

# Economic Development Update For the City of Ottawa



Department of Economic Development and Innovation | Building a prosperous future

## Monthly Highlights

- **Economy.** According to Statistics Canada, national GDP contracted 0.1 per cent in April 2015, marking a fourth consecutive monthly decline. Given that economic growth in Canada was subdued in the first quarter of the year (-0.6 per cent annualized), there is growing concern among economists that Canada may be heading toward a recession (i.e., two consecutive quarters of negative economic growth).
- **Labour Market.** Ottawa's job market contracted in May 2015, shedding approximately 2,000 jobs month-over-month. Despite this drop, the local unemployment rate dipped to 6.3 per cent, as a result of fewer workers participating in the labour market (-2,500).
- **Real Estate.** Housing starts in Ottawa totalled 330 units in May 2015, down from 466 units in April. Year-do-date, the local new home market is trending well below the same time last year (-35.7 per cent). On a more positive note, resale activity continues to show strength, with 6,184 properties sold to date this year, compared to 5,847 properties sold over the same period in 2014.
- **Construction.** The City of Ottawa issued \$158.4 million in building permits in April 2015 – \$110.2 million in residential permits and \$48.2 million in non-residential permits – up from the previous month (\$145.5 million), but down from 12 months ago (\$186.8 million). Year-to-date institutional building permits in Ottawa in 2015 are trending significantly ahead of the same period last year, while all other building segments have seen a decline over the same period.

## New and Noteworthy

- Invest Ottawa unveiled its [new strategic plan](#) on June 23, 2015 with a vision of becoming the most innovative city in Canada.
- Ottawa City Council approved its 2015-2018 Term of Council Priorities, as well as the Stage 2 Light Rail Transit (LRT) Environmental Assessment and Functional Design Report, at its [meeting on July 8, 2015](#).

## The Economy

The lower cost of oil continues to depress price inflation in Canada, with the national Consumer Price Index inching ahead a modest 0.9 per cent in the 12 months to May 2015. The trend in Ottawa is in line with the rest of the country, with the rate of inflation sitting at 0.8 per cent over the same period, down from 2.4 per cent last year.

The low rate of inflation is not the only concern when it comes to Canada's economy. According to the most recent Statistics Canada data available, national GDP contracted 0.1 per cent in April 2015, marking a fourth consecutive monthly decline. This drop can be mainly attributed to oil and gas extraction, which fell 3.4 per cent since March.

Given that economic growth in Canada was subdued in the first quarter of the year (-0.6 per cent annualized), there is growing concern among economists – particularly in light of April's results – that Canada may be heading toward a recession (commonly defined as two consecutive quarters of negative economic growth), unless May and June come through with strong gains.

*“The oil shock continues to reverberate through the Canadian economy, in all its various forms. GDP came stumbling out of the gate in 2015 with four consecutive monthly declines, suggesting it will need some solid gains in the next few months just to keep it out of the red for the entire first half of the year.” - BMO Financial Group*

Source: Statistics Canada Consumer Price Index results for the Ontario portion of the Ottawa-Gatineau CMA for May 2015, and Gross Domestic Product results for Canada for April 2015. Other sources cited in this section include BMO Financial Group's econoFacts publication released on June 30, 2015

## Labour Market

After struggling in April, Canada's labour market firmed up in May 2015 with the creation of 58,900 jobs, more than half of which were full-time (+30,900 jobs). Year-over-year, Canada added 192,300 jobs, entirely as a result of gains in the full-time segment (+233,000 jobs).

The Province of Ontario saw the largest increase in employment levels in May with the addition of 43,900 jobs, the bulk of which were full-time (+31,100 jobs). In terms of unemployment, Ontario's jobless rate dipped to 6.5 per cent (down from 6.8 per cent in April), the lowest point since before the 2008-09 economic downturn, and below the national rate (6.8 per cent) for the first time in nearly nine years.

In contrast to the national and provincial level, Ottawa's job market contracted in May, shedding approximately 2,000 jobs month-over-month. Despite the job loss, Ottawa's unemployment rate dipped to 6.3 per cent, down from 6.6 per cent in April, as the number of workers actively looking for work (i.e., participating in the workforce) also declined (-2,500).

Of particular interest, the City of Ottawa's recent Annual Development Report for 2014 notes that public administration employment edged up last year (+400 jobs), following the loss of 16,600 jobs in 2013. This coincides with the Conference Board of Canada's prediction that most of the job losses in the federal public service have already taken place.

*“Most of the cuts seem to have taken place, so little more downsizing is expected.” - Conference Board of Canada*

Source: Statistics Canada's Labour Force Survey results for the Ontario portion of the Ottawa-Gatineau CMA for May 2015 (custom data extraction, three-month moving average, seasonally adjusted). Other sources cited in this section include the City of Ottawa Annual Development Report for 2014, and the Conference Board of Canada's Metropolitan Outlook (Spring 2015).

## Real Estate

Housing starts in Ottawa totalled 330 units in May 2015, down from 466 units in April. This trend is even more pronounced on a year-over-year basis, with starts dropping from 906 units in May 2014. Year-to-date, housing starts in Ottawa totalled 1,243 units, down from 1,933 units at the same time last year, which represents a nearly 36-per-cent slowdown.

While the April decline can be observed across all dwelling types, condominium construction – with a mere 24 starts in May – has seen the most pronounced drop (down from 190 units last month and 411 units last year), on the back of softer employment conditions and higher than normal existing inventory.

*“Starts activity trended lower in May driven by a significant drop in apartments as builders are scaling back on condominium apartment starts. Tepid demand conditions for new condominium apartments due to weak employment in the CMA coupled with a high level of existing supply are causing this scale-back.” - CMHC*

On the resale side, Ottawa real estate agents sold 1,926 properties in May 2015, up from 1,570 units in April and 1,789 units last year. According to the Ottawa Real Estate Board, “the Ottawa housing market continued its strong performance in May, making it the best May for unit sales on record since 2009.” With 6,184 units sold to date in 2015, local resale activity is tracking 5.8 per cent above the same time last year (5,847 units sold).

*Source: New housing data from CMHC, “Starts and Completions Survey” and “Market Absorption Survey” results for the Ontario portion of the Ottawa-Gatineau CMA for May 2015. Other sources cited in this section include the OREB news release on May 2015 sales figures (June 3, 2015).*

## Construction

According to Statistics Canada, the City of Ottawa issued nearly \$158.4 million in building permits in April 2015 – \$110.2 million in residential permits and \$48.2 million in non-residential permits – up from the previous month (\$145.5 million), but down from 12 months ago (\$186.8 million).

Looking across the city, central Ottawa saw the most significant proportion of construction activity in April (approximately 30 per cent), in large measure due to a permit issued for construction of a 28-storey apartment building at 101 Champagne Avenue, a project estimated at \$33.8 million.

Year-to-date, building permits continue to trend below the same time last year (-13.0 per cent). By segment, industrial construction saw the sharpest adjustment in the first four months of 2015 (-52.6 per cent compared to the same period in 2014), followed by residential and commercial construction (-37.0 per cent and -20.3 per cent, respectively).

On the flip side, institutional and governmental construction to date in 2015 is significantly outpacing 2014 (+73.0 per cent), mainly as a result of a \$20-million renovation of the Bank of Canada building in the downtown core. This trend is reflected across Canada, albeit at a lesser pace, with institutional intentions up 10.3 per cent year-to-date in 2015.

*“In the institutional component, the value of permits rose [...] in April, following an 83.7% gain the previous month. The national advance was attributable to higher construction intentions for medical facilities and government buildings.” - Statistics Canada*

*Source: Statistics Canada, Building Permits Survey results for the Ontario portion of the Ottawa-Gatineau CMA for April 2015 (seasonally adjusted). Please note that these figures may differ from City of Ottawa data on this topic. The data from Statistics Canada allows for comparison to provincial and national figures.*

## Tables: Monthly Key Economic Indicators for Ottawa

### Labour Force

Indicator	May 2014	Apr. 2015	May 2015	Change from last period	Year-over-year change	12-month trend
Labour force ('000)	572.0	573.8	569.3	-4.5	-2.7	Down
Employed ('000)	533.0	535.7	533.7	-2.0	0.7	Up
Unemployed ('000)	39.0	38.1	35.6	-2.5	-3.4	Down
Unemployment rate (%)	6.8	6.6	6.3	-0.3	-0.5	Down
Participation rate (%)	70.4	69.8	69.2	-0.6	-1.2	Down

### Economy

Indicator	May 2014	Apr. 2015	May 2015	Change from last period	Year-over-year change	12-month trend
Inflation Rate (%)	2.4	0.6	0.8	0.2	-1.6	Down
Avg. Weekly Earnings (\$)	1,069	1,036	1,041	5	-28	Down

### Real Estate

Indicator	May 2014	Apr. 2015	May 2015	Change from last period	Year-over-year change	12-month trend
Monthly starts (total # units)	906	466	330	-136	-576	Down
Average price - new homes (\$)	475,495	546,171	488,625	-57,546	13,130	Up
Average price - resale market (\$)	368,235	366,413	368,499	2,086	264	Up

### Construction

Indicator	Apr. 2014	Mar. 2015	Apr. 2015	Change from last period	Year-over-year change	12-month trend
Residential permits (\$'000)	134,999	115,617	110,172	-5,445	-24,827	Down
Non-Residential permits (\$000)	51,770	29,849	48,192	18,343	-3,578	Down
Industrial (\$000)	2,199	303	1,876	1,573	-323	Down
Commercial (\$000)	44,467	21,224	38,633	17,409	-5,834	Down
Institutional/Gov't (\$000)	5,104	8,322	7,683	-639	2,579	Up

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