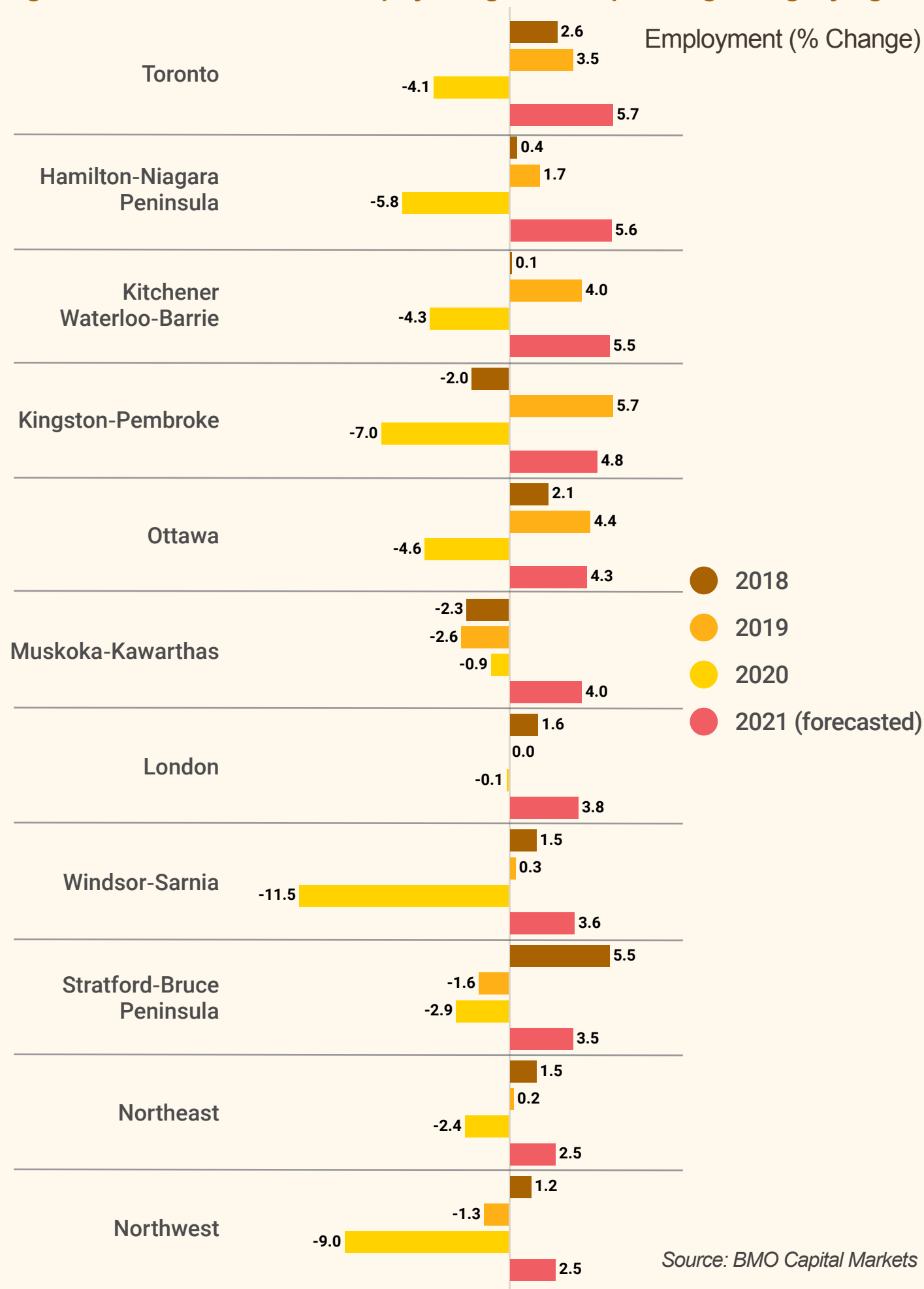
(For an interactive map by sector, see [Appendix G here](#))

Population projections continue to follow a similar narrative as in previous years. In 2020, all regions experienced lower population growth when compared to pre-pandemic levels, though Kingston-Pembroke, Toronto, Hamilton-Niagara Peninsula, and London regions saw larger drops than others. A heated housing market underpinned by low interest rates will likely prop up population growth figures for regions with typically higher housing demand, including the GTA, Ottawa and the GGH. On the other hand, it is important to note that certain mobility restrictions throughout the pandemic, such as increased immigration processing delays, likely softened changes in population growth and will continue to have a dampening effect into the better part of 2021.

Most notably, the Windsor-Sarnia, Northwest, Kingston-Pembroke, and Hamilton-Niagara Peninsula regions saw the largest decline in employment in 2020 (**Figure 15**). Evidently, the U.S. border closures had a significant impact on employment for regions that heavily rely on cross-border trade and business operations; namely, Windsor-Sarnia and Hamilton-Niagara Peninsula. Decreased travel, accompanied by lower demand for accommodations and other tourism-related services, are likely the primary factors for high unemployment in regions with closer proximity to the border, particularly for the Hamilton-Niagara region. Continued trade uncertainty is expected to curtail employment growth projections for all border regions.

Prior to the pandemic, the Windsor-Sarnia region had already begun seeing declines in employment, rendering the regional labour market vulnerable to any sudden economic shock. The region saw higher than average unemployment in 2020 likely stemming from reliance on cross-border trade as well as the transportation, distribution, warehousing, utilities, and wholesale trade industry, which have taken a particularly strong hit during the pandemic. With manufacturing as the primary sector in Windsor-Sarnia, many local businesses grappled with supply chain shortages and closures due to COVID-19.¹⁸ In the latter part of 2021, the region can expect to see moderate increases in employment driven by pent-up demand and the expected easing of border restrictions.

Figure 15: Actual and forecasted employment growth as a percentage change by region



Higher unemployment was also seen in regions with retail trade, entertainment, accommodation, food services, arts, and recreation sectors central to their local economies, such as the GTA and Hamilton-Niagara Peninsula. Unemployment in these sectors were somewhat offset by higher employment in the finance, professional, and management services industry.¹⁹ Projections for 2021 revealed a stronger rebound in employment growth for the GTA, Eastern Ontario, and Central Ontario than for Southwestern and Northern Ontario. Under the assumption that lockdown and social distancing measures will begin to ease in the latter part of 2021, we can expect to see strong employment rebounds across most regions, and particularly in those that have a large share of businesses in retail, food services, the arts, entertainment, accommodation and tourism sectors, which have been subject to some of the most stringent lockdown measures.





Section III

Charting a Path Forward





Section III: Charting a Path Forward

Amid a global pandemic and economic crisis, it can be difficult to look beyond day-to-day challenges. Yet, over the past year, governments, civil society, and the private sector have worked together to mitigate the economic fallout of the COVID-19 crisis and chart a path towards economic recovery.

At the onset of the pandemic, organizations across Ontario pivoted and adapted their operations, demonstrating nimbleness and ingenuity. Businesses offered new products and services, modified existing processes, and retooled their operations to manufacture critical supplies. The crisis has also amplified the need for cooperation, both within and across provinces, and the importance of institutions that enable it.

Heading into 2021, Ontario is facing a critical juncture. The prolonged nature of the crisis, rising case counts, uncertainty around vaccine deployment timelines, and some misalignment between governments have taken a toll on employers and Ontarians across the province.

Projections for the coming year suggest moderate GDP and employment growth across most regions after steep drops in 2020. However, these economic projections do not fully capture the outlook of the business community – particularly those sectors experiencing the profoundest impacts and heightened pessimism about the future of their organizations and Ontario's economy.

Against this backdrop, there will be a sustained need for collaboration among government, businesses, and other organizations to continue managing the immediate crisis while preparing for post-pandemic recovery. The findings from this report provide some insights into the challenges and opportunities that lie ahead.



First, COVID-19 has had an outsized economic effect on certain sectors and demographics. Specifically, businesses in accommodation and food services; arts, entertainment, and recreation have been disproportionately impacted, while women, lower-income, racialized, new immigrant, and younger Ontarians have suffered the biggest job losses. Many of these disparities predate the pandemic but have been amplified by the crisis.



Second, small businesses and entrepreneurs have been hurt and there is some uncertainty about their ability to rebound. Consumer confidence, financing, and reskilling are all necessary to the revival of small business, the backbone of Ontario's economy.



Third, there have been winners amid the chaos. In particular, COVID-19 has rewarded innovators, accelerated digital transformations within organizations, and led to growth within the technology sector. It has also led to innovation in public policy – for example, in digital contact tracing and virtual care. There is a unique opportunity for Ontario to build on this momentum to establish its leadership in the future economy.



While the outlook for 2021 remains uncertain, with these learnings in mind, we can begin to draw some conclusions about recovery planning. That recovery, however, will not come from unfocused spending or austerity – Ontario will need to grow its way back to recovery.

Fundamentally, the role of government is to align all its powers towards economic growth. This means investing in the key determinants of growth – health care, skills training and cultivating ecosystems of talent, research and innovation, and trade and infrastructure – as well as addressing unnecessary barriers to growth, such as outdated regulations, an inefficient and overly complex tax system, obstacles to interprovincial trade and labour mobility, and a lack of alignment between stakeholders on priority areas. Improved value for money in government is paramount, and spending must be accountable, measurable, data-driven, and coordinated.

While deepening and diversifying international trading partners is important, we also need to be bold on interprovincial trade and labour mobility. As it stands, non-tariff trade barriers within Canada are inflating the cost of goods and services, preventing businesses from making the most of our domestic market, and forcing the labour market to operate below capacity. Free movement of workers and goods is critical to economic recovery.

No region, sector, or demographic should be left behind in the pursuit of economic recovery and growth. This requires widespread access to infrastructure (particularly broadband and other digital infrastructure), workforce development opportunities, capital, and other services that make up the ‘industrial commons.’ Therefore, government needs to continually and robustly fund the industrial commons to ensure an ecosystem of public goods in which citizens, communities, and businesses can thrive.

By taking advantage of low borrowing and debt-servicing costs, governments and the Bank of Canada can use fiscal and monetary policy measures to make long-term investments that will generate high returns, sustain employment growth, and push real GDP growth to globally competitive rates well beyond 2021.

The OCC's upcoming policy pipeline will focus on the main levers of economic growth: productivity, trade, regulatory innovation, risk and resiliency, and new forms of value creation. In the coming months, we will release timely policy papers on the resiliency of Ontario's food supply chain, municipal governments' fiscal sustainability, and access to capital for small businesses and entrepreneurs.

On the risk and resiliency front, we will address the *other* unprecedented phenomenon threatening Ontario: climate change. As the impacts of climate change become more pronounced and Ontario becomes a riskier place to insure, the OCC will explore that means for the business community and the competitiveness of our province going forward.

Later this year, we will convene a regulatory innovation panel focused on producing specific, cross-sector recommendations for regulatory modernization in Ontario, with the aim of reducing burdens on business and barriers to growth.

Given the unpredictability of the year ahead, we will rely on our Policy and Advocacy Councils to continue to help inform and direct the OCC's policy and advocacy around health care, infrastructure, workforce development, energy, and cannabis. We will also continue our advocacy through the Ontario Vaccination Support Council to further support Ontario's distribution and deployment of the vaccine with the ultimate goal of ending the pandemic.

Ontario's economy continues to be confronted by unprecedented circumstances as outlined in the findings of this report. Yet, as a province, Ontario has a proved historical track-record of resilience. Ontario has what it takes to prosper long-term with all levels of government, businesses, chambers of commerce and boards of trade working together on the path to economic recovery while investing in and leveraging the assets and growth opportunities of Ontario's diverse regional economies.

As governments re-examine approaches to major policy files in the wake of COVID-19, now, more than ever, the OCC's independent, evidence-based analysis will be needed. The data contained within this report can act as a reference, benchmark, and a catalyst for further debate and policy change.

The OER will be available in communities across Ontario through our network of local chambers of commerce and boards of trade who continue to serve and provide key resources to businesses during this critical time.



Appendices

Appendix A

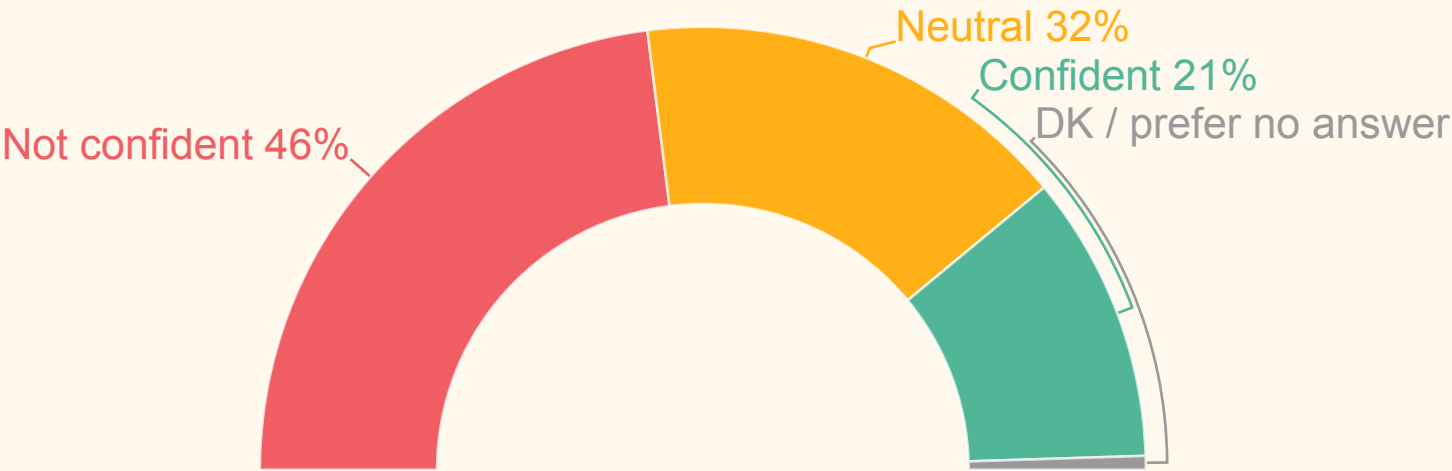
Confidence in Ontario's Outlook by Region

Click here to see the results for each Region

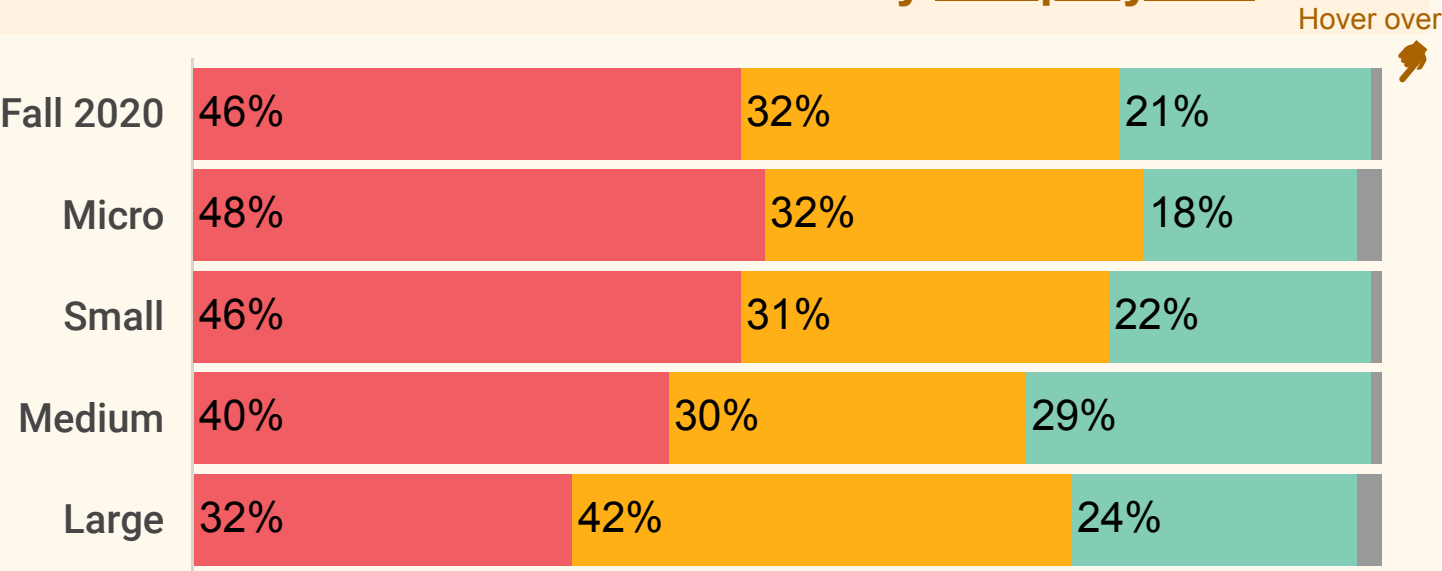
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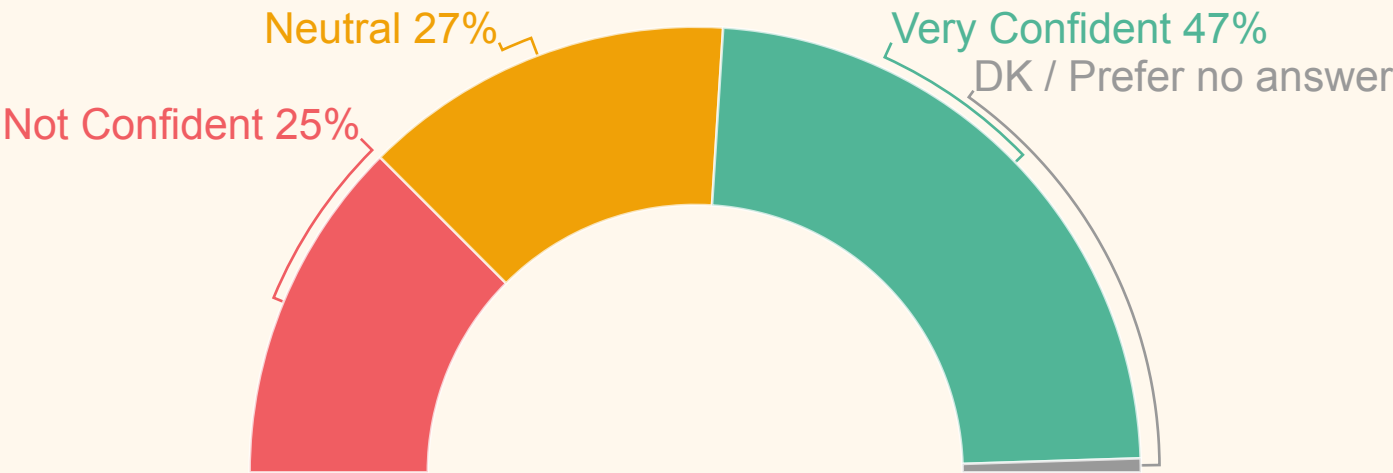
Confidence in Ontario's Outlook by Company Size



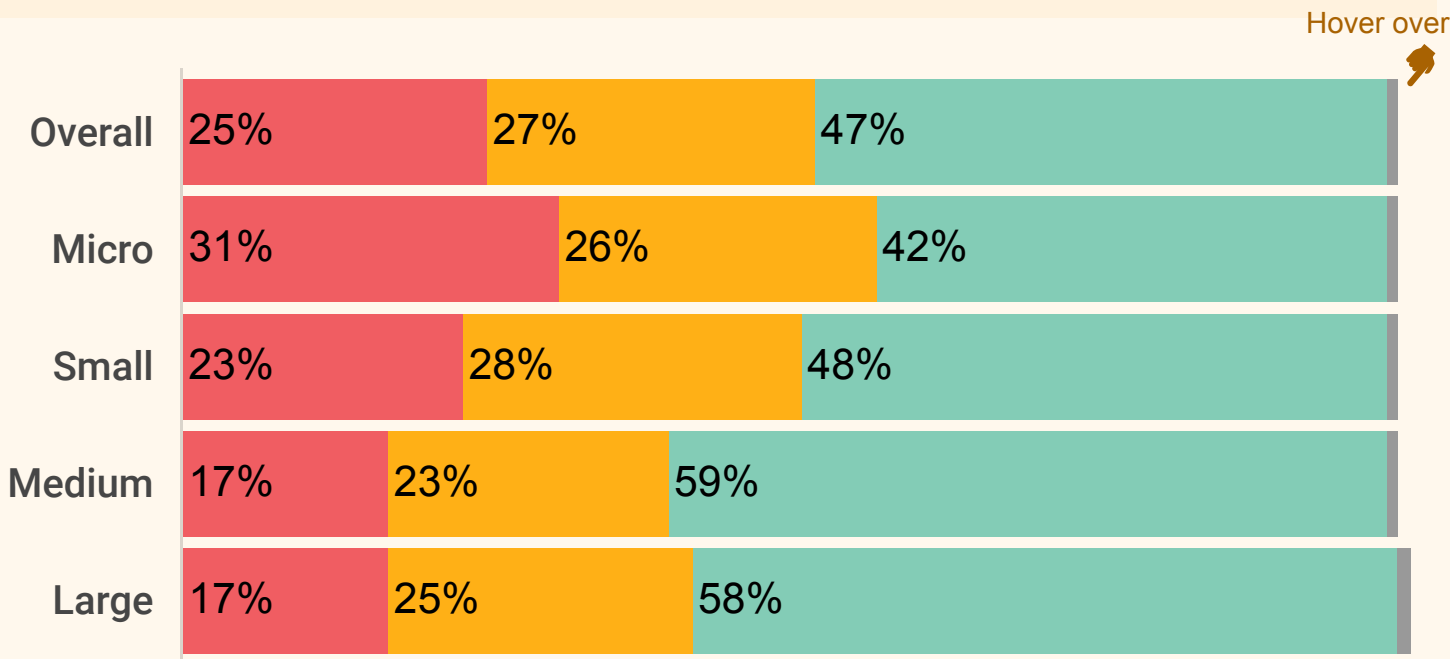
(To return to Ontario Economic Confidence, [click here](#))

Confidence in Your Own Organizational Outlook by Region

Click here to see the results for each Region



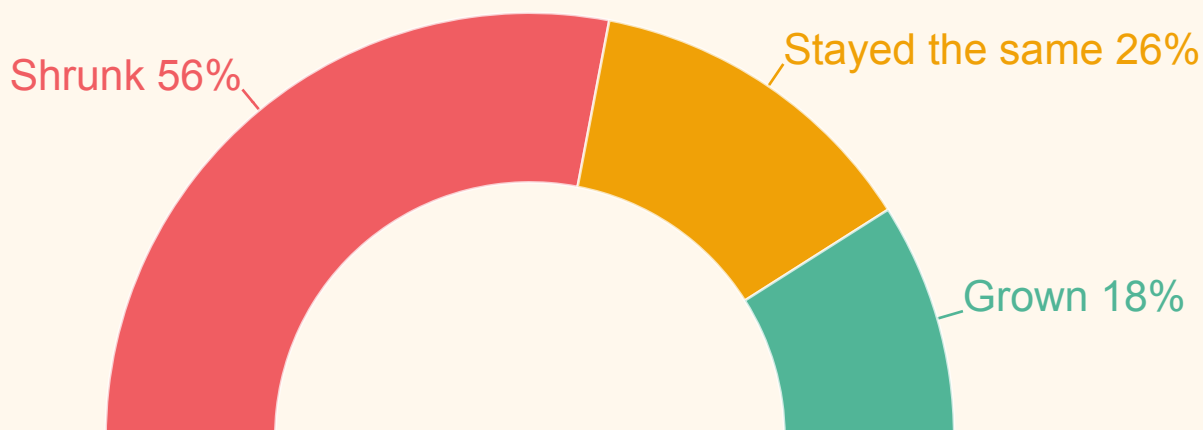
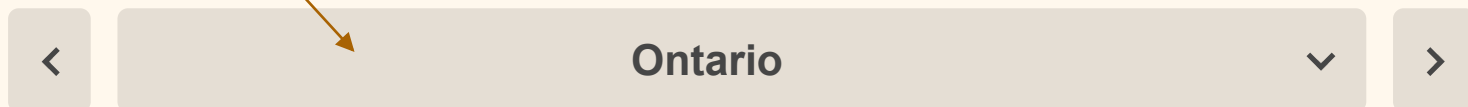
Confidence in Your Own Organizational Outlook by Company Size



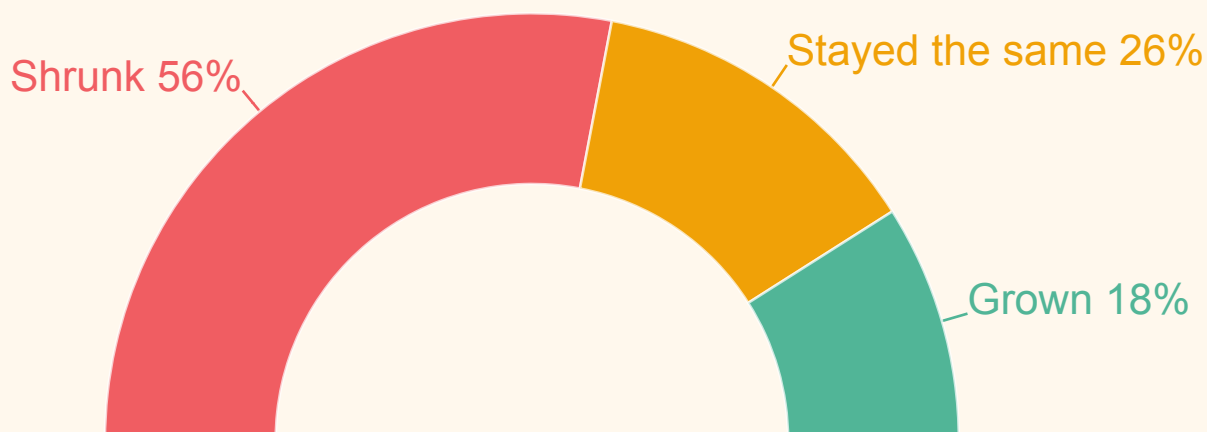
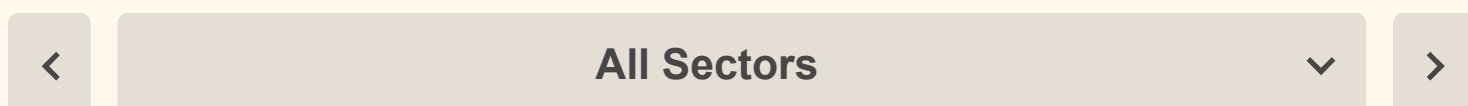
(To return to Organizational Economic Confidence, [click here](#))

Companies Shrinking or Growing by Region

Click here to see the results for each Region



Companies Shrinking or Growing by Sector



Note: Sectors with 10 or less responses are excluded

(To return to Business Impact of Covid-19, [click here](#))

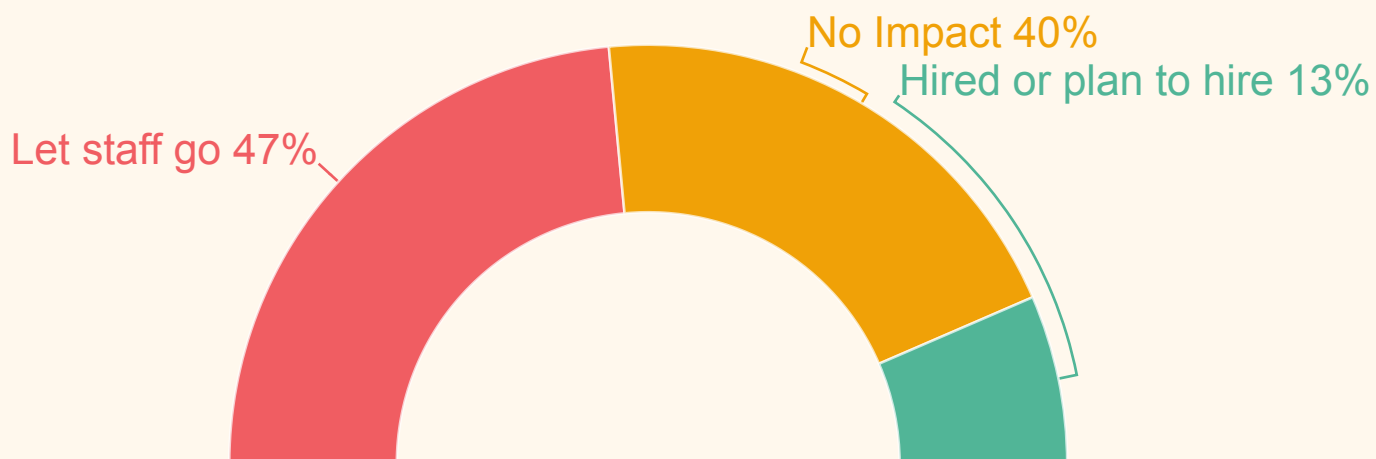
Covid-19 Impact on Human Resources by Region

Click here to see the results for each Region

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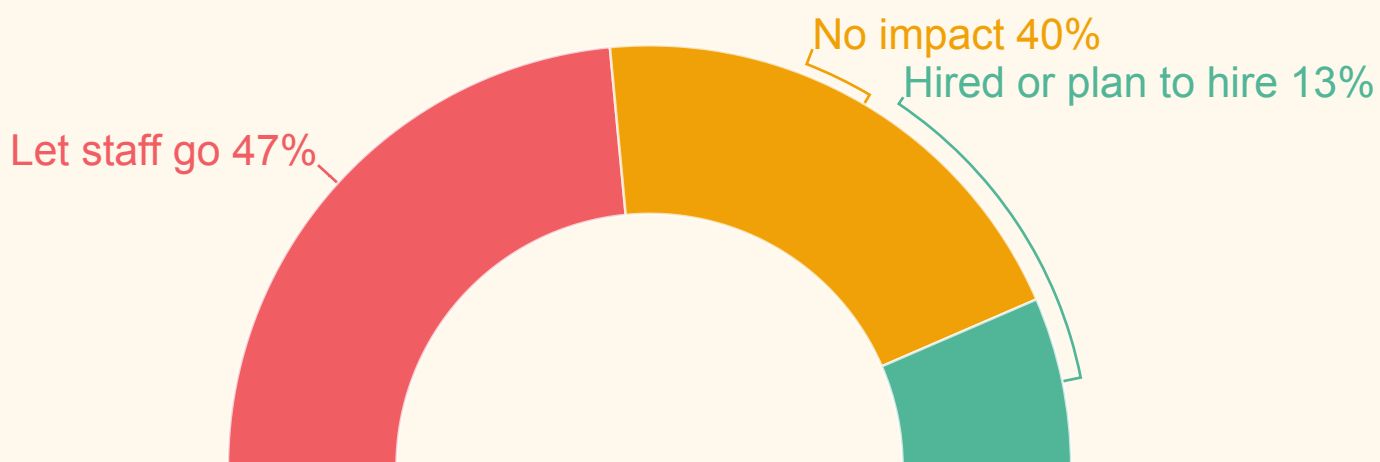


Covid-19 Impact on Human Resources by Sector

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All Sectors

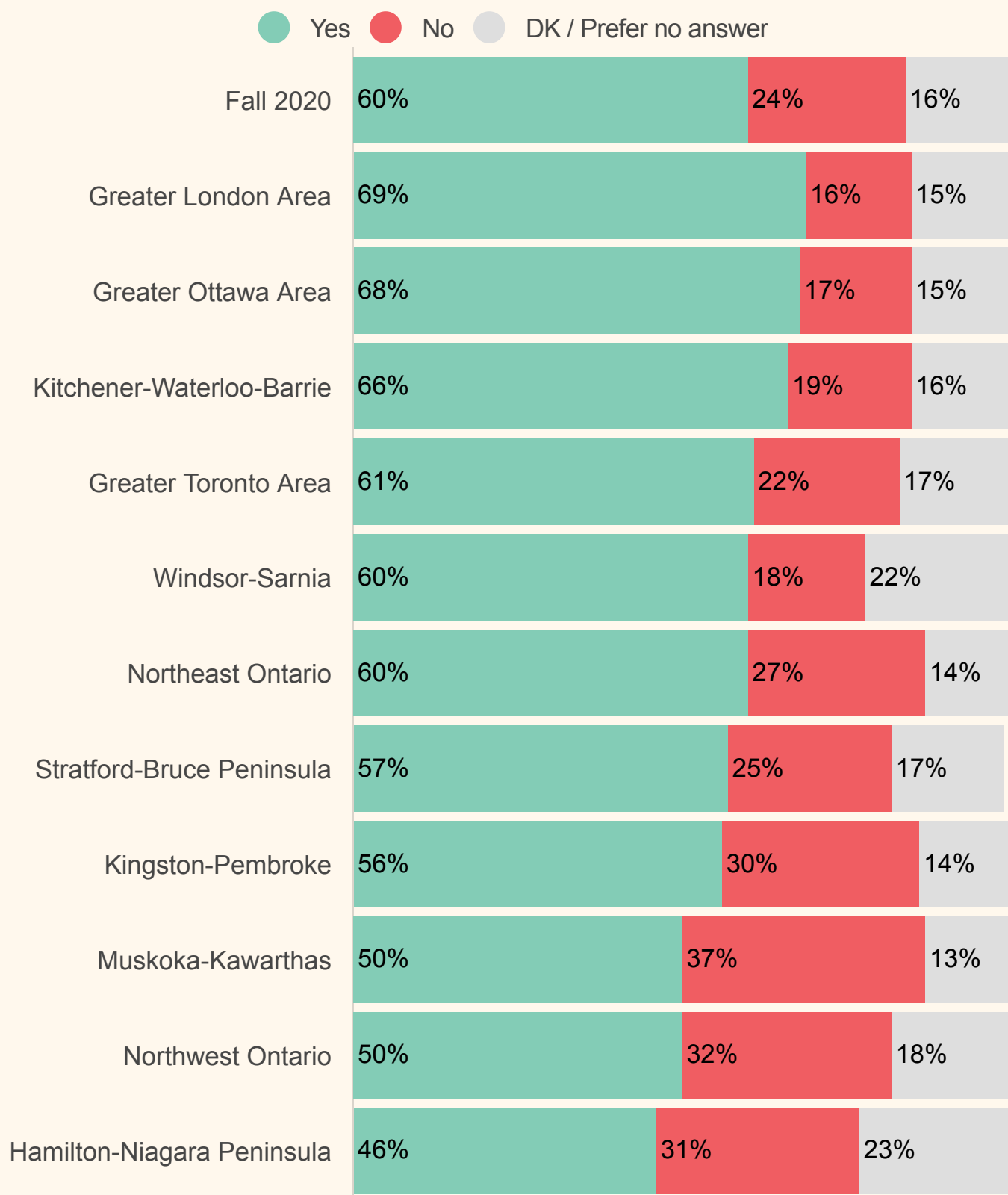
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Note: Sectors with 10 or less responses are excluded

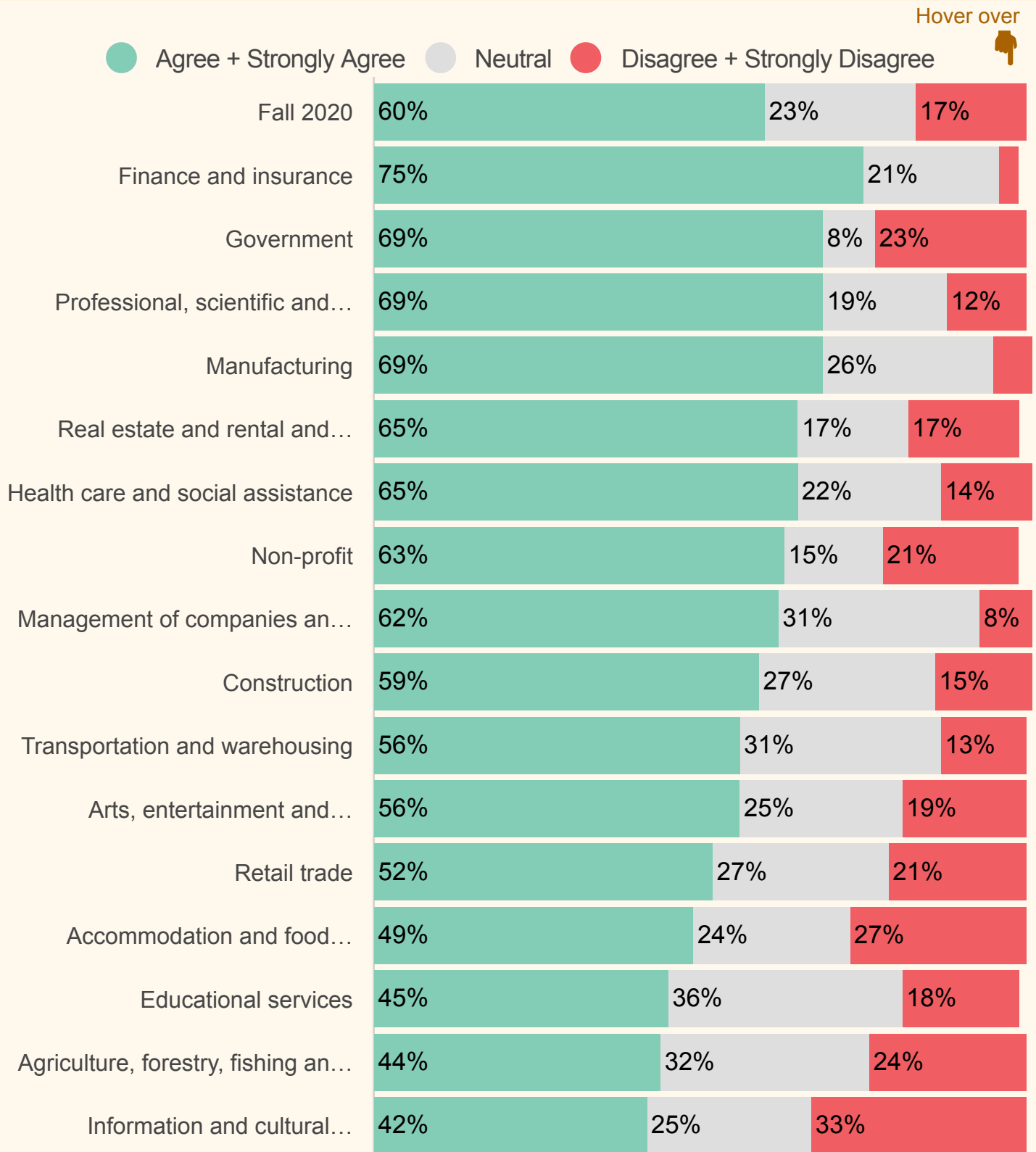
(To return to HR Impact of Covid-19, [click here](#))

Ability to Thrive by Region



(To return to Ability for Community to Thrive, [click here](#))

Confidence in Ontario Entrepreneurship Rebound by Sector



Note: Sectors with 10 or less responses are excluded

(To return to Entrepreneurship Rebound, [click here](#))

Ontario Regional Economic Outlook

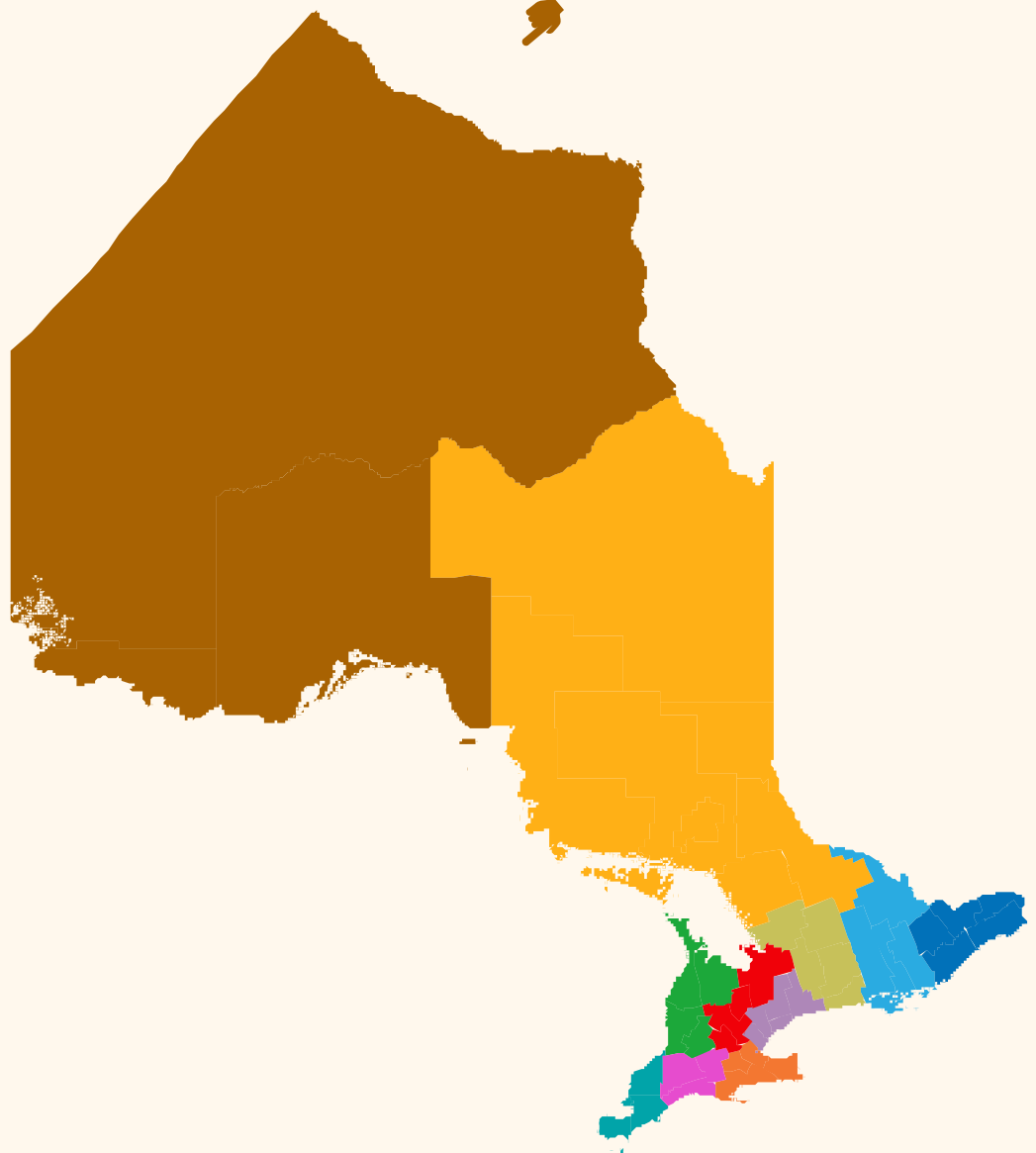


Population, Age 15+ (% Change)



- Hamilton-Niagara Peninsula
- Kingston-Pembroke
- Kitchener-Waterloo-Barrie
- London
- Muskoka/Kawarthas
- Northeast Ontario
- Northwest Ontario
- Ottawa
- Stratford-Bruce Peninsula
- Toronto
- Windsor-Sarnia

Try hover over to each region to see the result



(To return to Ontario Regional Economic Outlook, [click here](#))

About the Ontario Chamber of Commerce

Together with almost 140 member chambers of commerce and boards of trade and our network's diverse 60,000 members, the Ontario Chamber of Commerce is the indispensable partner of business.

For more than a century, the OCC has undertaken important research on Ontario's most pressing policy issues, advocating for solutions that will foster the growth of Ontario businesses and lead to the creation of jobs in the province. Through our focused programs and services, we support businesses of all sizes, encouraging workforce development and inclusive economic growth. This work is based on the belief that strong businesses are the foundation of a prosperous Ontario.

Our mission is to convene, align, and advance the interests of our members through principled policy work, value-added business services, and broad engagement to build prosperity for all Ontarians. We are the most respected, trusted, and indispensable partner of business, driving government decision-making and leveraging assets across our province-wide membership to support their growth and a competitive business climate in Ontario.

From innovative SMEs to established multinational corporations and industry associations, the OCC is committed to working with our members to improve business competitiveness across all industries. We represent local chambers of commerce and boards of trade in almost 140 communities across Ontario, steering public policy conversations provincially and within local communities.

The OCC is the indispensable partner of business.

Authors:

Daniel Safayeni, *Acting Vice President of Policy, Ontario Chamber of Commerce*

Claudia Dessanti, *Senior Policy Analyst, Ontario Chamber of Commerce*

Ester Gerassime, *Economic Analyst, Ontario Chamber of Commerce*

Design:

Jaehee Rho, *Junior Graphic Designer, Ontario Chamber of Commerce*

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From innovative SMEs to established multi-national corporations and industry associations, the OCC is committed to working with our members to improve business competitiveness across all sectors. The OCC works hard to drive an effective advocacy agenda for business and to ensure that our members are kept up-to-date on issues that matter.

Through your engagement with the OCC, you will:

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- **Strengthen your relationship with government**
- **Network with business leaders**
- **Engage with 140 communities across the province and**
- **Contribute to the growth of Ontario's economy.**

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Brent Edwards

Senior Business Development Advisor, Business Development, Ontario Chamber of Commerce
brentedwards@occ.ca



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