

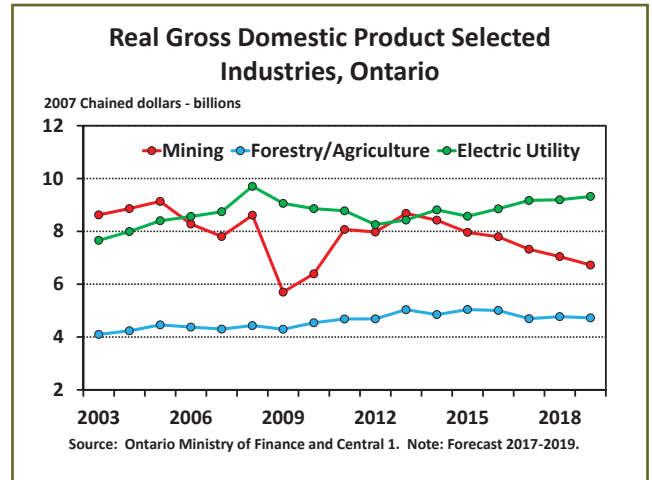
Northwest Economic Region

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 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. Watay 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

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	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
Residential 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
Residential 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

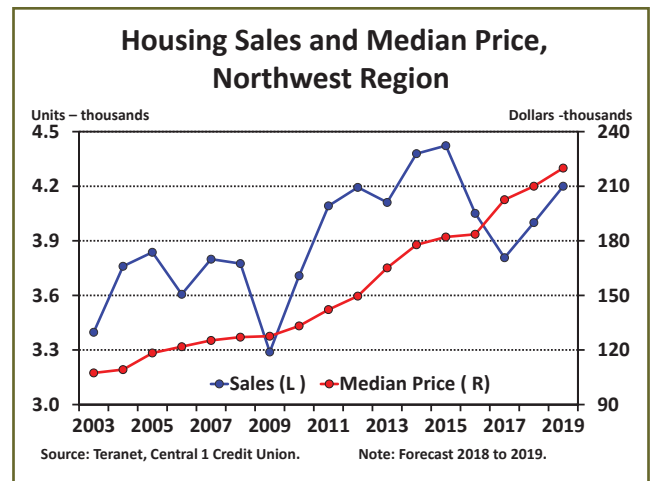
Source: Statistics Canada, Teranet, Central 1 Credit Union. Forecast 2018 - 2019.

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 to 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 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 mirrors 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.