Central 1™

Economic Analysis of Ontario

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Windsor-Sarnia Economic Region

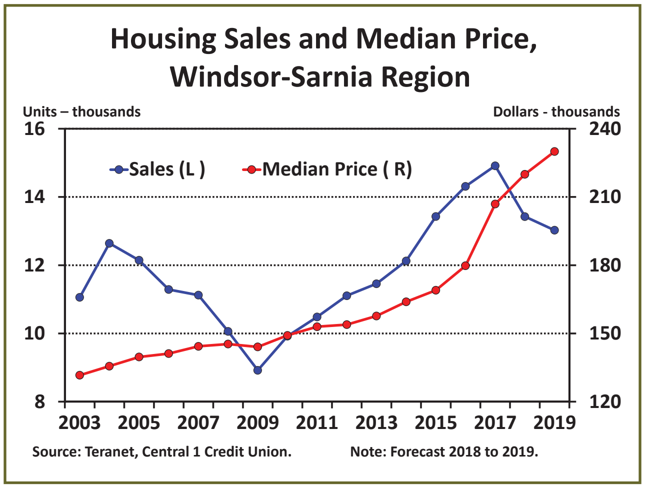
The Windsor-Sarnia Economic Region (ER) covers Chatham-Kent, Essex and Lambton counties and is home to about 650,000 residents. The region's main export industries are manufacturing and agriculture. Its principal centres are the Windsor Census Metropolitan Area (CMA), with a population of 350,000, the 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.

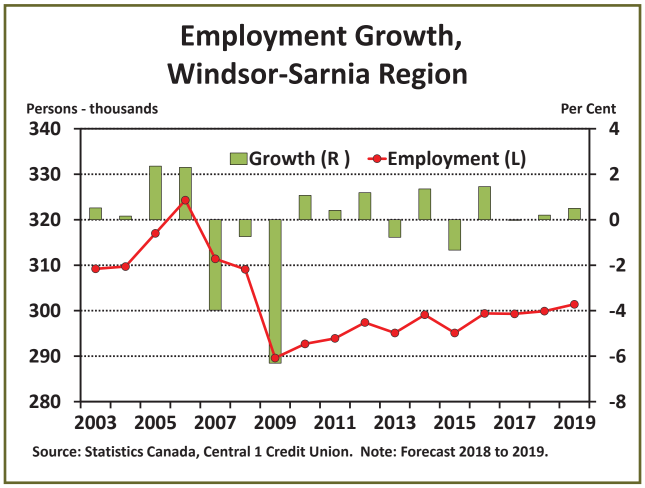
The Windsor-Sarnia ER and Windsor CMA's unemployment rates decreased in 2017 due to a larger drop in the labour force than in employment. In both, full-time employment decreased. In the CMA, part-time also decreased, while in the ER the gains in part-time work could not off-set the full-time job losses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

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.

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.