



## Highlights

- Ontario economy leans on housing and business investment to drive growth in 2021
- Nominal GDP increases 10.2 per cent on higher prices
- Income growth flows to corporate profits and employee compensation

## Pandemic rebound drives 5.2 per cent GDP growth in 2021 despite modest growth in household consumption

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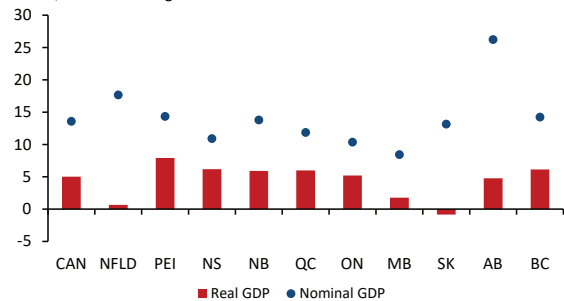
Headline GDP growth from the latest Ontario provincial economic accounts showed growth of 5.2 per cent in 2021, which was consistent with prior estimates based on industry-output, and a sliver above the national increase of 5.0 per cent. During pandemic ravaged 2020, Ontario's economy had contracted by 4.7 per cent.

Ontario economic growth was largely driven by the housing sector and rebound in non-residential investment spending. Low interest rates drove a flurry of housing demand, lifting home sales, renovations and elevated new housing construction. Real investment in residential structures increased by 14.3 per cent, adding to a strong gain in 2020 of 8.9 per cent. Businesses also moved forward with investment following severe interruptions earlier in the pandemic due to health concerns and economic restrictions. Investment in structures and machinery/equipment rose 7.0 per cent largely on a rebound in the latter.

Consumer spending growth, while robust, lagged the rest of the economy with a relatively disappointing 4.4 per cent rebound after contracting 7.9 per cent in 2020. Severity of Ontario's pandemic economic restrictions limited the recovery in the services sector which gained only 4.6 per cent after a 12 per cent drop in 2020. Meanwhile, durable goods (6.9 per cent) and semi-durable goods (11.1 per cent) consumption growth was stronger. Perhaps unsurprisingly, public-sector spending was also a key driver of growth with spending on current consumption up 6.9 per cent and likely driven by health and program spending both provincially and nationally during the pandemic. In contrast, government capital spending was nearly

## Ontario real GDP growth consistent with national average

2021 GDP, Per Cent Change

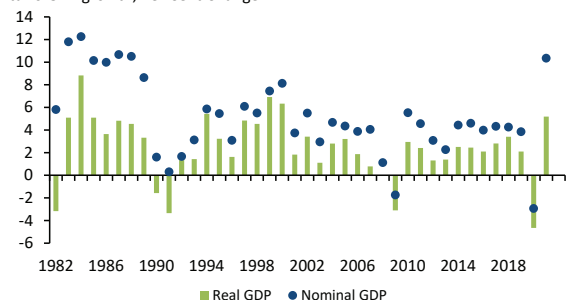


Source: Statistics Canada, Central 1

latest: 2021

## Strongest gain in nominal GDP since early 1980s

Ontario GDP growth, Per Cent Change



Source: Statistics Canada, Central 1

latest: 2021

unchanged.

Broadly, GDP growth was led by domestic drivers as import growth exceeded export gains. The latter increased 1.3 per cent after slumping 7.7 per cent in 2020. Supply chain challenges factored into disappointing real export gains. Imports rose 5.7 per cent reflecting consumer and investment purchases.

Similar to the national picture, inflation (particularly related to construction costs) lifted nominal GDP and income in 2021. Growth in nominal GDP reached 10.2 per cent but trailed national growth of 13.6 per cent due to less lift from commodity prices on exports compared to other provinces.

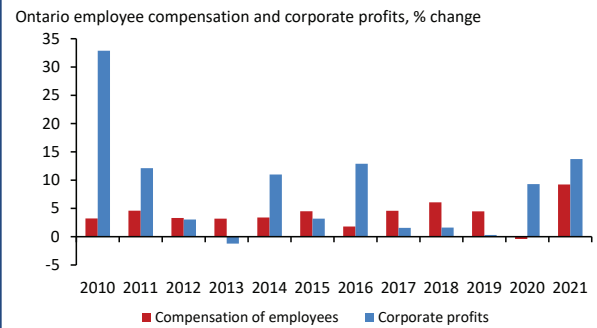
On an income basis, corporate profits increased at a robust pace of 13.7 per cent outpacing growth in wages and salaries of 9.5 per cent. Ontario household net savings remained high at 12.4 per cent compared

to 15 per cent in 2020 as consumers accumulated savings amidst closures. Prior to the pandemic, savings were at or below zero.

Of course, 2021 marked an extraordinary year as the economy recovery from the pandemic continued. Growth is forecast to reach about 3.1 per cent this year and fall to 0.7 per cent in 2023. The latter reflects a more pronounced slowdown due to the severe housing market downturn, higher interest rates and expected export weakness.

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## Labour market recovery drives wages and salaries up, corporate profits jump



Source: Statistics Canada, Central 1

latest: 2021