

Economic Trends and Issues Analysis for Northwestern Ontario

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Outline

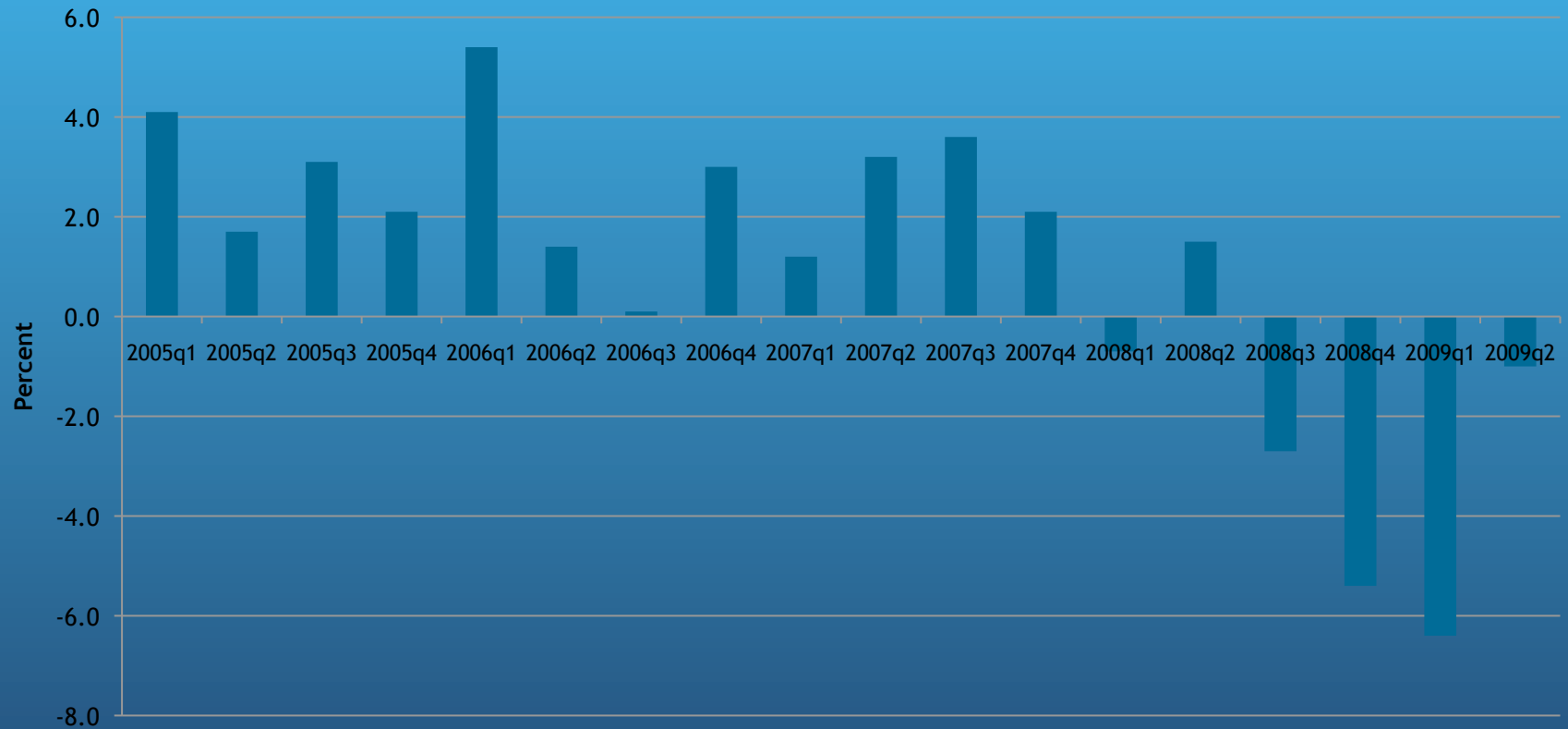
- International, National and Provincial Context
- Northwestern Ontario & Thunder Bay
 - Review
 - Future

International and National Context

- Financial crisis, Fall in commodity prices, Fall in aggregate demand
- “Great” Recession of 2009. Is it over? Bernanke says yes.
- Recent Real GDP Growth Statistics: Selected G7
 - USA -3.9% 3Q
 - BRITAIN -5.6% 2Q
 - FRANCE -2.6% 2Q
 - GERMANY -5.9% 2Q
 - CANADA -3.1% 2Q

US GDP Quarterly Performance

US Real GDP Growth

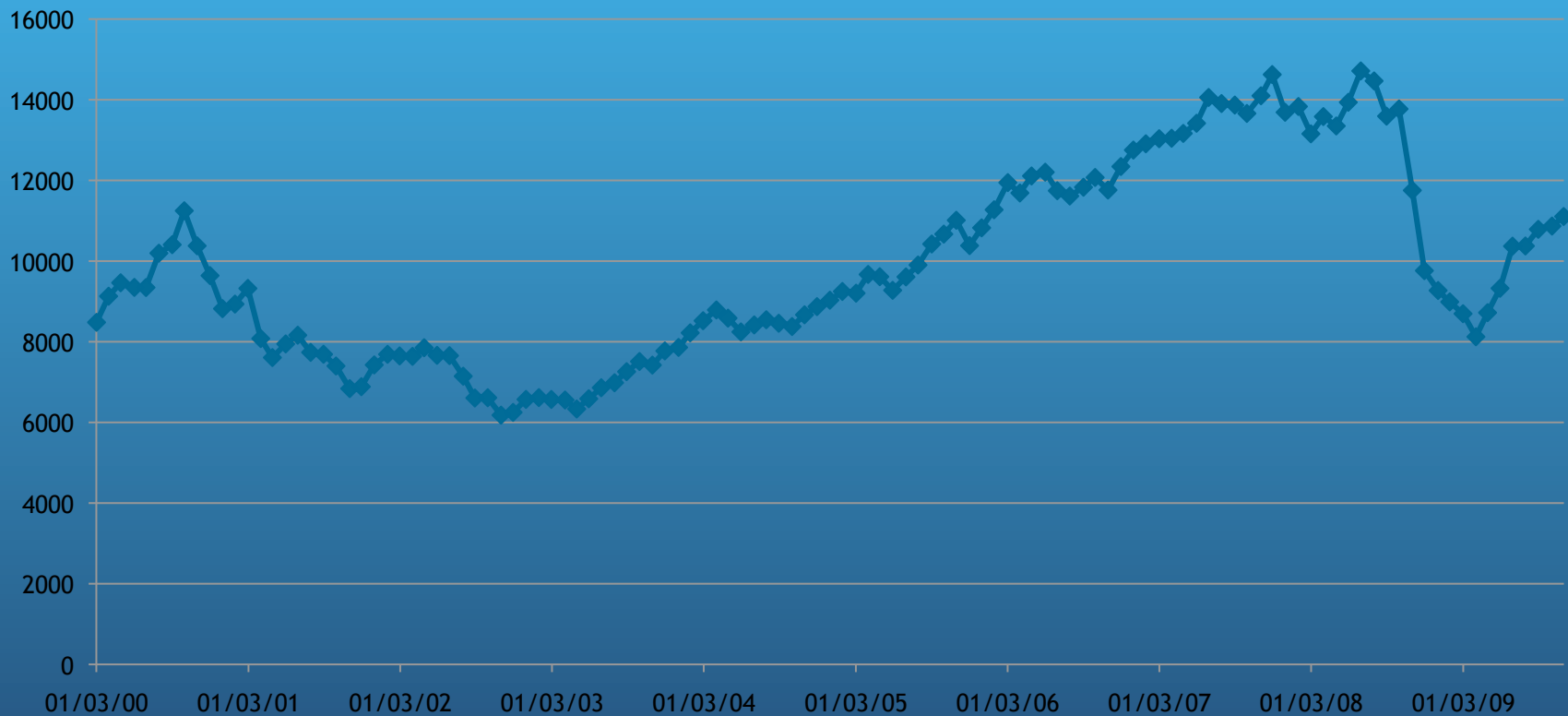


Canadian Economy: Recent Stats

- Unemployment rate 8.7% (August 2009)
- GDP Growth 0.1% (June 2009)
- Manufacturing sales 5.5% (July 2009)
- Inflation -0.8% (August 2009)
- Exports 3.3% (July 2009) but down 32% year over year
- Motor Vehicle Sales 5.3% (July 2009) but down 8.5 percent over year.

Stock Market

TSX Monthly Close



Was This a Great Depression?

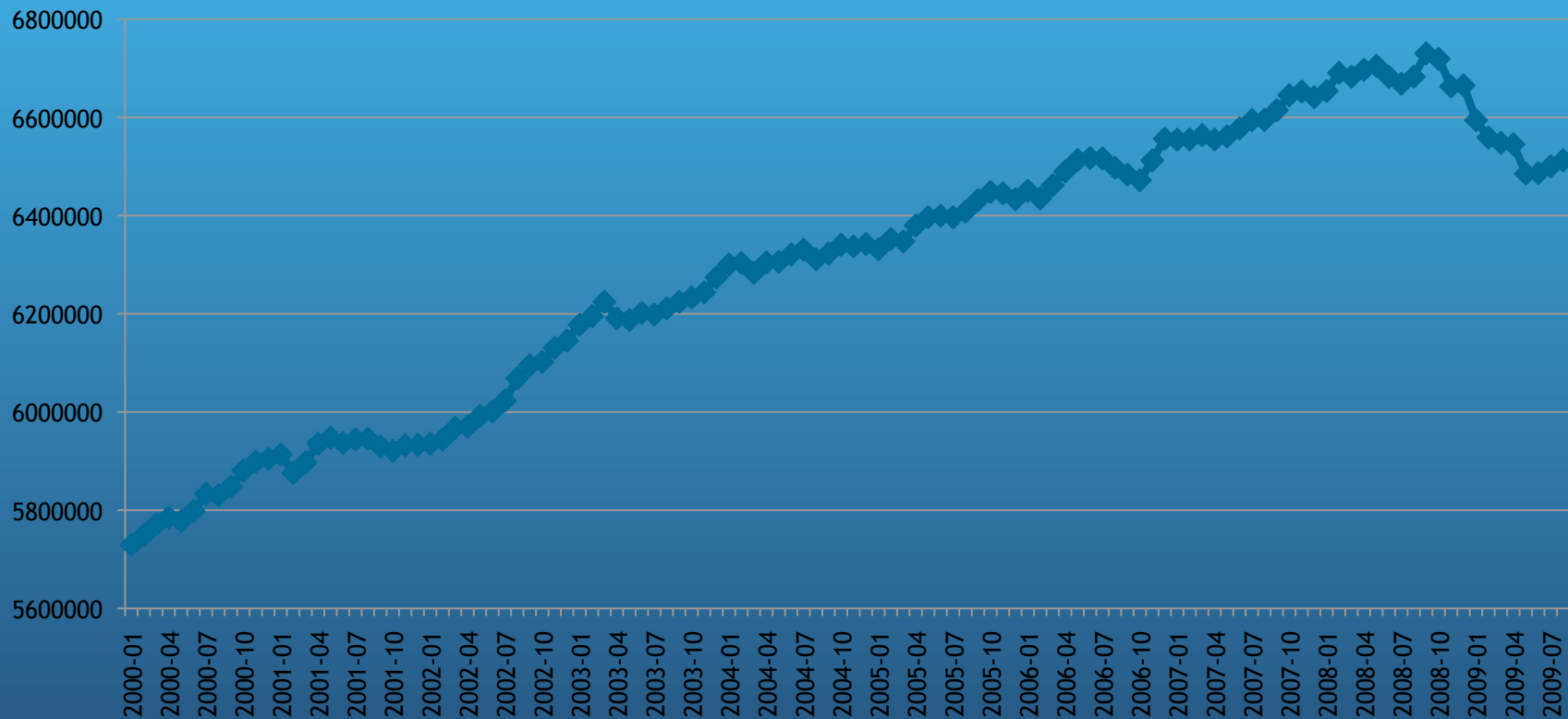
- Great Depression
 - Unemployment in Canada reached 27 percent
 - GNP value dropped 43 percent
 - Exports dropped 50 percent
- Other Comparisons
 - 1981-82 Recession - Unemployment hit 13 percent and 595,000 job losses (5 percent employment drop)
 - 1991-92 recession - Unemployment hit 12 percent and about 450,000 jobs lost.
 - 2009 recession - 414,000 jobs lost so far.

Ontario 2009-2010

- Ontario accounts for half of Canada's recession job losses - about 220,000 jobs since September 2008.
- Unemployment rate 9.4%
- Auto sector appears to be bottoming out.
- Forestry, mining.
- Real GDP Growth 1Q 2009: -2 percent
- Housing starts 2009: -42%
- Positive GDP growth projected for 2010.

Ontario Employment

Employment

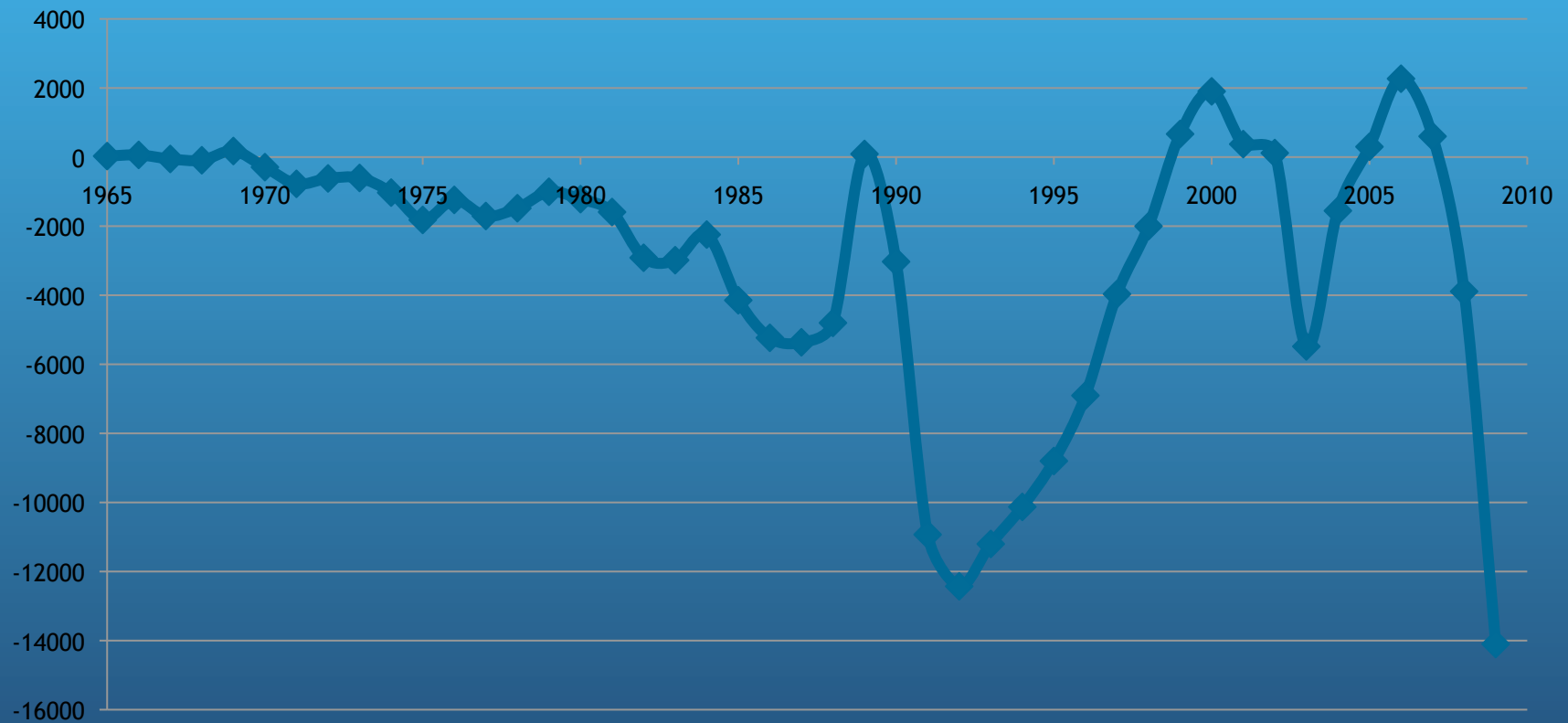


Ontario's Public Finances: 2009-10

- Revenues 96 billion dollars
- Expenditures 110.1 billion dollars (including 1.2 billion for reserve)
- Deficit 14.1 billion dollars
- Fall Economic Statement will revise this.
- Revenues up 2.7% for 2009-10 but expenditures up 13.2%

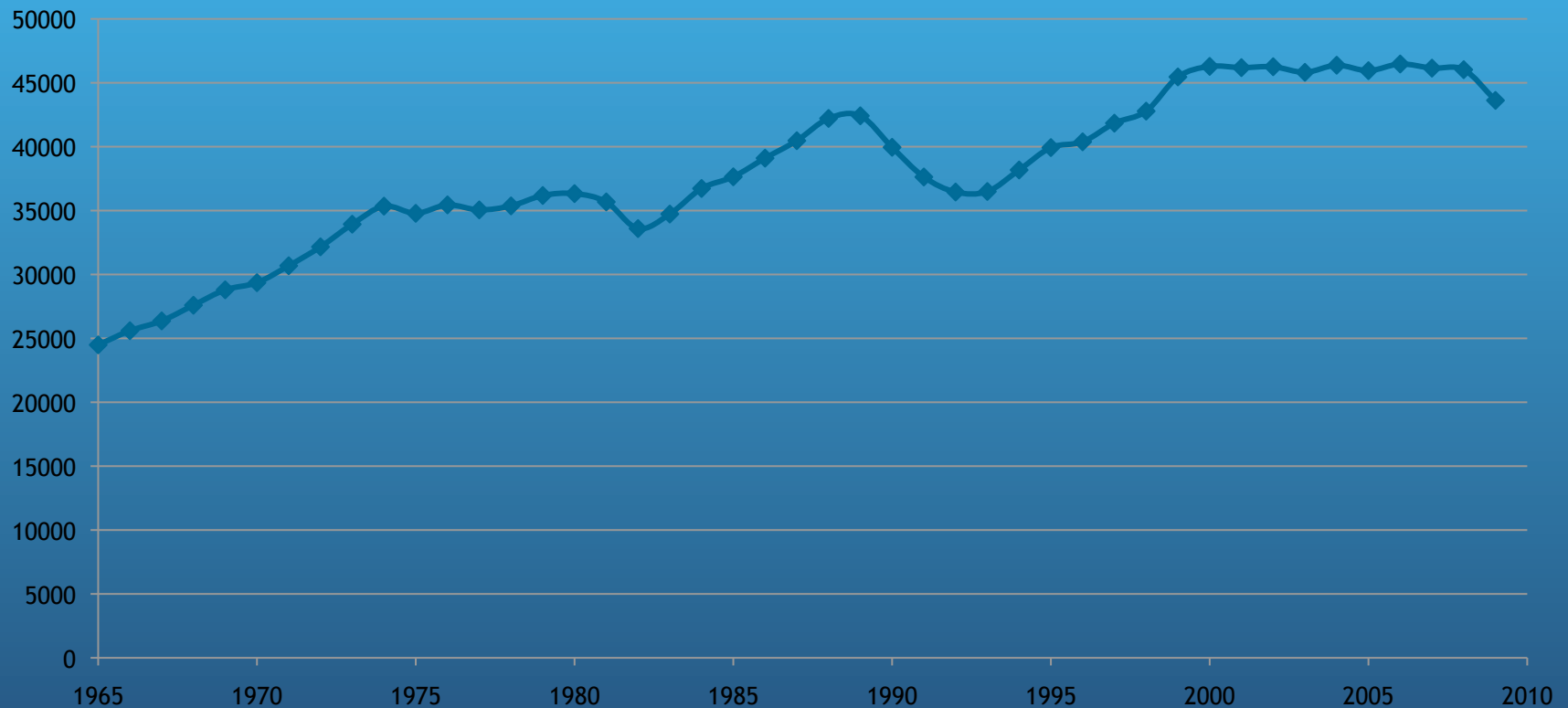
Ontario's Deficit: Historical

Ontario's Deficit



Ontario's Productivity Slide

Real Per Capita GDP (2008 dollars)

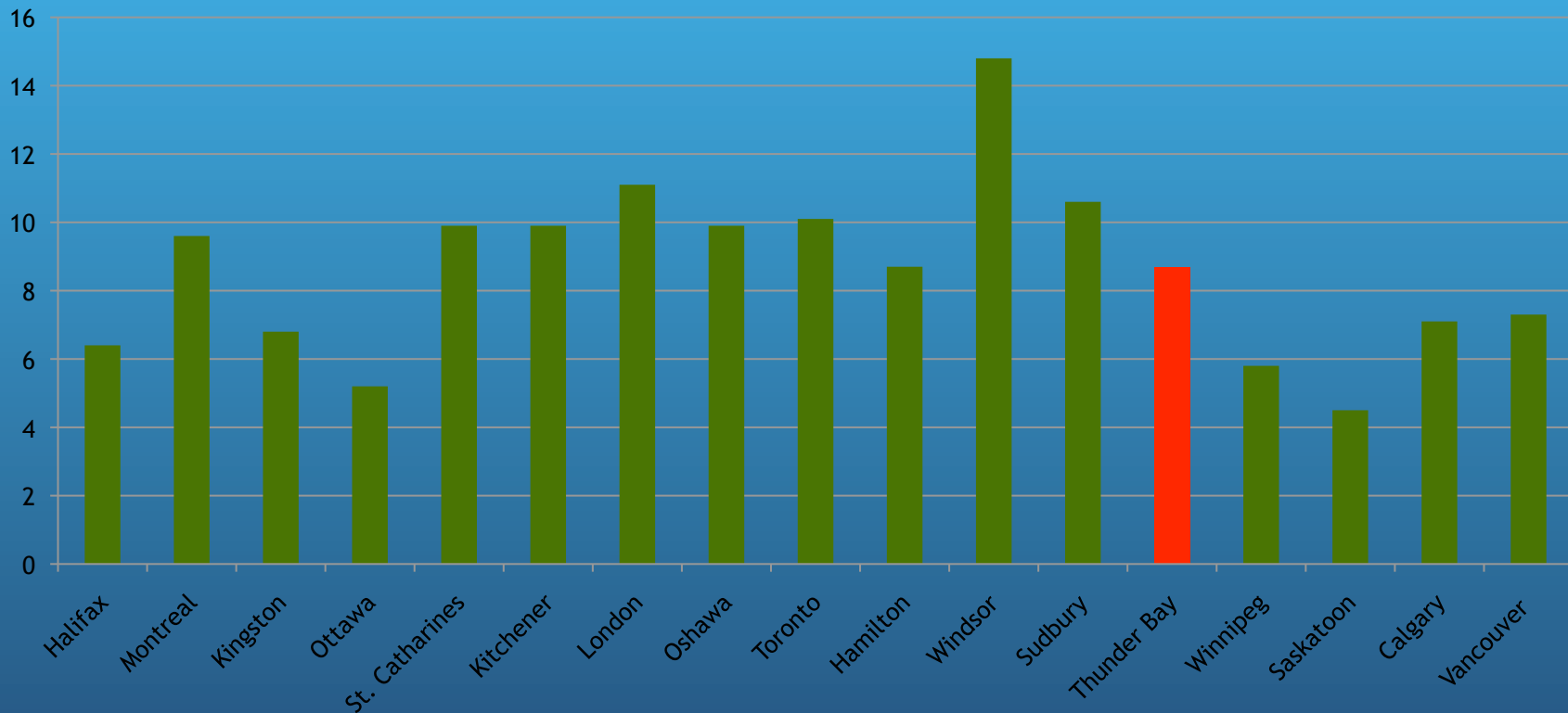


Thunder Bay & NW Ontario

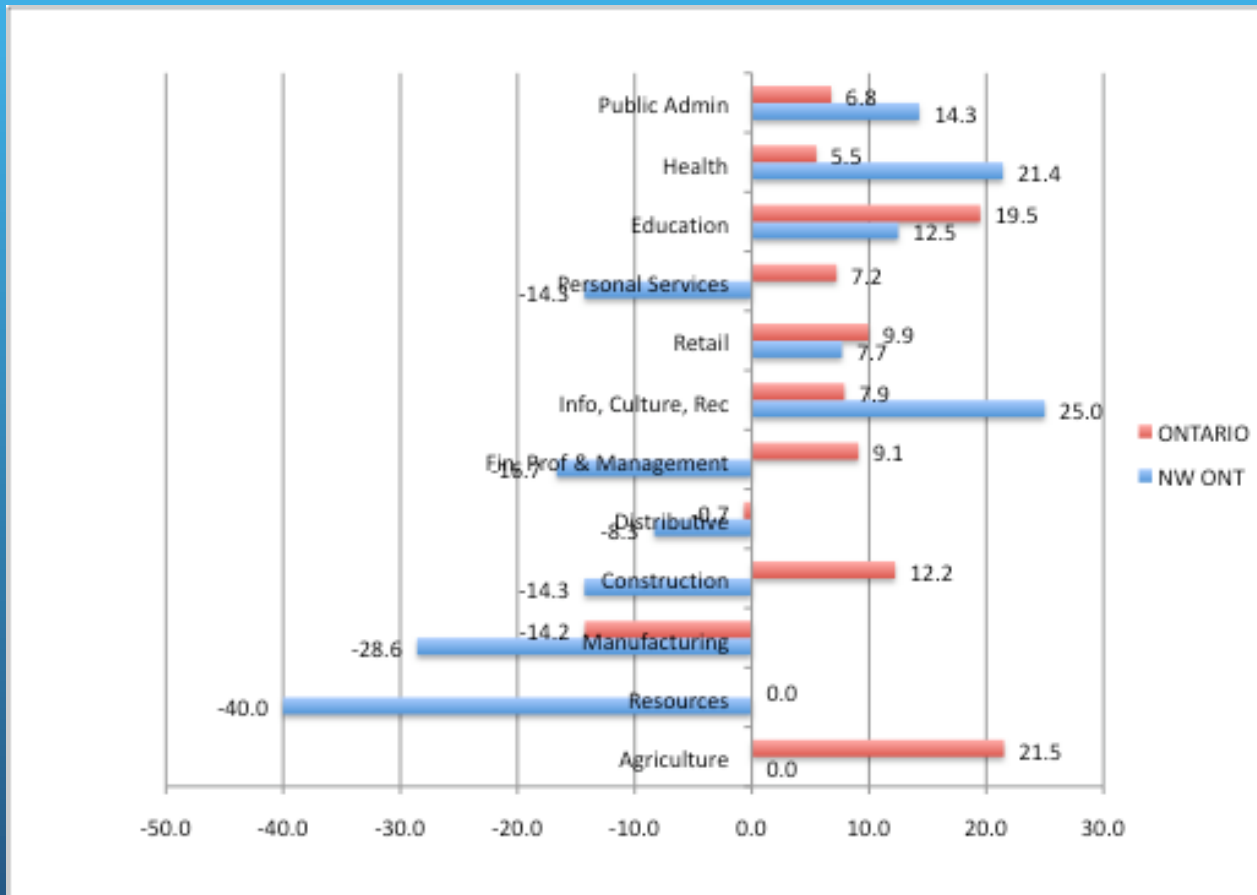
- Employment increase from 1998-2003 followed by drop from 2003 to present.
- An economy in transition hit by extraordinary shocks.
- Real GDP Growth for Thunder Bay: -3.1 in 2009; -2.5% in 2008; -0.6% in 2007; -0.1% in 2006
- Forestry crisis: 80% of mill capacity down
- Low commodity prices have hurt mining sector
- Employment losses spread to construction, distribution and professional/management sector
- Growth in retail, health, education, culture, recreation and public administration employment
- Yet, housing sales in Thunder Bay relatively robust and unemployment rate near national average.

Recent Unemployment Rates(%): 2009

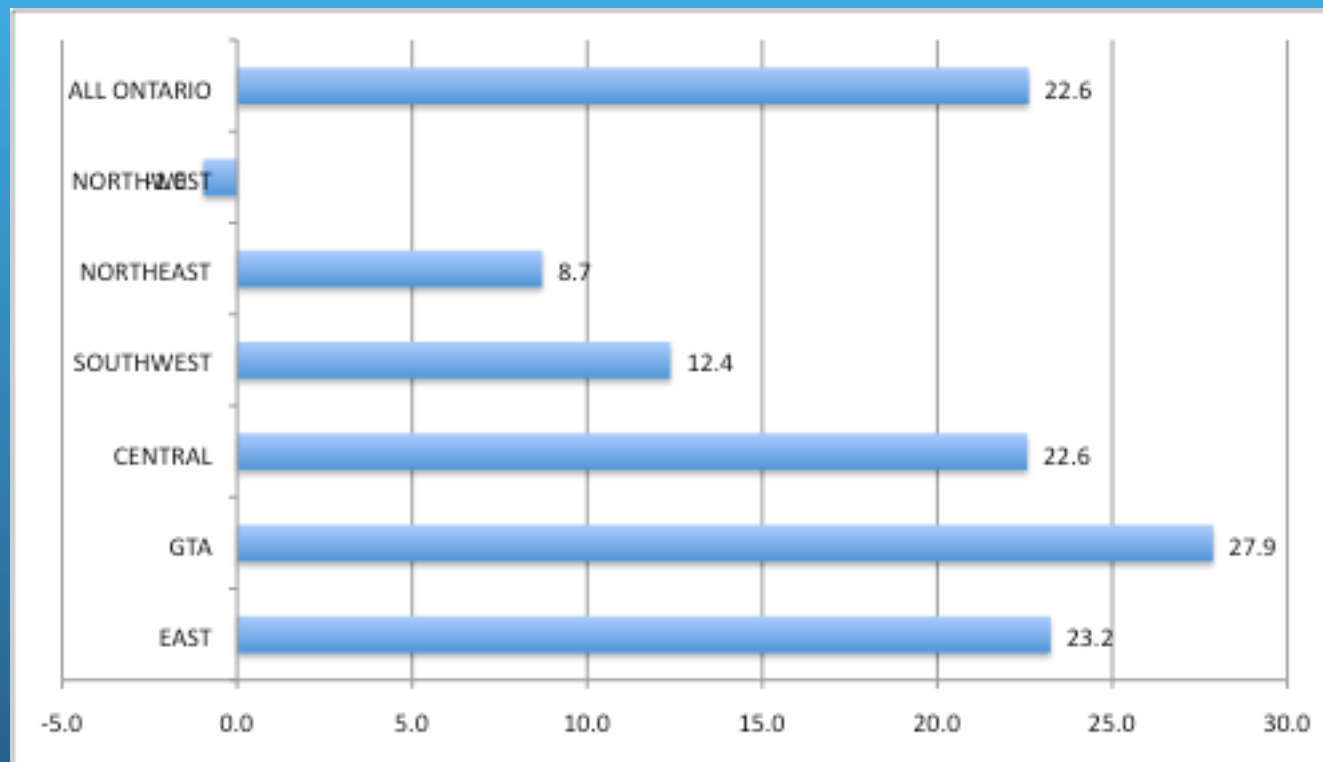
Unemployment Rates: August 2009



Employment Growth by Sector: 2004-2007

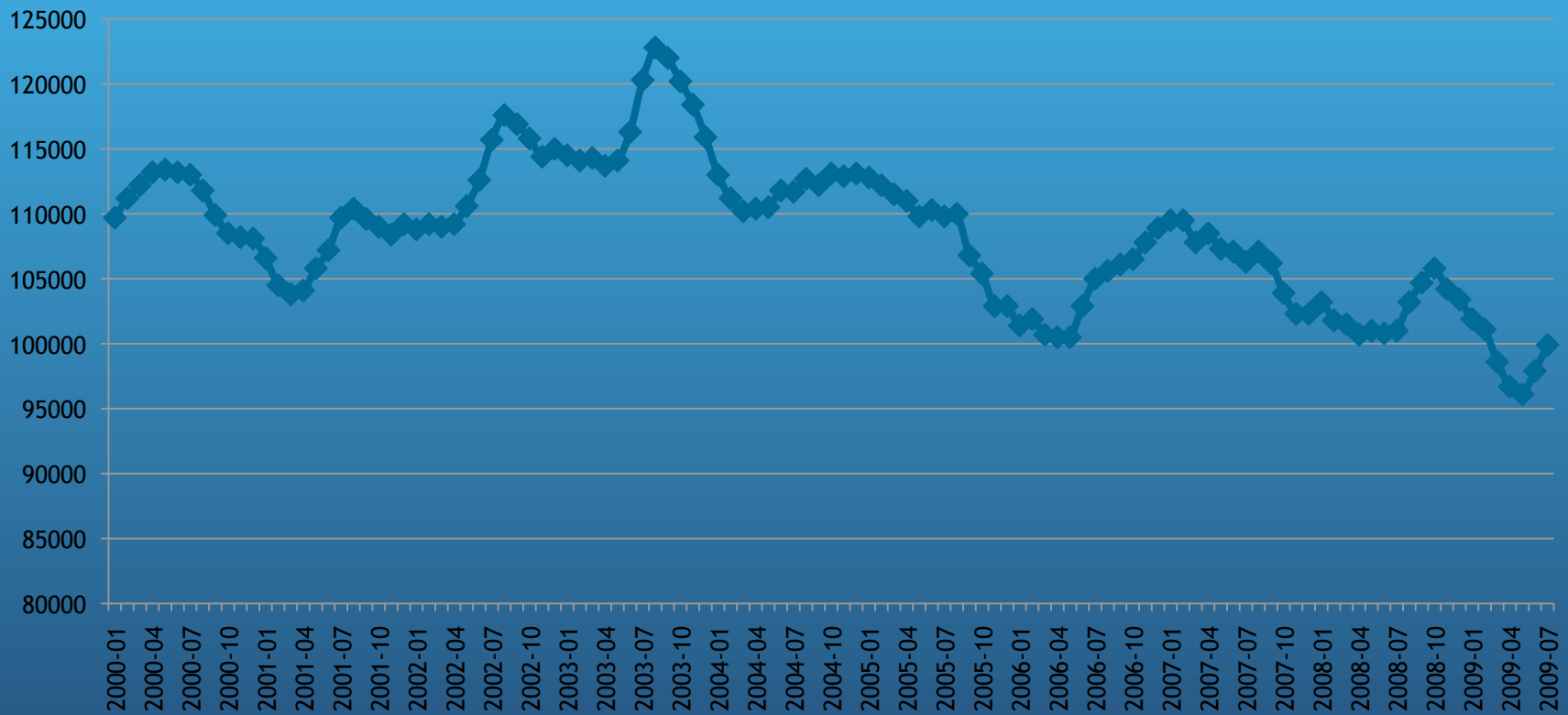


Percent Employment Growth by Ontario Region: 1998-2008



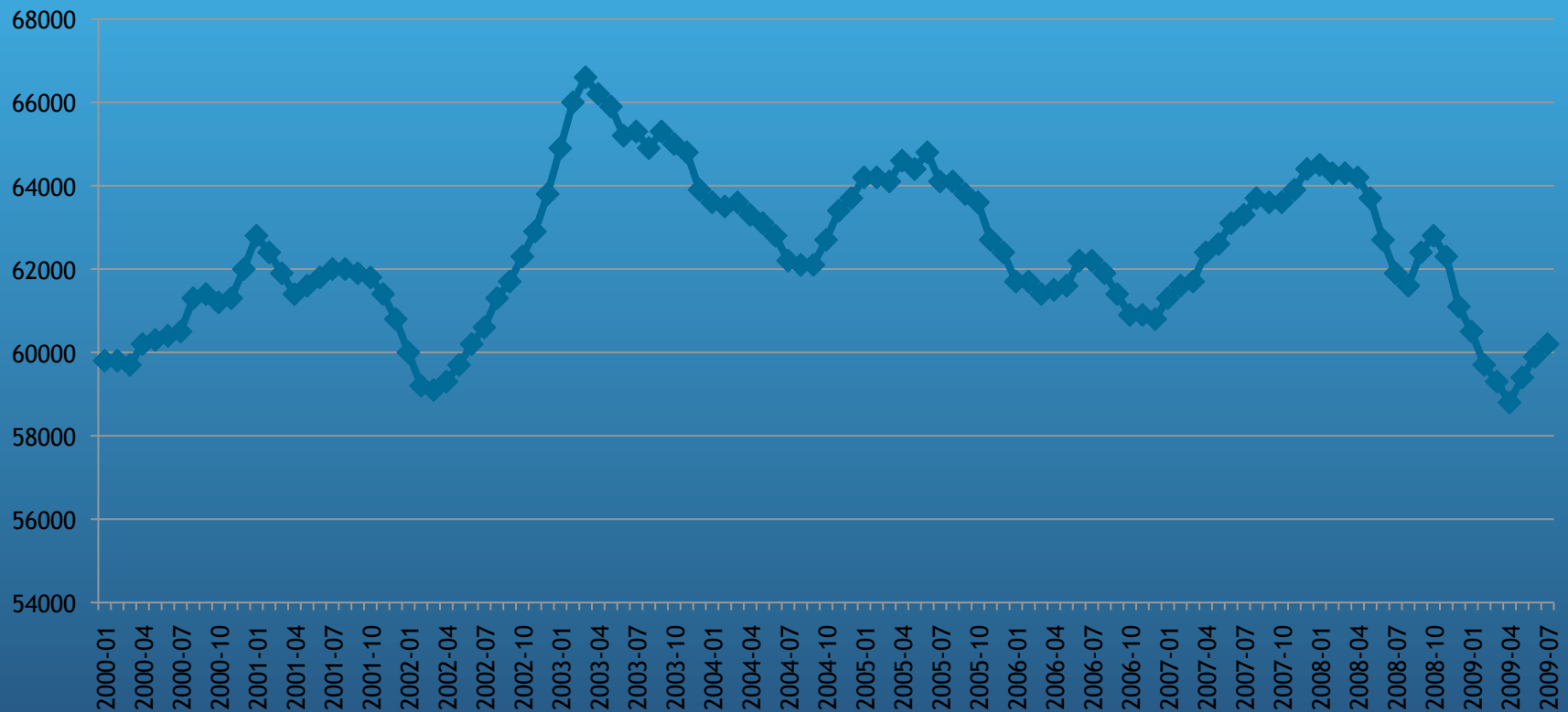
Employment in Northwestern Ontario

NW Ontario Employment: 2000-2009



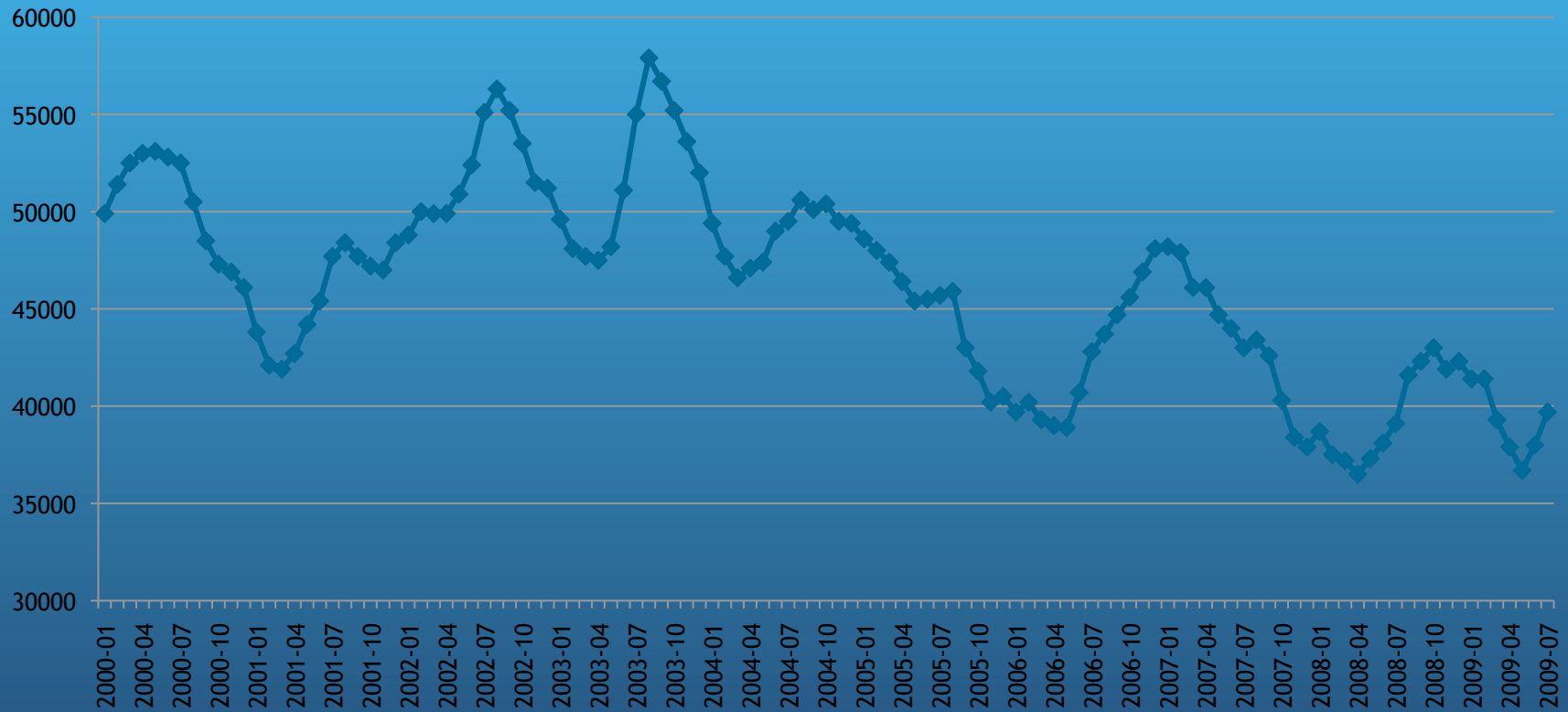
Employment in Thunder Bay

Thunder Bay Employment: 2000-2009



Employment in RONWO

RONWO Employment 2000-2009



Employment Change from Peak 2003 to Present 2009

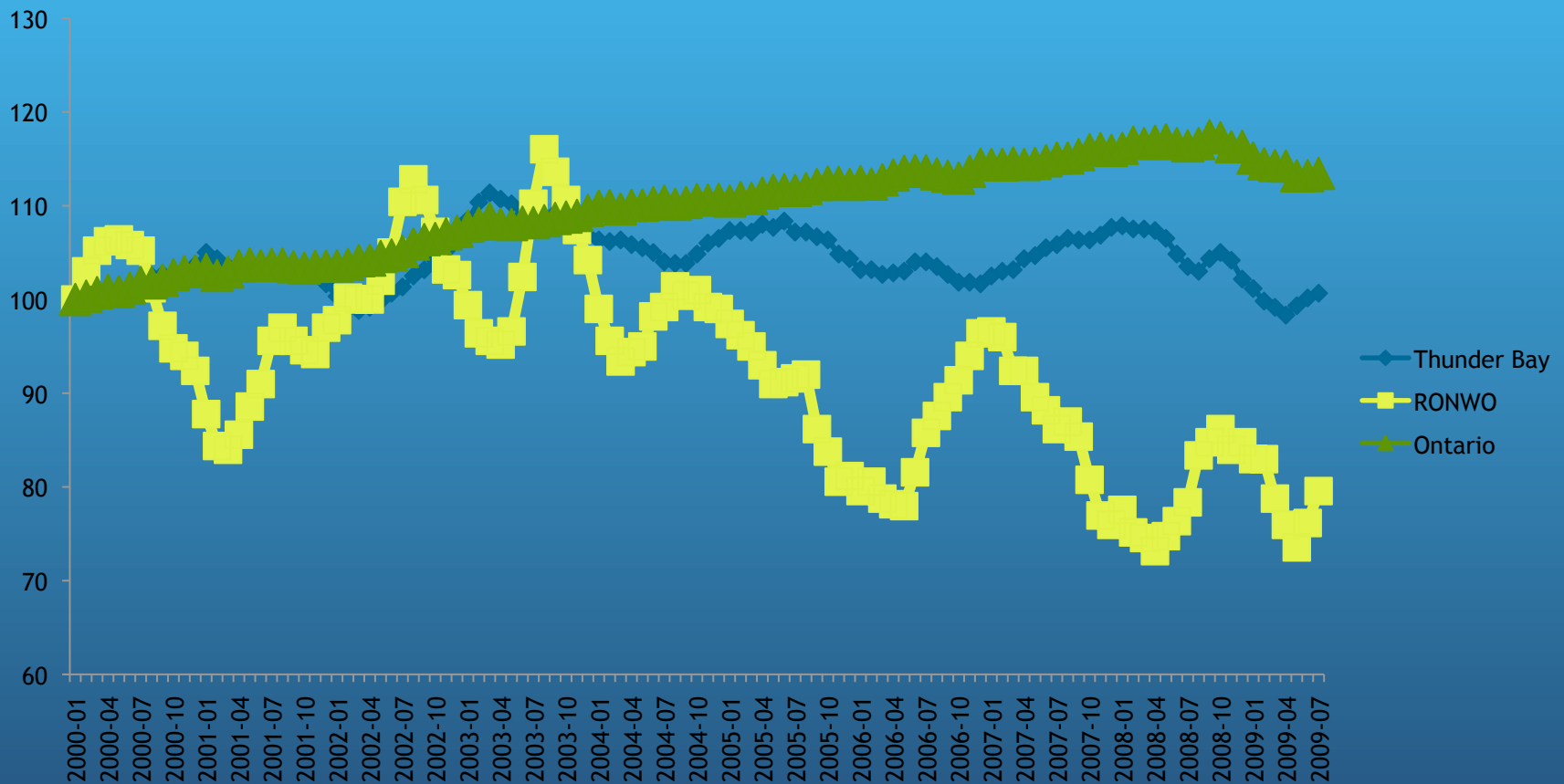
Northwestern Ontario: -18.6 percent

Thunder Bay: -9.6 percent

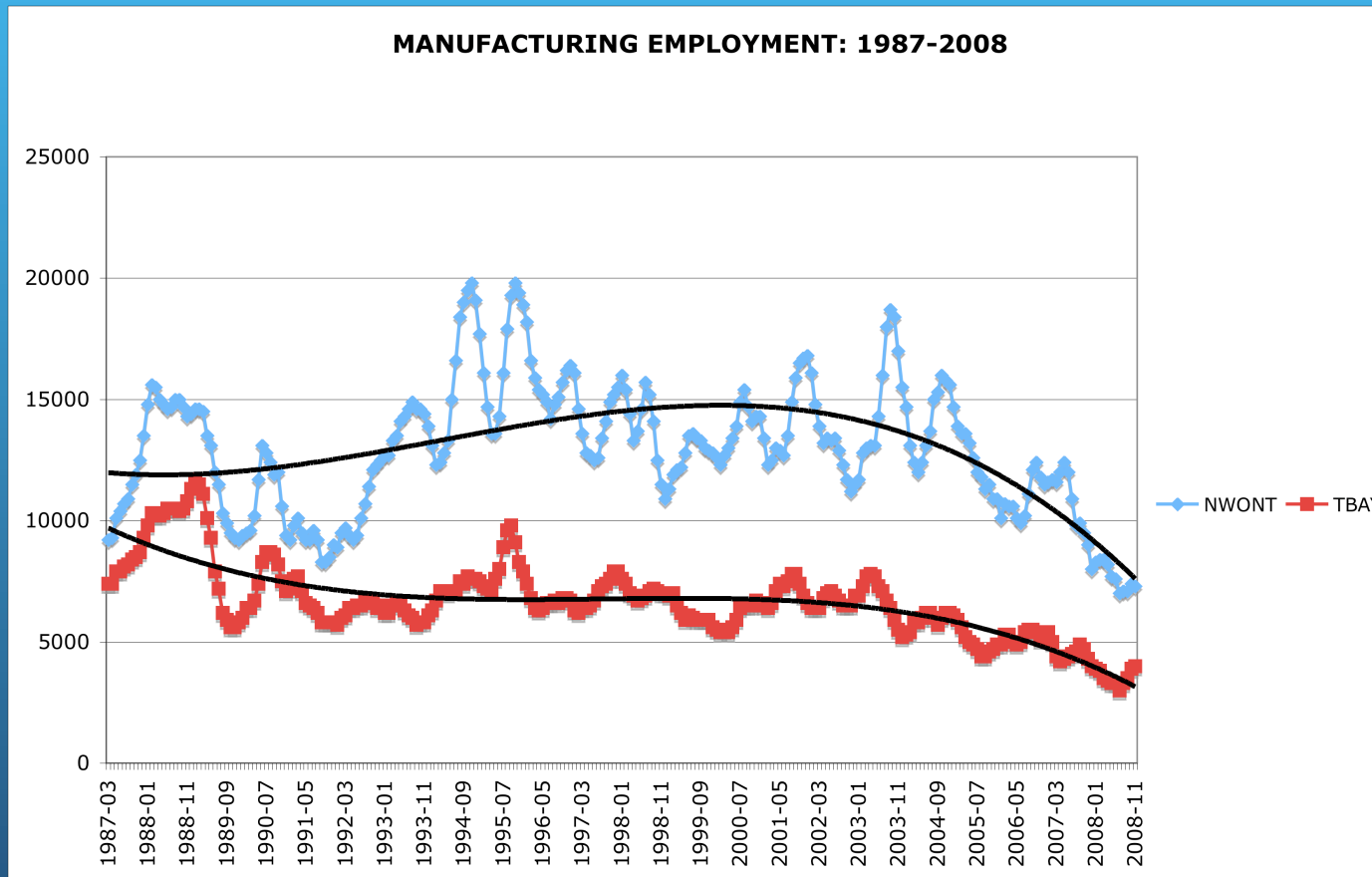
Rest of NW Ontario outside Thunder Bay: -30.5 percent

Ontario over same period: +4.3 percent

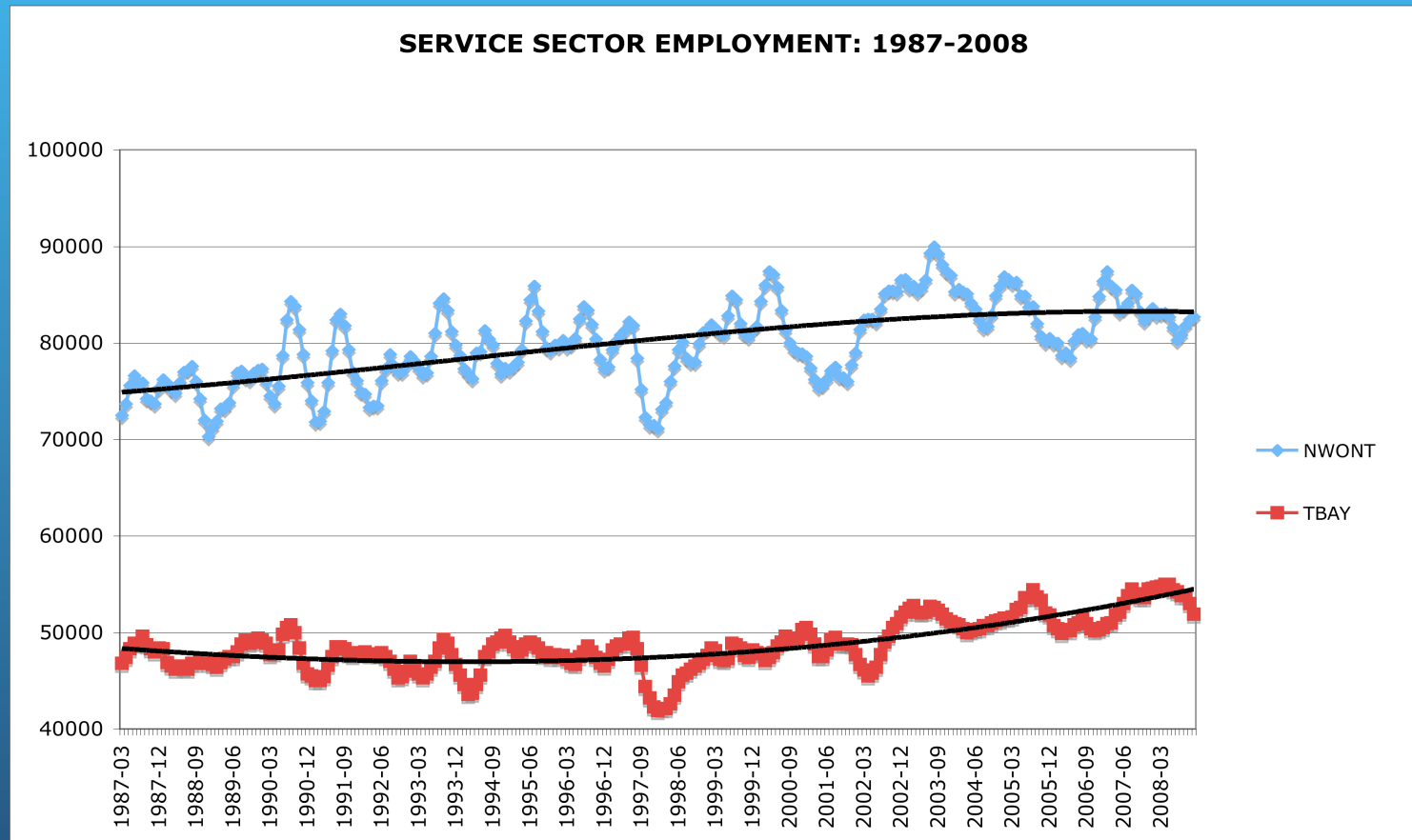
Employment Index: 2000=100



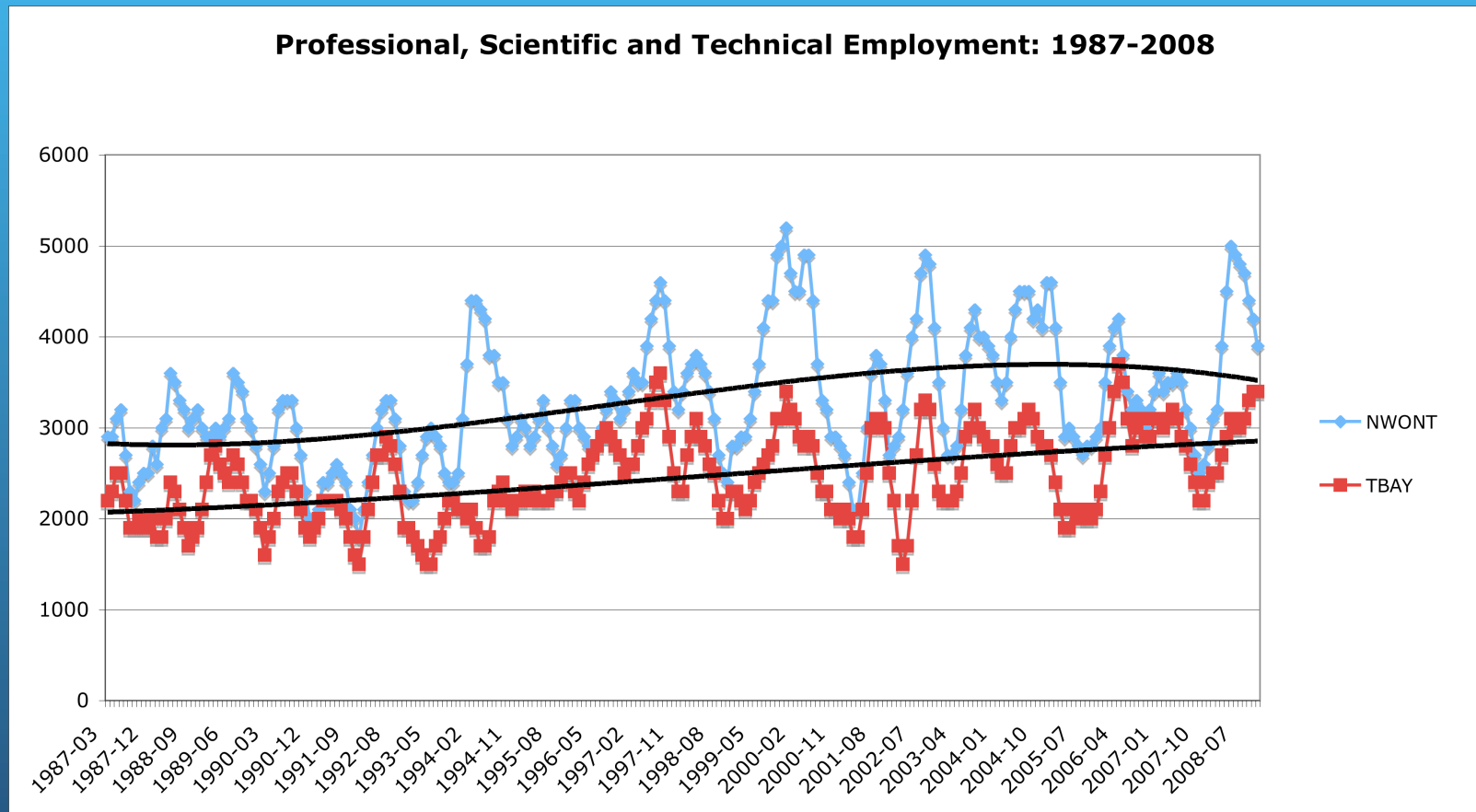
Manufacturing Decline



Growth of Services



The Growing Knowledge Sector



Outlook : Thunder Bay-I

- Projects such as new courthouse, waterfront, highway improvements can provide injections into economy.
- Thunder Bay is increasingly reliant on the public sector
- Post-secondary education sector will do well as during recessions enrollment in colleges and universities goes up.
- Bombardier-Rapid Transit

Outlook: Thunder Bay-II

- Investments in health research, bio-economy will generate some activity.
- Growth in aboriginal population also expected to generate service activity.
- Regional service activity will grow as Thunder Bay continues its role as regional magnet
- Low commodity prices and US housing sector collapse bode poorly for forest and mining sector. Value added activities may assist.

Outlook: Region Outside Thunder Bay

- Region has been economically devastated
- Sustained commodity price upturn needed
- Some potential in isolated projects
 - Dryden - value added wood projects
 - Atikokan - biomass
 - Kenora - tourism development
 - Sioux Lookout - regional center for North of 60
 - Terrace Bay - Mill restart

What Could Help?

- Make our existing industries more competitive and sustainable. Economic Incentives:
 - Special tax regions, regional energy pricing, resource revenue retention.
- Western Canada & North America Trade Links
 - Manitoba, Saskatchewan, North Dakota, Minnesota natural trade partners. We still have a transport role.
 - Investment in port, east-west-south road transport infrastructure
- Tourism
 - Developing a higher end tourism sector.
- Knowledge Economy Investments: A Value-Added Labour force
- Infrastructure Investment - Highways, power transmission
- Growth Plan. Mining Act Changes.

QUESTIONS