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SUBJECT: **ECONOMIC DEVELOPMENT UPDATE – JULY/AUGUST 2015**

OBJET : **LE POINT SUR LE DÉVELOPPEMENT ÉCONOMIQUE – JUILLET/AOÛT 2015**

PURPOSE

The purpose of the Economic Development Update is to provide members of Finance and Economic Development Committee with the most up-to-date and relevant information on Ottawa's economy and related markets.

BACKGROUND

The City's Economic Development and Innovation (EDI) Department analyzes a series of publicly available key economic, financial, and business indicators for Ottawa. Every month, the Economic Development Update examines trends in Ottawa's labour market (employment and unemployment), consumer prices, housing starts, home sales, and construction.

Data reported in the July and August 2015 Economic Development Update has been adapted from the following sources:

1. Statistics Canada's Labour Force Survey results for the Ontario-portion of the Ottawa-Gatineau Census Metropolitan Area (CMA) for May and June 2015;
2. Statistics Canada's Real Gross Domestic Product results for Canada for April and May 2015;
3. Statistics Canada Consumer Price Index results for the Ontario-portion of the Ottawa-Gatineau CMA for May and June 2015;
4. Canada Mortgage and Housing Corporation (CMHC) "Starts and Completions Survey" and "Market Absorption Survey" results for the Ontario-portion of the Ottawa-Gatineau CMA for May and June 2015;
5. Canadian Real Estate Association (CREA) results for the Ontario-portion of the Ottawa-Gatineau CMA for May and June 2015; and
6. Statistics Canada's Building Permits Survey results for the Ontario-portion of the Ottawa-Gatineau CMA for April and May 2015.

DISCUSSION

The Canadian economy contracted 0.2 per cent in May 2015 following a 0.1 per cent dip in April, marking a fifth consecutive monthly decline. Given the persistent impact of the drop in oil prices, the Bank of Canada downgraded its prediction for GDP growth this year to 1.1 per cent, down from its prediction of 1.9 per cent as of April 2015.

Looking at inflation, the national Consumer Price Index (CPI) edged up 1.0 per cent in the 12 months to June 2015, marking a sixth consecutive month where inflation sat at – or below – the lower boundary of the Bank of Canada's inflation control range (i.e., 1 per

cent to 3 per cent). As a result of persistently low inflation and negative GDP growth so far in 2015, the Bank revised its key overnight interest rate to 0.5 per cent from 0.75 per cent in its July release of the Monetary Policy Report.

The Canadian labour market shed 6,400 jobs in June 2015 after posting significant gains in May (+58,900 jobs). That said, Labour Force Survey results hint at some strength in the national job market, with full-time employment up by nearly 150,000 jobs in the first six months of 2015.

At the local level, Ottawa's labour market shed 1,200 jobs this June following a loss of 2,000 jobs in May. That said, the overall size of the local labour force also shrank over the same period (i.e., approximately 4,500 workers chose to exit the labour market), which brought the unemployment rate down to 6.1 per cent from 6.6 per cent in April – well below the national and provincial rate (6.8 per cent and 6.5 per cent, respectively).

Housing starts in Ottawa totalled 772 units in June 2015, up from 466 units the previous month. This monthly gain is the result of an increase in the condominium segment which surged ahead to 306 starts in June, up from 24 starts in May. Despite month-over-month gains, total construction starts in the first six months of the year are trending 20 per cent below the same period in 2014.

The resale market, on the other hand, continues to show signs of strength. According to the Ottawa Real Estate Board (OREB), year-to-date property sales continue to pace above the same time last year (+5.0 per cent), despite sales dipping in June from May levels (1,694 units and 1,926 units, respectively).

According to Statistics Canada's most recent figures, the City of Ottawa issued \$172.3 million in building permits in May 2015: \$119.1 million in residential permits and \$53.2 million in non-residential permits. While the value of permits is up month-over-month (+8.9 per cent), the level of construction activity so far this year continues to trend considerably below the same period in 2014 (-27.9 per cent).

CONCLUSION

Economic Development and Innovation staff will continue to monitor these and other trends related to the Ottawa economy and related markets.

Saad Bashir
Director, Economic Development and Innovation

CC: Kent Kirkpatrick, City Manager

SUPPORTING DOCUMENTATION

Document 1 – Economic Development Update for the City of Ottawa, July 2015

Document 2 – Le point sur le développement économique pour la Ville d'Ottawa, juillet 2015

Document 3 – Economic Development Update for the City of Ottawa, August 2015

Document 4 – Le point sur le développement économique pour la Ville d'Ottawa, août 2015