

Economic Development Update For the City of Ottawa



Department of Economic Development and Innovation | Building a prosperous future

Monthly Highlights

- **Economy.** The Canadian economy contracted for a fifth consecutive month in May 2015, with real gross domestic product (GDP) falling 0.2 per cent from the previous month. 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 – but expects the non-resource sector to gain momentum in the third quarter of 2015.
- **Inflation.** The national Consumer Price Index (CPI) edged up 1.0 per cent in the 12 months to June 2015. Persistently low inflation in the first half of the year prompted the Bank of Canada to revise its overnight interest rate down to 0.5 per cent from 0.75 per cent.
- **Labour Market.** At the local level, Ottawa’s labour market shed 1,200 jobs this June – a second consecutive monthly decline. Over the last 12 months, the construction industry showed signs of strength with the addition of 15,400 jobs, while the public administration sector lost 12,500 jobs. The overall size of Ottawa’s labour market shrank in June, driving the unemployment rate down to 6.1 per cent, well below the national and provincial rate (6.8 per cent and 6.5 per cent, respectively).
- **Real estate.** Despite adding 772 starts in June, Ottawa’s new home market year-to-date is trending well below the same period last year (-20.0 per cent). The resale market, on the other hand, continues to pace ahead of 2014 on a year-to-date basis (+5.0 per cent). On the commercial front, the office vacancy rate edged up further in the second quarter of 2015 to 12.4 per cent as the effects of federal government downsizing continue to make their way through the local market.
- **Construction.** The second phase of the Ottawa Light Rail Transit project is expected to generate 24,000 person-years of employment and provide a \$3.8 billion boost to the local economy.

New and Noteworthy

- The City of Ottawa’s Economic Development and Innovation department launched the [Innovation Pilot Program](#) on July 9, 2015. This new program is designed for local, national and international start-ups, and aims to pilot new technologies, products or services within City of Ottawa departments.

The Economy

The Canadian economy contracted for a fifth consecutive month in May 2015, with real gross domestic product (GDP) falling 0.2 per cent from the previous month. Unsurprisingly, the drop in the price of oil continues to ripple through the economy, with oil and gas extraction output falling 1.0 per cent, following a contraction of 3.4 per cent in April.

In its most recent Monetary Policy Update, 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. While the Bank notes that the oil price shock is mostly responsible for dampened economic growth in the first half of the year, it expects non-resource based sectors to pick-up in the third quarter of 2015, and to sustain growth in 2016, on the back of increased demand from the United States.

“The Bank anticipates that the non-resource track for growth will begin to dominate in the third quarter...Importantly, exports are projected to return to solid growth, supported by continued improvements in U.S. demand...” - Bank of Canada

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.

Source: Statistics Canada Consumer Price Index results for the Ontario portion of the Ottawa-Gatineau CMA for June 2015, and Gross Domestic Product results for Canada for May 2015. Other sources cited in this section include the Bank of Canada’s “Monetary Policy Report” for July 2015.

Labour Market

The Canadian labour market shed 6,400 jobs in June 2015 after posting significant gains in May (+58,900 jobs). Despite the headline, this month’s Labour Force Survey results hint at some strength in the 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 – a second consecutive monthly decline. That said, the overall size of the local labour force also shrank this month (i.e., approximately 2,000 workers chose to exit the labour market), which brought the unemployment rate down to 6.1 per cent from 6.3 per cent in May – well below the national and provincial rate (6.8 per cent and 6.5 per cent, respectively).

Looking at employment in Ottawa over the last 12 months, the construction sector saw the most important increase with the addition of 15,400 jobs year-over-year, which is line with the Conference Board of Canada’s prediction that the sector would help fuel economic growth at the local level this year and beyond. On the other, public administration shed 12,500 jobs over the same period. Given that the Parliamentary Budget Office is forecasting that the Government of Canada will face a budgetary deficit in fiscal year 2015-16, there will be continued interest in monitoring this segment of the economy in the following months.

“[The] PBO estimates that an updated Budget 2015 outlook would show deficits of \$1.5 billion in 2015-16 and \$0.1 billion in 2016-17...” - Parliamentary Budget Office

Source: Statistics Canada’s Labour Force Survey results for the Ontario portion of the Ottawa-Gatineau CMA for June 2015 (custom data extraction, three-month moving average, seasonally adjusted). The data for individual economic sectors are not adjusted for seasonality. Other sources cited in this section include the Parliamentary Budget Office’s update of the Budget 2015 fiscal outlook released on July 22, 2015.

Real Estate

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).

On the commercial front, the office vacancy rate in Ottawa edged up further in the second quarter of 2015 to 12.4 per cent from 11.2 per cent in the first quarter and 10.6 per cent at the same time last year. According to Colliers International, pressure on the vacancy rate is still being attributed to the federal government's downsizing measures. That said, demand from the private sector, particularly from high-tech firms, is growing and is expected to offset public sector softening over the next two years.

“Apart from the public sector, the number of private sector tenants appears to be growing throughout Ottawa, especially in the high-tech sector. Many private sector companies are planning for positive growth over the next 12-24 months, which is likely to have a positive impact on the overall market.” - Colliers International

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 June 2015. Other sources cited in this section include the OREB news release on June 2015 sales figures (July 6, 2015) and Colliers International's Ottawa Office Market Overview for Q2 2015.

Construction

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).

By area, the largest proportion of permits in May was concentrated within the Greenbelt (37.3 per cent), followed by Ottawa West and Ottawa South (29.0 per cent and 28.1 per cent, respectively). Construction in Ottawa East remained subdued at 5.6 per cent of total permits.

As mentioned in previous months, the construction sector in Ottawa is in full swing and is expected to fuel economic growth in the coming years. This trend will likely continue in the longer term, with the second phase of the Ottawa Light Rail Transit (OLRT) project, which will roll-out between 2018 and 2023, predicted to boost local economic growth by \$3.8 billion.

“From an economic standpoint, the [Stage 2] project is expected to generate 24,000 person-years of employment, increase tax revenue to approximately \$170 million, and provide an economic output of \$3.8 billion to the local economy.” - City of Ottawa

Source: Statistics Canada, Building Permits Survey results for the Ontario portion of the Ottawa-Gatineau CMA for May 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. Other sources cited in this section include the City of Ottawa's news release on Stage 2 LRT (July 9, 2015).

Tables: Monthly Key Economic Indicators for Ottawa

Labour Force

Indicator	Jun. 2014	May 2015	Jun. 2015	Change from last period	Year-over-year change	12-month trend
Labour force ('000)	570.4	569.3	567.3	-2.0	-3.1	Down
Employed ('000)	531.0	533.7	532.5	-1.2	1.5	Up
Unemployed ('000)	39.3	35.6	34.8	-0.8	-4.5	Down
Unemployment rate (%)	6.9	6.3	6.1	-0.2	-0.8	Down
Participation rate (%)	70.1	69.2	68.9	-1.3	-1.2	Down

Economy

Indicator	Jun. 2014	May 2015	Jun. 2015	Change from last period	Year-over-year change	12-month trend
Inflation Rate (%)	2.7	0.8	0.9	0.1	-1.8	Down
Avg. Weekly Earnings (\$)	1,071	1,041	1,040	-1	-31	Down

Real Estate

Indicator	Jun. 2014	May 2015	Jun. 2015	Change from last period	Year-over-year change	12-month trend
Monthly starts (total # units)	585	466	772	306	187	Up
Average price - new homes (\$)	507,570	494,396	504,611	10,215	-2,959	Down
Average price - resale market (\$)	363,559	386,069	382,766	-3,303	19,207	Up

Construction

Indicator	May 2014	Apr. 2015	May 2015	Change from last period	Year-over-year change	12-month trend
Residential permits (\$'000)	112,253	109,733	119,050	9,317	6,797	Up
Non-Residential permits (\$000)	41,162	48,424	53,208	4,784	12,046	Up
Industrial (\$000)	1,181	1,883	466	-1,417	-715	Down
Commercial (\$000)	32,316	38,858	44,560	5,702	12,244	Up
Institutional/Gov't (\$000)	7,665	7,683	8,182	499	517	Up

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