Central 1™

Economic Analysis of Ontario

Volume 9 • Issue 1 • March 2018 | ISSN: 0834-3980

Ontario Regional Economic Outlook 2018 - 2019

Highlights

- Growth during 2017 was broadly based across Ontario's regions, though concentrated in the Great Golden Horseshoe
- Home sales and prices grew in almost all regions in 2017
- Favourable growth prospects are expected for most regions but more challenging conditions are likely in auto-related and commodity-based economies
- Economies in the Greater Golden Horseshoe will lead and outperform

Table of Contents

Summary

Economic growth continued to spread across Ontario's regional economies during 2017, though concentrated in the Toronto, Hamilton-Niagara, and Kitchener-Waterloo-Barrie regions. Housing activity expanded in most regions, while prices rose in all regions. Investment spending on structures made broadly based gains. Population growth accelerated.

Growth in all regions is expected during the next two years, though at differential rates. The Greater Golden Horseshoe will outperform other regions due to its more diverse economic base and concentration in growth industries. The province's northern regions, which are heavily dependent on resources, look to remain in a low-growth mode.

A mostly positive external environment is expected during the next two years, which will support growth in Ontario and in most regions. Rising, but still low, interest rates, a competitive Canadian dollar, faster U.S. growth, and growth in other provinces are notable positives. The domestic economy is seen benefiting from income and population growth as well as low interest rates and more capital spending. A trade disruption is a forecast risk, along with geopolitical events.

Report framework

The regions in this report follow Statistics Canada's 11 Economic Region boundaries for Ontario. Each metropolitan area in the region is covered. The principal economic indicators used to track regional economic performance are employment, unemployment, housing sales, housing prices, residential and non-residential building permits, and population. Other data sets, such as housing starts and non-residential building construction investment spending, are referred to in the text, but no data is presented in tables. Gross Domestic Product (GDP) data are not available by region.

The labour market is a key indicator of regional performance and Statistics Canada's Labour Force Survey (LFS) is the main source of this information. Regional

LFS data has issues with sample errors making it difficult to separate underlying movements from sample noise, which is more problematic in smaller regions and in industry details. Employment Insurance (EI) data is helpful to verify labour market changes, but it too has limitations.

Robust 2017 performances

Employment increased in most regions during 2017. The fastest job growth occurred in the Muskoka-Kawarthas at 6.3 per cent, followed by the Hamilton-Niagara Peninsula at 4.0 per cent. Those gains were statistically significant, as was Kitchener-Waterloo-Barrie at 2.5 per cent and Toronto at 2.1 per cent. Kingston-Pembroke employment declined following a substantial surge in 2016 but the 2017 estimate of change was not statistically significant.

Unemployment rates declined in all regions but the Muskoka-Kawarthas, which had an insignificant increase. The largest declines from 2016 occurred in the Northwest, going to 5.5 per cent from 6.9 per cent and to 5.3 per cent from 6.4 per cent in the Hamilton-Niagara region. The Ottawa region also saw a significant decline in the unemployment rate to 5.7 per cent from 6.5 per cent in 2016.

Housing sales activity was at a high level in the first half of 2017 but declined when Ontario's Fair Housing Plan was introduced in April and mortgage rates bumped up later in the year. Nonetheless, most regional housing markets recorded more sales in 2017 than in 2016 with the notable exception of Toronto, which had a near 15 per cent decline. Sales were lower by nine per cent in the Muskoka-Kawarthas due more to fewer listings on the market, rather than to less demand.

Housing prices in all regions advanced at a faster pace during 2017 than in 2016. Double-digit percentage increases were the norm, led by a near 20 per cent rise in the median sale price in the Hamilton-Niagara region, followed closely by a 19 per cent increase in the Kitchener-Waterloo-Barrie region. Toronto's median price rose 16 per cent. Prices began to level off in the second half of 2017 when sales slowed.

More non-residential building permits were issued during 2017 in all but three regions and those with more activity posted large double-digit percentage gains. Both private and public permits contributed to this performance. The increase in commercial and industrial permits reflects improved market conditions and confidence.

Population growth increased in all regions but one for the year ending July 1, 2017. Toronto and Kitchener-Waterloo-Barrie led with a gain of 1.9 per cent followed by Ottawa at 1.7 per cent and London at 1.5 per cent. Population growth in the Northwest region improved but remained very low while the Northeast's population declined at a slower pace.

Positive outlook

Ontario's regional economies will perform well during the next two years, resulting in some growth convergence between regions, though substantial differences will remain. Growth will continue to be led by the regions comprising the Greater Golden Horseshoe, including the Kitchener-Waterloo-Barrie region. The Eastern regions will increasingly contribute to provincial growth while the southwestern regional economies will be restrained by an auto-related drag. Improved commodity demand and prices will aid the northern regions.

The performance of Ontario's regional economies depends on external and domestic factors, as well as on a region's industry and demographic composition. The northern regions with their considerable dependence on forestry, mining and metal products and the manufacturing-oriented regions have a high export exposure, while Ottawa and the Muskoka-Kawarthas regions are more domestically driven and less exposed to export markets.

Within the economic regions, there are substantial differences in the economic makeup and performance. The main metropolitan area in the region is usually the service, distribution, and administrative centre with a different economic structure than the rest of the region. This is evident in several regions, notably in the Kingston-Pembroke region where the economy of the Kingston Census Metropolitan Area (CMA) bears little resemblance to the economic base in the rest of the region. Other examples are the Ottawa, Peterborough, and Thunder Bay CMAs, which are distinct from the rest of their regions.

All regional and metro economies are exposed to global economic and political developments in varying degrees. Growth prospects for the global and U.S. economies remain positive and generally more robust during the next two years than in the prior two years. Similarly, Canada's economic growth is widely seen improving which should assist Ontario's interprovincial trade and relevant regional economies. Trade policy and geopolitical risks are higher and could cause serious disruption to markets and the economy.

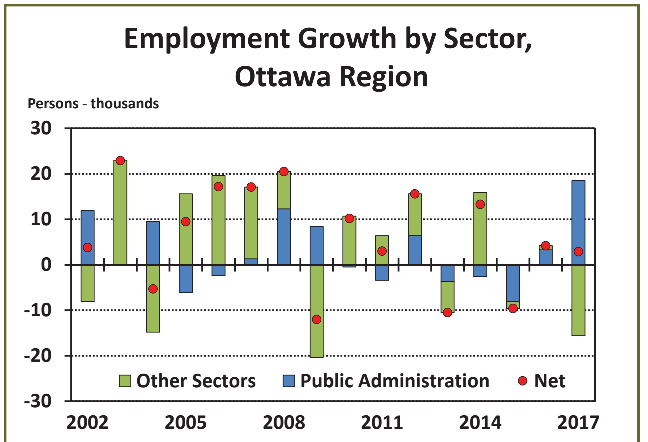
Ontario's real GDP growth is forecast at 2.5 per cent in 2018 and 2.3 per cent in 2019, following an estimated 2.8 per cent expansion in 2017. Ontario's economy was, and will be, driven mainly by domestic demand: personal consumption, residential investment, and increasingly business investment and government capital spending. Population and income growth in a low interest rate environment are key drivers of domestic demand. Exports, particularly non-auto-related, will continue to expand and lift overall exports, though the trade balance is seen worsening due to faster import growth from domestic demand.

Ottawa Economic Region

The Ottawa Economic Region (ER) is anchored by the nation's capital which makes up 75 per cent of the regional population and Cornwall at about five per cent. The remaining 20 per cent is spread through the townships of North and South Glengarry, North Stormont, and North and South Dundas.

Not surprisingly, government services are by far the most important sector in the regional economy, given the footprint of the federal public service. This sector drives not only direct employment but ancillary demand across industries through demand for professional, technical, and consumer goods and services. Other significant sectors include the high-tech sector, with the Ottawa Census Metropolitan Area (CMA) area home to companies like fast-growing e-commerce software firm Shopify, Blackberry's QNX division, which is heavily invested in the automation of the auto sector, Mitel, and a growing number of B2B software firms. Warehousing activities is relatively less important for the region as whole, but Cornwall and surrounding areas act as a key distribution hub for the region and parts of Quebec, with agriculture and a shrinking manufacturing sector as the remaining key base sectors.

Growth in the economic region has been lacklustre in recent years, with slower growth in the CMA and a declining trend outside of the metro region. Regional employment remained range-bound relative to recent year in 2017, edging higher by 0.4 per cent, following up from a similarly weak gain in 2016 of 0.6 per cent. In comparison, Ontario employment grew



Source: Statistics Canada, Central 1 Credit Union.

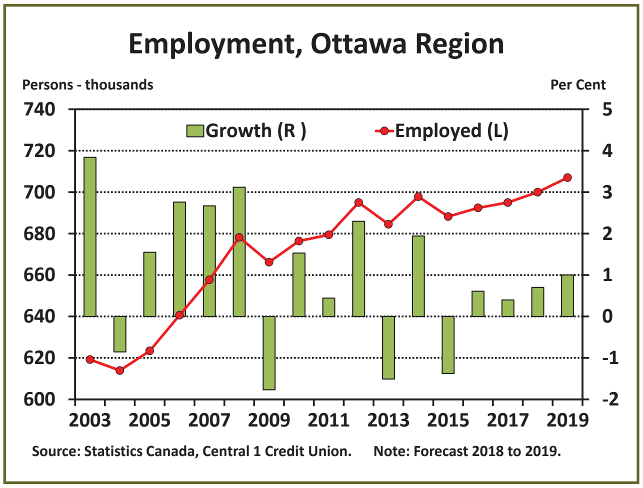
0.7 and 1.1 per cent over the same period. An upturn in full-time hiring after two years of contraction was the one flicker of improvement, and when combined with part-time losses, suggested improvement in job quality of existing workers albeit less expansion.

Growth in government employment in the Ottawa metro area surged following a number of lean years. Public administration employment jumped 16 per cent from 2016, and up 19 per cent from the 2015 low, according to the Labour Force Survey. That said, we caution against taking this increase at face value as federal public service employment in the national capital region edged only slightly higher in both 2016 and 2017. While municipal and provincial growth in public administration may have contributed to some of the uplift, much of this gain is temporary, reflecting hiring for Canada 150 celebrations and likelihood of statistical sampling error, which is likely to reverse going forward. Public sector employment will climb at a mild pace through the forecast period, aligning with a broader provincial trend of about 1.3 per cent per annum through 2020. Central 1 anticipates steady growth in government services, in part reflecting increased federal spending initiatives.

Ottawa's high-tech cluster will expand reflecting underlying industry growth. Information, Communications, Technology (ICT) service output in Ontario has averaged nearly four per cent from 2014-2016, and nationally tracked above 4.5 per cent in 2017, and with growing clout of QNX in vehicle automation and Shopify expansion, the sectoral outlook is positive. The contribution of ICT to regional growth will likely moderate by greater reliance on public sector clients.

Outside the national capital region, slower expansion in the warehousing and distribution sector, and declining agriculture and manufacturing remain a strain on the economy, although a couple of bright spots included the opening of Giant Tiger's distribution centre in the United Counties of Leeds and Grenville and Xplornet Communications' opening of its regional office in Cornwall.

Employment growth trends have driven regional divergence, with gradual - albeit volatile – growth in the Ottawa national capital, but further erosion in Cornwall and other parts of the region, which has weighed on regional growth. Similarly, population growth surged more than two per cent in the Ottawa metro region in 2017, largely reflecting a jump in international flows and increased flows from other provinces. In contrast, population growth was up slightly elsewhere in the economic region following two years of decline. The regions' population growth will ease from 2017's pace, but higher immigration targets by the federal government and growth in public service will maintain strong net migration flows largely to the metro area.



Ottawa Economic Region						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	697.8	688.2	692.4	695.3	700.0	707.0
% change	1.9	-1.4	0.6	0.4	0.7	1.0
Unemployment Rate, %	6.6	6.5	6.5	5.7	6.0	5.9
Residental Sales, units	25,623	27,188	27,075	27,465	28,300	29,800
% change	-2.9	6.1	-0.4	1.4	3.0	5.3
Residential Median Price, $	305,430	313,329	315,062	329,729	345,000	365,000
% change	1.6	2.6	0.6	4.7	4.6	5.8
Residential Permits, units	8,391	5,808	8,629	8,729	9,000	9,600
% change	26.3	-30.8	48.6	1.2	3.1	6.7
Non-Residential Permits ($ mil.)	1,180.1	1,046.4	1,160.4	1,146.1	1,175.0	1,150.0
% change	0.1	-11.3	10.9	-1.2	2.5	-2.1
Population (000s)	1,320.5	1,330.9	1,348.7	1,371.6	1,392.4	1,410.0
% change	0.8	0.8	1.3	1.7	1.5	1.3
Ottawa CMA						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	533.8	531.1	543.4	546.7	552.0	558.6
% change	2.0	-0.5	2.3	0.6	1.0	1.2
Unemployment Rate, %	6.6	6.3	6.3	5.6	5.9	5.6
Residental Sales, units	19,226	20,570	20,289	20,620	21,600	23,000
% change	-2.9	7.0	-1.4	1.6	4.8	6.5
Residential Median Price, $	329,523	334,500	342,345	354,940	375,000	400,000
% change	1.7	1.5	2.3	3.7	5.7	6.7
Residential Permits, units	7,281	4,679	7,308	7,262	7,500	8,000
% change	33.2	-35.7	56.2	-0.6	3.3	6.7
Non-Residential Permits ($ mil.)	945	908	975	898.4	980	950
% change	-3.0	-3.9	7.4	-7.9	9.1	-3.1
Population (000s)	989.6	1,000.7	1,018.2	1,040.3	1,060.9	1,077.8
% change	1.2	1.1	1.7	2.2	2.0	1.6

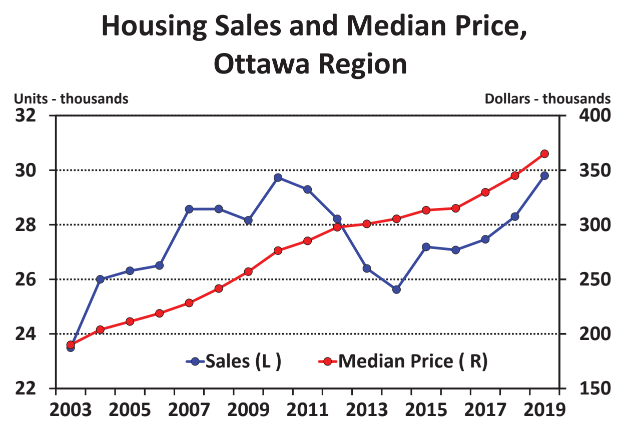
Source: Statistics Canada, Teranet, Central 1 Credit Union. Forecast 2018 - 2019.

Non-residential building permits, a typically volatile indicator, declined in 2017 by more than seven per cent to reverse the prior year's uplift. Private sector intentions fell nearly 20 per cent back to 2014-15 levels, while government sector permits rebounded 40 per cent. The current economic environment points to a modest upward trend in non-residential construction activity with federal fiscal stimulus plans supporting public-spending, and flat private sector activity. These figures exclude engineering spending including the nearly completed Phase 1 of Ottawa light rail transit (LRT) system (Confederation Line). Phase 2 of the LRT is expected to start construction in 2019, a $3.5 billion investment which extends the line further east, west, and south. LRT investment will lift regional productivity and open opportunities for residential and non-residential investment spending.

Housing sector expansion along with growth in non-residential activity will be a significant source of economic growth in the economy and lift employment. Reflecting a rising population base and increased household confidence in the economy, Ottawa CMA residential permits remained near 2016's resurgence at nearly 7,300 units. Residential permits outside the CMA increased 11 per cent in 2017, building on the 17 per cent gain in 2016. The lagged effect of permits on construction will support jobs going forward.

Forecast employment growth in the ER averages 0.7 per cent in 2018 with the metro area increasing 0.9 per cent. A declining trend in labour force participation observed in the past year is expected to reverse with new immigrants transitioning into the workforce. The higher minimum wage could drag on non-government employment and employment in smaller regional markets.

In contrast to the Greater Golden Horseshoe region, the impact of the Ontario Fair Housing Plan on the housing market has been mild. Sales dipped briefly before resuming an upward trend. This reflects lack of international buyers and rental investors not spooked by the announcement. Tighter mortgage regulations will dampen sales and prices in early 2018, but resale demand and new home completions lift metro area sales almost five per cent this year, with a six per cent increase in median price to $375,000. Sales and prices will continue to gain modest momentum in 2019 with ongoing income and population, despite higher interest rates.



Source: Teranet, Central 1 Credit Union. Note: Forecast 2018-2019.

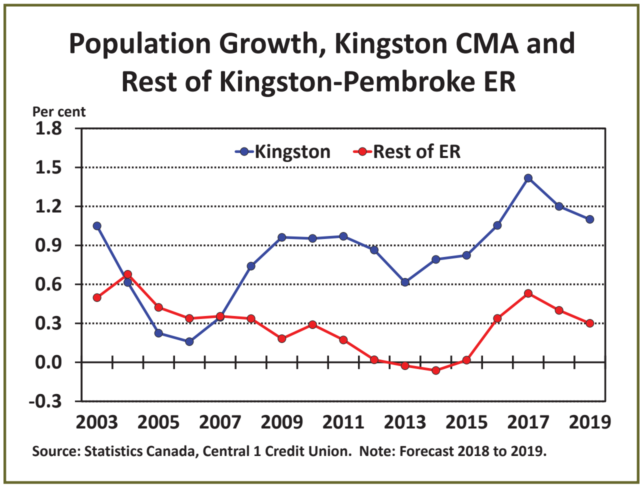
Kingston-Pembroke Economic Region

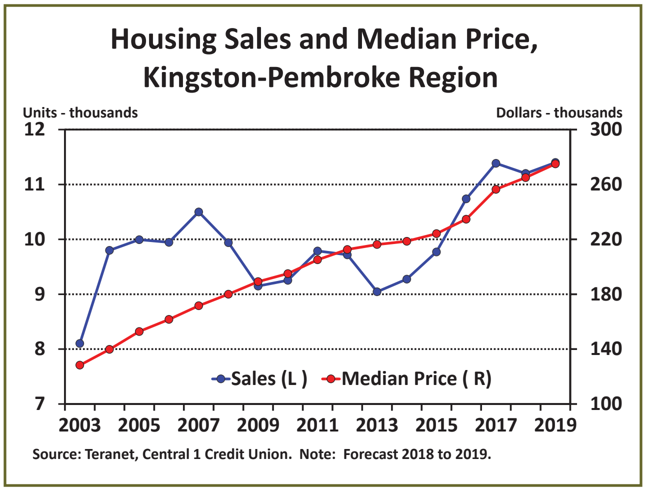
The diverse economic structure in the Kingston-Pembroke Economic Region was on stark display in 2017 with diametrically opposing employment performances among its markets. The Kingston-Pembroke Economic Region includes the Kingston metropolitan area and the counties of Frontenac, Hastings, Lennox and Addington, Prince Edward, and Renfrew. The Kingston metropolitan area economy grew much faster than the rest of the economic region and the outlook expects a continuation of this trend.

Employment in the Kingston metro area increased 4.4 per cent in 2017, while in the rest of the region employment declined 6.3 per cent. Kingston's unemployment rate fell to 5.5 per cent, its lowest since 2007. This growth divergence between the Kingston metro area and the rest of the region has prevailed since 2011. The more service-oriented Kingston economy has a high concentration in education, health, government, and tourism industries while the rest of the region has higher concentrations in agriculture, construction, manufacturing, and transportation-warehousing industries, and the economy is more variable than Kingston's.

The region's unemployment rate fell to a multi-year low of 5.8 per cent in 2017. Employment Insurance (EI) beneficiary counts in all counties in the region during 2017 were at or slightly lower than 2016 levels.

The labour market outlook is positive for the Kingston metro area with recent growth momentum extending through 2018. Employment growth is pegged at 2.5 per cent for 2018, slowing to 1.9 per cent in 2019. This would pull the unemployment rate steadily lower to 5.1 per cent in 2018 and 4.8





per cent in 2019. Construction, tourism, and most domestic-oriented industries and businesses will contribute to job growth.

Outside the Kingston metro area, the job outlook is less positive, as it has been in the post-recession period. Manufacturing, agriculture, and forestry job losses were not offset by growth in services-producing industries, as in the Kingston metro area. Job creation will be minimal during the next two years unless a significant expansion in productive capacity occurs. Employment levels are seen remaining at recent lows and unemployment at recent levels.

One promising development for the economies outside of Kingston is the first population increase in three years. The latest estimate, as of July 1, 2016, produced by Statistics Canada shows small increases in all counties (except Prince Edward) due to intra-provincial and immigration flows. This bodes well for domestic-oriented businesses in those counties.

Population growth in the Kingston metro area is predicted to remain above one per cent annually through 2019 driven by in-migration from other countries and from other parts of the province, while interprovincial migration slows.

5Housing will remain a source of economic growth driven by high sales and new construction levels. Sales reached a record high in the region during 2017, exceeding 2016's record. Total residential sales are estimated at 11,500 units in 2017, up seven per cent over 2016. Sales in metro Kingston are estimated at 3,850 units for 2017, a record high. Sales outside Kingston were also higher in 2017 with notable gains in Lennox and Addington and Prince Edward counties. The impact of low mortgage rates, in-migration, and pent-up demand has offset various housing policy measures intended to cool the market. There was a noticeable negative market response to the province's Fair Housing Plan announced in April 2017, but the market has since stabilized.

Housing prices will continue to increase but at a slower pace than in 2017. The residential median sale price is forecast to rise 5.0 per cent in 2018, following an estimated 7.6 per cent gain in 2017, and to increase 3.8 per cent in 2019. In the Kingston metro area, tighter market conditions will result in faster price increases of 6.7 per cent and 4.7 per cent in 2018 and 2019, respectively.

New housing construction is responding to rising prices and a low rental vacancy rate. Building permits issued during 2017 increased about 18 per cent in the region, led by a plus 40 per cent jump in Kingston. Housing starts in Kingston surged 68 per cent during 2017 in CMHC's survey. Conditions are ripe for further increases in new construction to supply ownership and rental units to the market. Another increase is predicted for 2018 followed by a small decline in 2019, though an increase in 2019 would not surprise.

Non-residential construction jumped in 2017 with large gains in industrial and commercial permits and a surge in public projects. Total non-residential building permits will be up more than 50 per cent in 2018 led by a 135 per cent in institutional-government permits. Most of 2017's gain was in the Kingston metro area with permits more than doubling. In the public sector, permits were issued for the Wellness Centre, a gymnasium, and a school, while private permits received a boost from a large industrial permit issued for Feihe International Inc.'s infant formula manufacturing plant. Non-residential permit activity in the rest of the region was little changed from 2016.

Kingston-Pembroke Economic Region						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	210.1	201.0	212.5	208.1	212.0	211.5
% change	-1.8	-4.3	5.7	-2.1	1.9	-0.2
Unemployment Rate, %	8.4	7.2	6.0	5.8	5.8	5.4
Residental Sales, units	9,275	9,771	10,738	11,386	11,200	11,400
% change	2.5	5.3	9.9	6.0	-1.6	1.8
Residential Median Price, $	218,597	224,157	234,714	256,445	265,000	275,000
% change	1.1	2.5	4.7	9.3	3.3	3.8
Residential Permits, units	1,771	2,074	2,245	2,650	2,800	2,700
% change	-13.6	17.1	8.2	18.0	5.7	-3.6
Non-Residential Permits ($ mil.)	495.0	276.5	301.2	465.0	315.0	400.0
% change	108.3	-44.1	8.9	54.4	-32.3	27.0
Population (000s)	469.0	470.4	473.2	477.3	480.4	483.3
% change	0.2	0.3	0.6	0.9	0.7	0.6
Kingston CMA						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	81.4	82.9	83.6	87.3	89.5	91.0
% change	-1.5	1.8	0.8	4.4	2.5	1.7
Unemployment Rate, %	6.8	6.6	5.8	5.5	5.1	4.8
Residental Sales, units	3,154	3,315	3,377	3,755	3,600	3,700
% change	-3.8	5.1	1.9	11.2	-4.1	2.8
Residential Median Price, $	259,520	263,445	277,233	300,283	320,000	335,000
% change	0.1	1.5	5.2	8.3	6.6	4.7
Residential Permits, units	731	799	662	950	1,050	900
% change	-23.2	9.3	-17.1	43.5	10.5	-14.3
Non-Residential Permits ($ mil.)	356	70.2	137.8	290	140	165
% change	249.7	-80.3	96.3	110.4	-51.7	17.9
Population (000s)	168.2	169.4	171.4	173.9	175.9	177.9
% change	0.7	0.7	1.2	1.4	1.2	1.1

Source: Statistics Canada, Teranet, Central 1 Credit Union. Forecast 2018 - 2019.

Given the lumpy nature of large building projects, this year's non-residential permits activity will most likely decline from 2017. The forecast incorporates this volatility and sees a likely increase in 2019 in response to improved market conditions and additional public spending. More activity in markets other than Kingston is another likely development.

Kingston-Pembroke remains one of the slower growing regions in the province mainly due to the weak performance of local economies outside of the Kingston metro area. The region's varied local economic makeup and divergent local economic performances will prevail well into the future with the Kingston metro area driving most of the region's growth.

Muskoka-Kawarthas Economic Region

The region has a diverse economic makeup and derives a significant portion of its economic growth from service exports while its main anchor is domestic-oriented economic activities. The region's manufacturing base has undergone a long-term decline, which is ongoing. Economic growth looks to remain on a modest uptrend with significant yearly swings in key indicators.

The Muskoka-Kawarthas Economic Region is anchored by the Peterborough Census Metropolitan Area and contains the Census Agglomerations of Kawartha Lakes, Port Hope, and Cobourg. The region spans Northumberland, Peterborough, and Haliburton counties as well as Kawartha Lakes Census Division (CD) and Muskoka District Municipality (DM).

Peterborough's economy is more service-oriented than the rest of the region with larger shares in education, health, and government service industries. Outside Peterborough, resident employment is concentrated in construction, manufacturing, and tourism-related industries. Most of the region is home to cottage and lake country, which attracts seasonal and retired residents.

Another example in the region's manufacturing decline is the pending closure by General Electric of its motors plant manufacturing in Peterborough by September 2018. About 360 people will be directly impacted with an additional number indirectly affected.

However, new job opportunities will emerge with the new Shorelines Casino in Peterborough, which is expected to open later this year. Ontario Lottery and Gaming slot machines from the Slots at Kawartha Downs will be transferred to the new casino along with existing employees. Shorelines Casino Peterborough will hire an additional 150 staff. In the longer term, a new hotel next to the casino is planned though there is no firm date when construction will begin.

One of the key performance indicators of a regional and local economy comes from the labour market. In 2017, the labour force and employment shot up more than six per cent over 2016 levels, which was a statistically significant increase, according to Labour Force Survey (LFS) sample parameters. In 2016, employment rose 1.7 per cent and was not a significant change. Notwithstanding 2017's large gain and yearly fluctuations, the region's employment has been rangebound since 2003.

Peterborough's employment increased 2.9 per cent - or 1,700 persons - during 2017, which was not a statistically significant change from 2016. However, in the rest of the region employment rose 8.2 per cent, or 9,100 persons, and by implication was statistically significant. The underlying employment trend since 2009 in Peterborough is slightly positive while in the rest of the region it is on a negative trend.

Unemployment rates at the regional level were little changed during 2017, though Peterborough saw it increase to 6.4 per cent from 5.1 per cent in 2016. Despite this large change, it was not statistically significant. Annual average EI counts during 2017 came in slightly lower than in 2016 across the region. Peterborough underwent a mid-year surge in EI counts as did Coburg.

Housing was a growth sector during 2017 and will likely remain a driver in the forecast period. Residential building permits climbed to their highest level since 2007 at an estimated 2,500 units, compared to 2,229 units in 2016. Housing construction has a large local economic multiplier effect.

Rising housing construction was in response to tighter market conditions generating higher prices and rents. Home prices in 2017 rose at the fastest pace since the late 1980s. The region's residential median sale price climbed 15.3 per cent to $322,264 while Peterborough's median price jumped 20.2 per cent to $343,710. This made for two consecutive years of double-digit price increases.

These faster price increases occurred amidst fewer sales in 2017 compared to the previous year, highlighting tighter market conditions stemming from insufficient supply on the market. The lack of listings on the market constrained sales, resulting in accelerating prices. Active listings counts are not available, however, fewer new listings reported by local real estate boards strongly suggests that supply on the market was lower as well.

Peterborough's rental market tightened with rents rising at a faster pace, according to the latest CMHC Rental Market Survey. The apartment vacancy rate remained around one per cent and rent increases approached three per cent. With population growth rising, tight rental market conditions look to continue.

Population growth in the Muskoka-Kawarthas region is mostly driven by net inflows from other parts of the province. Population is forecast to increase steadily through 2019 due to higher GTA home prices and an aging demographic attracted to the region. The population of Peterborough is forecast to increase at a slightly slower pace than the rest of the region.

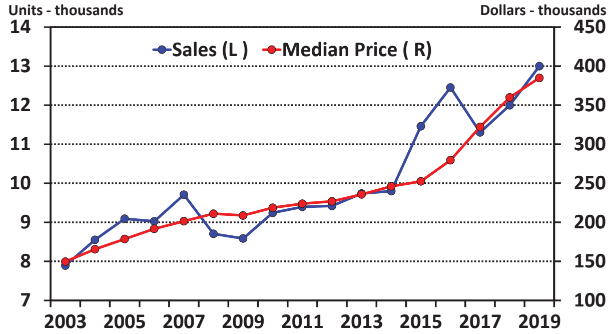
Regional employment is expected reverse its large 2017 gain in 2018, based on historical volatility in the LFS sample. A decline in the labour force and employment relative to 2017 will result in a higher unemployment rate in 2018. All of this change is seen occurring in the region excluding Peterborough, where 2017's large increase occurred.

Peterborough's employment is forecast to trend higher at a moderate pace pushing the unemployment rate down around six per cent.

A significant portion of the employed labour force in Northumberland County commute to work into another census division. The metro areas of Oshawa and Toronto are likely destinations for those Northumberland commuters. Consequently, Northumberland is more integrated and dependent on the economies of Oshawa and Toronto than other areas of the region.

The region's housing outlook is positive for more new construction in 2018 and 2019. Higher prices are foreseen with another double-digit rise in 2018 followed by a more moderate gain in 2019, under the expectation of more supply coming onto the market easing the supply-demand imbalance. Without an increase in listings from the existing housing stock and more supply from new construction, prices are likely to rise faster.

Housing Sales and Median Price, Muskoka-Kawarthas Region



Source: Teranet, Central 1 Credit Union. Note: Forecast 2018 to 2019.

Muskoka-Kawarthas Economic Region	2014	2015	2016	2017	2018	2019
Total Employment (000s)	186.3	167.8	170.6	181.4	174.0	177.0
% change	10.6	-9.9	1.7	6.3	-4.1	1.7
Unemployment Rate, %	6.3	7.8	5.7	5.9	6.5	5.9
Residental Sales, units	9,800	11,461	12,455	11,305	12,000	13,000
% change	0.6	16.9	8.7	-9.2	6.1	8.3
Residential Median Price, $	246,152	252,542	279,562	322,264	360,000	385,000
% change	4.4	2.6	10.7	15.3	11.7	6.9
Residential Permits, units	2,208	1,880	2,229	2,500	2,700	2,850
% change	21.4	-14.9	18.6	12.2	8.0	5.6
Non-Residential Permits ($ mil.)	235.0	119.0	189.9	170.0	205.0	210.0
% change	81.6	-49.4	59.6	-10.5	20.6	2.4
Population (000s)	381.1	383.0	385.5	388.4	391.4	394.8
% change	0.3	0.5	0.7	0.8	0.8	0.9

Peterborough CMA	2014	2015	2016	2017	2018	2019
Total Employment (000s)	60.5	61.2	59.5	61.2	63.0	64.0
% change	10.2	1.2	-2.8	2.9	2.9	1.6
Unemployment Rate, %	8.2	7.7	5.1	6.4	5.8	6.0
Residental Sales, units	2,355	2,691	3,040	2,711	2,800	3,000
% change	0.6	14.3	13.0	-10.8	3.3	7.1
Residential Median Price, $	246,429	258,529	285,913	343,710	390,000	415,000
% change	4.8	4.9	10.6	20.2	13.5	6.4
Residential Permits, units	619	431	509	400	450	550
% change	12.5	-30.4	18.1	-21.4	12.5	22.2
Non-Residential Permits ($ mil.)	95.7	45.6	49.9	54	60	70
% change	143.1	-52.4	9.4	8.2	11.1	16.7
Population (000s)	123.0	123.4	124.1	125.0	125.9	126.8
% change	-0.2	0.3	0.6	0.7	0.7	0.7

Source: Statistics Canada, Teranet, Central 1 Credit Union. Forecast 2018 - 2019.

The unit sales forecast incorporates more supply coming onto the market.

Residential building permits are forecast to climb to 2,700 units in the region during 2018 and with more upside than downside potential. Another increase is expected in 2019. New construction will continue to increase until market conditions worsen, or supply capacity constraints are reached.

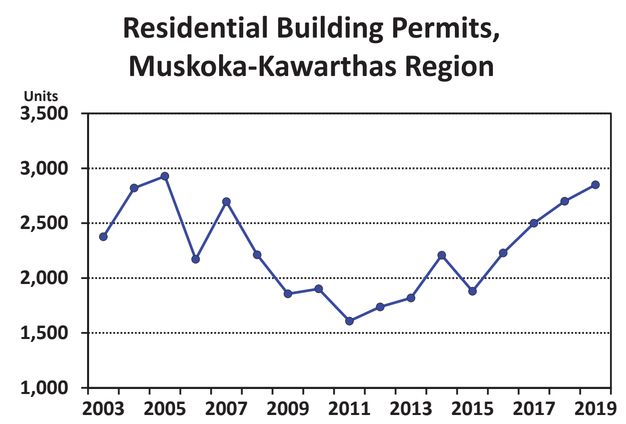
The region's attractiveness to retirees and seasonal residents will continue to generate economic activity. More businesses in the region are in service, domestic-oriented industries and this adjustment to market circumstances is ongoing. Manufacturing losses during the past two decades have been substantial, though the pace of decline has slowed. A modest overall growth profile for the region is foreseen but with notable sectoral and geographic differences.

Toronto Economic Region

The Toronto Economic Region (ER) is dominated by the Toronto Census Metropolitan Area (CMA), which itself is anchored by cities such as Toronto, Mississauga, Markham, Vaughn, Ajax, Pickering, and Milton to name a few. This roughly comprises 95 per cent of the population, with Oshawa rounding out most of the remainder.

Broad economic indicators pointed to solid growth momentum, although the housing market entered a market correction due to provincial policy measures to slow the market. Headline employment growth in the broad Toronto ER surged in the second half of 2017 to drive annual growth of two per cent in 2017 - outstripping both Ontario and the national gain and representing a gain of 69,000 persons. Full-time employment rose a modest 1.5 per cent, or about 60 per cent of net job growth with part-time growth accelerating to 4.7 per cent. Gains were driven by service sector expansion with large gains in wholesale and retail trade (up 4.3 per cent), transportation and warehousing (up 12.0 per cent), and professional/technical services (up 5.0 per cent), and health and social services (up 5.5 per cent). Most goods-producing sectors shed workers, with construction turning lower while manufacturing was a bright spot with a 1.9 per cent gain, adding jobs for a second straight year.

The Toronto Census Metropolitan Area accounted for the entirety of 2017's gain, with a net increase of about 74,600 persons, marking a 2.3 per cent increase and third successive increase. In contrast Oshawa saw mild reversal of 2016's nine percent surge, giving back 1.7 per cent in 2017. Rising employment trends have eroded the unemployment rate in the broader region, which averaged 6.4 per cent last year, and down from eight per cent in 2014.



Source: Statistics Canada, Central 1 Credit Union. Note: Forecast 2018 to 2019.

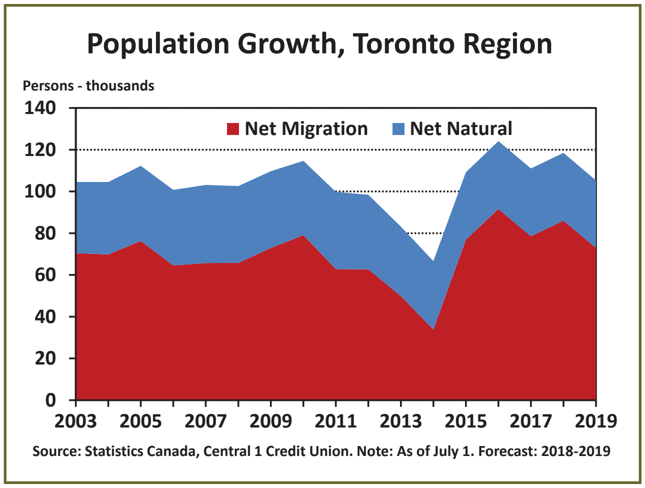
Retail sales in the Toronto metro area outpaced provincial and national growth with a gain of more than seven per cent from 2016 reflecting strong consumer demand, rising population growth and rising tourism. Meanwhile, business investment, proxied by associated real spending on commercial and industrial non-residential building structures, remained near the highest level going back to at least 1997, although public sector investment has waned after cyclical highs in 2004 and 2011/12. A strong bump up in non-residential permits last year points to an increase in construction activity over the next two years.

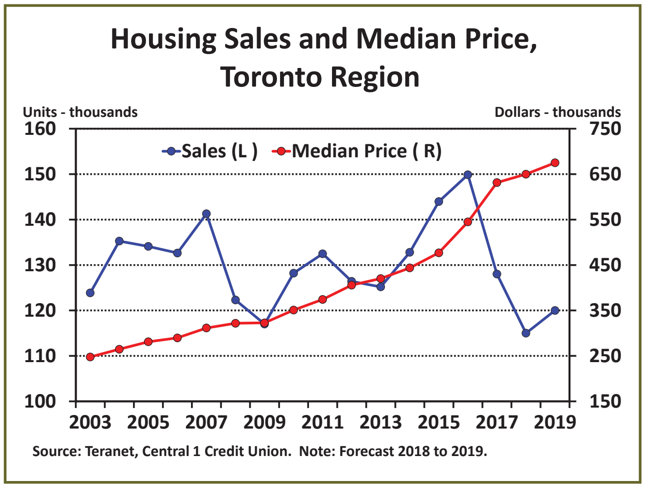
Not surprisingly, housing was the big story of 2017 with the Toronto ER feeling the chill of policy measures to stem housing market appreciation. A new 15-per-cent Non-Resident Speculation Tax (NRST) and expansion of rent control to units built after 1991 sent sales in the Greater Golden Horseshoe region tumbling, driven largely by Toronto Metro as investors recalibrated expectations, and buyer confidence was shaken. Monthly MLS® residential sales fell by half during the from the beginning to end of the second quarter followed by a vigorous rebound. Prices retreated from early-2017 record highs, with the both the MLS® and Teranet home price indices showing declines in the seven to eight per cent range, which likely contributed to the sales rebound. Prices resumed their upward movement in the more affordable townhome and apartment units, which could reflect a rush of buyers for affordable properties that moved in advance of tighter federal mortgage regulations that took effect January 1, 2018. Softer pricing conditions are likely to continue through the first half of 2018 with tighter mortgage regulations constrain purchasing capacity of younger households and mortgage rates rise.

Economic prospects in the region remain bright and are expected to lead provincial growth given its role as a global financial hub, headquarter base for various industries, diverse economic base, and attraction for new immigrants. Further improvement in the global and national economies will lift service exports, contributing to growth in financial and professional services. Relatively stronger growth in the high technology sector, which is increasingly intertwined with financial services with institutions investing heavily in fintechs and growth in accelerators such the MaRS innovation hub, is accelerating this trend. Toronto is ranked first by CBRE as Canada's pre-eminent high-tech region, although growth in Waterloo is faster. Higher profile examples Toronto's tech acceleration include the partnership between Alphabet's Sidewalk Labs division and Waterfront Toronto related to develop a smart city model (a living laboratory of sorts) at Quayside, which would also include relocation of Google Canada to the area. Toronto's inclusion as the only non-U.S. city in the running for round of Amazon HQ2 is also positive signal for firms to locate in the region. High-tech agglomeration economies will build on itself as the breadth and depth of human capital, owing in part to a strong post-secondary network of institutions, contribute to further sector expansion and clustering benefits increase. Outside tech, pharmaceutical company Apotex announced technology and product development investment in Etobicoke.

Toronto's manufacturing footprint is relatively small, compared to the service-sector, with an employment share around ten per cent while it shrunk to around nine per cent Oshawa. Provincial manufacturing growth is forecast to average about 1.5 per cent through the forecast period with less new vehicle demand in the U.S. Northstar Aerospace closed its Milton operations in late 2017.

Robust population gains reflects and drives economic activity in the region. The dynamism of this mega-region and its labour opportunities will continue to attract new residents to the region. The region's population has swelled over the last two years, averaging growth of more than 115,000 persons, and anticipated to grow by more than 100,000 persons each year through 2019. Nearly all of this will be in the Toronto CMA. Large international flows and a jump in interprovincial migration drove recent





momentum, with gains in the former temporarily lifted by refugee inflows from Canada's humanitarian efforts. International in-migration will continue to track high reflecting increased federal government targets over the forecast period, which pre-dominantly flow into the country's largest metro centres. Net interprovincial migration to the region is expected to slow. High levels of population growth will underpin rising consumer demand for goods and services and housing. Canada's skills-based immigration system further benefits the economy, contributing to a skilled workforce that further enables the economy to grow and fuels business formation.

Employment growth is forecast to rise at 1.7 per cent this year and 1.3 per cent in 2019 led by the Toronto CMA, despite NAFTA uncertainty and the transition for businesses to the higher minimum wage. Non-residential permits rose nearly 30 per cent in 2017, which will contribute to higher investment spending this year. Consumer driven demand will continue to underpin retail investments, while engineering spending on projects such as the Darlington Refurbishment, upgrades and expansion to the subway and LRT lines

Toronto Economic Region						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	3,241.1	3,320.4	3,373.2	3,443.0	3,502.0	3,549.0
% change	0.0	2.4	1.6	2.1	1.7	1.3
Unemployment Rate, %	8.0	7.1	6.9	6.4	5.9	5.7
Residental Sales, units	132,793	143,962	149,883	128,025	115,000	120,000
% change	6.1	8.4	4.1	-14.6	-10.2	4.3
Residential Median Price, $	443,628	476,891	544,922	631,632	650,000	675,000
% change	5.6	7.5	14.3	15.9	2.9	3.8
Residential Permits, units	35,136	40,153	38,094	35,082	34,000	35,500
% change	-12.7	14.3	-5.1	-7.9	-3.1	4.4
Non-Residential Permits ($ mil.)	5,985.0	6,630.9	6,288.2	8,025.6	8,250.0	8,800.0
% change	-3.4	10.8	-5.2	27.6	2.8	6.7
Population (000s)	6,354.7	6,421.4	6,530.6	6,654.7	6,773.2	6,883.7
% change	1.3	1.0	1.7	1.9	1.8	1.6

Toronto CMA						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	3087.4	3176.7	3215.0	3289.6	3348.8	3395.7
% change	-0.2	2.9	1.2	2.3	1.8	1.4
Unemployment Rate, %	8.0	7.0	7.0	6.4	5.9	5.7
Residental Sales, units	126,570	136,873	142,788	121,710	110,000	115,000
% change	6.3	8.1	4.3	-14.8	-9.6	4.5
Residential Median Price, $	452,905	487,006	558,106	644,240	665,000	690,000
% change	5.9	7.5	14.6	15.4	3.2	3.8
Residential Permits, units	34,252	38,945	37,480	33,217	32,500	34,000
% change	-13.2	13.7	-3.8	-11.4	-2.2	4.6
Non-Residential Permits ($ mil.)	5648.2	6557.4	6088	7926.6	8200	8700
% change	-7.0	16.1	-7.2	30.2	3.4	6.1
Population (000s)	6,050.9	6,116.7	6,224.0	6,346.1	6,460.3	6,567.0
% change	1.4	1.1	1.8	2.0	1.8	1.7

Oshawa CMA						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	201.4	196.4	214.0	210.4	211.5	213.6
% change	3.5	-2.5	9.0	-1.7	0.5	1.0
Unemployment Rate, %	7.1	7.5	5.9	5.5	5.7	5.7
Residental Sales, units	8,605	9,640	10,109	9,548	9,300	9,500
% change	0.6	12.0	4.9	-5.5	-2.6	2.2
Residential Median Price, $	330,839	375,983	437,899	527,148	515,000	525,000
% change	8.6	13.6	16.5	20.4	-2.3	1.9
Residential Permits, units	1,829	2,729	2,430	3,245	2,800	2,700
% change	5.4	49.2	-11.0	33.5	-13.7	-3.6
Non-Residential Permits ($ mil.)	394	206	258.6	221	215	250
% change	121.3	-47.7	25.5	-14.5	-2.7	16.3
Population (000s)	383.8	388.5	395.2	402.4	409.5	417.0
% change	1.3	1.2	1.7	1.8	1.8	1.8

Source: Statistics Canada, Teranet, Central 1 Credit Union. Forecast 2018 - 2019.

will all contribute to growth. Non-residential permits trend higher over the forecast period.

Housing markets look to remain soft in the first part of this year before firming into 2019. Annual 2018 home sales will come off about ten per cent and post a modest gain in 2019 on underlying strength in the economy, income and population growth. However, the combination of rising mortgage rates, poor affordability, and tighter credit availability will restrain entry-buyers. Limited turnover by existing homeowners, partially constrained by inadequate supply, is another factor behind fewer sales. Market conditions will continue to generate higher prices with the region's median home value increasing three to four per cent annually through 2019.

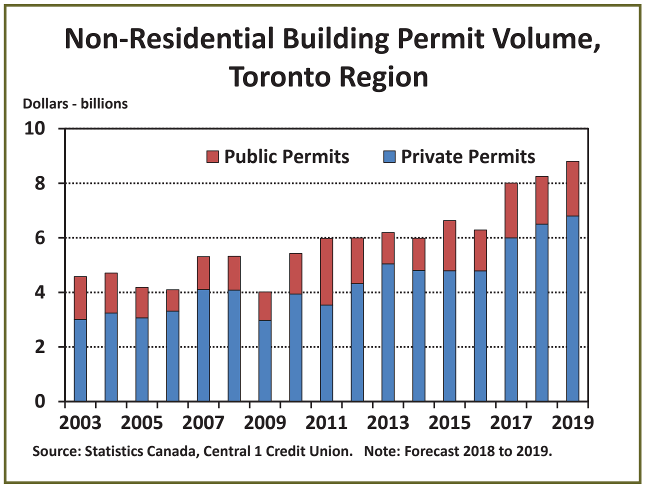
Kitchener-Waterloo-Barrie Economic Region

The Kitchener-Waterloo-Barrie (KWB) area is anchored by the Census Metropolitan Areas (CMAs) of Kitchener-Cambridge-Waterloo along with Barrie and Guelph, which combined comprise about 65 per cent of the region's near 1.4 million population base. Other centres in the region include the town of Collingwood, Innisfil, Centre Wellington, and Orangeville among others.

Kitchener-Waterloo-Barrie looks to maintain positive momentum after a solid 2017 when regional employment rose 2.5 per cent, driven entirely by a surge in full-time jobs, while regional unemployment fell to 5.1 per cent of the labour force. Strong gains in construction, agriculture, and services including professional services, the information, culture, and recreational sector, which includes a significant portion of high-tech jobs, health services, and accommodation-food services were key drivers of last year's performance.

Below the headline figures were significant deviations among areas. Employment in Barrie surged 11 per cent on large gain in manufacturing employment, while the KCW area rose 2.2 per cent and Guelph held steady. The latter markets also experienced some manufacturing gains, relying mostly on domestic consumer demand such as health services.

Drivers of the KWB economy are diverse, and the region is well positioned to grow at a moderate pace over the next two years given its economic structure, which is a good mix of the new and old(ish) economy. Provincially, Central 1 forecasts average growth of about two per cent annually in the agriculture sector, with a mild one per cent gain manufacturing. Manufacturing is dragged lower by weaker auto-related



expansion, due to little growth in U.S. auto sales, after strong gains in recent years. That said, other manufacturing sectors are anticipated expanding at a healthy pace including food products, computer peripherals and other products. Regional growth will expand faster in the large metro areas, with steady performance elsewhere.

Manufacturing has downshifted since the early 2000s but has seen a resurrection of sorts in recent years, and relative to other regions in the province is a more significant economic growth driver. The region's sector generally experienced good news over the past year and held on to the substantial employment gains recorded in 2016. Honda announcement of a $492 million investment in its Civic and CR-V producing Alliston plant highlighted a number of gains, including the opening of a Streit Manufacturing facility in Midland, expansion of Eclipse Automations' Cambridge facility, as well as increased activity in the medical marijuana space. In contrast, there were some significant losses including layoffs at Honeywell Aerospace and Rimowa in Cambridge.

The region's role as a technological powerhouse, centred around Kitchener-Cambridge-Waterloo will fuel continued growth resulting in strong employment gains in the professional and technical services and information industries. Combined, employment in these two sectors rose 10 per cent in 2017 reflecting fast growth in the broad information communication technology (ICT) sector. ICT service output in Ontario has averaged nearly four per cent from 2014-2016 and nationally tracked above 4.5 per cent in 2017. The region has moved past the shrinking of Blackberry, emerging as a strong high-growth start-up hub, including firms such as Eclipse Automation, Dejero, and Sortable covering a large swath of tech solutions, and adding to established global players in the

Kitchener-Waterloo-Barrie Economic Region						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	704.5	710.6	706.0	723.7	738.0	755.0
% change	1.6	0.9	-0.6	2.5	2.0	2.3
Unemployment Rate, %	5.8	5.4	5.5	5.1	4.9	4.4
Residental Sales, units	28,656	32,205	35,504	35,269	33,000	35,000
% change	0.6	12.4	10.2	-0.7	-6.4	6.1
Residential Median Price, $	303,260	318,087	359,178	428,623	450,000	480,000
% change	6.2	4.9	12.9	19.3	5.0	6.7
Residential Permits, units	9,204	9,290	12,398	10,804	11,000	11,300
% change	29.9	0.9	33.5	-12.9	1.8	2.7
Non-Residential Permits ($ mil.)	1,307.9	1,254.3	1,170.0	1,386.7	1,280.0	1,320.0
% change	33.1	-4.1	-6.7	18.5	-7.7	3.1
Population (000s)	1,299.1	1,314.4	1,338.0	1,363.4	1,390.0	1,416.5
% change	1.1	1.2	1.8	1.9	2.0	1.9
Kitchener-Cambridge-Waterloo CMA						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	283.1	279.8	281.6	287.8	294.4	300.0
% change	1.5	-1.2	0.6	2.2	2.3	1.9
Unemployment Rate, %	6.4	5.9	5.5	5.1	4.6	4.5
Residental Sales, units	9,606	10,522	11,958	12,806	11,800	12,500
% change	-0.3	9.5	13.6	7.1	-7.9	5.9
Residential Median Price, $	294,327	308,823	329,803	401,013	440,000	470,000
% change	3.6	4.9	6.8	21.6	9.7	6.8
Residential Permits, units	3,728	3,578	5,214	3,696	4,100	4,300
% change	53.4	-4.0	45.7	-29.1	10.9	4.9
Non-Residential Permits ($ mil.)	558.6	504.5	495.8	627.1	600	615
% change	46.9	-9.7	-1.7	26.5	-4.3	2.5
Population (000s)	506.3	510.5	518.7	527.8	537.5	547.2
% change	0.8	0.8	1.6	1.8	1.8	1.8
Barrie CMA						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	111.6	108.4	104.2	115.6	117.0	119.0
% change	2.0	-2.9	-3.9	10.9	1.2	1.7
Unemployment Rate, %	6.0	7.0	7.8	5.4	4.3	5.0
Residental Sales, units	5,179	5,674	6,324	5,500	5,000	5,500
% change	3.3	9.6	11.5	-13.0	-9.1	10.0
Residential Median Price, $	304,037	326,428	379,626	465,452	460,000	470,000
% change	7.2	7.4	16.3	22.6	-1.2	2.2
Residential Permits, units	1,251	840	1,178	1,590	1,300	1,300
% change	38.7	-32.9	40.2	35.0	-18.2	0.0
Non-Residential Permits ($ mil.)	232	233	124.5	140.3	135	140
% change	39.8	0.4	-46.6	12.7	-3.8	3.7
Population (000s)	200.3	202.3	205.6	209.1	212.5	215.6
% change	1.2	1.0	1.6	1.7	1.6	1.5
Guelph CMA						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	81.8	90.5	90.6	90.8	92.0	92.5
% change	2.5	10.6	0.1	0.2	1.3	0.5
Unemployment Rate, %	6.2	4.0	4.8	5.4	5.2	5.5
Residental Sales, units	3,391	3,913	3,831	3,777	3,600	3,700
% change	-4.2	15.4	-2.1	-1.4	-4.7	2.8
Residential Median Price, $	325,097	338,441	370,750	458,399	470,000	475,000
% change	8.7	4.1	9.5	23.6	2.5	1.1
Residential Permits, units	1,124	1,479	1,281	1,344	1,400	1,380
% change	-4.4	31.6	-13.4	4.9	4.2	-1.4
Non-Residential Permits ($ mil.)	177	169	133.9	198.1	160	165
% change	10.6	-4.5	-20.8	47.9	-19.2	3.1
Population (000s)	151.4	153.3	156.6	160.0	163.5	167.5
% change	1.2	1.2	2.1	2.2	2.2	2.4

Source: Statistics Canada, Teranet, Central 1 Credit Union. Forecast 2018 - 2019.

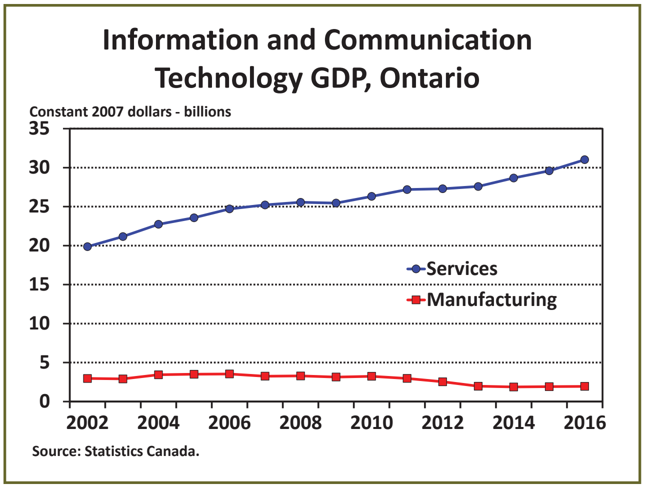
region. Ottawa-based Shopify announced expansion of Waterloo operations by 300 to 500 staff over the next few years.

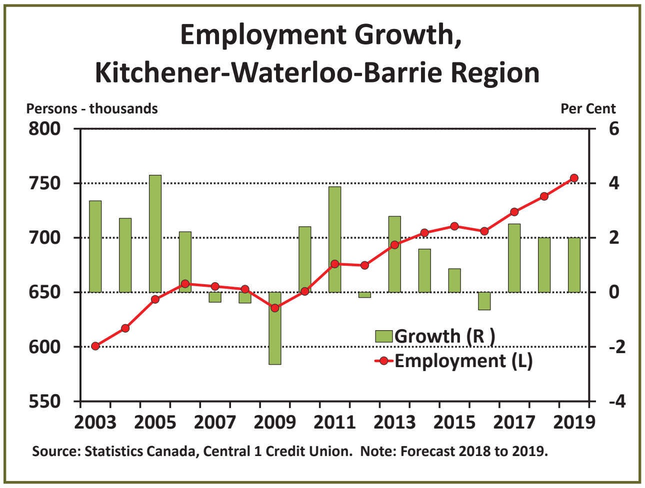
Rapid advancement of AI and other software solutions, investment in the region's post-secondary institutions, means KCW should thrive and generate further organic growth and business investment. Growth in the economy and investment in institutions are contributing to high levels of non-residential investment and building permits. Non-residential building permits climbed more than 10 per cent in 2017, maintaining above the decade norm and reflecting both private and public spending. Permits reflect future economic activity, which is supportive of growth in 2018. Current external risks of NAFTA could impact the investment cycle as ICT is largely an export sector, nonetheless, levels are anticipated to remain elevated.

Employment in the KWB is forecast to climb two per cent annually through 2019, outpacing the provincial pace of 1.4 per cent and 1.1 per cent. Barrie employment is expected to level out this year following 2017's outsized gain, owing at least in part to data volatility at the local level. That said, one aspect to consider is that employment estimates are based on place of residence, and regions like Barrie and Guelph are in part relatively affordable bedroom communities to Greater Toronto in the former, and Hamilton CMA in the latter, and inflow of commuting households would be included in local employment counts. In the case of Barrie, roughly a quarter of employed workers commute outside the local census division for work, aided in part by the GO train network.

Rising population growth has followed these regional dynamics contributing to demand for retail, health and other services, and housing. Population growth in the region is anticipated to decelerate from 2016 but hold steady near 1.5 per year, exceeding the provincial trend. The draw of a low unemployment rate, strong job prospects, and affordable housing will continue to maintain healthy levels of in-migration from other parts of the province and other countries.

Underlying housing demand remains strong, but similar to other markets in the province, growth in 2017 was derailed by restrictive provincial policy early in the year. Sales fell more sharply in both Barrie and Guelph relative to Kitchener-Cambridge-Waterloo, as restrictions to rental markets and non-resident purchasers were felt most in the Greater Golden Horseshoe. However, sales recovered more quickly





in these areas. Average home values were up more than 20 per cent for the year but wavered since the policy shift before tracking higher. Residential building permits issued in the region declined In the KCW metro area during 2017 but increased in Barrie and Guelph. Policy changes had little immediate impact on construction and typically lag sales. A modest dip in permit activity is expected this year with the new B-20 rules and rising mortgage rates.

A more subdued housing trend continues through mid-2018 as more stringent mortgage stress test requirements followed by a rising trend given local economic growth and higher wages. Full-year regional sales are expected to decline six per cent. Demographic factors will dominate as the strong population cycle underpins new home demand and economic strength keeps renovation activity solid holding permits at an above average rate of 11,000 units per year. Sales are forecast to rebound in 2019 to 35,000 units per annum, with price levels up a five to seven percent annually partly due to limited listings on the market.

Hamilton-Niagara Peninsula Economic Region

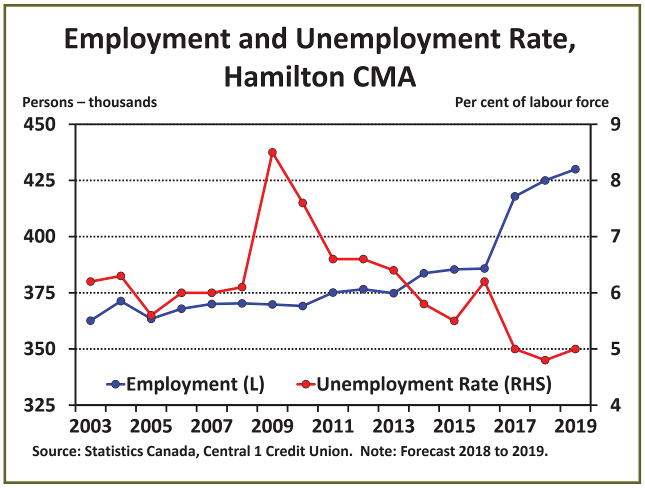
The region posted strong economic performance in 2017, which is expected to carry-over into 2018 though likely with less vigor due to fluctuations in construction activity and still challenging conditions for manufacturing expansion. This region has notable industry concentrations in manufacturing, tourism, and agriculture and its northern areas are increasingly integrated with the GTA economy.

The Hamilton-Niagara Peninsula (HNP) Economic Region spans the three Census Metropolitan Areas (CMA) of Hamilton, St. Catharines-Niagara, and Brantford and includes the Haldimand-Norfolk Census Division. The region has a population of about 1.49 million persons.

Employment in the region shot up 4.0 per cent, or 28,700 persons, during 2017, the largest absolute increase and the second fastest annual growth performance recorded. This large, statistically significant increase follows a multi-year period of modest employment growth. The Hamilton CMA accounted for the bulk of the increase with St. Catharines-Niagara CMA posting an insignificant decline and the Brantford CMA recording an increase, though not significant. Employment estimates are from the Labour Force Survey (LFS) based on a sample of resident households.

Manufacturing, wholesale and retail trade, finance, insurance, and real estate, and professional, technical, and scientific services were the leading employment growth industries in 2017. For manufacturing, it was the first meaningful employment gain in years. Expansion in the trade industries could be responsible for rising income, population growth, and housing activity, which also contributed to employment gains in finance and real estate.

The Hamilton CMA, home to more than one-half of the region's residents and comprised of Hamilton City, Burlington, and Grimsby, enjoyed a very robust economy in 2017, judging by the 8.3 per cent job growth, the lowest unemployment rate in more than a decade, and a very active construction scene. Some of the job growth by residents could be linked to the GTA economy, with 35.7 per cent of the employed labour force with a usual place of work commuting to different census division, according to the 2016 Census. This figure was 40.1 per cent for Burlington. Regardless, this high job growth among Hamilton's residents translates into growing local income and increased demand for goods and services.



Job growth during 2017 for Hamilton residents was broadly based across industries, with notable gains in construction, manufacturing, trade, finance and real estate, professional services, health, accommodation and food, and government.

The local economic base benefitted not only from favourable external conditions but also from rising domestic demand. Hamilton's transportation sector posted a strong performance with its international airport reporting an 80 per cent increase in passenger traffic during 2017 and the Port Authority reporting a six per cent increase in tonnage. The Port of Hamilton saw new investments for a grain export terminal and a new flour mill.

Local manufacturing expanded with the SUEZ Water Technologies & Solutions newly-built ozone production facility in the Ancaster Business Park. Most manufacturing businesses were likely operating at recent or above recent levels with a still-low currency aiding exports, along with improvement in U.S. and European growth as well as in the rest of Canada with the end of the oil recession. On the downside, Stelco announced layoffs earlier in 2017.

Construction activity ramped up in 2017 in both residential, non-residential building, and engineering construction. Work started on a Courtyard Marriot hotel, a Mohawk College project, and a new Hamilton Police Service facility. Residential building permits issued increased to the highest level in more than a decade. Construction began on the Woodward Avenue Wastewater Treatment Plant costing $330 million, which is anticipated to be completed by 2020. The Confederation GO Station in Hamilton will begin construction shortly, with completion expected in 2019, and the $1B Hamilton LRT project is slated to begin construction in 2019.

The hot housing market fueled by low mortgage rates, rising incomes, population growth, and pent-up demand cooled temporarily following the introduction of the province's Fair Housing Plan in April 2017. Housing sales fell precipitously but stabilized after three months and began to climb once again. The federal government's new stress test for uninsured mortgages effective Jan 1, 2018 pulled forward some sales into late 2017. Housing prices, with a time lag, followed the sales pattern.

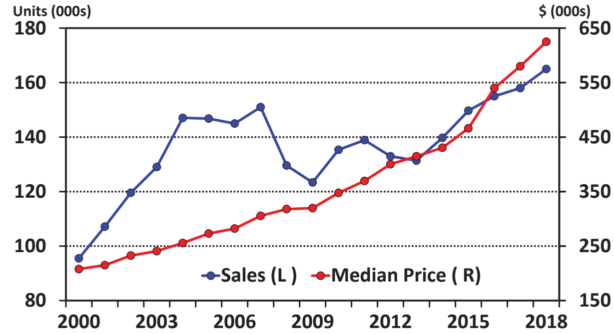
Hamilton's growth prospects remain positive through 2019 due to still favourable external factors, notwithstanding moderate interest rate increases and pent-up domestic demand. Last year's record employment growth is unlikely to be repeated and going forward a trend-growth performance more likely. A reported decline in 2018 employment would not be a surprise due to LFS sample variability. The unemployment rate is forecast to remain low.

Another example of economic variability is non-residential building permits, which are predicted to come off last year's high of $850 million in 2018 and to rebound in 2019. Similarly, housing sales look to begin 2018 on a weaker note due to the latest stress test rule, but to grind higher into 2019. Another gain in residential building permits is foreseen during 2018 in response to tight conditions in the ownership and rental markets.

Housing price increases are expected to slow following two strong annual gains, notably last year's 20.4 per cent jump in the residential median sale price. With the new mortgage rate stress test and the affordability squeeze from higher prices and mortgage rates, housing sales look to come in slightly lower than in 2017 resulting in some easing in market conditions. The price forecast calls for increases around five per cent annually through 2019 and is predicated on more listings coming onto the market, and if not, higher increases are likely.

Population growth picked up in 2016 and 2017. Most of the additional growth was driven by rising intraprovincial migration, primarily from the GTA by those seeking more affordable housing. This trend, along more international migration, is expected to continue keeping population growth above one per cent annually.

Housing Sales and Median Price, Hamilton-Niagara Region



Source: Teranet, Central 1 Credit Union. Note: 2016e, 2017-18 forecast

The St. Catharines-Niagara CMA covers most of the Regional Municipality of Niagara, excluding West Lincoln, Smithville, and Grimsby. St. Catharines, Niagara Falls, and Welland are its principal cities. This CMA, Ontario's sixth largest, has a population exceeding 400,000 persons. Its economy is heavily concentrated in tourism and related activities and with a substantial concentration in agriculture and related activities. Manufacturing's role in the economy has diminished but still represents an important industry with significant export and local economic linkages.

The Niagara Peninsula's wine industry is a large player in the local economy generating export and tourism revenues. The large majority of Ontario's grape growing volume is grown here and it is home to about 60 per cent of Ontario's VQA wineries. The 2017 grape harvest was bountiful, and it was considered a good vintage, according reports. Actual production data is not readily available. The CMA is home to 147 businesses with employees in agricultural fruit and nut production along with 73 businesses in beverage manufacturing, according to the 2016 Business Register.

Tourism had a good year in 2017 with more visitors to the province and more visitors from other parts of the province and country. Up-to-date visitor data at the regional level are not available. However, with provincial visitor counts up in 2017, and the Ontario economy generating faster employment and income growth to support more intraprovincial visits, the CMA very likely benefitted from these gains.

A new gas-engine manufacturing facility in Welland by GE Canada is underway, scheduled for completion around mid-2018. Manufacturing employment increased for the second year, according to the LFS. These gains were not statistically significant and only

Hamilton-Niagara Peninsula Economic Region						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	706.4	719.1	721.4	750.1	765.0	775.0
% change	1.3	1.8	0.3	4.0	2.0	1.3
Unemployment Rate, %	6.5	6.0	6.4	5.3	5.0	4.9
Residental Sales, units	30,785	33,581	35,166	33,160	31,500	34,000
% change	7.9	9.1	4.7	-5.7	-5.0	7.9
Residential Median Price, $	278,114	297,717	327,030	391,169	405,000	425,000
% change	5.6	7.0	9.8	19.6	3.5	4.9
Residential Permits, units	5,091	6,589	7,150	7,746	8,500	8,000
% change	2.3	29.4	8.5	8.3	9.7	-5.9
Non-Residential Permits ($ mil.)	889.0	960.0	889.5	1,302.0	1,100.0	1,450.0
% change	-29.7	8.0	-7.3	46.4	-15.5	31.8
Population (000s)	1,446.7	1,457.6	1,473.0	1,490.0	1,508.8	1,527.2
% change	0.8	0.7	1.1	1.2	1.3	1.2

Hamilton CMA						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	383.7	385.4	385.8	417.9	425.0	430.0
% change	2.4	0.4	0.1	8.3	1.7	1.2
Unemployment Rate, %	5.8	5.5	6.2	5.0	4.8	5.0
Residental Sales, units	16,293	17,367	17,134	15,983	15,600	17,000
% change	6.5	6.6	-1.3	-6.7	-2.4	9.0
Residential Median Price, $	324,615	350,759	393,569	474,053	500,000	525,000
% change	4.2	8.1	12.2	20.4	5.5	5.0
Residential Permits, units	2,647	3,232	3,597	3,631	4,000	3,700
% change	3.4	22.1	11.3	0.9	10.2	-7.5
Non-Residential Permits ($ mil.)	570.5	650.5	480.6	798	600	800
% change	-16.2	14.0	-26.1	66.0	-24.8	33.3
Population (000s)	764.7	770.2	778.4	788.2	798.5	808.0
% change	0.9	0.7	1.1	1.3	1.3	1.2

St. Catharines-Niagara CMA						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	195.4	204.1	203.1	197.6	200.0	203.0
% change	1.0	4.5	-0.5	-2.7	1.2	1.5
Unemployment Rate, %	7.7	7.0	7.1	6.5	5.8	6.2
Residental Sales, units	8,875	10,208	11,604	10,950	9,500	10,500
% change	10.4	15.0	13.7	-5.6	-13.2	10.5
Residential Median Price, $	216,429	229,716	257,339	315,452	330,000	345,000
% change	4.0	6.1	12.0	22.6	4.6	4.5
Residential Permits, units	1,599	1,875	2,410	2,403	2,700	2,600
% change	7.2	17.3	28.5	-0.3	12.4	-3.7
Non-Residential Permits ($ mil.)	188	198	223.4	258	250	300
% change	-57.4	5.3	12.8	15.5	-3.1	20.0
Population (000s)	406.7	408.7	411.7	415.0	419.0	423.5
% change	0.4	0.5	0.7	0.8	1.0	1.1

Brantford CMA						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	68.6	69.3	70.2	72.3	74.5	76.0
% change	-0.4	1.0	1.3	3.0	3.0	2.0
Unemployment Rate, %	6.8	5.7	6.0	4.9	5.3	5.0
Residental Sales, units	2,750	3,051	3,260	3,137	3,350	3,500
% change	7.7	10.9	6.9	-3.8	6.8	4.5
Residential Median Price, $	242,318	260,859	290,391	337,431	365,000	380,000
% change	5.6	7.7	11.3	16.2	8.2	4.1
Residential Permits, units	449	825	347	573	650	700
% change	3.9	83.7	-57.9	65.1	13.4	7.7
Non-Residential Permits ($ mil.)	50	63	137.9	117	100	150
% change	-49.0	26.0	118.9	-15.2	-14.5	50.0
Population (000s)	142.9	144.0	145.5	147.0	148.9	150.7
% change	0.7	0.8	1.0	1.1	1.3	1.2

Source: Statistics Canada, Teranet, Central 1 Credit Union. Forecast 2018 - 2019.

brought employment back to levels seen during 2010 to 2014.

Domestic demand is on the upswing and evident in increased housing market and building activity. Residential construction advanced 12 per cent in 2017 according to CMHC, and non-residential building permits posted gains in industrial and commercial buildings. The rental vacancy rate declined on deteriorating homeownership affordability and on a modest population gain.

While housing sales declined modestly in 2017, housing prices surged more than 20 per cent. Most of the price rise was front-end loaded in the year and a carry-over of tight market condition in 2016. Sales faltered following the province's Fair Housing Plan and recovered moderately by year end. Market conditions eased, and price increases cooled.

The St. Catharines-Niagara economy is seen growing at a moderate pace through 2019 with employment growing at an above-trend pace, albeit just above one per cent annually. The unemployment rate looks to hover around six per cent. The LFS sample results come with a large error margin and can have large swings, so the forecast predicts the underlying trend.

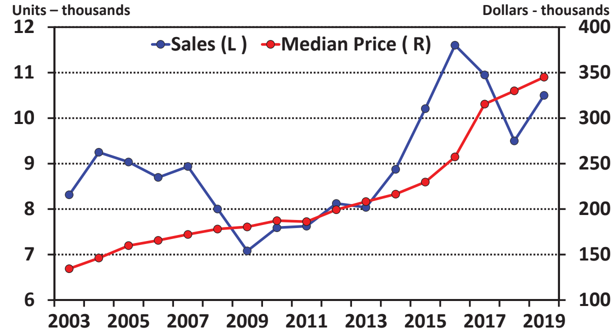
Residential building permits will likely post gains during the next two years in response to higher prices and a tighter rental market. Housing sales are expected to fluctuate around recent elevated levels and housing prices to rise at a more moderate pace than in the previous two years.

The Brantford CMA is comprised of the cities of Brant and Brantford and includes the Six Nations Part (40). It has a geography nearly identical to the Brant Census Division. The CMA has a population approaching 150,000 persons. The CMA's economic base has a significant manufacturing component, the largest share of the labour force at 17 per cent in the region, as of the 2016 Census. About one-third of its employed residents with a usual place of work commute outside the CMA to another census division.

The labour market has made some gains in the past two years and appears to have broken out of the range-bound employment levels of the prior ten years and all of this gain was in full-time employment. The unemployment rate in 2017, at 4.9 per cent, was the lowest in about 20 years.

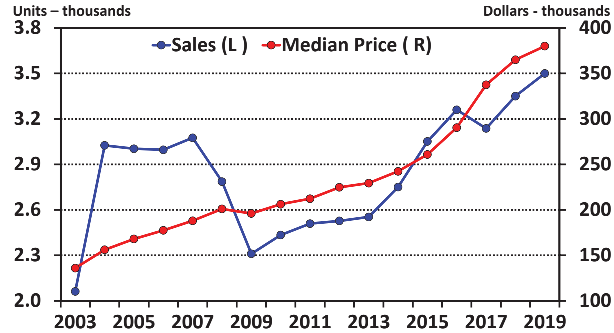
Brantford's manufacturing industry received some major investments recently. Ferrero Canada is undergoing a $90 million expansion and J.P. Bowman

Housing Sales and Median Price, St-Catharines-Niagara CMA



Source: Teranet, Central 1 Credit Union. Note: Forecast 2018 to 2019.

Housing Sales and Median Price, Brantford CMA



Source: Teranet, Central 1 Credit Union. Note: Forecast 2018 to 2019.

Precision Tooling expanded. Mitsui High-tec (Canada) Inc. commenced construction on a plant specializing in motor cores for hybrid vehicles. Manufacturing employment was up in 2017 and reached its highest level since 2009 and the fourth quarter 2017 level was the highest in ten years and this upswing looks to continue into 2018.

The domestic economy is performing well as evidenced by rising housing construction. Residential building permits advanced 65 per cent during 2017 in response to a large increase in housing prices and a tighter rental market. Population growth increased, contributing to the domestic economy.

Non-residential building construction investment was at a high and rising level during 2017, closing out the year more than 60 per cent above 2016's level. Commercial building construction was the main driver, increasing more than 200 per cent, which reflected the surge in commercial building permits issued during 2016. With fewer commercial permits issued in 2017 and those 2016 buildings nearing completion, this component will very likely decline in 2018.

Brantford's economic outlook is positive. Employment gains are anticipated through 2019 with the unemployment rate remaining at or near current lows. Population growth is seen rising to 1.3 per cent on higher in-migration from other parts of the province, likely neighbouring areas.

More housing activity will play out with gains in residential building permits. Higher housing sales and prices are expected as Brantford offers a relative more attractive affordability situation than in larger urban centres and release of pent-up demand from previous weaker economic and housing conditions.

London Economic Region

The London Economic Region (ER) covers Oxford, Elgin, and Middlesex counties and is home to 691,000 residents. The region's economic base is more concentrated in manufacturing and agriculture and it has service industry concentrations in financial services, education and health. The London Census Metropolitan Area (CMA) is the region's principal centre comprised of the cities of London and St. Thomas and neighbouring urban jurisdictions. Outside the CMA, the economic base is relatively more concentrated in agriculture and manufacturing than in London.

The region's economy faced some headwinds in 2017 particularly from the goods-producing sector. While the construction sector posted strong employment growth, supported by residential construction and renovation spending, disruptions to the manufacturing sector and the auto-related sector in the region pushed down overall employment growth that could not be off-set by services sector job growth. Consumer expenditures supported the services sector, which posted 1.1 per cent job growth in the

London Economic Region						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	324.8	330.4	330.9	330.1	330.4	331.1
% change	0.3	1.7	0.2	-0.2	0.1	0.2
Unemployment Rate, %	7.0	5.9	6.1	5.6	5.3	5.5
Residental Sales, units	13,578	14,361	15,963	17,299	15,500	15,000
% change	2.6	5.8	11.2	8.4	-10.4	-3.2
Residential Median Price, $	219,252	228,655	249,900	286,329	305,000	320,000
% change	3.1	4.3	9.3	14.6	6.5	4.9
Residential Permits, units	3,100	2,773	4,751	4,573	4,450	4,550
% change	4.3	-10.5	71.3	-3.7	-2.7	2.2
Non-Residential Permits ($ mil.)	420.4	535.5	740.0	659.9	800.0	815.0
% change	-12.3	27.4	38.2	-10.8	21.2	1.9
Population (000s)	666.7	671.7	680.7	691.2	701.8	710.7
% change	0.7	0.7	1.3	1.5	1.5	1.3
London CMA						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	243.0	252.0	245.9	245.8	246.3	247.5
% change	1.1	3.7	-2.4	-0.0	0.2	0.5
Unemployment Rate, %	7.5	6.5	7.0	5.9	5.6	5.9
Residental Sales, units	10,296	10,801	11,820	13,014	11,700	11,500
% change	2.9	4.9	9.4	10.1	-10.1	-1.7
Residential Median Price, $	225,583	235,515	249,809	288,067	310,000	325,000
% change	3.7	4.4	6.1	15.3	7.6	4.8
Residential Permits, units	2,442	1,863	3,699	3,573	3,450	3,700
% change	5.4	-23.7	98.6	-3.4	-3.4	7.2
Non-Residential Permits ($ mil.)	273.5	412.7	568.3	328.7	400	410
% change	-4.8	50.9	37.7	-42.2	21.7	2.5
Population (000s)	501.8	505.8	513.1	521.8	530.0	537.5
% change	0.7	0.8	1.4	1.7	1.6	1.4

Source: Statistics Canada, Teranet, Central 1 Credit Union. Forecast 2018 - 2019.

London CMA; growth in key sectors such as wholesale and retail trade, finance, insurance and real estate, professional and scientific services, business building, and educational services helped lift overall services employment.

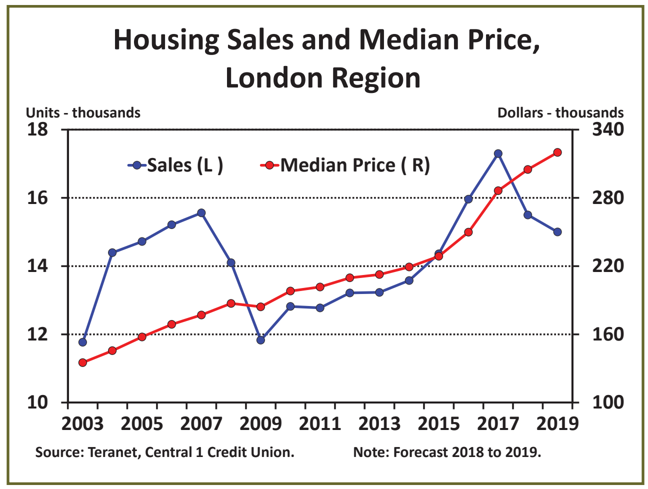
The unemployment rate decreased as a greater share of full-time jobs were lost that could not be off-set by part time job growth and a greater number of people left the workforce pulling down participation and employment rates. Many of those unemployed and discouraged workers were in the manufacturing sector.

The region's population increased at a faster pace in 2017 expanding 1.5 per cent, up from 1.3 per cent in 2016, resulting in the best two-year growth performance since the early 1990s. Most of the growth to the region's population continues to come from new residents from abroad and Canadians coming from other parts of Canada. Many migrants are attracted to job opportunities in the construction, finance-insurance-real estate, and other growing industries noted above. The region's educational institutions also attract people from outside.

The existing homes market closed out 2017 in a seller's market. Even with the policy-led sales slowdown, front-loaded sales growth meant more than 17,000 home sales occurred this year, a record high. New listings could not keep pace with sales resulting in a near 15 per cent rise in the median price. With a tight existing homes market and robust price growth, many buyers looked to the new homes market.

New housing starts increased in the London CMA by 27 per cent in 2017. A tight existing homes market increased demand for new ground-oriented housing. Single-detached and row/townhome new housing starts increased by 29 and 86 per cent, respectively. Many new homebuyers looked closer at row/townhomes as a substitute for single-detached homes due to affordability concerns.

Increased population growth through new residents coming from outside the region is not only tightening the homeownership market but the rental market as well. The purpose-built rental market vacancy rates and availability rates continued to trend down. The vacancy rate for purpose-built rental apartment and row/townhomes was 1.8 per cent, the lowest it has been in the London CMA since survey data is available. Furthermore, with the prospect of higher mortgage rates and robust price growth many potential buyers remained in rental contributing to the tightness of the rental market.



Consumer expenditures supported private non-residential investments in the region. Interest rates that remained low and strong retail and wholesale sales motivated many business owners to make expansions to their operations. Private non-residential building permit dollar volume increased 13 per cent in 2017. After propping up non-residential investment over the last few years, public non-residential permit dollar volume decreased and was a drag on total non-residential building permit dollar volume.

The economic outlook for 2018 calls for modest employment growth and a moderation to new housing demand that will put downward pressure to residential investment. The region's labour force will continue to shrink but at a decreasing rate in 2018 as some workers retire and others remain on the sidelines and not actively looking. Many of these on the sidelines will be young workers still living at home. The increased hourly minimum wage will temper hiring as employers adjust to the higher operating costs. Employment growth will return to the black in 2018 rising by a modest 0.1 per cent after decreasing 0.2 per cent last year.

The services sector will continue to support jobs growth thanks to higher wages funneling to sustained consumer demand. Key services-sector projects in the area include: Ryder a U.S. based transportation services company that just opened a new facility in the London area that will house 210 drivers and 55 employees. This new facility will put a significant footprint in the region for the company and is slated to handle more than 3,000 cross-border freight movements a month in the continent (U.S., Canada, and Mexico). HRDownloads, a human resources solution provider is planning to hire 20-30 new employees.

The goods-sector will report net employment growth. Manufacturing job gains in 2018 will off-set construction job losses. Renovation spending will be robust in 2018 as many homeowners will decide to stay in their current homes rather than move-up, but new housing construction will decrease putting downward pressure on job growth in this sector. Key construction projects in the area include: the building of a new IKEA store expected to open its doors in 2019, The Government of Canada is investing $170M in a new bus rapid transit corridor in London, Marwood Metal Fabrication Ltd., of Tillsonburg, Ontario, will receive $953,500 from Ontario to develop a new production process using carbon fibre to manufacture lighter and stronger roof headers. This will help improve cars' structural integrity while making them lighter and more fuel efficient and, Nova Steel Inc., of Woodstock, Ontario, will receive $7,436,750 also from Ontario to develop second-generation advanced high-strength steel (AHSS) as well as technologies to make its plant more efficient. This will help Nova Steel leverage current and future demands for AHSS for lighter vehicles and for electric and autonomous vehicles.

Possible risks to the region's jobs market in 2018 will be the results of NAFTA negotiations, exchange rate differentials between the Canadian and US dollar, and greater appetite for used cars in the US, which would all affect manufacturing and auto-related exports, a sector with a significant footprint in this region.

Barring any adverse results from those issues mentioned above, the job market will continue to grow in 2018 into 2019. Employment in the region will increase a further 0.2 per cent in 2019 and the unemployment rate will increase to 5.5 per cent from 5.3 per cent in 2018 thanks to an influx of people to the labour force looking for work.

Housing sales, both existing and new, will moderate in 2018 given higher costs of entry due to policy tightening and higher interest rates. Residential permits will decrease slightly in 2018 before recovering in 2019.

Residential sales and median price growth will slow in 2018 and in 2019 as people and the market adapts to the new mortgage rules and higher mortgage rates.

Non-residential investments will increase significantly in 2018 thanks to a jump in public projects. Industrial and commercial investments will push private residential investment up in 2018 and 2019 but at a lower rate than 2017. Business owners will be balancing the benefits of an expansion, through greater sales receipts with the added costs of the investment and operating costs through higher wages.

Population in the region will continue to grow at the recent higher pace of 1.5 per cent in 2018 and slowing to 1.3 per cent in 2019, due to natural increase and continued migration of people from abroad and other parts of Canada.

Windsor-Sarnia Economic Region

The Windsor-Sarnia Economic Region (ER) covers Chatham-Kent, Essex and Lambton counties and is home to about 650,000 residents. The region's main export industries are manufacturing and agriculture. Its principal centres are the Windsor Census Metropolitan Area (CMA), with a population of 350,000, the Chatham-Kent Census Agglomeration (CA) with a population of 105,000, the Sarnia CA with a population of 97,000, and the Leamington CA with a population of 50,000. These urban centres contain most of the region's manufacturing and services base, while the rest of the region is largely rural and agricultural.

The Windsor-Sarnia ER and Windsor CMA's unemployment rates decreased in 2017 due to a larger drop in the labour force than in employment. In both, full-time employment decreased. In the CMA, part-time also decreased, while in the ER the gains in part-time work could not off-set the full-time job losses this year.

The CMA accounts for over half of the population and the workforce of the region. As such, changes to the job market in the CMA affects the ER. In 2017, employment in the CMA decreased due to a moderation in the goods-sector that could not be off-set by service-sector job gains in the year. While construction jobs increased, due to new home construction and non-residential investment activity, manufacturing decreased significantly due to work disruptions in the auto-related sector. The services-sector created jobs in 2017 with consumer demand supported gains in wholesale and retail trade, transportation and warehousing, professional services, and business building. An aging population in this region continued to support job gains in health and social services.

The region's population growth reached bottom during the recession (2008-09), since this time, population growth has steadily gained momentum. The CMA's population growth has been more significant than the ER likely due to the CMA's more diverse economy and educational institutions attracting younger people. Immigrants from abroad continue to be the bread and butter of population growth in the region, particularly, non-permanent residents are now a significant share of international migrants. Immigration changes has made it easier for people to come on permits as temporary workers and students. The region is gaining residents from other provinces following the oil shock and economic recession in the western provinces with many of those that had left returning home.

With an influx of younger international migrants, the CMA has a higher share of renter age (20-24 years of age) and first-time home buyer age people than the ER (25-44 years of age). These groups are influencing the region's housing markets. Windsor CMA has

Windsor-Sarnia Economic Region						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	299.1	295.1	299.4	299.3	299.9	301.4
% change	1.4	-1.3	1.5	-0.0	0.2	0.5
Unemployment Rate, %	8.1	8.4	6.6	6.1	5.7	5.6
Residental Sales, units	12,126	13,427	14,312	14,915	13,425	13,025
% change	5.8	10.7	6.6	4.2	-10.0	-3.0
Residential Median Price, $	163,900	168,971	179,756	206,893	220,000	230,000
% change	3.9	3.1	6.4	15.1	6.3	4.5
Residential Permits, units	1,371	1,994	2,055	2,020	1,925	1,950
% change	-8.1	45.4	3.1	-1.7	-4.7	1.3
Non-Residential Permits ($ mil.)	346.8	371.2	430.3	550.6	620.0	649.6
% change	-4.6	7.0	15.9	28.0	12.6	4.8
Population (000s)	639.1	639.8	643.6	648.6	652.5	655.4
% change	0.1	0.1	0.6	0.8	0.6	0.4
Windsor CMA						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	155.2	158.0	164.1	162.8	163.3	164.3
% change	0.3	1.8	3.9	-0.8	0.3	0.6
Unemployment Rate, %	9.0	9.8	6.0	5.6	5.4	5.6
Residental Sales, units	6,685	7,619	8,260	8,493	7,900	7,750
% change	5.6	14.0	8.4	2.8	-7.0	-1.9
Residential Median Price, $	164,305	171,548	182,911	216,585	230,000	240,000
% change	4.8	4.4	6.6	18.4	6.2	4.3
Residential Permits, units	816	1,159	1,315	1,057	950	985
% change	6.7	42.0	13.5	-19.6	-10.1	3.7
Non-Residential Permits ($ mil.)	150.9	185.7	183	225	240	250
% change	21.5	23.1	-1.5	23.0	6.7	4.2
Population (000s)	334.3	336.4	340.2	344.7	348.7	352.4
% change	0.5	0.6	1.1	1.3	1.2	1.1

Source: Statistics Canada, Teranet, Central 1 Credit Union. Forecast 2018 - 2019.

an older housing stock that needs to be revitalized and expanded to house the higher number of new residents.

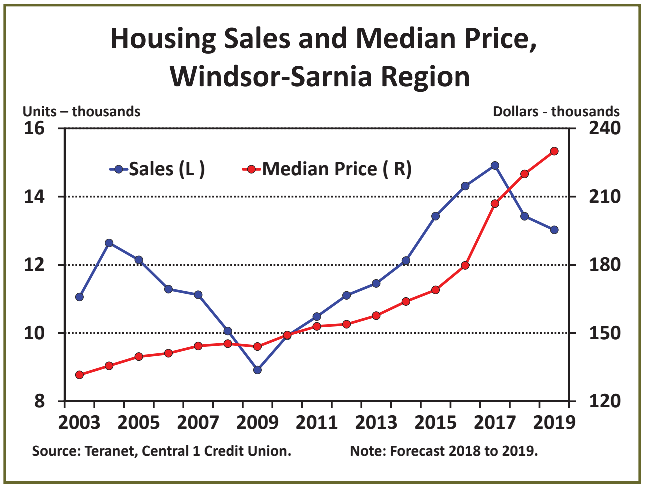
Over the last two years, housing construction growth was significant but has moderated in 2017. New housing starts are six per cent lower than last year with moderation in all housing types. Single-detached homes remain the housing type of choice with 64 per cent of total starts. Markets such as Windsor ER don't face as tight housing market conditions as other parts of the province making a single-detached home attainable for most. On a monthly trend, new housing starts declined for eight of the twelve months of the year bringing the overall total down. Slower economic growth was a factor for the moderation in new housing demand.

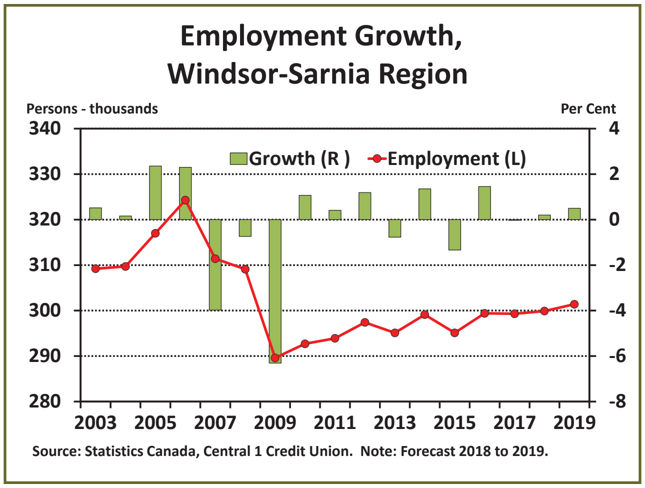
MLS® residential sales increased by one per cent in 2017. The year started off with brisk sales activity, and as the new provincial policies came into effect, the market cooled in the second half. But, whereas in other regions the sales slowdown was shorter, in Windsor it was more sustained. The weaker job growth and uncertainty was likely keeping potential buyers on the sidelines during the second half of 2017.

New listings decreased in 2017, brisk resale market activity last year drew out many listings and those homes were purchased and not replaced with more listings. Even with the moderation in sales, front-loaded sales activity ensured total sales in Windsor were significant and with fewer listings, prices jumped significantly for the second year in a row. The housing market finished 2017 in a sellers' market.

The purpose-built rental stock in Windsor CMA is one of the oldest in the province. Some of these units are taken off the market to renovate or permanently removed because of their age. With the continued influx of new residents, the purpose-built rental market remains tight. The vacancy rate continues to trend down. Furthermore, with slower job growth and deteriorating affordability in the home ownership market, many residents decided to stay in rental instead of leaving to purchase a home further aiding to a tight rental market.

Residential permits during 2017 came in slightly below the previous year, which was not off-set by conversions or renovations. Non-residential building permits, notably commercial, increased due to stronger consumer demand. Private and public





non-residential permit growth contributed to overall non-residential permits volume growth.

The region's labour market will slowly improve over the next two years following a contraction led by the goods-sector through auto manufacturing, which has a significant footprint in this region. Job growth in the ER is forecast at 0.2 per cent in 2018 and 0.5 per cent in 2019. The region's unemployment rate is expected to decrease to 5.7 per cent in 2018 and 5.6 per cent in 2019. In 2018, the outflow in the labour force through retirement or through frustration of not finding a job will slow down as the economy slowly improves. Job growth in the CMA is forecast to be slightly higher than the ER.

The goods-sector will rebound in 2018 and 2019. Construction will continue to expand given strong non-residential investments both commercial and public. Consumer demand will allow business owners to make expansions to their operations to better serve clients. Manufacturing, which gave back growth in 2017 due to labour disruptions, will expand in 2018 and 2019. Domestic demand for vehicles and export growth in auto parts will lift this sector. Growth in goods will come from several projects including: Tilray Canada Inc., which intends to create about 250 new jobs over the next five years at their medical marijuana facility near Petrolia, Woodbridge Foam Corporation will hire 20 more people at their Blenheim plant due to a new contract with Jeep Chrysler, Lakeside Plastics Ltd. of Tecumseth will get a $1M investment from the Government of Canada from the Strategic Innovation Fund to develop innovative new molding process for vehicles, creating 60 jobs, and, IATGlobal, which is an auto tech company, building a new $6M facility in Chatham expected to be complete by summer 2018. Chemicals manufacturing will get a boost, NOVA Chemicals Corporation is investing over $2B, with help from the Provincial Government, towards two new facilities in Sarnia-Lambton and expects to create 145 jobs by 2021.

As noted above, consumer demand will remain supportive of growth in the economy. The services sector will continue to expand. Projects in the pipeline include: Hart Stores Inc. opening a new department store in Chatham in spring 2018, Goodwill Industries will open a third store in Windsor creating 50 to 60 new jobs by May 2018, and, Paramount Fine Foods, a Middle Eastern restaurant chain, will open a new location in Windsor in early 2018.

New mortgage rules and higher mortgage rates will moderate residential home sales and median price growth over the forecast horizon. Even with the moderation, sales and median price will remain above the longer-term average.

Residential investments will decrease slightly in 2018 and remain range-bound in 2019 due to moderate new housing demand. Increased renovation spending will put upward pressure on residential investment spending but not enough to make up the decrease to new home construction. Many residents will decide to renovate their home rather than buy a new one either in the new or existing homes markets given the price levels and previous tightness. The federal government will support residential spending through the implementation of its National Housing Strategy.

Non-residential spending will increase over the forecast horizon. Increased consumer demand will support commercial and industrial investments and more government spending will boost public permit activity.

Population growth in the region and the CMA will decelerate in 2018 following the sluggish jobs numbers of last year attracting fewer people to the region. In 2019, population growth will slow to 0.4 per cent in the region and 1.1 per cent in the CMA. The largest contributor to population growth will remain people settling into the region from abroad either long-term or on temporary work or study permits. Natural increase, the difference between births and deaths, will increase slightly due to young families, which relocated to the region, having more children.

Downside risks to the forecasts for this region remain a geopolitical crisis, an adverse result for exports due to a U.S.-led trade policy mistake. Upside risks to the forecasts include greater domestic demand for goods and services and export growth. Some developments are difficult to accurately predict, but on a whole, the upside risks outweigh the downside risks and the region should continue to enjoy economic growth through the forecast horizon.

Stratford-Bruce Peninsula Economic Region

The Stratford-Bruce Peninsula Economic Region (ER) covers the counties of Perth, Huron, Bruce, and Grey and is home to about 305,000 residents. The region's economy is concentrated in the agriculture, utilities, and manufacturing industries with a relatively small service sector. Over the past three decades its economic makeup has changed little with a gradual upshift in service-producing industries and shrinkage in goods-producing industries.

The region's labour market had a standout year in 2017 after posting moderate employment growth last year. In 2017, employment increased by 3,500 workers with strong growth in full-time employment that off-set the decreased part-time jobs growth. Given the strength of the region's economy this year, the drop in part-time jobs was likely the result of many people being promoted from part-time work to full-time work. Stronger jobs growth attracted potential workers to the labour force but, jobs growth still outpaced labour force growth pulling down the unemployment rate to 4.5 per cent. This was the lowest unemployment rate since 2007. The participation and employment rates both increased.

By sector, services gave back some growth in 2017, but gains to the goods-sector made up for those losses. In the goods-sector, key industries gained jobs: utilities, manufacturing, and agriculture. In the services-sector, wholesale and retail trade, accommodation and food services, and transportation and warehousing are some sectors that gave back growth causing services sector employment to decrease.

Due to the demands of an aging population, health and social services gained jobs.

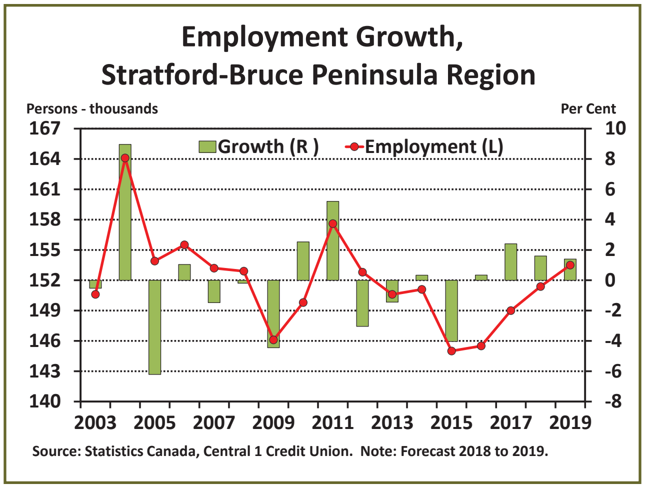
The region's population expanded mostly due to growth in new residents coming from other parts of the province and from abroad. The region, given its economic vitality this year, also reversed the net outflow to other parts of the country.

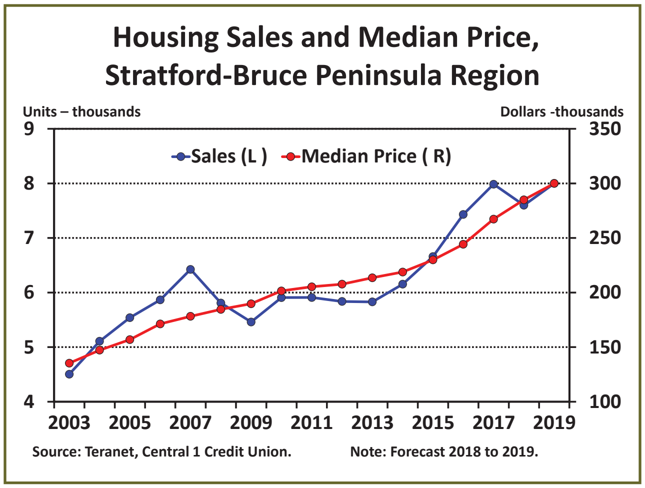
The region's existing homes market, like much of the province, has posted brisk activity. In 2017, the region reported the strongest sales level of the last seven years, recording over 5,000 MLS® residential sales for the second straight year. Robust sales activity and fewer new listings pushed average sale price growth up double digits. The market moved higher into a sellers' market.

The new homes market benefitted from the tight existing homes market. In 2017, residential permits jumped up by 36 per cent.

Non-residential permits expanded by 14 per cent in 2017 due strong commercial permits growth given stronger consumer demand and strong growth to institutional-government permits. Industrial permits increased over five per cent. Employer confidence led to expansion of operations and the creation of new industrial sites. For example, at the end of the year Abraflex, a manufacturer of protective equipment used in the nuclear industry, opened a new 12,000-sq.-ft. facility in Paisley.

Over the next two years, the region's economy will continue to expand. In 2018, new projects in the area will draw out more people to the labour force than those finding jobs, pushing the unemployment up a tad to 4.7 per cent. By 2019, more people will land new work bringing the unemployment rate back down to 4.5 per cent. The participation and





Stratford-Bruce Economic Region

	2014	2015	2016	2017	2018	2019
Total Employment (000s)	151.1	145.0	145.5	149.0	151.4	153.5
% change	0.3	-4.0	0.3	2.4	1.6	1.4
Unemployment Rate, %	4.8	5.7	4.8	4.5	4.7	4.5
Residental Sales, units	6,154	6,660	7,432	7,985	7,600	8,000
% change	5.6	8.2	11.6	7.4	-4.8	5.3
Residential Median Price, $	218,794	229,939	244,230	267,288	285,000	300,000
% change	2.4	5.1	6.2	9.4	6.6	5.3
Residential Permits, units	1,096	1,345	1,550	2,105	2,550	2,800
% change	0.7	22.7	15.2	35.8	21.1	9.8
Non-Residential Permits ($ mil.)	350.0	284.9	340.0	305.0	340.0	340.0
% change	33.2	-18.6	19.3	-10.3	11.5	11.5
Population (000s)	300.8	301.3	303.1	305.1	307.1	309.3
% change	0.0	0.2	0.6	0.7	0.7	0.7

Source: Statistics Canada, Teranet, Central 1 Credit Union. Forecast 2018 - 2019.

employment rates will increase for the duration of the forecast period.

Several new projects in the area will ensure that jobs growth is broad-based. In the services-sector, Sargent & Lundy, L.L.C. announced that it would open a second location in Kincardine to provide engineering and consulting services hiring 20 professionals. SNC-Lavalin Group Inc. opened an office in Port Elgin with plans to fill 35 positions. In the goods-producing sector, work is progressing to revitalize Goderich's agricultural park worth $3.2M, Atwood Heritage Processing Inc., C.R. Plastic Products Inc., FIO Automotive Canada Corp., and Hayashi Canada Inc., with help from the Government of Ontario are investing a combined $23M in their Stratford and Perth County operations, creating 71 new jobs, Kinectrics Inc., a Bruce Power supplier, broke ground on a new facility at the Bruce Energy Centre near Tiverton, creating 30 to 50 jobs, GreenSeal Cannabis Company Ltd. is opening a production facility in Stratford, creating 20 to 30 full and part-time jobs, and Exceldor Foods Limited announced that it plans to hire 60 full-time staff at its poultry processing plant in Hanover.

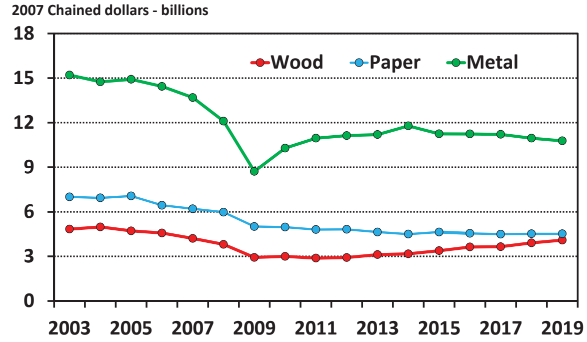
The region has, on average, an older and aging population with many of these residents wanting to age in place. Renovation spending will benefit from this trend over the forecast horizon as residents will want to renovate spaces to adapt to their changing needs. New housing starts will remain robust and contribute to residential permits growth in 2018 given the tightness and double-digit price growth in the existing homes market last year. By 2019, residential permits will still increase but at a more moderate ten per cent.

As noted above, there are various non-residential projects in the area that will benefit the region's economy. Non-residential permits will expand by eight per cent in 2018 with growth in private and public building permits. Next year, non-residential permits growth will be, again broad-based, and rise by an additional four per cent.

The region's economy will remain supportive of homeownership. The new mortgage rules and higher expected mortgage rates over the forecast horizon will take a bite out of market activity but not to the extent of other regions closer to the GTA. Sales and median price will moderate slightly but remain above average.

Job growth will attract more people to the area over the next two years. People relocating from other parts of Ontario, many from the GTA and looking to retire, and from abroad will continue to support population growth. The number of area residents going to other parts of the country will slow as jobs growth acts as a magnet keeping more of them in the region.

Real Gross Domestic Product Selected Manufacturing, Ontario



Source: Ontario Ministry of Finance. Central 1 Credit Union. Note: Forecast 2017-19.

Northeast Economic Region

The Northeast region covers Greater Sudbury and the counties of Nipissing, Parry Sound, Manitoulin, Sudbury, Timiskaming, Cochrane and Algoma and is home to around 560,000 residents. The region's key industries are mining, forestry, related manufacturing and utilities. Greater Sudbury has around 166,000 residents and is the region's main service and distribution hub. The city's major industries are education, health-social services, primary resources and retail-wholesale trade.

The fortunes of the Northeast region are closely entwined with the outlook for products such as lumber, pulp, steel and other metals. Ontario's real production in mining and forestry was down in 2017, little changed in wood, paper and metal manufacturing, and up in electric utilities. Commodity prices generally rebounded and stabilized with further gains forecast on improved global demand. Northern Ontario's ability to benefit from an improving outlook is hindered by uncertainty around the status of trade arrangements. This is negative for investment and on the export outlook. Growth would be weaker if more protectionist trade policies are implemented.

Lumber shipments from Ontario mills leveled off in 2017, after steadily rising post-recession. Lumber prices increased, supported by strong demand associated with higher single-family housing starts in the United States. Panel, engineered and other wood product manufacturing sales continued to rise. Pulp and paper manufacturing shipments remained on an upward trend. Forest product exports from producers in Ontario have been rangebound since 2016. Stronger economic growth and housing construction in the U.S. and a relatively weak Canadian dollar bode well for Northern Ontario's forest products. Renewed tariffs on softwood lumber exports to the U.S. restrains the lumber outlook.

The overall outlook for Ontario's mining and metal manufacturing sector is mixed, with stronger demand dampened by supply constraints. Prices for gold, nickel, copper and platinum rallied last year, although most forecasts are for modest changes through 2019. Iron, steel and copper price forecasts point to modest declines due to excess global supply. Nickel, gold and platinum price forecasts point to moderate increases due to rising global demand. Real gross domestic product for mining and metal manufacturing in Ontario in 2017 was down slightly from the previous year. Exports of metal ores and non-metallic minerals fell sharply in 2017. Exports of mineral products (metals, non-metallic mineral products) increased modestly in 2017.

Payroll employment in Ontario in mining and quarrying in the first ten months of 2017 was up 8.4 per cent year-over-year, while employment in primary metal manufacturing declined 2.5 per cent. Tenaris Algoma Tubes Inc. is hiring 50 workers in Sault Ste. Marie. The Bradshaw Gold Project mine expects to hire more employees in the spring of 2018. Vale Canada Ltd. announced the closure of its Stobie Mine in Sudbury due to depleted reserves of nickel

Northeast Economic Region						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	256.8	248.1	247.8	249.0	249.5	249.5
% change	1.2	-3.4	-0.1	0.5	0.2	0.0
Unemployment Rate, %	6.9	7.7	7.2	6.7	6.6	6.6
Residental Sales, units	10,662	11,219	10,705	10,934	10,950	10,850
% change	-3.7	5.2	-4.6	2.1	0.1	-0.9
Residential Median Price, $	180,521	181,684	186,378	197,619	205,000	211,000
% change	0.2	0.6	2.6	6.0	3.7	2.9
Residential Permits, units	1,043	1,143	1,058	1,012	1,000	1,000
% change	-20.1	9.6	-7.4	-4.3	-1.2	0.0
Non-Residential Permits ($ mil.)	447.0	335.7	285.0	506.2	410.0	410.0
% change	17.3	-24.9	-15.1	77.6	-19.0	0.0
Population (000s)	562.7	560.1	558.5	557.6	556.3	554.9
% change	-0.4	-0.5	-0.3	-0.2	-0.2	-0.3
Greater Sudbury CMA						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	83.1	82.3	81.7	81.1	81.6	81.6
% change	-0.2	-1.0	-0.7	-0.7	0.6	0.0
Unemployment Rate, %	6.4	7.3	8.1	6.7	6.5	6.3
Residental Sales, units	2,626	2,698	2,581	2,565	2,500	2,400
% change	-7.7	2.7	-4.3	-0.6	-2.5	-4.0
Residential Median Price, $	229,396	231,475	232,947	246,763	257,000	267,000
% change	-0.3	0.9	0.6	5.9	4.1	3.9
Residential Permits, units	379	298	353	293	290	260
% change	-18.3	-21.4	18.5	-17.0	-1.0	-10.3
Non-Residential Permits ($ mil.)	233.4	122.8	100	269.3	180	165
% change	38.9	-47.4	-18.6	169.3	-33.2	-8.3
Population (000s)	165.3	164.8	165.0	165.3	165.5	165.5
% change	-0.2	-0.3	0.1	0.2	0.1	0.0

Source: Statistics Canada, Teranet, Central 1 Credit Union. Forecast 2018 - 2019.

ore, affecting 230 workers. Great Lakes Graphite Inc. announced that it would relocate its graphite processing operation from Matheson to Pennsylvania. Goldcorp Porcupine Gold Mines announced that it would permanently close its Dome underground mine in Timmins, probably due to depleted reserves, resulting in up to 140 layoffs.

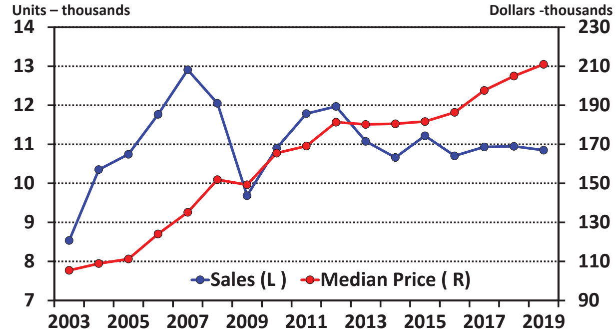
Utility industries in the Northeast region saw employment level off in 2017 as several renewable energy projects were completed. Construction of two major wind energy projects is planned through 2019. An international energy company has secured financing and started construction on the 300 MW Henvey Inlet wind farm south of Sudbury. The project is valued at $1 billion, expected to create up to 500 jobs during construction. Scheduled for completion in 2019, the project will employ about 15 permanent full-time workers. Another international energy company plans to build a 120 MW wind farm north of North Bay. The project is valued at $350 million and is scheduled for completion in 2019.

Investment in non-residential building construction in the Northeast region increased in 2017, led by commercial and industrial structures. Examples of demand for office space include: Millennium Process Group Inc. establishing a contact centre in Sudbury with over 250 employees; Canada Revenue Agency hiring 650 employees for a tax-returns processing centre in Sudbury; Sutherland Global Services Sault Ste. Marie location adding 100 full-time employees; and Manulife Securities Inc. opening a branch in downtown Sudbury.

Examples of demand for other commercial space include: Crosscut Distillery in Greater Sudbury opening with retail area; Dollar Store opening in Elliot; and various restaurants in North Bay and Sudbury. Examples of demand for institutional and government space include: A new fire hall in Mindemoya; the North East Local Health Integration Network's Rapid Access Addiction Medicine Clinics in Sault Ste. Marie, North Bay and Timmins and Sudbury; the Whitefish River First Nation's new water reservoir; and a new child care centre in Timmins.

The forecast for non-residential building permits is a slowly rising trend, though the record high of 2017 is not expected to be reached again through 2019. New private sector investment in industrial and commercial buildings is forecast to remain near last year's high. New public-sector investment in institutional and government buildings is forecast to cool from last year's high.

Housing Sales and Median Price, Northeast Region



Source: Teranet, Central 1 Credit Union. Note: Forecast 2018 to 2019.

The labour market in Northeast Ontario has weakened since at least 2008 and that trend is forecast to continue through 2019. Total employment declined by an estimated 0.9 per cent or 2,300 persons in 2017. Employment in service industries declined, led by public administration, wholesale trade, retail trade, transportation and warehousing. Those declines outweighed job growth in goods producing industries, led by construction and manufacturing. With moderate strength in construction and manufacturing forecast to continue this year, employment is forecast to rise 0.3 per cent in 2018 before declining 0.6 per cent in 2019. The labour force is forecast to follow a similar trend to employment, with slightly larger swings. The unemployment rate is thus forecast to remain around seven per cent.

The population of the Northeast has been steadily declining for many years. Net migration is outbound to other parts of Ontario and Canada and deaths exceed births. With the labour market forecast to remain soft, the down trend in regional population will almost certainly continue.

Housing market activity tends to track local employment, population, income, land supply and building supply trends as well as broader factors such as mortgage rates, credit availability and inflation. With employment and population trending down in the Northeast since the recession, it is not surprising that housing sales have been range bound and price inflation low. The outlook is for more of the same, with housing sales forecast to remain just under 11,000 units per year through 2019 and the median sale price rising by around three to four per cent per year. The outlook for housing construction follows the outlook for housing sales with regional residential building permits forecast to remain around 1,000 units per year.

Greater Sudbury's economy is somewhat more weighted toward services and mining than the Northeast region overall, especially accommodation, food and public administration services. It is somewhat less weighted toward goods production, especially manufacturing, and transportation services. Even so, the economic outlook for Greater Sudbury is like the outlook for the Northeast region, but stronger.

The labour market in Greater Sudbury has weakened since 2015, with employment falling just under one per cent per year. Employment in service industries declined, led by wholesale and retail trade, professional and technical services, and business and building support services. Those declines outweighed job growth in health and social services as well as public administration. In the second half of 2017, seasonally adjusted employment turned up, led by public administration, education and construction. This momentum is forecast to continue in 2018 with employment rising 0.7 per cent before leveling off in 2019. The unemployment rate is forecast to decline from 6.7 per cent in 2017 to 6.3 per cent in 2019 as labour force growth lags employment growth.

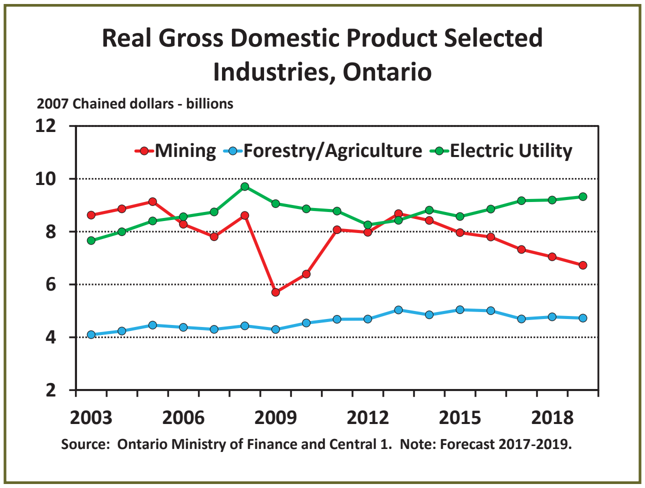
The population of Greater Sudbury has been range bound for many years as net immigration and natural increase roughly offset net out-migration. Greater Sudbury's population is forecast to edge higher as in the prior two years.

With employment trending down and population range bound in Greater Sudbury, housing sales are trending lower and price inflation is moderate. The outlook is for more of the same, with housing sales forecast at just under 2,500 per year through 2019 and the median sale price rising by around four per cent per year. Single detached houses account for around 80 per cent of sales with the rest being some type of multi-family structure. Residential building permits are forecast to remain around 300 units in 2018 and decline 10 per cent in 2019.

Investment in non-residential building construction in Greater Sudbury closely tracks that of the Northeast region and accounts for around 40 per cent of the region's total over the last 10 years. The forecast for non-residential building permits in Greater Sudbury is a slowly rising trend although the record high of 2017 is not expected to be reached again through 2019.

Northwest Economic Region

The Northwest region covers the counties of Thunder Bay, Rainy River and Kenora and is home to around 239,000 residents. The region's export industries are mining, forestry, transportation services and manufacturing. Thunder Bay is the region's principal centre with a population of around 124,000 people. Its strategic location on the Great Lakes makes it a transportation hub for the region and parts of western Canada. The city's economy is weighted toward services although it is home to many workers in forestry, mining, construction and manufacturing.



The fortunes of the Northwest region are closely linked with the outlook for products such as lumber and metals. Ontario's real production in mining and forestry was down in 2017, little changed in wood, paper and metal manufacturing, and up in electric utilities. Commodity prices generally rebounded and stabilized and further gains are forecast. Northern Ontario's ability to benefit from an improving outlook is hindered by uncertainty around the status of trade arrangements. This is negative for investment in Canada and thus on the export outlook. Growth would be weaker if more protectionist trade policies are implemented.

Lumber shipments from Ontario mills leveled off in 2017 after steadily rising post-recession. Lumber prices increased, supported by strong demand associated with higher single-family housing starts in the United States. Panel, engineered and other wood product manufacturing sales continued to rise. Pulp and paper manufacturing shipments remained on an upward trend. Forest product exports from producers in Ontario have been rangebound since 2016. Stronger economic growth and housing construction in the U.S. and a relatively weak Canadian dollar bode well for Northern Ontario's forest products. Renewed tariffs on softwood lumber exports to the U.S. dampen the outlook for forest products.

The overall outlook for Ontario's mining and metal manufacturing sector is mixed, with stronger demand dampened by supply constraints. Prices for gold, nickel, copper and platinum rallied last year although most forecasts are for modest changes through 2019. Iron, steel and copper price forecasts point to modest declines due to excess global supply. Nickel, gold and platinum price forecasts point to moderate increases due to rising global demand. Real gross domestic product for mining and metal manufacturing in Ontario in 2017 was down slightly from the previous year. Exports of metal ores and non-metallic minerals fell sharply in 2017. Exports of mineral products (metals, non-metallic mineral products) increased modestly in 2017.

Payroll employment in Ontario in mining and quarrying in the first ten months of 2017 was up 8.4 per cent year-over-year, while employment in primary metal manufacturing declined 2.5 per cent. The Northwest region has several operating gold mines and several gold mine projects at various stages of exploration, permitting and development. Newgold's Rainy River gold mine north of Fort Francis began production in late 2017. This $885 million project is projected to employ 600 workers when fully operational. Agnico Eagle Mining hopes to begin operation of its Hammond Reef gold mine west of Thunder Bay in 2020. Currently in the permitting stage, this $600 million project is projected to employ over 1,000 workers during construction and 550 workers when fully operational. Exploration and drilling is planned

Northwest Economic Region						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	99.8	97.4	99.9	102.7	103.7	105.9
% change	-2.3	-2.4	2.6	2.8	1.0	2.1
Unemployment Rate, %	5.9	5.9	6.9	5.5	5.4	5.2
Residental Sales, units	4,379	4,423	4,051	3,807	4,000	4,200
% change	6.5	1.0	-8.4	-6.0	5.1	5.0
Residential Median Price, $	177,821	182,093	183,588	202,608	210,000	220,000
% change	7.7	2.4	0.8	10.4	3.6	4.8
Residential Permits, units	389	389	339	410	460	500
% change	-13.6	0.0	-12.9	20.9	12.2	8.7
Non-Residential Permits ($ mil.)	86.3	135.7	120.0	133.2	130.0	125.0
% change	-55.4	57.2	-11.6	11.0	-2.4	-3.8
Population (000s)	240.0	239.1	239.0	239.3	239.5	239.7
% change	-0.2	-0.4	-0.0	0.1	0.1	0.1
Thunder Bay CMA						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	61.5	59.7	60.1	61.5	62.2	63.2
% change	-2.1	-2.9	0.7	2.3	1.1	1.6
Unemployment Rate, %	5.2	5.2	6.8	5.5	5.8	5.7
Residental Sales, units	2,377	2,299	2,163	2,116	2,200	2,300
% change	5.7	-3.3	-5.9	-2.2	4.0	4.5
Residential Median Price, $	191,716	194,288	207,660	219,561	230,000	243,000
% change	8.2	1.3	6.9	5.7	4.8	5.7
Residential Permits, units	316	290	245	298	350	400
% change	-8.4	-8.2	-15.5	21.6	17.4	14.3
Non-Residential Permits ($ mil.)	52.2	113.2	60	98.5	85	75
% change	-66.1	116.9	-47.0	64.2	-13.7	-11.8
Population (000s)	125.1	124.6	124.3	124.2	124.2	124.5
% change	-0.0	-0.4	-0.2	-0.1	0.0	0.2

Source: Statistics Canada, Teranet, Central 1 Credit Union. Forecast 2018 - 2019.

through 2018 at many other mineral properties in the region.

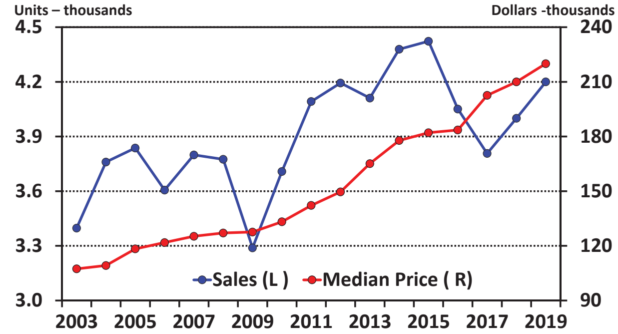
Over the longer term, the eventual development of the Ring of Fire, one of the largest chromite deposits in the world, would make a significant contribution to the Northwest economy. At present, its development has stalled in face of uncertainty about government support, private investor commitment and difficult negotiations with First Nations' communities near the deposit. The lack of adequate transportation infrastructure is a significant barrier to the deposit's development. The province has committed $1 billion towards infrastructure development in the region and has nominated the region as one of its "priority transit projects" for federal Build Canada funding.

Power transmission systems continue to expand in the Northwest. Wataynikaneyap Power plans to begin construction of the $1.35 billion Wataynikaneyap Transmission Project designed to bring electric power to communities northwest of Thunder Bay. The first phase, a new 300km transmission line, will reinforce electricity supply into Pickle Lake. The second phase will connect 17 First Nation communities north of Pickle Lake and Red Lake with an estimated 1,500 km of new transmission line. Construction is scheduled to finish in 2023. PowerTel Utilities Contractors Ltd. began construction on a 117-kilometer transmission line connecting Pikangikum First Nation to the provincial power grid. The project is expected to be completed by late 2018. Valard Powerline has been selected as the general contractor for the $777 million East-West Tie Transmission Project in Northwestern Ontario, creating about 700 jobs in 2018.

New investment in non-residential building construction in the Northwest region has been rangebound since 2015 and that trend is forecast too continue through 2019. New private sector building permits for industrial and commercial buildings is forecast to remain near last year's level of $76 million. Public-sector building permits for institutional and government buildings is forecast to remain near last year's level of $57 million.

Examples of non-residential construction include: new investments in public transit in Thunder Bay, Re-opening the shipyard in Thunder Bay by Current River Holdings; a new cogeneration power plant and wood pellet manufacturing facility near Thunder Bay; a new cardiovascular surgery facility at the Thunder Bay Regional Health Sciences Centre; a new concrete dam at Shebandowan Lake; a new Elders Hub in Sandy Lake First Nation; an upgrade of the water treatment

Housing Sales and Median Price, Northwest Region



Source: Teranet, Central 1 Credit Union. Note: Forecast 2018 to 2019.

system in the Neskantaga First Nation; commitment to replace the Rainy River–Baudette International Bridge at the Canada–USA border.

The labour market in Northwest Ontario has strengthened since 2015 and that trend is forecast to continue through 2019. Total employment increased by an estimated 2.8 per cent or 2,800 persons in 2017. Employment in service industries grew, led by health, social, transportation and warehousing. Employment also increased in goods producing industries, led by forestry, mining and manufacturing. With moderate strength in mining, forestry, construction, manufacturing, transportation and health services forecast to continue, employment is forecast to rise one per cent in 2018 and around two per cent in 2019. The labour force is forecast to follow a similar trend to employment with slightly smaller swings. The unemployment rate is thus forecast to decline from 5.5 per cent last year to 5.2 per cent in 2019.

The population of Northwest Ontario increased in 2017 after falling for five straight years. Migration to other provinces turned positive after many years of declining outflows, at least partly due to two years of solid employment growth. With further job growth forecast through 2019, increasing population will almost certainly continue. Population growth is forecast at around 0.1 per cent or 200 people per year.

Housing market activity tends to track local employment, population, income, land supply and building supply trends as well as broader factors such as mortgage rates and inflation. With employment and population trending up in the Northwest, housing sales are forecast to increase over the next two years. Unit sales are forecast to rise at around five per cent per year, while the average sale price increased by around three per cent per year. The outlook for housing construction tends to follow the outlook for housing sales. For the region overall, residential building permits are forecast to rise from 410 units in 2017 to 490 units in 2019.

Thunder Bay is the main service centre and transportation hub for the Northwest region. Its economy is more weighted toward producing services than the rest of the region and less weighted toward producing goods. Even so, the economic outlook for Thunder Bay mirros the outlook for the overall region.

The Port of Thunder Bay's overall cargo total for 2017 was just under 8.9 million metric tonnes, virtually matching the 2016 season tally. This marks the fourth consecutive season of above-average cargo volumes, thanks to strong grain shipments as well as increases in potash and other dry bulk shipments.

The labour market in Thunder Bay has strengthened over the last two years, with employment growth averaging 1.5 per cent per year. Employment in service industries increased, led by transportation, warehousing, accommodation, food and education. Those gains outweighed job declines in public administration. This momentum is forecast to continue through 2019 with employment rising by over one per cent per year. The unemployment rate is forecast to remain below six per cent.

The population of Thunder Bay has trending lower for many years as net migration and natural change (births minus deaths) were negative. Net out-migration slowed last year as the labour market strengthened and is forecast to turn to net in-migration this year. Population growth is forecast at 0.3 per cent or 350 people total over the next two years.

With employment and population forecast to rise in Thunder Bay, it is not surprising that housing sales and prices are also forecast to rise. Housing sales are forecast to increase by over three per cent per year, while the average sale price is forecast to rise by around five per cent per year. Single detached houses account for over 80 per cent of sales with the rest being some type of multi-family structure. Residential building permits are forecast to rise to over 300 units per year through 2019.

Investment in non-residential building construction in Thunder Bay closely tracks that of the Northwest region and accounts for around 60 per cent of the region's total over the last 10 years. The forecast for non-residential building permits in Thunder Bay is a range bound trend although the level of 2017 permits is not expected to be reached again through 2019.

Helmut Pastrick
Chief Economist, Central 1 Credit Union
hpastrick@central1.com
www.central1.com
604. 737.5026 or 1.800.661.6813 ext. 5026

Contributors:
Bryan Yu
Deputy Chief Economist., Central 1 Credit Union

David Hobden
Senior Financial Economist, Central 1 Credit Union

Edgard Navarrete
Regional Economist, Central 1 Credit Union

Appendix Tables - Regional Summary

Employment (000s) - Regional Summary

Economic Region	2014	2015	2016	2017	2018	2019
Ottawa	697.8	688.2	692.4	695.3	700.0	707.0
% change	1.9	-1.4	0.6	0.4	0.7	1.0
Kingston-Pembroke	210.1	201.0	212.5	208.1	212.0	211.5
% change	-1.8	-4.3	5.7	-2.1	1.9	-0.2
Muskoka-Kawarthas	186.3	167.8	170.6	181.4	174.0	177.0
% change	10.6	-9.9	1.7	6.3	-4.1	1.7
Toronto ER	3,241.1	3,320.4	3,373.2	3,443.0	3,502.0	3,549.0
% change	0.0	2.4	1.6	2.1	1.7	1.3
Kitchener-Waterloo-Barrie	704.5	710.6	706.0	723.7	738.0	755.0
% change	1.6	0.9	-0.6	2.5	2.0	2.3
Hamilton-Niagara	706.4	719.1	721.4	750.1	765.0	775.0
% change	1.3	1.8	0.3	4.0	2.0	1.3
London	324.8	330.4	330.9	330.1	330.4	331.1
% change	0.3	1.7	0.2	-0.2	0.1	0.2
Windsor-Sarnia	299.1	295.1	299.4	299.3	299.9	301.4
% change	1.4	-1.3	1.5	-0.0	0.2	0.5
Stratford-Bruce	151.1	145.0	145.5	149.0	151.4	153.5
% change	0.3	-4.0	0.3	2.4	1.6	1.4
Northeast	256.8	248.1	247.8	249.0	249.5	249.5
% change	1.2	-3.4	-0.1	0.5	0.2	0.0
Northwest	99.8	97.4	99.9	102.7	103.7	105.9
% change	-2.3	-2.4	2.6	2.8	1.0	2.1
Ontario	6,877.8	6,923.1	6,999.6	7,131.7	7,225.9	7,315.9
% change	0.8	0.7	1.1	1.9	1.3	1.2

Source: Statistics Canada, Central 1 Credit Union. Forecast 2018 - 2019.

Unemployment Rate - Regional Summary

Economic Region	2014	2015	2016	2017	2018	2019
Ottawa	6.6	6.5	6.5	5.7	6.0	5.9
Kingston-Pembroke	8.4	7.2	6.0	5.8	5.8	5.4
Muskoka-Kawarthas	6.3	7.8	5.7	5.9	6.5	5.9
Toronto ER	8.0	7.1	6.9	6.4	5.9	5.7
Kitchener-Waterloo-Barrie	5.8	5.4	5.5	5.1	4.9	4.4
Hamilton-Niagara	6.5	6.0	6.4	5.3	5.0	4.9
London	7.0	5.9	6.1	5.6	5.3	5.5
Windsor-Sarnia	8.1	8.4	6.6	6.1	5.7	5.6
Stratford-Bruce	4.8	5.7	4.8	4.5	4.7	4.5
Northeast	6.9	7.7	7.2	6.7	6.6	6.6
Northwest	6.0	6.0	6.9	5.5	5.4	5.2
Ontario	7.3	6.8	6.5	6.0	5.7	5.5

Source: Statistics Canada, Central 1 Credit Union. Forecast 2018 - 2019.

Residential Sales (Units) - Regional Summary						
Economic Region	2014	2015	2016	2017	2018	2019
Ottawa	25,623	27,188	27,075	27,465	28,300	29,800
% change	-2.9	6.1	-0.4	1.4	3.0	5.3
Kingston-Pembroke	9,275	9,771	10,738	11,386	11,200	11,400
% change	2.5	5.3	9.9	6.0	-1.6	1.8
Muskoka-Kawarthas	9,800	11,461	12,455	11,305	12,000	13,000
% change	0.6	16.9	8.7	-9.2	6.1	8.3
Toronto ER	132,793	143,962	149,883	128,025	115,000	120,000
% change	6.1	8.4	4.1	-14.6	-10.2	4.3
Kitchener-Waterloo-Barrie	28,656	32,205	35,504	35,269	33,000	35,000
% change	0.6	12.4	10.2	-0.7	-6.4	6.1
Hamilton-Niagara	30,785	33,581	35,166	33,160	31,500	34,000
% change	7.9	9.1	4.7	-5.7	-5.0	7.9
London	13,578	14,361	15,963	17,299	15,500	15,000
% change	2.6	5.8	11.2	8.4	-10.4	-3.2
Windsor-Sarnia	12,126	13,427	14,312	14,915	13,425	13,025
% change	5.8	10.7	6.6	4.2	-10.0	-3.0
Stratford-Bruce	6,154	6,660	7,432	7,985	7,600	8,000
% change	5.6	8.2	11.6	7.4	-4.8	5.3
Northeast	10,662	11,219	10,705	10,934	10,950	10,850
% change	-3.7	5.2	-4.6	2.1	0.1	-0.9
Northwest	4,379	4,423	4,051	3,807	4,000	4,200
% change	6.5	1.0	-8.4	-6.0	5.1	5.0
Ontario	283,831	308,258	323,284	301,550	282,475	294,275
% change	3.9	8.6	4.9	-6.7	-6.3	4.2

Source: Teranet, Central 1 Credit Union. Forecast 2018 - 2019.

Residential Median Sale Price ($) - Regional Summary						
Economic Region	2014	2015	2016	2017	2018	2019
Ottawa	305,430	313,329	315,062	329,729	345,000	365,000
% change	1.6	2.6	0.6	4.7	4.6	5.8
Kingston-Pembroke	218,597	224,157	234,714	256,445	265,000	275,000
% change	1.1	2.5	4.7	9.3	3.3	3.8
Muskoka-Kawarthas	246,152	252,542	279,562	322,264	360,000	385,000
% change	4.4	2.6	10.7	15.3	11.7	6.9
Toronto ER	443,628	476,891	544,922	631,632	650,000	675,000
% change	5.6	7.5	14.3	15.9	2.9	3.8
Kitchener-Waterloo-Barrie	303,260	318,087	359,178	428,623	450,000	480,000
% change	6.2	4.9	12.9	19.3	5.0	6.7
Hamilton-Niagara	278,114	297,717	327,030	391,169	405,000	425,000
% change	5.6	7.0	9.8	19.6	3.5	4.9
London	219,252	228,655	249,900	286,329	305,000	320,000
% change	3.1	4.3	9.3	14.6	6.5	4.9
Windsor-Sarnia	163,900	168,971	179,756	206,893	220,000	230,000
% change	3.9	3.1	6.4	15.1	6.3	4.5
Stratford-Bruce	218,794	229,939	244,230	267,288	285,000	300,000
% change	2.4	5.1	6.2	9.4	6.6	5.3
Northeast	180,521	181,684	186,378	197,619	205,000	211,000
% change	0.2	0.6	2.6	6.0	3.7	2.9
Northwest	177,821	182,093	183,588	202,608	210,000	220,000
% change	7.7	2.4	0.8	10.4	3.6	4.8
Ontario	331,495	348,105	380,701	424,389	435,500	457,000
% change	5.1	5.0	9.4	11.5	2.6	4.9

Source: Teranet, Central 1 Credit Union. Forecast 2018 - 2019.

Residential Building Permits (Units) - Regional Summary						
Economic Region	2014	2015	2016	2017	2018	2019
Ottawa	8,391	5,808	8,629	8,729	9,000	9,600
% change	26.3	-30.8	48.6	1.2	3.1	6.7
Kingston-Pembroke	1,771	2,074	2,245	2,650	2,800	2,700
% change	-13.6	17.1	8.2	18.0	5.7	-3.6
Muskoka-Kawarthas	2,208	1,880	2,229	2,500	2,700	2,850
% change	21.4	-14.9	18.6	12.2	8.0	5.6
Toronto ER	35,136	40,153	38,094	35,082	34,000	35,500
% change	-12.7	14.3	-5.1	-7.9	-3.1	4.4
Kitchener-Waterloo-Barrie	9,204	9,290	12,398	10,804	11,000	11,300
% change	29.9	0.9	33.5	-12.9	1.8	2.7
Hamilton-Niagara	5,091	6,589	7,150	7,746	8,500	8,000
% change	2.3	29.4	8.5	8.3	9.7	-5.9
London	3,100	2,773	4,751	4,573	4,450	4,550
% change	4.3	-10.5	71.3	-3.7	-2.7	2.2
Windsor-Sarnia	1,371	1,994	2,055	2,020	1,925	1,950
% change	-8.1	45.4	3.1	-1.7	-4.7	1.3
Stratford-Bruce	1,096	1,345	1,550	2,105	2,550	2,800
% change	0.7	22.7	15.2	35.8	21.1	9.8
Northeast	1,043	1,143	1,058	1,012	1,000	1,000
% change	-20.1	9.6	-7.4	-4.3	-1.2	0.0
Northwest	389	389	339	410	460	500
% change	-13.6	0.0	-12.9	20.9	12.2	8.7
Ontario	68,800	73,438	80,498	77,631	78,385	80,750
% change	-1.9	6.7	9.6	-3.6	1.0	3.0

Source: Statistics Canada, Central 1 Credit Union. Forecast 2018 - 2019.

Non-residential Building Permits ($ mil.) - Regional Summary						
Economic Region	2014	2015	2016	2017	2018	2019
Ottawa	1,180.1	1,046.4	1,160.4	1,146.1	1,175.0	1,150.0
% change	0.1	-11.3	10.9	-1.2	2.5	-2.1
Kingston-Pembroke	495.0	276.5	301.2	465.0	315.0	400.0
% change	108.3	-44.1	8.9	54.4	-32.3	27.0
Muskoka-Kawarthas	235.0	119.0	189.9	170.0	205.0	210.0
% change	81.6	-49.4	59.6	-10.5	20.6	2.4
Toronto ER	5,985.0	6,630.9	6,288.2	8,025.6	8,250.0	8,800.0
% change	-3.4	10.8	-5.2	27.6	2.8	6.7
Kitchener-Waterloo-Barrie	1,307.9	1,254.3	1,170.0	1,386.7	1,280.0	1,320.0
% change	33.1	-4.1	-6.7	18.5	-7.7	3.1
Hamilton-Niagara	889.0	960.0	889.5	1,302.0	1,100.0	1,450.0
% change	-29.7	8.0	-7.3	46.4	-15.5	31.8
London	420.4	535.5	740.0	659.9	800.0	815.0
% change	-12.3	27.4	38.2	-10.8	21.2	1.9
Windsor-Sarnia	346.8	371.2	430.3	550.6	620.0	649.6
% change	-4.6	7.0	15.9	28.0	12.6	4.8
Stratford-Bruce	350.0	284.9	337.4	385.3	415.0	429.8
% change	33.2	-18.6	18.4	14.2	7.7	3.6
Northeast	447.0	335.7	285.0	506.2	410.0	410.0
% change	17.3	-24.9	-15.1	77.6	-19.0	0.0
Northwest	86.3	135.7	120.0	133.2	130.0	125.0
% change	-55.4	57.2	-11.6	11.0	-2.4	-3.8
Ontario	11,742.5	11,950.1	11,911.9	14,730.6	14,700.0	15,759.4
% change	0.7	1.8	-0.3	23.7	-0.2	7.2

Sources: Statistics Canada, C1CU. Forecast 2017 - 2018, 2016 estimated.

Population (000s) - Regional Summary						
Economic Region	2014	2015	2016	2017	2018	2019
Ottawa	1,320.5	1,330.9	1,348.7	1,371.6	1,392.4	1,410.0
% change	0.8	0.8	1.3	1.7	1.5	1.3
Kingston-Pembroke	469.0	470.4	473.2	477.3	480.4	483.3
% change	0.2	0.3	0.6	0.9	0.7	0.6
Muskoka-Kawarthas	381.1	383.0	385.5	388.4	391.4	394.8
% change	0.3	0.5	0.7	0.8	0.8	0.9
Toronto ER	6,354.7	6,421.4	6,530.6	6,654.7	6,773.2	6,878.7
% change	1.3	1.0	1.7	1.9	1.8	1.6
Kitchener-Waterloo-Barrie	1,299.1	1,314.4	1,338.0	1,363.4	1,390.0	1,414.5
% change	1.1	1.2	1.8	1.9	2.0	1.8
Hamilton-Niagara	1,446.7	1,457.6	1,473.0	1,490.0	1,508.8	1,527.2
% change	0.8	0.7	1.1	1.2	1.3	1.2
London	666.7	671.7	680.7	691.2	701.8	710.7
% change	0.7	0.7	1.3	1.5	1.5	1.3
Windsor-Sarnia	639.1	639.8	643.6	648.6	652.5	655.4
% change	0.1	0.1	0.6	0.8	0.6	0.4
Stratford-Bruce	300.8	301.3	303.1	305.1	307.1	309.3
% change	0.0	0.2	0.6	0.7	0.7	0.7
Northeast	562.7	560.1	558.5	557.6	556.3	554.9
% change	-0.4	-0.5	-0.3	-0.2	-0.2	-0.3
Northwest	240.0	239.1	239.0	239.3	239.5	239.7
% change	-0.2	-0.4	-0.0	0.1	0.1	0.1
Ontario	13,680.5	13,789.6	13,973.8	14,187.2	14,393.4	14,578.5
% change	0.9	0.8	1.3	1.5	1.5	1.3

Source: Statistics Canada, Central 1 Credit Union. Forecast 2018 - 2019.