

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.

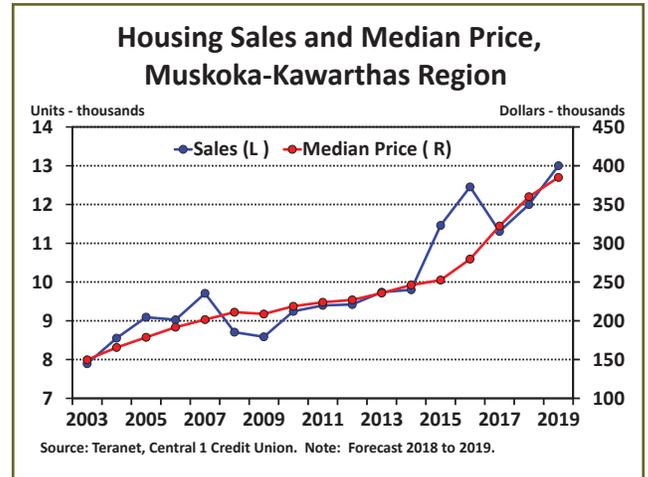
The Muskoka-Kawarthas Economic Region is anchored by the Peterborough Census Metropolitan Area and contains the Census Agglomerations of Kawartha Lakes, Port Hope, and Cobourg. The region spans Northumberland, Peterborough, and Haliburton counties as well as Kawartha Lakes Census Division (CD) and Muskoka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

| 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 |
| Residential 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 |
| Residential 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.

Population growth in the Muskoka-Kawarths 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.

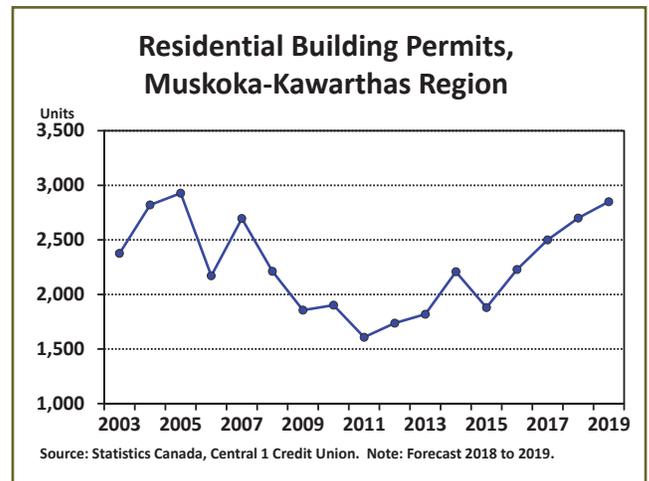
Peterborough's employment is forecast to trend higher at a moderate pace pushing the unemployment rate down around six per cent.

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.

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.