



REGIONAL ECONOMIC OUTLOOK

Hamilton-Niagara Peninsula

This regional economic outlook is presented by the Hamilton Chamber of Commerce, in partnership with the Credit Unions of Ontario and the Ontario Chamber of Commerce.



The region is expected to create **15,000 jobs** over the next two years, making it a strong performer in Southern Ontario.



Average housing prices have risen from **\$295,000** in 2011 to a projected **\$343,000** in 2015.



Agriculture and agri-food activity remains a **highlight and economic driver**.

Our partners



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The Hamilton-Niagara Peninsula (HNP) region

spans the three census metropolitan areas (CMA) of Hamilton, St. Catharines-Niagara and Brantford and also covers Haldimand-Norfolk. The combined region represents about 11 percent of the provincial population, about 1.45 million people. The HNP's economic base is diverse, but relatively high industry concentrations are observed in the manufacturing, agriculture, and tourism sectors.

Economic conditions in the HNP have held steady in 2013, despite a weakening in the labour market and sluggish activity in the manufacturing sector, as housing market activity has held steady and major project construction has remained elevated. A positive growth cycle in the broader economy will continue to drive modest regional growth and tighter labour markets over the forecast horizon

A weaker economic backdrop has contributed to deteriorating labour market conditions this year, extending the general pattern going back to early-2012. Following a year-long downtrend, average annual employment

is set to contract by about 1.4 percent to about 705,000 persons, marking the lowest level since 2010. Full-time employment will likely remain stable, but employers are adjusting to weak growth at the margin, leading to fewer part-time workers. Among larger urban areas in the region, employment declines will be observed in the Hamilton and St. Catharines CMAs, while the level in Brantford will be up slightly.

Negative employment trends have largely been concentrated in service-producing industries with declines led by the information/culture/recreation, finance/insurance/real estate, health care and social services, and public administration. In contrast, last year's strong rebound in non-residential construction starts and modest gain in new housing boosted overall construction employment, providing a partial offset to declines elsewhere in the economy.

While labour market struggles are concentrated in services, the soft performance reflects the sluggishness in the broader economic base. The HNP remains an industrial, manufacturing and trade-oriented economy and

remains weighed down by a lacklustre recovery in the U.S. and global economy and an elevated Canadian dollar.

Manufacturing was a soft spot for the regional economy over the past year and in line with a general sluggishness in the provincial picture. Although the industry was one of the few reporting employment growth, it has experienced a general decline over the past decade that in recent years has included closures of Siemens in Hamilton and General Motor Canada's component factory in St. Catharines.

Following a post-recession rebound, steel markets have weakened, generating challenges for local industry. Although steel is no longer the economic driver it once was in Hamilton, the lacklustre recovery in the global economy and relatively higher costs in Canada have put pressure on some local operations. U.S. Steel workers remained locked out for much of 2013, while labour strife associated with cost-cutting was also observed at the Max Aicher's steel operations.

In contrast, agriculture and agri-food activity remains a highlight and economic driver. The region has seen the opening of Canada Bread Company's \$100-million bakery, while benefitting from a national consolidation of Maple Leaf Foods operations that led to a \$395-million facility in Hamilton and a distribution plant in Puslinch slated to be operational by 2014. The region is also benefitting from agriculture-related investment, with National Steel Car winning a contract to construct 1,000 rail cars for Saskatchewan's potash industry.

This strength mirrors sector activity. Agriculture manufacturing sales in Ontario were up nearly 10 percent through July 2013, in contrast to a contraction in total manufacturing. Higher demand has benefitted both the agriculture economy and trade-related sectors in the region. The Hamilton Port continues to observe growth in agriculture-related shipments, while attracting companies to service the sector.

Going forward, manufacturing growth in the province is forecast to outpace the general economy, with growth of about four percent in 2014 and 3.5 percent in 2015 following four years of sub three-per-cent gains. The growing agriculture foods and manufacturing sector

should remain healthy given long-term demand from emerging markets. The Hamilton-area also continues to move towards a knowledge-based economy anchored by McMaster Innovation Park, which houses Canmet Labs and a new automotive research centre.

Construction has been a positive driver of for the economy this year, as major project commencements in 2012 contributed to both economic activity and employment growth. While a repeat in gains is not in the cards, private-sector construction will remain elevated led by large scale investments including the Pan Am stadium (Tim Hortons Field) in Hamilton, the St. Catharines-Niagara area Performing Arts Centre, and a \$200-million outlet store. However, a decline in new home activity will be a drag.

The downward employment trend is forecast to reverse course in 2014. Positive growth in manufacturing and solid (if not surprising) strength in non-residential construction will underpin gains. Health-related employment is expected to trend higher, reflecting population gains and an aging population. Modest employment gains will slightly outpace labour force growth, generating downward pressure on unemployment.

Annual population growth in the HNP has trended at around 0.7 percent in recent years and growth will remain consistent with this level through the forecast horizon. Population gains will continue to be driven by a combination of international inflows and gains from other parts of the province.

Despite an employment downshift, housing market conditions have remained tight. MLS® sales are forecast to remain elevated at 21,000 units this year, up a little over two percent from 2012 led by Brantford and Hamilton-Burlington. High Toronto prices have fuelled some of this demand, as buyers choose to reside in relatively more affordable Hamilton and commute. Solid demand and tight inventory continue to place upward pressure on home prices which drive a further five percent gain in the average home price to above \$330,000. Sales and price growth is forecast to moderate in 2014 and 2015 on higher interest rates and policy-induced slowing but pricing will continue to rise at about two percent per year.

While resale market volumes are steady, new home activity has decelerated. Housing starts are down, with the exception of St. Catharines and building permits are forecast to decline by 15 percent on lower Hamilton and Burlington activity before pulling higher over the following two years.

REGIONAL ECONOMIC OUTLOOK

Hamilton-Niagara Peninsula

	2011	2012	2013	2014	2015
Labour Force (Thousands)	763.8	770.2	759.0	765.0	771.0
% change	1.0	0.8	-1.5	0.8	0.8
Employment (Thousands)	709.2	715.0	705.0	711.0	720.0
% change	2.3	0.8	-1.4	0.9	1.3
Unemployment Rate (%)	7.1	7.2	7.1	7.1	6.6
Housing Sales (Units)	21,701	20,572	21,000	20,500	20,600
% change	3.1	-5.2	2.1	-2.4	0.5
Housing Prices (\$ Average)	295,254	314,450	331,500	338,000	343,000
% change	6.7	6.5	5.4	2.0	1.5
Residential Building Permit (Units)	5,279	5,416	4,500	4,700	4,900
% change	-6.2	2.6	-16.9	4.4	4.3
Private Non-Res Building Permits (\$ million)	480	918	910	650	675
% change	-36.2	91.4	-0.9	-28.6	3.8
Public Non-Res Building Permits (\$ million)	263	573	317	300	325
% change	-69.9	117.6	-44.6	-5.4	8.3
Population (Thousands)	1,430.4	1,439.8	1,449.9	1,460.1	1,470.3
% change	0.7	0.7	0.7	0.7	0.7
Net Migration	7,965	7,839	8,000	8,200	8,200

Source: Statistics Canada, CREA, Central 1 Credit Union forecasts.

Summary of Ontario

Slow growth will continue in most Ontario economic regions (as defined by Statistics Canada) into 2014, with some improvement expected in 2015. External and domestic economic conditions will not be conducive to a significant growth upturn in the near term.

The disparate economic performance among Ontario's major regions shows few signs of abating in the next two years. Toronto, in particular, and the Kitchener-Waterloo-Barrie region will continue to set the pace and lead other regions in overall economic growth. These regions have an industry mix more oriented to growth industries and less dependent on industries facing more difficult market conditions, such as the auto manufacturing or natural resource-based regions.

The external economic backdrop in which these regions operate is not particularly robust and until this improves most regions will continue to grow at a subpar pace, or possibly remain stalled. An upshift in U.S. economic growth is critical but that will not be of sufficient magnitude until after 2015. Another important and helpful factor will be a lower Canadian dollar, which is likely through 2015.

Low interest rates will facilitate growth in the domestic economy and in investment spending, but the lack of growth in most regions' exports constrains these areas. As a consequence, growth in consumer spending, housing sales, housing construction, and business investment will be minimal until the economic spark occurs. Restricted spending by the provincial and federal governments and tighter federal mortgage insurance criteria will slow down each region's economy.

Growth and performance variations exist within regions due to economic base differences between the region's metropolitan area and the rest of the region. A couple of examples are the Kingston metropolitan area in the Kingston-Pembroke region and Thunder Bay in the Northwest region. In both cases, the metropolitan area's economy is more diversified into service industries and less dependent on sluggish or declining export-oriented industries. In general, rural economies underperform their urbanized counterparts.

Learn more about Ontario's 2014 economic outlook at www.occ.ca/advocacy/economic-outlook-2014

EMPLOYMENT (000s)

Ontario Summary



ECONOMIC REGION	2011	2012	2013	2014	2015
Hamilton-Niagara Peninsula	709.2	715.0	705.0	711.0	720.0
Kingston-Pembroke	217.4	213.0	216.0	213.0	213.0
Kitchener-Waterloo-Barrie	689.9	687.0	703.5	715.0	725.0
London	324.8	328.0	327.5	329.8	333.1
Muskoka-Kawarthas	176.9	172.7	169.5	172.5	175.8
Northeast	262.2	255.8	253.8	254.8	257.3
Northwest	98.7	101.3	102.0	103.1	104.1
Ottawa	681.5	697.6	687.0	694.0	699.0
Stratford-Bruce Peninsula	157.7	152.6	150.3	151.1	152.1
Toronto	3,118.3	3,164.3	3,287.7	3,347.4	3,417.7
Windsor-Sarnia	294.8	296.4	292.9	293.8	296.8
Ontario	6,731.3	6,783.7	6,887.4	6,986.6	7,099.9

Source: Statistics Canada, Central 1 Credit Union forecasts.

EMPLOYMENT, GROWTH RATE (%)

Ontario Summary



ECONOMIC REGION	2011	2012	2013	2014	2015
Hamilton-Niagara Peninsula	2.3	0.8	-1.4	0.9	1.3
Kingston-Pembroke	6.9	-2.0	1.4	-1.4	0.0
Kitchener-Waterloo-Barrie	4.1	-0.4	2.4	1.6	1.4
London	0.0	1.0	-0.2	0.7	1.0
Muskoka-Kawarthas	1.9	-2.4	-1.9	1.8	1.9
Northeast	2.8	-2.4	-0.8	0.4	1.0
Northwest	-1.4	2.6	0.7	1.1	0.9
Ottawa	0.4	2.4	-1.5	1.0	0.7
Stratford-Bruce Peninsula	5.6	-3.2	-1.5	0.5	0.7
Toronto	1.4	1.5	3.9	1.8	2.1
Windsor-Sarnia	0.3	0.5	-1.2	0.3	1.0
Ontario	1.8	0.8	1.5	1.4	1.6

Source: Statistics Canada, Central 1 Credit Union forecasts.

LABOUR FORCE (000s)

Ontario Summary

ECONOMIC REGION	2011	2012	2013	2014	2015
Hamilton-Niagara Peninsula	763.8	770.2	759.0	765.0	771.0
Kingston-Pembroke	234.5	229.8	230.0	229.0	228.0
Kitchener-Waterloo-Barrie	743.3	735.3	755.9	767.0	776.0
London	355.3	356.2	356.3	358.2	360.3
Muskoka-Kawarthas	193.5	186.7	184.8	187.0	190.0
Northeast	284.3	276.0	273.0	273.5	275.4
Northwest	106.6	108.6	109.1	110.1	110.9
Ottawa	727.2	745.5	735.0	742.0	746.0
Stratford-Bruce Peninsula	166.6	159.8	159.6	160.4	161.4
Toronto	3,403.1	3,463.2	3,570.6	3,620.6	3,670.9
Windsor-Sarnia	323.7	325.8	321.2	322.3	324.9
Ontario	7,301.7	7,357.2	7,455.2	7,531.7	7,616.1

Source: Statistics Canada, Central 1 Credit Union forecasts.

UNEMPLOYMENT RATE (%)

Ontario Summary

ECONOMIC REGION	2011	2012	2013	2014	2015
Hamilton-Niagara Peninsula	7.1	7.2	7.1	7.1	6.6
Kingston-Pembroke	7.3	7.3	6.6	7.0	6.6
Kitchener-Waterloo-Barrie	7.2	6.6	6.9	6.8	6.6
London	8.6	7.9	8.1	7.9	7.6
Muskoka-Kawarthas	8.6	7.5	8.3	7.8	7.5
Northeast	7.8	7.3	7.0	6.9	6.6
Northwest	7.4	6.7	6.5	6.3	6.2
Ottawa	6.3	6.4	6.5	6.5	6.3
Stratford-Bruce Peninsula	5.3	4.5	5.8	5.8	5.8
Toronto	8.4	8.6	7.9	7.5	7.5
Windsor-Sarnia	8.9	9.0	8.8	8.8	8.7
Ontario	7.8	7.8	7.6	7.2	6.8

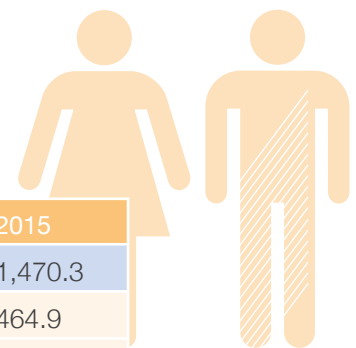
Source: Statistics Canada, Central 1 Credit Union forecasts.

POPULATION (000s)

Ontario Summary

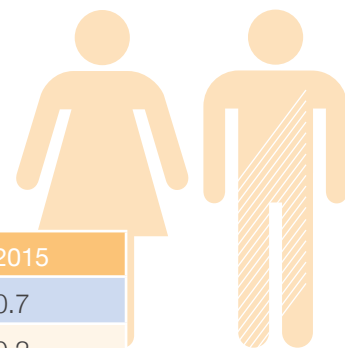
ECONOMIC REGION	2011	2012	2013	2014	2015
Hamilton-Niagara Peninsula	1,430.4	1,439.8	1,449.9	1,460.1	1,470.3
Kingston-Pembroke	461.2	462.0	463.0	464.0	464.9
Kitchener-Waterloo-Barrie	1,272.0	1,286.5	1,299.3	1,313.6	1,326.8
London	659.1	663.6	667.0	670.7	675.2
Muskoka-Kawarthas	379.3	380.0	380.4	381.2	381.9
Northeast	564.3	562.2	560.2	558.3	556.9
Northwest	241.1	241.0	241.2	241.6	241.9
Ottawa	1,277.8	1,290.2	1,301.8	1,313.5	1,326.6
Stratford-Bruce Peninsula	301.8	301.6	301.5	301.4	301.4
Toronto	6,135.2	6,235.5	6,329.8	6,423.6	6,521.1
Windsor-Sarnia	644.0	643.5	643.4	642.3	642.4
Ontario	13,366.3	13,505.9	13,627.6	13,754.5	13,883.4

Source: Statistics Canada, Central 1 Credit Union forecasts. Note: As of July 1.



POPULATION, GROWTH RATE (%)

Ontario Summary



ECONOMIC REGION	2011	2012	2013	2014	2015
Hamilton-Niagara Peninsula	0.7	0.7	0.7	0.7	0.7
Kingston-Pembroke	0.2	0.2	0.2	0.2	0.2
Kitchener-Waterloo-Barrie	1.2	1.1	1.0	1.1	1.0
London	0.7	0.7	0.5	0.6	0.7
Muskoka-Kawarthas	0.2	0.2	0.1	0.2	0.2
Northeast	-0.3	-0.4	-0.4	-0.3	-0.3
Northwest	0.1	0.0	0.1	0.1	0.2
Ottawa	1.0	1.0	0.9	0.9	1.0
Stratford-Bruce Peninsula	0.0	-0.1	0.0	0.0	0.0
Toronto	1.7	1.6	1.5	1.5	1.5
Windsor-Sarnia	-0.1	-0.1	0.0	-0.2	0.0
Ontario	1.1	1.0	0.9	0.9	0.9

Source: Statistics Canada, Central 1 Credit Union forecasts. Note: As of July 1.

NET MIGRATION

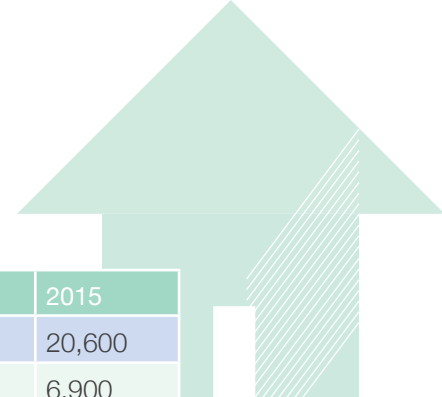
Ontario Summary

ECONOMIC REGION	2011	2012	2013	2014	2015
Hamilton-Niagara Peninsula	7,965	7,839	8,000	8,200	8,200
Kingston-Pembroke	1,128	1,001	1,000	950	900
Kitchener-Waterloo-Barrie	10,338	10,021	9,000	9,700	9,500
London	3,040	2,966	2,300	2,490	2,840
Muskoka-Kawarthas	1,945	1,846	1,500	1,500	1,600
Northeast	-1,337	-1,587	-1,430	-1,200	-700
Northwest	-346	-502	-340	-190	-140
Ottawa	8,605	8,454	8,000	8,300	8,700
Stratford-Bruce Peninsula	-125	-208	-100	-50	-30
Toronto	65,486	65,553	59,000	59,000	63,400
Windsor-Sarnia	-1,320	-1,375	-1,680	-1,980	-1,200
Ontario	95,379	94,008	85,250	86,720	93,070

Source: Statistics Canada, Central 1 Credit Union forecasts. Note: As of July 1.

HOUSING SALES (UNITS)

Ontario Summary



ECONOMIC REGION	2011	2012	2013	2014	2015
Hamilton-Niagara Peninsula	21,701	20,572	21,000	20,500	20,600
Kingston-Pembroke	7,461	7,685	7,200	7,000	6,900
Kitchener-Waterloo-Barrie	19,733	19,977	20,700	20,500	20,800
London	9,902	9,787	9,700	9,800	10,000
Muskoka-Kawarthas	8,179	8,439	8,600	8,500	8,700
Northeast	6,631	6,515	6,120	6,270	6,540
Northwest	2,076	2,056	2,080	2,100	2,150
Ottawa	17,153	17,184	16,500	16,300	16,700
Stratford-Bruce Peninsula	3,628	3,806	3,690	3,740	3,820
Toronto	97,559	93,765	95,200	96,600	102,100
Windsor-Sarnia	7,738	7,834	8,070	8,210	8,530
Ontario	201,761	197,620	198,860	199,520	206,840

Source: CREA, Central 1 Credit Union forecasts. Note: MLS residential.

HOUSING PRICES (AVERAGE PRICE \$)

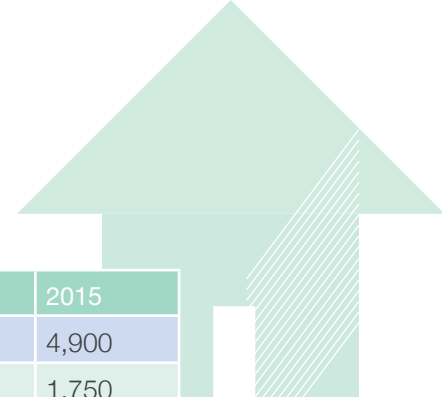
Ontario Summary

ECONOMIC REGION	2011	2012	2013	2014	2015
Hamilton-Niagara Peninsula	295,254	314,450	331,500	338,000	343,000
Kingston-Pembroke	234,511	240,440	247,000	249,000	250,000
Kitchener-Waterloo-Barrie	289,863	301,329	316,000	320,000	322,000
London	230,253	237,516	244,600	251,000	256,900
Muskoka-Kawarthas	286,782	292,001	299,000	302,000	308,000
Northeast	200,457	209,857	214,500	223,500	232,350
Northwest	164,393	182,447	193,400	199,100	204,500
Ottawa	319,950	327,656	336,000	339,000	341,000
Stratford-Bruce Peninsula	217,614	219,790	226,380	236,660	244,750
Toronto	470,550	504,377	530,100	554,500	577,700
Windsor-Sarnia	166,639	172,177	177,300	180,500	183,400
Ontario	365,018	384,455	403,378	418,683	434,507

Source: CREA, Central 1 Credit Union forecasts. Note: MLS residential.

RESIDENTIAL BUILDING PERMITS (UNITS)

Ontario Summary



ECONOMIC REGION	2011	2012	2013	2014	2015
Hamilton-Niagara Peninsula	5,279	5,416	4,500	4,700	4,900
Kingston-Pembroke	2,066	1,928	1,975	1,800	1,750
Kitchener-Waterloo-Barrie	7,829	6,325	7,000	7,200	7,400
London	2,243	3,121	2,910	2,940	3,100
Muskoka-Kawarthas	1,608	1,737	1,780	1,750	1,800
Northeast	1,604	1,484	1,490	1,550	1,700
Northwest	596	429	520	510	490
Ottawa	7,998	8,211	6,800	7,200	7,800
Stratford-Bruce Peninsula	1,148	1,079	1,100	1,110	1,120
Toronto	33,815	38,841	37,500	37,900	39,500
Windsor-Sarnia	1,188	1,313	1,540	1,420	1,600
Ontario	65,374	69,884	67,115	68,080	71,160

Source: CREA, Central 1 Credit Union forecasts. Note: MLS residential.

PRIVATE NON-RESIDENTIAL BUILDING PERMITS (\$ MILLION)

Ontario Summary

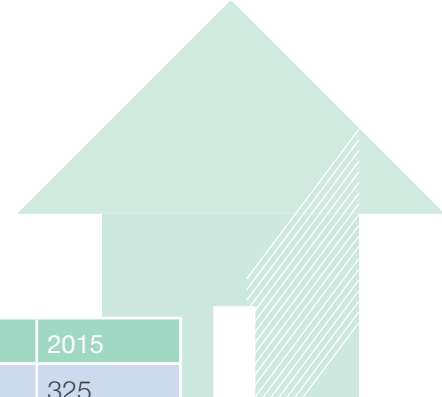
ECONOMIC REGION	2011	2012	2013	2014	2015
Hamilton-Niagara Peninsula	480	918	910	650	675
Kingston-Pembroke	159	173	180	165	150
Kitchener-Waterloo-Barrie	905	669	700	750	775
London	378	341	380	400	440
Muskoka-Kawarthas	114	118	80	90	100
Northeast	264	266	350	330	350
Northwest	110	131	120	140	140
Ottawa	797	1,031	911	900	1,000
Stratford-Bruce Peninsula	193	241	220	260	270
Toronto	3,536	4,324	4,500	4,700	4,900
Windsor-Sarnia	348	353	240	260	270
Ontario	6,487	7,535	7,680	7,745	8,070

Source: CREA, Central 1 Credit Union forecasts. Note: MLS residential.

PUBLIC NON-RESIDENTIAL BUILDING PERMITS

(\$ MILLION)

Ontario Summary



ECONOMIC REGION	2011	2012	2013	2014	2015
Hamilton-Niagara Peninsula	263	573	317	300	325
Kingston-Pembroke	176	126	75	65	85
Kitchener-Waterloo-Barrie	497	318	250	450	500
London	687	133	105	90	90
Muskoka-Kawarthas	24	52	41	30	32
Northeast	165	92	100	100	100
Northwest	31	117	100	80	90
Ottawa	234	253	226	300	325
Stratford-Bruce Peninsula	34	20	40	20	20
Toronto	2,446	1,671	1,370	1,470	1,500
Windsor-Sarnia	63	245	130	120	160
Ontario	4,621	3,600	2,754	3,025	3,227

Source: CREA, Central 1 Credit Union forecasts. Note: MLS residential.

DISCLAIMER

Regional Economic Outlook: Hamilton-Niagara Peninsula (the "Outlook") may have forward-looking statements about the future economic growth of the Province of Ontario and its regions. These statements are subject to risk and uncertainty. Actual results may differ due to a variety of factors, including regulatory or legislative developments, competition, technological change, global capital market activity and general economic conditions in Canada, North America or internationally. This list is not exhaustive of the factors that may affect any of the Analysis' forward-looking statements, and all factors should be considered carefully by readers and readers should not place undue reliance on the Analysis' forward-looking statements.

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