ONTARIO
ECONOMIC
REPORT

2022 ONTARIO ECONOMIC REPORT

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Ontario Chamber of Commerce
6th Annual Ontario Economic Report

ontario chamber of commerce

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Executive Summary

The sixth annual Ontario Economic Report (OER) offers unique insights into business perspectives across Ontario. The report is driven by data from our annual Business Confidence Survey (BCS) and economic forecasts for the year ahead.

Although the timing of our survey did not allow us to capture reactions to the Omicron variant, our analysis on Ontario's economic outlook is informed by the latest projections, including the impacts of Omicron. This year's OER presents a clear picture of the unprecedented challenges many businesses continue to face as they navigate the pandemic and its economic impacts.

Key insights from the 2022 OER include:

- **Business confidence** increased in 2021 from a record low last year, amid progress on vaccinations and reopening. Overall, 29 percent of Ontario businesses are confident in Ontario's economic outlook and 57 percent are confident in the outlook of their own organizations.
- More pessimism is observed in smaller businesses, those located in border regions, organizations led by women and people with disabilities, and businesses in the arts, entertainment, and agricultural sectors.
- **Business conditions** also improved this year, with 38 percent of organizations reporting they had shrunk in 2021, compared to 56 percent the previous year.
- Most sectors (62 percent) are facing **labour shortages** and expect to continue facing them over the next year.
- The business community's main **policy priorities** this year are business taxes and electricity costs. Small businesses are more preoccupied with financial support such as commercial rent relief, while larger businesses are more focused on long-term infrastructure, regulatory, and workforce development issues.
- **Remote work** arrangements are expected to partially continue in 2022. While most organizations are optimistic about **technology**, capital costs and access to digital skills are pervasive barriers to technology adoption at the organizational level.
- Most businesses value **employee health and well-being** as well as **diversity and inclusion**, yet fewer organizations have formal strategies in place to support these objectives.
- **Ontario's economic indicators** began to see some positive momentum in 2021 after hitting a record low in 2020. Real GDP rebounded by 4.2 percent and is expected to grow another 4.1 percent this year. Meanwhile, employment grew 4.9 percent and is forecasted to see 4.2 percent growth in 2022.
- However, much of this momentum is tempered by labour shortages, global supply chain disruptions, and inflation, which suggest a difficult road ahead for businesses and households.
- All regions except Northeastern Ontario saw positive employment growth in 2021, though several regions have yet to offset the major job losses seen during the first year of the pandemic.

The 2022 Business Confidence Survey

Each year, the OCC surveys its members to better understand the perspectives of Ontario's business community. Our most recent survey was conducted online by Golfdale Consulting from October 6 to November 19, 2021.

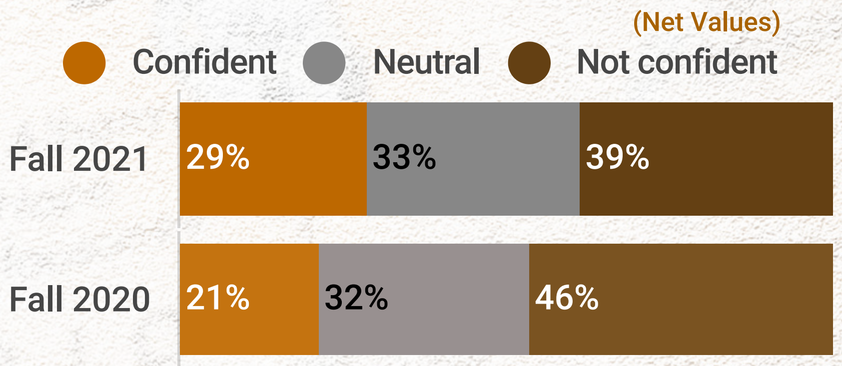
A total of 1,513 organizations completed this survey: 84 percent were businesses, 15 percent were non-profits, and 1 percent were post-secondary institutions. Respondents reflected a broad cross-section of industries and regions across Ontario (see Appendix A).

Business Confidence

The business community gained significant confidence in Ontario's economic outlook amid progress on vaccinations, reopening, and initial signs of economic recovery. During the fourth quarter of 2021, 29 percent of organizations expressed confidence in Ontario's economic outlook (compared to 21 percent the previous year).[1] This uptick in optimism mirrors progress in the management of the COVID-19 pandemic, including high vaccination rates and the gradual reopening of Ontario's economy.

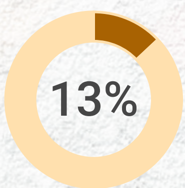
> Note: The Omicron variant – and public health restrictions imposed in response to its spread – have likely dampened business confidence in Ontario. Given the timing of our survey, the data in Section I of this report do not capture those reactions.

Figure 1: How confident are you about Ontario's economic outlook as of right now?

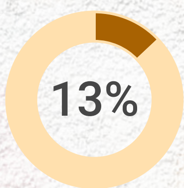


(For a breakdown by region and by size of business, see **Appendix A.**)

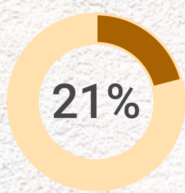
Confidence varied significantly across sectors, reflecting the uneven economic impacts of the pandemic. The most pessimistic sectors include:[2]



1. Arts, entertainment, and recreation



2. Agriculture, forestry, fishing and hunting



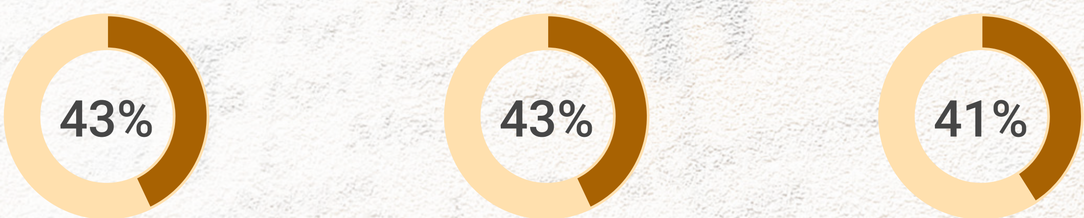
3. Retail trade

1 For consistency with previous years, confidence results throughout the survey are netted to exclude those that responded "don't know/ prefer not to answer."
2 Sectors with 10 or fewer responses are excluded from the industry analyses throughout Section I.

The most pessimistic sectors include those feeling the brunt of pandemic-related public health restrictions. Revenues and foot traffic in the arts, entertainment, recreation, and retail trade sectors remain well below pre-COVID levels due to capacity limits and labour shortages. Meanwhile, the agriculture sector is grappling with supply chain issues, inflation, and changing weather patterns.

Notably, confidence is also below average in the accommodation and food services sectors (26 percent) – where travel restrictions and capacity limits have reduced activity – as well as the health care and social assistance sectors (27 percent), where organizations are burdened with employee burnout, increased demand, and service backlogs resulting from the growing prevalence of physical and mental health issues among the general population.

Conversely, the most confident sectors this year include:



1. Transportation and warehousing

2. Government

3. Finance and Insurance

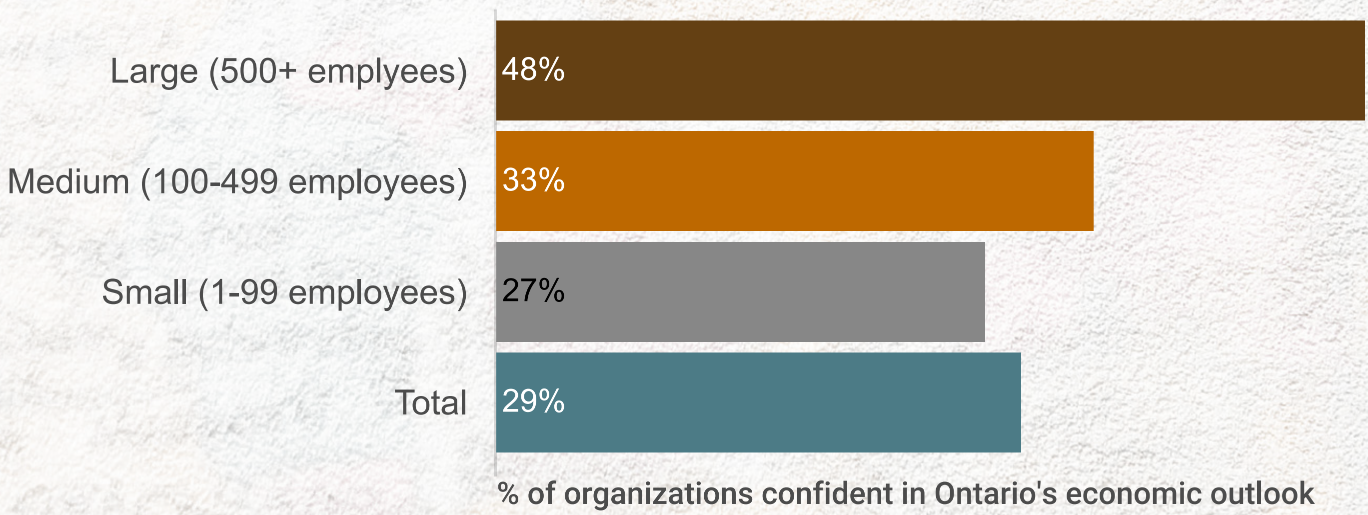
Confidence in the transportation and warehousing sectors can be attributed to high demand for their services and increased leverage in setting prices as a result of supply chain delays. The government, finance, and insurance sectors have been less adversely impacted by public health measures and changes in consumer behaviour throughout the pandemic.

> Transportation and warehousing are among the most confident sectors, experiencing a 17% jump in year-over-year confidence as their services experience high demand as a result of supply chain woes.

Compared to last year, confidence improved the most in the wholesale trade (+19 percent); management (+18 percent); transportation and warehousing (+17 percent); and finance and insurance (+16 percent) sectors. By contrast, confidence fell most significantly from last year within government (-15 percent) and the agriculture, forestry, fishing and hunting sectors (-6 percent).

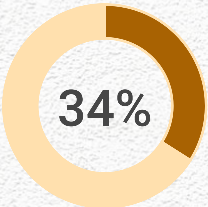
Small businesses are less confident on average than medium and large businesses (see Figure 2). This has been true historically, suggesting the disparity is not entirely due to the pandemic but broadly reflects unique challenges that small businesses face with accessing talent, capital, and markets. However, the confidence gap between large and small businesses is significantly bigger this year than it was immediately prior to the pandemic (21 vs. 5 percentage points). Larger businesses were generally better positioned to pivot online and/or take on additional debt in the face of public health measures. Some restrictions disproportionately affected smaller retailers while big box stores were allowed to remain open.[i] Based on their top reasons for pessimism, we know that small businesses are also more concerned about low consumer confidence, government responses to the pandemic, and the threat of COVID-19 than larger businesses.

Figure 2: Confidence in Ontario's economic outlook

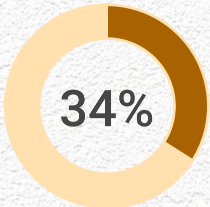


From a regional perspective, confidence is highest among businesses in the Greater Toronto and Greater Ottawa Areas. Differences in industry compositions do not appear to fully capture the observed regional differences. Rather, in Ontario's largest cities, it may be that businesses are benefitting from better connectivity to broadband networks, integration with transportation networks and supply chains, access to customers, and/or other advantages.

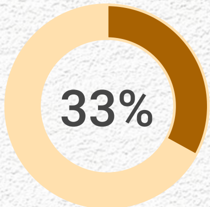
The most confident regions are:



1. Greater Toronto Area



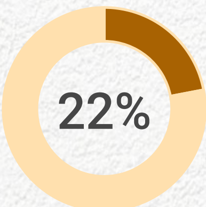
2. Greater Ottawa Area



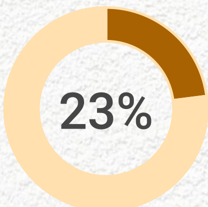
3. Kingston-Pembroke

Businesses are most pessimistic in two regions bordering the United States (i.e., Hamilton-Niagara and Windsor-Sarnia), which might reflect sluggish travel and tourism, as well as cross-border supply chain disruptions. Travel advisories and restrictions imposed as a result of the Omicron variant likely depressed confidence further in these regions.

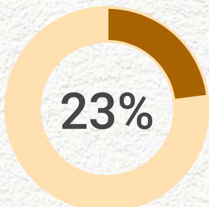
The most pessimistic regions are:



1. Hamilton-Niagara Peninsula



2. Windsor-Sarnia



3. Kitchener-Waterloo-Barrie

(For more confidence results by sector, region, and organization size, see **Appendix B.**)

We also asked respondents to unpack the reasons behind their confidence ratings. This year, respondents that are optimistic about Ontario's outlook noted:

1. High rate of vaccination against COVID-19
2. The provincial government's response to COVID-19
3. "Buy local" campaigns

Conversely, organizations that lack confidence in Ontario's outlook attribute their pessimism to:

1. The provincial government's response to COVID-19
2. High or increasing cost of living
3. High/increasing price of inputs

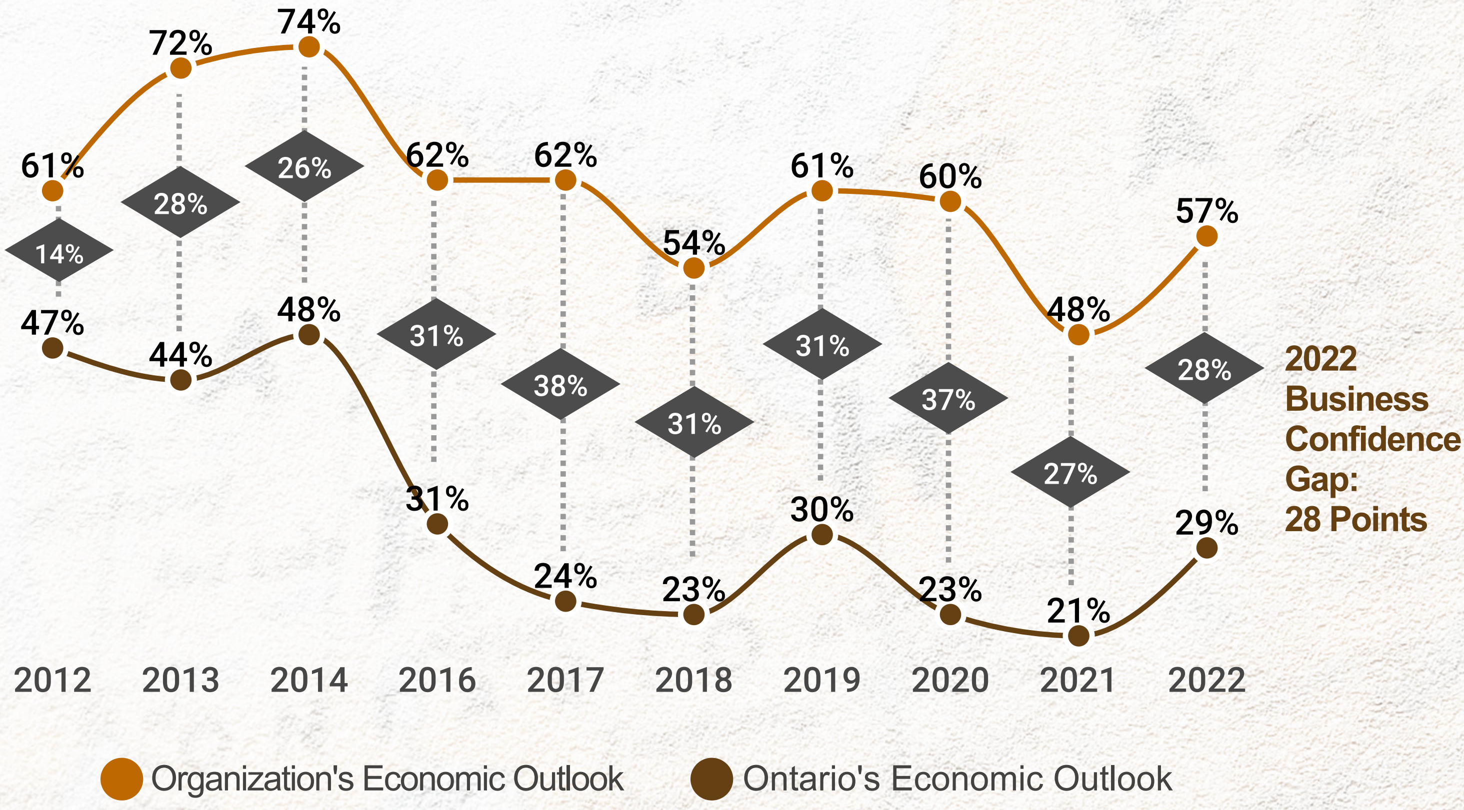
Rising input costs are negatively affecting organizational confidence. Meanwhile the rising cost of living and lack of affordable housing create a barrier to attracting and retaining talent.

> Our survey reveals mixed reactions to the Government of Ontario's response to COVID-19, with some businesses identifying it as a reason for optimism and others as a reason for pessimism.

A closer look at the data suggests reasons for confidence and pessimism differ across sector. For example, the ongoing threat of COVID-19 is primarily a concern for the arts, entertainment, and recreation sectors. Trade uncertainty is more of a challenge for trade-exposed sectors, including mining and wholesale trade. Recent infrastructure investments are a major reason for confidence in the utilities, construction, and labour sectors.

As in previous years, **survey respondents are more optimistic about their own organizations than the provincial economy more broadly.** This year, 57 percent of organizations reported feeling confident in their own outlooks, up from 48 percent last year. The confidence gap remained roughly the same as last year since both metrics experienced a similar boost.

Figure 3: The business confidence gap

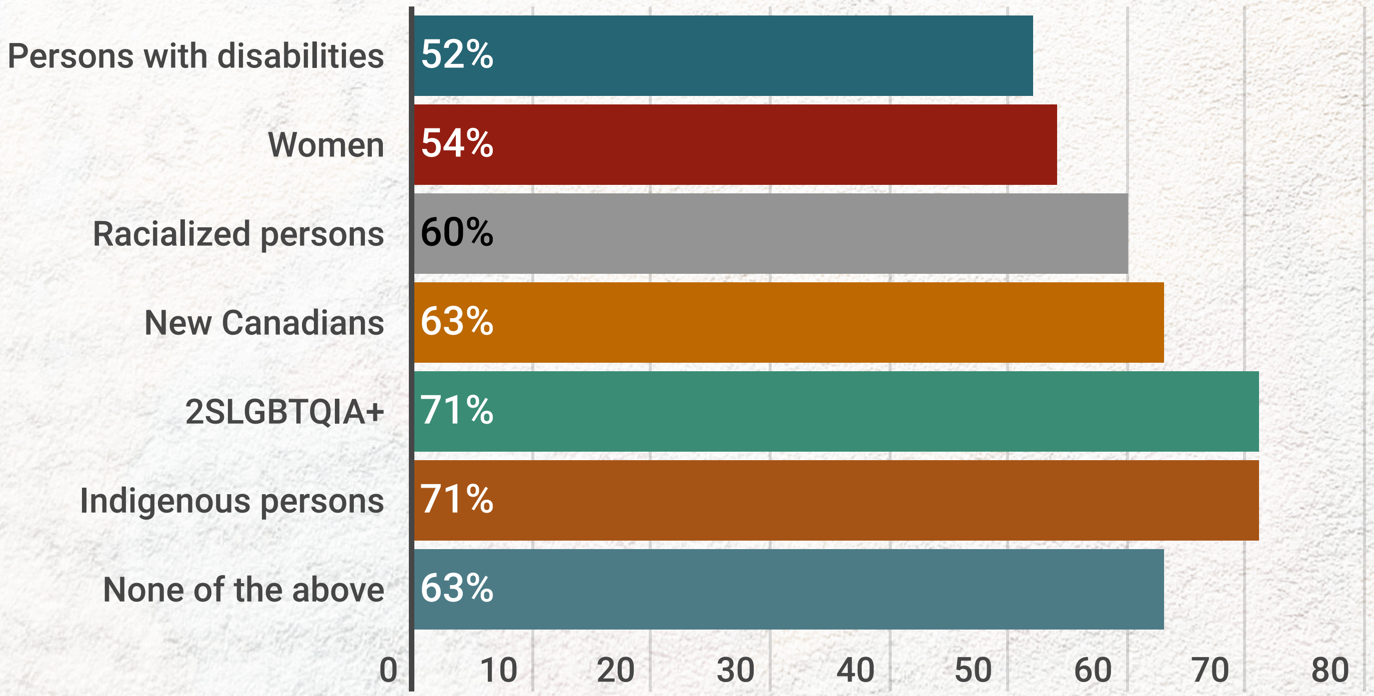


Finally, businesses led by women and/or people with disabilities[3] are generally more pessimistic than other businesses (Figure 4). Specifically, 54 percent of organizations led by women and 52 percent of organizations led by people with disabilities are confident in their own outlooks (compared to 63 percent of other organizations). These organizations also tend to be less confident in Ontario's economy more broadly.

On the contrary, we observed above-average confidence among businesses led by new immigrants, Indigenous Peoples, and members of the 2SLGBTQIA+ community.

For more confidence results by diversity leadership, see **Appendices B.4** and **C.3**.

Figure 4: Confidence in organizational outlook among diversity-led businesses



3 This includes organizations led in whole or in part by these demographics.

Organizations that are optimistic about their own outlooks mainly attribute their confidence to:

1. High/growing demand for their products and services
2. High vaccination against COVID-19 among staff and/or customers
3. New technologies

High vaccination rates are driving up business confidence in Ontario.

Conversely, organizations that lack confidence in their own outlooks attribute their pessimism to:

1. Ongoing threat of COVID-19
2. Provincial government response to COVID-19
3. Federal government response to COVID-19

For more results by sector, region, and organization size, see **Appendix C.**

Business Recovery

Modest improvements in business conditions were observed this year, in line with the uptick in business confidence discussed above. Overall, only 38 percent of survey respondents say their organizations shrank in 2021, compared to 56 percent last year (see Figure 5). Meanwhile, 37 percent of organizations say they grew.

An outsized share of businesses shrank in the arts, entertainment and recreation (78 percent) and accommodation and food services (60 percent) sectors. Along with retail trade, these sectors expect to continue to shrink over the next year. By contrast, the largest share of businesses grew in the wholesale trade (61 percent) and labour (48 percent) sectors. Further, businesses led by women and/or people with disabilities were most likely to have shrunk in 2021 (42 percent each).

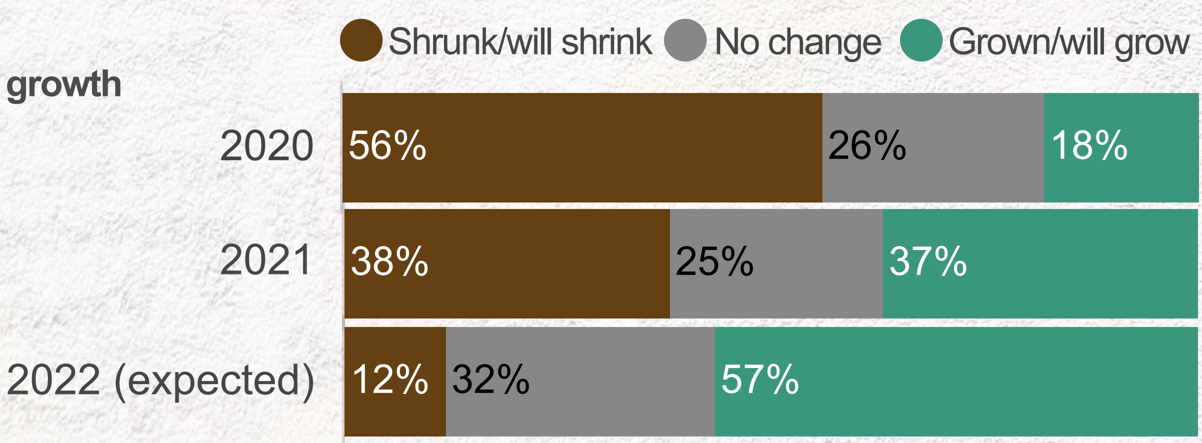
Looking ahead, the majority (57 percent) of respondents expect their organizations to grow over the next 12 months. Organizations in the labour sector are the most likely to expect growth (83 percent).

The majority (57 percent) of organizations believe entrepreneurship will rebound from the pandemic in Ontario, similar to last year (60 percent). Small businesses are less likely to believe entrepreneurship will rebound than larger ones.

These results do not reflect impacts of the Omicron variant, which impaired economic activity and led to new public health restrictions in Ontario.

For more results on business recovery by sector, region, and organization size, see **Appendix D.**

Figure 5: Business growth



Labour Shortages

Most businesses in Ontario are experiencing labour shortages. Across the board, 52 percent of respondents agree their organizations are facing a labour shortage and 62 percent say their sectors are facing one. They also consider this a long-term problem. Fifty-four percent of respondents say their organizations expect to face a labour shortage over the next year (and 62 percent agree their sectors will).

> Over half of Ontario businesses are confronting labour shortages now and expect this to be a long-term problem.

Sectors reporting the most labour shortages included: transportation and warehousing (87 percent); mining, quarrying, and oil and gas (87 percent); construction (86 percent), and accommodation and food services (85 percent).

Accessing qualified workers is a long-standing issue for industries that rely on the skilled trades, such as construction. Immigration and recent government measures to facilitate more training and attract workers into the trades can help alleviate some of those shortages. Meanwhile, specific labour gaps in the transportation and warehousing sectors are aggravating supply chain delays. Businesses in accommodation and food services are facing a different challenge, as many workers have chosen to leave these industries entirely during the pandemic.[ii]

The data on labour shortages did not vary significantly across regions.

For more results by sector, region, and organization size, see **Appendix E.**

Support Programs

Governments have introduced various programs to support businesses and workers over the course of the pandemic. We asked respondents which programs they accessed and how helpful these have been for their organizations (Table 1).

The Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Business Account (CEBA) loans were the most widely used programs by late 2021 (see Table 1), with approximately half of organizations surveyed using these supports. They are also considered the most helpful among those that accessed them. Other popular programs included the Ontario Small Business Support Grant, the Canada Emergency Rent Subsidy (CERS), and the free rapid antigen test kits.

These results do not reflect any changes in program utilization or availability as a result of the Omicron variant, which among other provincial measures, prompted an increased distribution of rapid tests, a new property tax and energy cost rebate for small businesses, and a new grant for businesses subject to closure.

The COVID-19 Alert App is considered the least helpful by organizations that used it.

Table 1: Relevance and helpfulness of government programs

To sort responses, click the each tab

	Accessed the program	Found it helpful (among those that accessed it)
Canada Emergency Wage Subsidy (CEWS)	55%	89%
Canada Emergency Business Account (CEBA) interest-free loans	48%	88%
Canada Emergency Response Benefit (CERB)	44%	80%
Ontario Small Business Support Grant	40%	85%
COVID-19 Alert App	40%	40%
Provincial Antigen Screening Program (PASP) free rapid antigen test kits	39%	83%
Electricity rate relief	31%	79%
Canada Emergency Rent Subsidy (CERS)	30%	85%
Ontario COVID-19 Worker Income Protection Benefit (paid sick days)	22%	57%
Tax deferrals	21%	67%
Digital Main Street	20%	68%
Sector-specific grants	17%	81%
Canada Recovery Hiring Program	9%	67%
Tourism and Hospitality Small Business Support Grant	8%	75%

Small businesses (1 to 99 employees) have been considerably more likely than larger businesses to use the CEBA, Ontario Small Business Support Grant, Tourism and Hospitality Small Business Support Grant, free rapid test kits, and Digital Main Street program. Medium-sized businesses (100 to 499 employees) have been more likely to use the CEWS, CERS, CERB, provincial paid sick days program, Canada Recovery Hiring Program, electricity rate relief, tax deferrals, and sector-specific grants.

Policy Priorities

Looking ahead, businesses are primarily looking for support with their operating costs. Table 2 outlines the top policies businesses would like to see from governments. The two most popular priorities are a reduction or simplification in business taxes (55 percent) and a reduction in electricity costs (53 percent).

The preoccupation with cost pressures is emblematic of the current economic backdrop. Many employers are grappling with inflationary pressures, labour shortages, supply chain disruptions, and the winding down of grants, loans, and other support programs that have helped them through the pandemic thus far. Businesses in the accommodation and food service sectors are among those most likely to report taxes and electricity rate relief as top priorities, reflecting the outsized impacts of the pandemic borne by those sectors.

Digital infrastructure and technology are also top of mind, with 37 percent of organizations prioritizing broadband infrastructure and an equal share looking for support with technology adoption. Despite considerable investments by governments and the private sector, many businesses and households across the province lack reliable, high-speed internet connectivity, which has only become more essential to labour productivity, public health, and business resilience as a result of the pandemic. Further, support with technology adoption will become increasingly critical as more organizations adopt remote working arrangements. For more on this issue, see Technology Adoption.

Encouraging Ontarians to buy and travel locally is a priority for 38 percent of organizations, particularly businesses in the tourism, food service, agriculture, and retail sectors. This may reflect ongoing challenges for businesses hoping to attract customers back to in-person establishments, primarily in sectors with higher risk of transmission and/or where habits have shifted to digital interactions. Within agriculture, there is a need to inform consumers about the benefits of purchasing local food, as noted in the OCC's recent report.[iii]

Small businesses also share different priorities than larger ones. On average, small businesses are more interested in measures aimed at improving their day-to-day cash flows, namely business taxes, access to capital, commercial rent assistance, and buy/travel local campaigns. Larger businesses are more concerned with longer-term policy issues, including infrastructure (transportation and broadband), regulatory modernization, workforce development, innovation policy, health care backlogs, and support with decarbonization.

Approximately one-third of organizations said greater clarity is needed for employers around COVID-19 policies. However, it appears the Government of Ontario addressed some of that uncertainty with the release of its reopening plan on October 22, as respondents who filled out the survey after that date were less likely to identify this as a priority (30 percent after vs. 39 percent prior).

For more results on policy priorities by sector, region, and organization size, see **Appendix F**.

Table 2: Policy priorities

To sort responses, click the each tab

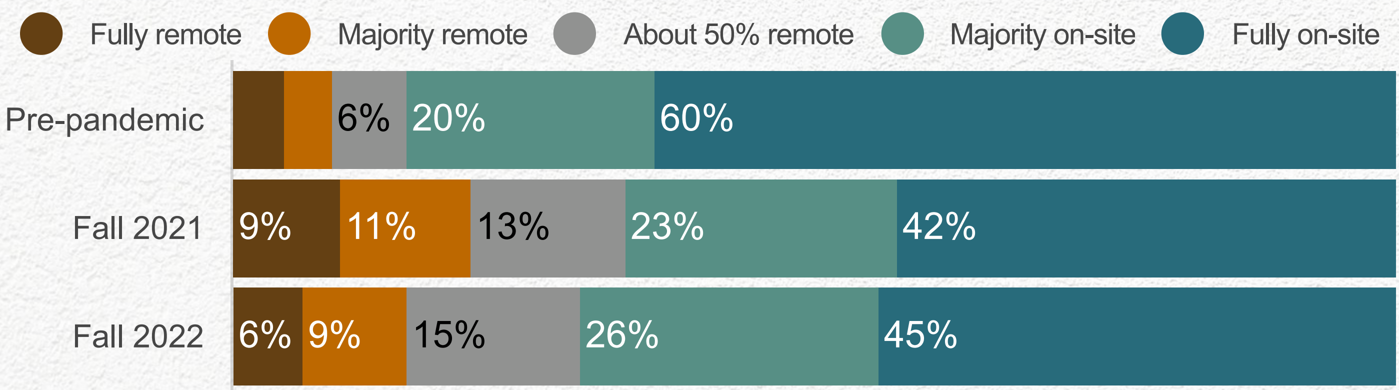
Priority	Share of respondents
Reduce/simplify business taxes	55%
Reduce the cost of electricity	53%
Encourage Ontarians to buy/travel local	38%
Support businesses with technology adoption	37%
Invest in broadband internet infrastructure	37%
Invest in workforce development opportunities (retraining, micro-credentials, education, etc.)	36%
Invest in physical and mental health programs	35%
Provide greater clarity to employers around vaccination and other COVID-19 policies	34%
Address the backlog of health care services	26%
Enhance access to credit/capital	26%
Provide assistance with commercial rent	25%
Improve the affordability and accessibly of child care	24%
Modernize regulation	23%
Invest in transportation infrastructure	23%
Help businesses reduce their carbon footprint	18%
Reduce interprovincial barriers to trade and labour mobility	18%
Modernize innovation policies (intellectual property, open data, privacy, etc.)	17%
Help businesses export within and outside Canada	12%

Technology Adoption

The COVID-19 pandemic has accelerated technology adoption within many organizations. This includes an increase in the share of work performed remotely (‘work-from-home’). During the last quarter of 2021, approximately 20 percent of organizations had all or most of their employees working from a remote location, up from 8 percent before the pandemic. Within the next year, organizations plan to land somewhere in the middle, with 15 percent expecting to be fully or mostly remote (Figure 6).

These results varied significantly across sectors. Organizations in the service industries are far more likely to report all or most of their employees working remotely (23 percent) than those in the goods-producing industries (6 percent). Looking ahead, 15 percent of businesses in the services sector expect to be all or mostly remote, compared to 5 percent in the goods producing sectors.

Figure 6: Use of remote working arrangements over time

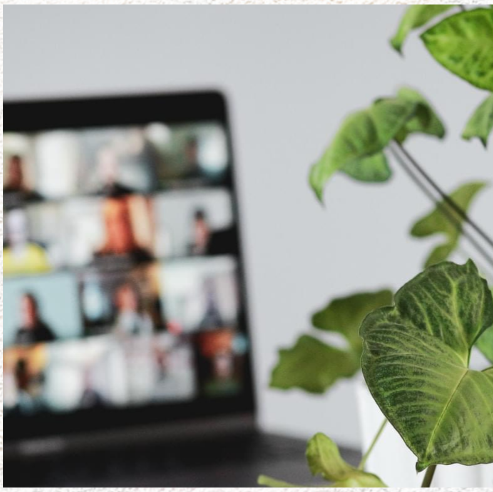


Businesses generally have positive views of technology. The majority (56 percent) of organizations say they have benefited from new technologies and 64 percent are open to adopting new ones. However, 21 percent are concerned with their ability to keep up with the rapid pace of technological advancements, and 5 percent agreed those advancements are a threat to their competitiveness.

Small businesses appear to be benefitting less from technology adoption, on average. While 81 percent of large businesses say they have benefitted from new technologies, only 54 percent of small businesses agreed.

More businesses in the arts, entertainment, and recreation sectors are concerned about their ability to keep up with technology (30 percent), followed closely by the non-profit sector (29 percent). On the contrary, businesses most likely to say they have benefitted from technology are concentrated in white-collar service industries: management of companies and enterprises (76 percent); professional, scientific, and technical services (75 percent); and finance and insurance (75 percent).

The main barriers to technology adoption are capital costs and access to technically skilled workers (see Table 3). Financial resources are a barrier for 50 percent of survey respondents, while talent is a challenge for 43 percent. Other research suggests the demand for digital skills had been climbing across sectors and has only become more important as a result of the pandemic.[iv]



Barriers also differ based on size of organization. Smaller organizations, on average, are more likely to identify costs and lack of awareness as barriers to technology adoption. However, they are less likely to cite internal resistance as a barrier, suggesting they have the advantage of being nimbler than larger organizations when deciding to move forward with new technology.

Further, broadband is disproportionately a barrier in the Muskoka-Kawarthas region (48 percent of respondents) and the Stratford-Bruce Peninsula region (44 percent), where many businesses are located further from major population centres and therefore tend to experience worse connectivity.

Table 3: Major barriers to technology adoption

To sort responses, click the each tab

	This as a barrier to technology adoption for our organization (total)	Prevents us from adopting new digital technology	Slows us down in adopting new digital technology
Capital costs required	50%	18%	32%
Access to technically skilled workers	43%	13%	30%
Broadband connectivity	35%	13%	22%
Awareness or understanding of its applications to our business	35%	7%	28%
Internal hesitance/ resistance	33%	7%	26%

Overall, the barriers noted above are slowing down organizations' efforts to implement new technologies rather than preventing them entirely. This is especially true with 'soft' barriers such as internal resistance and lack of awareness, perhaps because these obstacles are easier to overcome when compared to a lack of financing, infrastructure, and talent. Our survey also suggests businesses are looking to governments for help in overcoming both sets of barriers (see Policy Priorities).

Innovation at the firm level is critical to labour productivity and competitiveness, and research suggests Canada's level of business investment in R&D lags its peers.[v] Addressing barriers to innovation is therefore critical to Ontario's long-term economic competitiveness.

Employee Health and Well-Being

Our survey indicates businesses value employees' mental and physical health. Eighty-nine percent of respondents say their organizations' success depends on their employees' health and well-being, and 87 percent agree that investing in employee health and well-being is a good investment. However, only 48 percent say their organizations have a formal strategy for employee health and well-being, suggesting there remains a gap between awareness and adoption of supports for employees.

Smaller organizations are far less likely to have a formal strategy for employee health and well-being than larger ones. A sizeable majority of large and medium-sized businesses have a formal strategy (86 and 76 percent, respectively), compared to only 44 percent of small businesses.

Sectors most likely to have a strategy include: government (67 percent); labour (67 percent); and health care and social assistance (65 percent). Strategies are also more common in organizations led by diverse Canadians, including new immigrants (66 percent) and Indigenous Peoples (65 percent). By contrast, sectors least likely to have a formal strategy include: agriculture, forestry, fishing, and hunting (30 percent); real estate (33 percent); and management of companies (35 percent).

The overall share of businesses saying they have a formal strategy for employee health and well-being has declined from last year (from 53 to 48 percent). This drop may reflect greater awareness of what constitutes a formal strategy and where gaps may exist from within organizations. It may also suggest some businesses have had to shift resources away from this area in order to manage the pandemic, labour shortages, and other day-to-day challenges. The decline was most notable among medium-sized businesses (-15 percentage points) and small businesses (-5 percentage points), while larger businesses were more likely to report having a strategy this year than last (+7 percentage points).

Proof-of-immunization policies have become increasingly common among businesses in Ontario. By late 2021, approximately half of the organizations in our survey (49 percent) had implemented mandatory vaccinations and/or rapid testing requirements for their employees. A minority (29 percent) have no plans to implement any such requirements in the near future. Among organizations with no plans to do so, 47 percent are concerned about legality, 40 percent about ethics, and 40 percent about employee privacy. Another 36 percent cite a lack of direction from government, suggesting there is room for greater guidance and support for employers interested in protecting their staff and customers through proof-of-immunization policies.

Further, 26 percent of organizations say their workplaces have been impacted by the pandemic-induced backlog of health care services. As expected, this is especially a concern in the health care and social service sectors, where 68 percent say they have been affected. Above-average impacts are also observed among workplaces led by diverse Ontarians, including members of the 2SLGBTQIA+ community (38 percent) and people with disabilities (36 percent).

Diversity and Inclusion

Most Ontario businesses recognize the importance of diversity and inclusion, yet few have formal programs in place. The majority (62 percent) of survey respondents agree their organizations value diversity as a competitive advantage, and 77 percent say their hiring practices support diversity. A smaller share (39 percent) of organizations have diversity training or similar programs in place, and 49 percent say their executive teams are diverse.

Small businesses are the least likely to have training or other diversity and inclusion programs in place (35 percent of small businesses, compared to 80 percent of large organizations). This likely reflects resource constraints.

Unsurprisingly, organizations led by diverse Canadians are more likely to view this as a competitive advantage and have training or other programs in place to support diversity and inclusion within their organizations.

Results also varied by industry. Organizations in government, labour, and the mining, quarrying, and oil and gas sectors are the most likely to report having diverse executive teams (76, 75, and 75 percent, respectively). Opportunities for improvement are seen in the agriculture, forestry, fishing, and hunting sectors, as well as real estate.

Finally, our survey finds diverse businesses[4] place greater emphasis on broader societal issues. For example, while 55 percent of all businesses agreed climate change poses a threat to the communities in which their businesses operate, this sentiment is highest among businesses led by members of the 2SLGBTQIA+ community (75 percent) and new Canadians (63 percent). As noted above, diverse businesses are also more likely to have strategies in place for employee health, well-being, diversity, and inclusion. These data reinforce the view that a diverse business community leads to better social and economic outcomes.[vi]

> Businesses led by diverse Ontarians are more likely to view climate change as a threat and prioritize internal strategies around employee health, well-being, diversity, and inclusion.

4 This includes organizations led in whole or in part by Indigenous peoples, women, people with disabilities, new Canadians, visible minorities, and/or members of the 2SLGBTQIA+ community.

Ontario's Economic Outlook

Provincial Analysis

After witnessing a record decline in economic output of 5.1 percent in 2020 due to COVID-19, Ontario's economy began to see some positive momentum in 2021. Real GDP rebounded by 4.2 percent, primarily driven by third-quarter growth in employment, household consumption, and exports as vaccination rates increased, case counts declined, and restrictions were eased.

However, in the fourth quarter, a new round of public health measures introduced in response to Omicron – combined with persistent supply chain bottlenecks, labour shortages, and inflationary pressures – have renewed uncertainty and amplified challenges for governments, businesses, and households.

As a result, in 2022, Ontario is expected to see a downward adjustment across all key economic indicators, including moderate real GDP growth of 4.1 percent (Table 4). The province is likely to continue seeing a sizable number of job vacancies, moderate-to-high inflation, and an uneven economic recovery across regions and industries in the year ahead.

Table 4: Key Economic Indicators

	Pre-Pandemic	Pandemic		
	2019	**2020**	**2021**	**2022f**
Real GDP (% change)	2	-5.1	4.2	4.1
Consumer Price Index (% change)	1.9	0.6	3.5	3.5
Employment Growth (% change)	2.8	-4.7	4.9	4.2
Jobless Rate (%)	5.6	9.6	8	5.9
Population (% change, age 15+)	1.9	1.5	1	1.5

Source: Bank of Montreal (BMO)

Current Risk Factors

In 2021, for the first time since the onset of the pandemic, Ontario began to show promising signs of a strong economic recovery. Lockdowns in the first year of the pandemic restricted spending by households and diverted their income into higher savings. These savings fueled pent-up demand, but insufficient supply and production capacity meant the economy was unable to keep up with the sudden surge in demand.

Labour Markets

Ontario's labour market grew 4.9 percent in 2021, showing strong signs of recovery in the third quarter with employment reaching pre-pandemic levels.

Meanwhile, long-term unemployment, job vacancies, and labour shortages remain elevated. In many industries, such as construction and transportation, labour shortages are long-standing issues that have been amplified by a surge in demand and a lack of workers willing to accept the jobs.

In part, this is because many Ontarians have not returned to work since the onset of COVID-19, as shown by an increase in long-term unemployment (defined by Statistics Canada as unemployment lasting more than 27 weeks). As of December 2021, approximately 28 percent of unemployed individuals have been so for more than six months, compared to 14 percent in December 2019. Some of these individuals have been using the time to retrain and join new industries, while others are concerned about their health.

According to Statistics Canada's Labour Force Survey, the overall job vacancy rate[5] in Ontario was 5.3 percent in the third quarter of 2021, up from 3.2 percent in 2019, suggesting the pandemic is driving a large share of existing labour shortages.

5 The job vacancy rate is the number of job vacancies as a percentage of total labour demand (all occupied and vacant jobs).

Employment trends diverge across industries. The accommodation and food services industry reported a staggering 13 percent job vacancy rate in the third quarter of 2021, up from only 4.3 percent during the same quarter in 2019. This was followed by information and cultural industries (6.2 percent), construction (6.2 percent), arts, entertainment and recreation (5.8 percent), health care and social assistance (5.3 percent), and retail trade (4.8 percent).[vii] Current job vacancy rates are especially concerning given that the labour force participation rate has returned to pre-pandemic levels, suggesting there are enough workers available but they are choosing not to, or are unable to, take these jobs and re-enter the workforce.

So far, the strong rebound in employment and demand for labour that began in mid-2021 has not yet caused pervasive wage growth. Rather, wage growth appears to be concentrated in particular industries, including: natural resources; transportation and warehousing; finance and insurance; real estate; construction; information and cultural industries; recreation; and accommodation and food services. In some of these industries, wage growth is a direct response to the high rate of job vacancies. With the introduction of a $15 minimum wage in Ontario beginning in January 2022, wage growth is expected to increase again but will likely soften as labour supply grows as immigration increases and more international students join the workforce.

The labour market is projected to continue making a robust recovery, with 4.2 percent growth forecasted in 2022. Job growth should accelerate in high-contact service industries once the economy reopens, but labour shortages will persist in the year ahead. In this context, businesses and government will need to consider additional measures to promote retention and attraction of talent.

Supply Chains

As public health restrictions began to ease during the summer and fall of 2021, elevated household savings led to fervent consumer spending. The sudden change in spending patterns pushed production into overdrive and quickly exposed infrastructure gaps and logistical inefficiencies along supply chains. Thus, the long-anticipated rebound of economic activity expected as a result of pent-up demand was largely hindered by overarching supply chain disruptions.

Ontario is not alone in this. Bottlenecks are occurring globally and across supply chain networks for a number of reasons: raw material shortages; rising input costs; labour shortages in transportation and warehousing; damage to transportation infrastructure caused by extreme weather events; manufacturing constraints resulting from rotating power outages such as those in China; and limited production capacity due to social distancing requirements and other public health restrictions.

Adding to this perfect storm, there has been a rise in demand for e-commerce and same-day delivery services as many Ontarians work from home, contributing to last-mile congestion and truck driver shortages. During the height of lockdown measures, the volume of e-commerce sales more than doubled year-over-year and has now levelled off well above the pre-pandemic average at $3.5 billion in sales in October 2021, compared to $1.9 billion in October 2019.[viii]

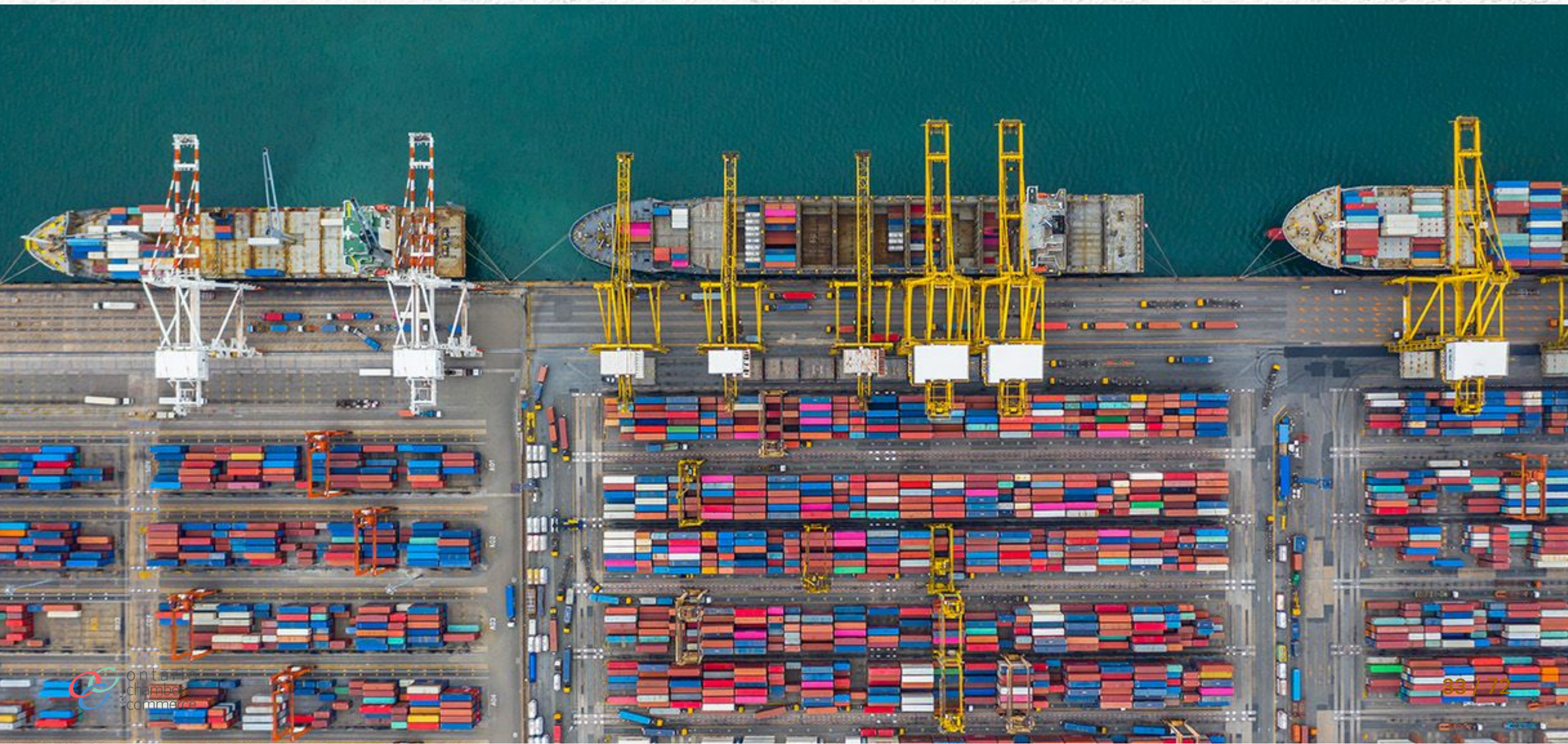
According to the Canadian Trucking Alliance, Canada's trucking industry is looking at an estimated shortage of 20,000 drivers – this figure alone represents nearly 13 percent of total drivers currently handling all Canada-US cross-border trade.[ix]

The global race to secure raw materials and manufactured goods has pushed transportation costs and shipping container prices to record levels. Between March and July 2021, the average cost for shipping a container from Asia Pacific to North America increased by 63 percent. From Europe, this cost jumped by nearly 80 percent during the same period.[x]

Industries facing the greatest supply issues include the manufacturing and retail trade sectors. These industries have been particularly affected by the shortage of semiconductor chips, a critical component of auto manufacturing. Ontario's manufacturing sector is particularly vulnerable to materials shortages given its high degree of global integration and heavy reliance on imports.

For employers, business margins are tightening as they deal with rising input and transportation costs while simultaneously trying to keep up with demand. This will likely lead to further inflation (discussed further below).

This year, the easing of restrictions post-Omicron will likely unleash a new wave of demand, especially during the warmer months when travel and tourism resume. Supply chain challenges compounded by labour shortages and outdated infrastructure are expected to persist in the medium-term.



Inflation

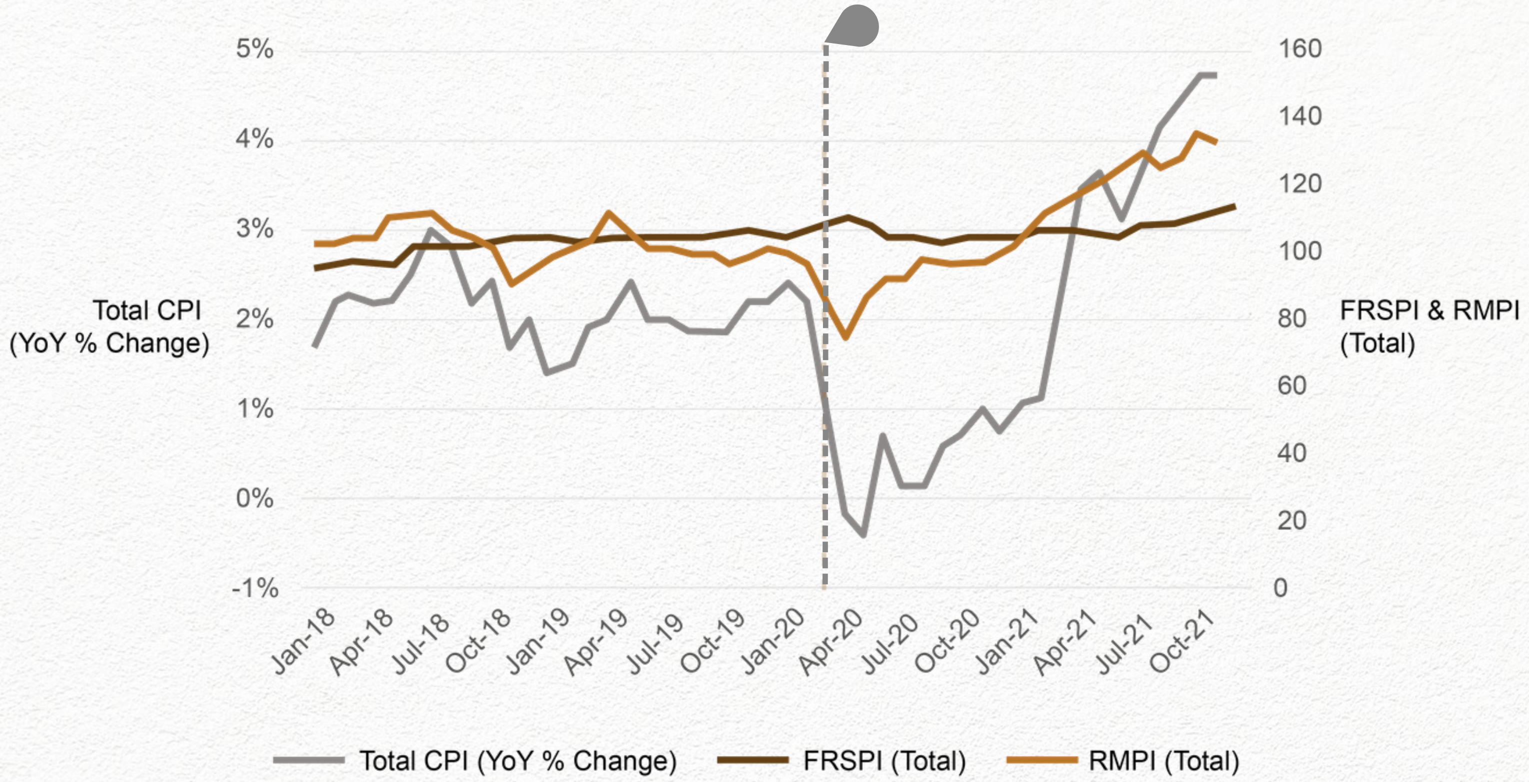
Equally important to Ontario's outlook is inflation. Alarming increases in the costs of freight transportation, inputs, and consumer goods come on the heels of labour and raw material shortages,[6] as well as aforementioned global supply chain disruptions. As it becomes increasingly difficult for firms to secure the factors of production needed to meet the explosion of consumer demand, the costs and prices associated with these factors also continue to increase.

Figure 7 illustrates the stark upward trend observed across different price indices. At the producer level, these include raw materials and freight rail services. The Raw Materials Price Index (RMPI) increased 36 percent year-over-year in November 2021. Along with higher prices reported by cargo shipping and truck transportation, the Freight Rail Services Price Index (FRSPI) scored a 9 percent year-over-year increase in December, maintaining its upward trend since the pandemic's outset.

Inflation at the producer level directly affects consumer prices. The total Consumer Price Index (CPI) is also shown on Figure 7. While measured differently and not directly comparable to the other indices, the directional trend tells a similar story. Total CPI increased by an estimated 3.5 percent in 2021 after increasing by a mere 0.6 percent the year prior. Projections by the Bank of Montreal suggest CPI inflation will linger above the Bank of Canada's 2 percent target at a rate of 3.5 percent growth in 2022.

6 Major raw material shortages include resin (a necessary component of plastics), polymer, and additives.

Figure 7: Inflation from January 2018 to December 2021 (Canada)



Source: Statistics Canada

- **Total Consumer Price Index (CPI):** measures changes in prices experienced by Canadian consumers by comparing the costs of a representative basket of goods and services.
- **Raw Materials Price Index (RMPI):** measures prices for raw materials purchased by Canadian manufacturers for further processing.
- **Freight Rail Services Price Index (FRSPI):** measures price changes of commodity shipments by the freight rail industry.

In December 2021, Statistics Canada reported total year-over-year inflation growth of 4.8 percent – representing the highest inflation rate recorded since 1991 and eroding consumer purchasing power. In addition to the initial recovery seen early last year, commodity prices have increased yet another 50 percent relative to pre-pandemic prices. Unlike inflation on accommodations, airfares, and natural gas, there are broader social and economic risks to consider if current prices for essential goods such as food, produce, and housing becoming permanent as opposed to transitory.[xi]

Ultimately, the current mix of supply- and demand-driven inflationary pressures indicate a difficult road ahead for Ontario businesses and households. Despite expectations that upcoming interest rate hikes will dampen spending (and in turn, inflation) in the year ahead, prices will likely continue to maintain their above-average rate until the better part of 2023.

Government

During the first year of the pandemic, monetary and fiscal stimulus policies played a critical role in sustaining economic activity at a time when households and businesses were at a standstill amidst stringent public health measures. As a result, provincial and federal governments began to incur high levels of debt and deficits (Table 5).

On the other hand, historically low debt servicing costs, on top of stronger-than-expected GDP growth in the second half of 2021, presented windfall gains for the Ontario government, leaving the Province's budget in a better position than initially anticipated.

Recent public health measures introduced in response to Omicron may once again dip into Ontario's finances, but Government revenues should begin to recover by the end of 2022 with the expected resurgence of household spending as restrictions are gradually eased over the coming weeks.

Table 5: Government budget balance		**Fiscal Year 2020-2021 (expected)**		**Fiscal Year 2021-2022 (forecasted)**	
		$ millions	**% of GDP**	**$ millions**	**% of GDP**
Budget Balance	**Ontario**	-16,400	-1.9	-21,500	-2.3
	Canada	-327,700	-14.8	-144,500	-6.0

Source: Bank of Montreal (BMO)[xii]

Economic activity is still being supported by accommodative financial conditions, with the policy interest rate remaining at the lower effective bound of 0.25 percent. However, tighter monetary policy is expected by mid-2022 as inflation continues to rise, and slack is absorbed. On the one hand, higher interest rates may help cool the housing market and soften demand-driven inflationary pressures, but they may also have a negative impact on business investment. As interest rate changes are introduced, it will be imperative for governments to closely monitor and assess the financial position of businesses most impacted by COVID-19, those that have the furthest to go in terms of recovery, especially as they begin to reduce reliance on or pay back existing government supports.

Importantly, continued investments in various segments of the economy, including critical infrastructure, green initiatives, and workforce development, are strongly encouraged at a time when interest rates remain low.

Looking ahead, further monetary and fiscal stimulus may be needed in response to future variants of concern and sudden unforeseen changes in the labour market, supply chains, and inflationary trends. Governments will want to take swift action where possible to ensure the economy is able to reap the benefits of pent-up demand without being undermined by supply bottlenecks.

Commercial

Despite signs of economic recovery midway through 2021, total business investment in Ontario decreased by 6.0 percent in the third quarter, following a 1.3 percent decline in the second quarter.[xiii] This mirrors the many challenges that confronted businesses over the latter part of the year, including labour shortages, supply chains, and inflation (discussed above).

With consumer spending projected to remain fairly strong in 2022 thanks to household savings and reopening plans, businesses may be incentivized to boost their investments. Although, as temporary support programs are phased out, many businesses will also be forced to pay back loans. According to the Canadian Survey on Business Conditions, 22 percent of Ontario businesses could not afford to take on more debt in the fourth quarter of 2021. While this dropped from 41 percent during the first quarter, it suggests many businesses have little room on their balance sheets to ramp up investments.[xiv, xv, xvi, xvii]

From the same survey, 36 percent of Ontario businesses expressed that the end of government supports would significantly impact their survival in the coming year.[xviii] The industries that would be most impacted are: accommodation and food services (68 percent); arts, entertainment, and recreation (58 percent); and manufacturing (46 percent).[xix]

One surprise throughout the pandemic has been the doggedly low rate of bankruptcies and insolvencies, despite drastic declines in revenue. While this may appear unusual, the discrepancy is likely a result of government support programs that are keeping businesses afloat and staving off insolvencies. It is also worth noting many small businesses with revenue shortfalls may simply stop operating instead of filing for bankruptcy. Alternatively, a strategy sometimes leveraged by struggling businesses involves tapping into sales tax they have collected, and while this may be a short-term solution, it can become untenable if the business is unable to pay back the funds.[xx]

Ultimately, some businesses will struggle more than others to get back on their feet and reduce reliance on existing supports, which may pose challenges for fostering an inclusive and robust economic recovery.

Households

Consumer spending drove the majority of economic growth in the latter half of 2021, a large portion of which involved spending over the summer on recreation, tourism, air travel, food and accommodation, as well as personal grooming.

Household consumption rose by 5.0 percent in the third quarter, primarily led by an increase in spending on semi-durable goods such as clothing and footwear (19.5 percent). Ontarians also increased their spending on services (6.6 percent) and non-durable goods (1.1 percent), while spending on durables goods such as vehicles fell by 0.9 percent for the fourth consecutive quarter.

As previously discussed, household savings are propelling economic activity. Although the household saving rate in Canada fell to 11 percent in the third quarter of 2021 from 14 percent in the second quarter, it is still above pre-pandemic levels and will likely remain high in the year ahead.[xxi] While household liabilities grew by 5 percent within the first half of 2021, this was primarily driven by mortgages. In line with this, household assets also increased by 9 percent in the first two quarters of 2021. Together, these changes improved net worth and debt-to-asset ratios for the average household in Ontario.[xxii]

A predominant outlet for household disposable income in 2021 was the housing market, which experienced an upward trend in housing starts. Last year, housing starts increased by 28 percent and the growth rate is expected to remain above pre-pandemic levels (see Table 6). Following a flood of demand for residential real estate, Ontario's year-over-year housing price growth remained above 30 percent in December, with the Greater Toronto Area surging ahead (24 percent year-over-year) after falling behind other regions of the province for most of the pandemic.[xxiii] The next highest levels of price appreciation were seen in London (30 percent), Durham (29 percent), and Brampton (25 percent).[xxiv]

Table 6: Ontario housing prices, sales, and housing starts (Average annual % change, unless noted otherwise) [xxv, xxvi, xxvii]

	2019	2020	2021 (expected)	2022 (forecasted)	2023 (forecasted)
Existing Home Prices	6.2	15.3	24.7	8.5	0.6
Home Sales	8.9	8.9	18.1	-14.3	-0.7
Housing Starts (000s)	68.9	81.2	104	95	83.3

Source: TD Bank and Bank of Montreal (BMO)

Given recent federal announcements to bolster immigration in 2022, and provincial initiatives to support newcomers' integration into the labour market, population growth within larger cities of Ontario could result in upward pressure on housing prices, though this may also be countered by a downward adjustment originating from planned interest rate hikes.

Beyond real estate, households will continue to be affected by inflation in 2022. Recent forecasts estimate food prices will grow anywhere between 5 to 7 percent in the year ahead, thereby pushing Canadians to allocate a higher proportion of their income towards food.[xxviii]

Concerns over permanent inflation and higher debt servicing costs (corresponding to increases in the interest rate) will likely result in households saving more and temporarily delaying purchases of certain durable goods and large-ticket items until prices begin to cool. Nonetheless, assuming widespread lockdowns are not reinstated, households on average are in a good financial position to sustain consumption growth in 2022.

Regional Economic Outlook

Last year, the OCC reported major regional disparities in employment and population growth across Ontario. In 2021, most regions saw partial or full recoveries. An upward adjustment is likely for 2022 as overall demand and tourism begin to pick up.

Figure 8 illustrates the 2021 actuals and 2022 forecasts of three key economic indicators for Ontario's 11 economic regions as defined by Statistics Canada: the jobless rate, change in employment, and change in population ages 15 and older.

Figure 8: Regional Key Economic Indicators

Northwest Ontario

	2021	2022 FORECASTED
Jobless Rate (%)	6.7%	5.6%
Employment (% change)	3.6%	2.0%
Population, age 15+ (% change)	-0.6%	0.1%

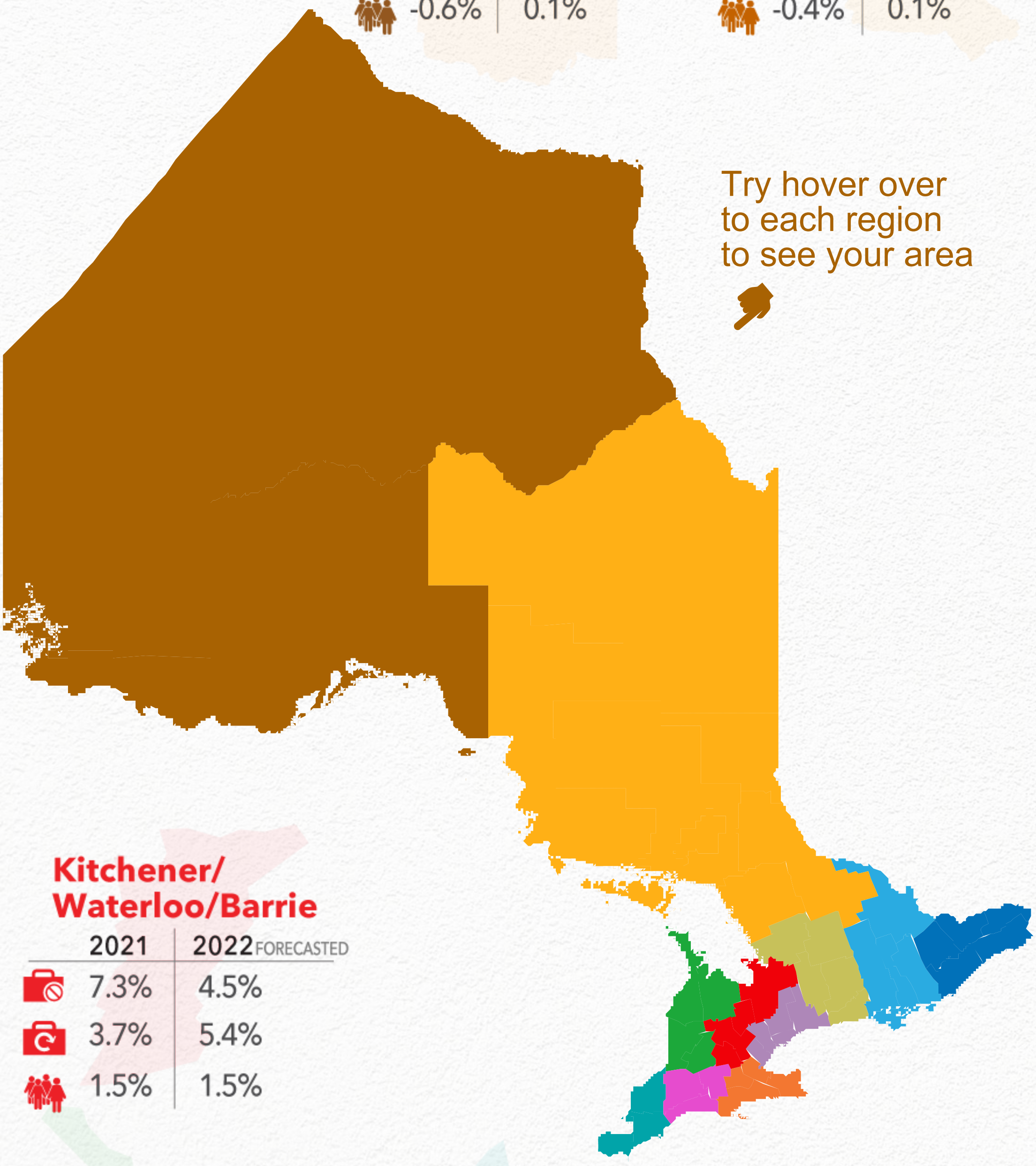
Northeast Ontario

	2021	2022 FORECASTED
Jobless Rate (%)	7.0%	5.6%
Employment (% change)	-1.7%	2.0%
Population, age 15+ (% change)	-0.4%	0.1%

Muskoka/Kawarthas

	2021	2022 FORECASTED
Jobless Rate (%)	7.5%	5.4%
Employment (% change)	2.4%	3.5%
Population, age 15+ (% change)	0.8%	0.9%

Try hover over
to each region
to see your area



Kingston-Pembroke

	2021	2022 FORECASTED
Jobless Rate (%)	7.8%	4.7%
Employment (% change)	5.8%	4.6%
Population, age 15+ (% change)	0.6%	1.0%

Ottawa

	2021	2022 FORECASTED
Jobless Rate (%)	6.4%	4.5%
Employment (% change)	3.7%	4.0%
Population, age 15+ (% change)	1.2%	1.6%

Kitchener/Waterloo/Barrie

	2021	2022 FORECASTED
Jobless Rate (%)	7.3%	4.5%
Employment (% change)	3.7%	5.4%
Population, age 15+ (% change)	1.5%	1.5%

Toronto

	2021	2022 FORECASTED
Jobless Rate (%)	9.3%	7.0%
Employment (% change)	4.1%	5.7%
Population, age 15+ (% change)	1.2%	1.8%

Stratford/Bruce

	2021	2022 FORECASTED
Jobless Rate (%)	4.5%	1.9%
Employment (% change)	2.1%	3.5%
Population, age 15+ (% change)	0.8%	0.4%

Windsor/Sarnia

	2021	2022 FORECASTED
Jobless Rate (%)	8.8%	6.3%
Employment (% change)	8.7%	3.5%
Population, age 15+ (% change)	0.5%	0.8%

London

	2021	2022 FORECASTED
Jobless Rate (%)	7.7%	6.0%
Employment (% change)	7.9%	3.8%
Population, age 15+ (% change)	1.3%	1.4%

Hamilton/Niagara Peninsula

	2021	2022 FORECASTED
Jobless Rate (%)	7.8%	5.0%
Employment (% change)	4.3%	5.6%
Population, age 15+ (% change)	0.7%	1.6%

Jobless Rate (%) | Employment (% change) | Population, age 15+ (% change)

Source: Bank of Montreal (BMO)

While no region of Ontario was spared from the recessionary effects of the pandemic, the highest increases in unemployment in 2020 were seen in Toronto, Kitchener-Waterloo-Barrie, Hamilton-Niagara Peninsula, and Windsor-Sarnia – and recovery has been slow in these regions. This is partly due to the impact that COVID-19 has had on the arts, entertainment, recreation, retail trade, food and accommodation industries, which are important industries for these regional economies.

In 2021, all regions except Northeastern Ontario saw positive employment growth. Moderate-to-strong rebounds were observed in Windsor-Sarnia (8.7 percent) and Kingston-Pembroke (5.8 percent), with Northwestern Ontario seeing a milder rebound (3.6 percent). All three regions have yet to offset the major declines seen in 2020 but are forecasted to continue experiencing employment growth this year.

Forecasts for 2022 suggest the jobless rate will not recover to pre-pandemic levels in Toronto, Hamilton-Niagara Peninsula, London, Windsor-Sarnia, and Northwestern Ontario.

Windsor-Sarnia has been greatly impacted by restrictions on travel and cross-border trade, as well as impacts to transportation, distribution, warehousing, and wholesale trade industries. With manufacturing as the primary sector in the region, local businesses have grappled with public health restrictions and supply chain issues, including a shortage of semiconductor chips that deeply affected the auto manufacturing sector. In 2022, the Windsor-Sarnia region can expect to see moderate-to-strong increases in employment, driven by pent-up demand, easing of supply chain backlogs, and the expected relaxation of border restrictions – though risks remain as job vacancies rise and issues with attracting talent continue.

By contrast, the labour market is forecasted to be most favourable for the Stratford-Bruce Peninsula, with an expected jobless rate of only 1.9 percent. Much of this can be explained by recent employment gains in local construction, health care and social assistance, transportation and warehousing, as well as expectations for a strong rebound in the region's tourism industry.[xxix]

London was the only region with positive employment growth in 2020 (0.6 percent), followed by a 7.9 percent increase last year. In November 2021, London experienced its sixteenth consecutive month-over-month growth in net new employment ensuing from the addition of more than 16,000 jobs throughout 2021 and significant growth in the industrial and food processing sectors.[xxx] With the expansion of London's Nestle ice cream plant, a new fulfillment centre, and plans for a new Maple Leaf Foods processing plant, London is set to continue seeing employment growth. The biggest challenges for the region will be managing labour shortages, especially as local housing prices continue to rise.[xxxi]

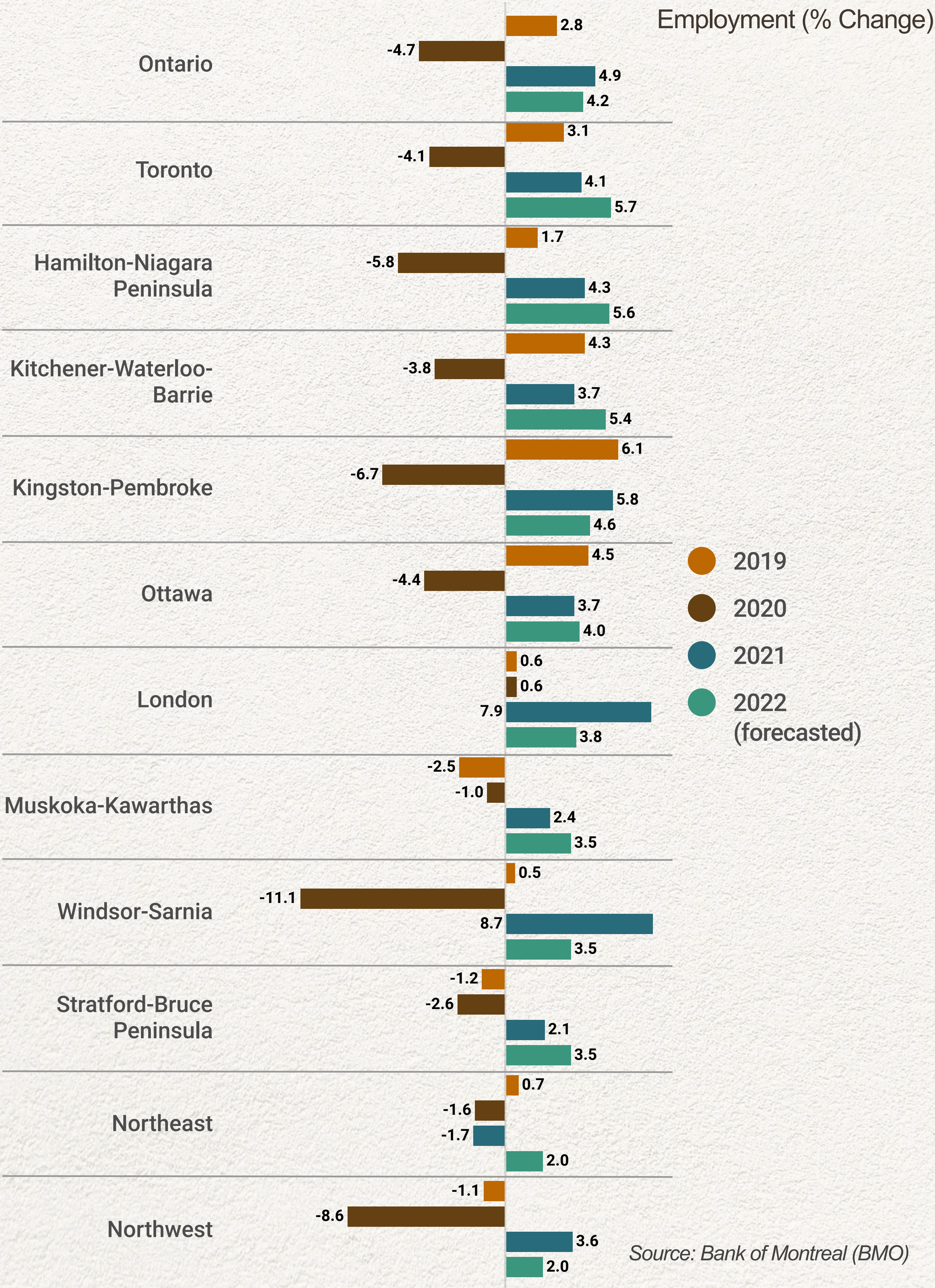
The Muskoka-Kawarthas region also made some headway in employment after falling 2.5 percent in 2019 and dropping another 1.0 percent in 2020. Last year, the region reversed this trend with strong growth at 2.4 percent and is expected to have an even stronger uptick over the coming year (3.5 percent). This is owed to the region's concentration of businesses in construction, manufacturing, and tourism-related industries – all of which are anticipated to make strong recoveries, assuming Ontario continues to ease public health restrictions as planned.[xxxii]

Population changes tells an interesting story as well. Since the pandemic began, many of Ontario's regions faced slower-than-normal growth in the working age population. One trend worth monitoring is the recent exodus of residents from densely populated cities, particularly the Greater Toronto Area, to surrounding regions and provinces. The outmigration is largely due to remote working arrangements and high housing prices. In 2021, Toronto's population grew by 1.2 percent, reflecting a continued decline in the growth rate since the onset of the pandemic. Forecasts for 2022 still indicate dampened population growth in Toronto at 1.8 percent, though this is likely to see improvements as immigration strengthens and adds to the city's population.

Northern Ontario continued to see declines in population last year and is projected to see a meager 0.1 percent increase in 2022. Part of this may be the result of inadequate broadband, which is an important driver of intra-provincial migration thanks to the pandemic's push towards digital adoption and work from home. The OCC has long advocated for regional economic development in Northern Ontario, including through improvements to broadband and transportation infrastructure.

In sum, all regions of Ontario are forecasted to see employment and population growth in 2022, albeit to varying extents. Much like the case for Ontario's economic outlook, each region will need to closely monitor ongoing labour market challenges, supply chain disruptions, and inflationary pressures, which could lead to an uneven recovery for regions most impacted by these risk factors.

Figure 9: Employment growth as a percentage change by region



Source: Bank of Montreal (BMO)

Building Resiliency Amid Uncertainty

During the latter half of 2021, Ontario turned a corner in managing the COVID-19 pandemic. Vaccination rates climbed, case counts dropped, and the economy started to gradually reopen. Many businesses started to see a light at the end of the tunnel. However, this year's Ontario Economic Report uncovers persistent challenges, from labour shortages, supply chain disruptions, inflation, barriers to technology adoption, and housing affordability.

The Omicron variant, which was first detected in November 2021 and began to spread rapidly across the world, has led to new public health restrictions and amplified challenges for businesses and workers just as many had begun to see signs of recovery. Ontario is very much still seized with a public health crisis that will continue to affect its economic outlook in 2022.

Based on our analysis, the following trends should inform policy decisions in the coming months:

> **First, businesses need more predictability.** The past year was shrouded in uncertainty for organizations, from dealing with evolving public health restrictions to an increase in the minimum wage, a federal election, and several other changes. Too much uncertainty prevents businesses from investing and planning ahead.
>
> Policymakers can create a more stable environment by committing to thorough consultations, longer implementation timelines for major policy changes, greater harmonization of policies across governments, and long-term strategies to address climate change, energy planning, fiscal resilience, and workforce development. Further, in responding to an evolving public health crisis, transparency and long-term planning are critical for business confidence. Restrictions on business activity should be tied to transparent, evidence-based metrics to ensure employers can plan ahead, and they should be met with proportionate and targeted support programs.

Second, Ontario needs a pro-growth strategy for economic recovery. Many businesses, especially smaller ones, are preoccupied with navigating day-to-day cost pressures and they need immediate government support. However, government will need to balance those short-term needs with the equally important long-term investments in economic growth. This includes both investing in the key drivers of business competitiveness – such as workforce development, immigration, technology, infrastructure, and clean energy – as well as removing unnecessary barriers to growth, including outdated regulations, an inefficient tax system, and obstacles to interprovincial trade and labour mobility.

Such investments are strongly encouraged at a time when interest rates remain low. As rates increase, it will be imperative for governments to closely monitor and assess the financial position of households and businesses, especially as temporary government supports are wound down and debts are paid down.

Third, growing disparities within our economy are a threat to broader prosperity. This year's report continues to reflect the uneven impacts of the pandemic across sectors, regions, and demographics. From an industry perspective, the arts and entertainment, accommodation and food services, and retail trade sectors are more pessimistic about the economy's outlook and more likely to have shrunk over the past year.

Recovery will require targeted measures to uplift small businesses, sectors, and communities disproportionately impacted by the crisis. Meaningful commitments towards reconciliation with Indigenous Peoples must be part of this equation.

Against this backdrop, the OCC's policy pipeline for 2022 will be explicitly pro-growth. The launch of our policy document, *Growing Our Way to Recovery,* will set the stage by sharing the business community's perspectives on what comprises a pro-growth plan to economic recovery.

Over the coming months, we will host virtual roundtables and release a policy brief on the economic recovery of Ontario's tourism industry in partnership with the Tourism Industry Association of Ontario (TIAO).

Our Climate Action Series will continue throughout the Spring, with events focused on zero-emission vehicles, small modular reactors, natural resources, and sustainable investing.

Additional priorities will include procurement reforms, economic reconciliation with Indigenous communities, technology adoption, and regulatory modernization.

Finally, throughout the year, we will continue to leverage our Policy and Advocacy councils to inform and direct the OCC's work around health care, infrastructure, workforce development, energy, and cannabis.

As businesses and policymakers confront a new normal, the OCC's independent, evidence-based analysis will be needed, now more than ever. The OER will be available in communities across Ontario through our network of local chambers of commerce and boards of trade who continue to serve and support businesses during this critical time.

End notes

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Appendix A.1

Characteristics of Survey Respondents by Region

	Number of Respondents	Share of Total
Ontario	1513	100%
Greater London Area	216	14%
Greater Ottawa Area	53	4%
Greater Toronto Area	346	23%
Hamilton-Niagara Peninsula	127	8%
Kingston-Pembroke	61	4%
Kitchener-Waterloo-Barrie	95	6%
Muskoka-Kawarthas	158	10%
Northeast Ontario	277	18%
Northwest Ontario	51	3%
Stratford-Bruce Peninsula	53	4%
Windsor-Sarnia	76	5%

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Appendix A.2

Characteristics of Survey Respondents by Sector

	Number of Respondents	Share of Total
Accommodation and food services	130	9%
Administrative and support, waste management and remediation services	8	1%
Agriculture, forestry, fishing and hunting	24	2%
Arts, entertainment and recreation	126	8%
Construction	110	7%
Educational services	48	3%
Finance and insurance	104	7%
Government	21	1%
Health care and social assistance	79	5%
Information and cultural industries	19	1%
Labour	12	1%
Management of companies and enterprises	17	1%
Manufacturing	86	6%
Mining, quarrying, and oil and gas extraction	16	1%
Non-profit	100	7%
Professional, scientific and technical services	168	11%
Real estate and rental and leasing	44	3%
Retail trade	145	10%
Transportation and warehousing	30	2%
Utilities	10	1%
Wholesale trade	23	2%
Other	188	12%
DK/prefer not to answer	5	0%

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Appendix A.3

Characteristics of Survey Respondents by Organization Size

	Number of Respondents	Share of Total
Small organization (1-99 employees)	1326	88%
Medium (100-499 employees)	87	6%
Large (500+ employees)	81	5%
DK/prefer not to answer	19	1%

Appendix A.4

Characteristics of Survey Respondents by Diversity Leadership

"Is your organization led in whole or in part by anyone from the following groups? (choose all that apply)" [sums to >100%]

	Number of Respondents	Share of Total
Woman	793	52%
Racialized person	141	9%
New Canadian (different national origin)	100	7%
Person with disability	89	6%
2SLGBTQIA+	79	5%
Indigenous person	66	4%
Prefer not to say	86	6%
None of the above	521	34%

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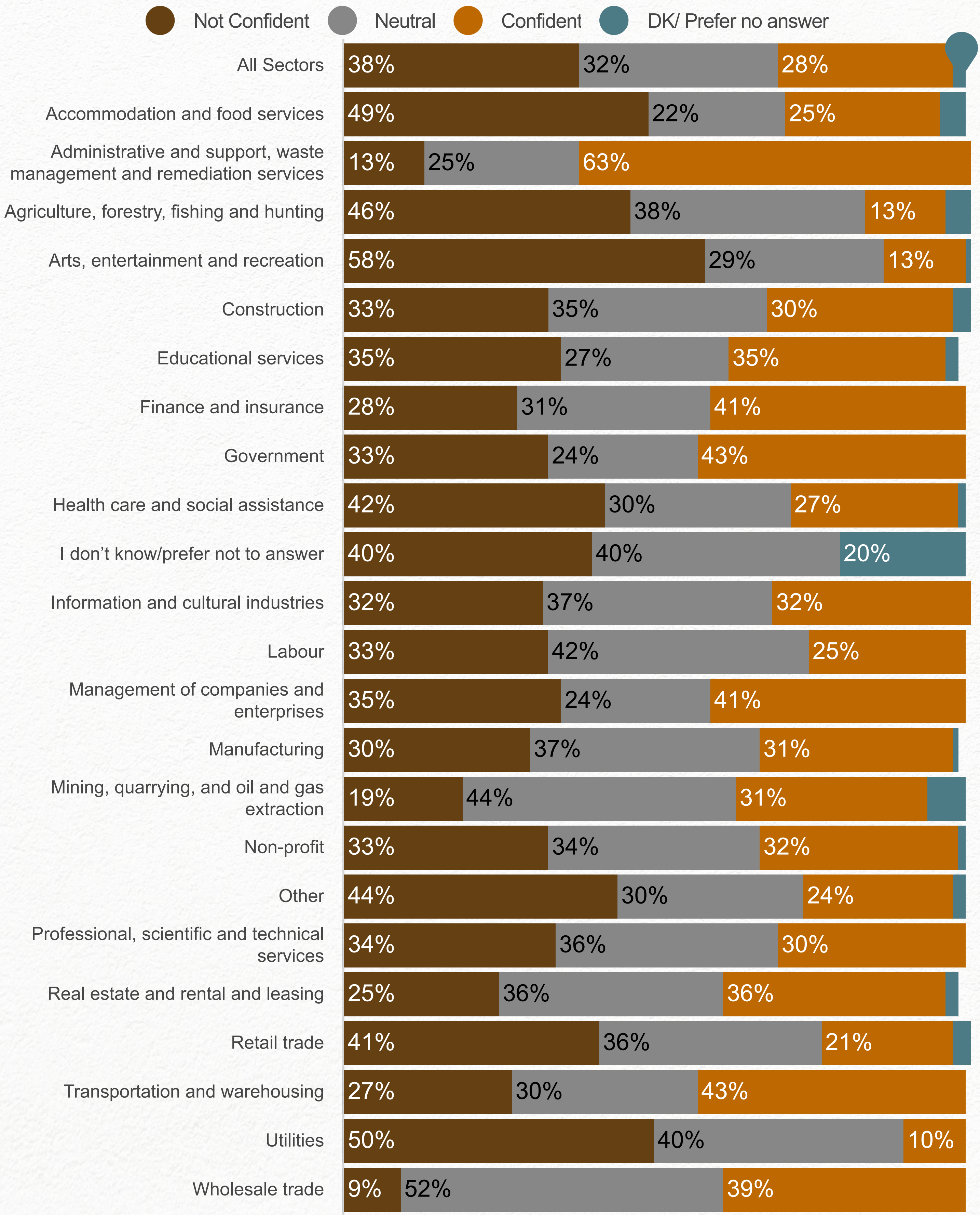
Appendix B.1

Confidence in Ontario's Outlook by Sector



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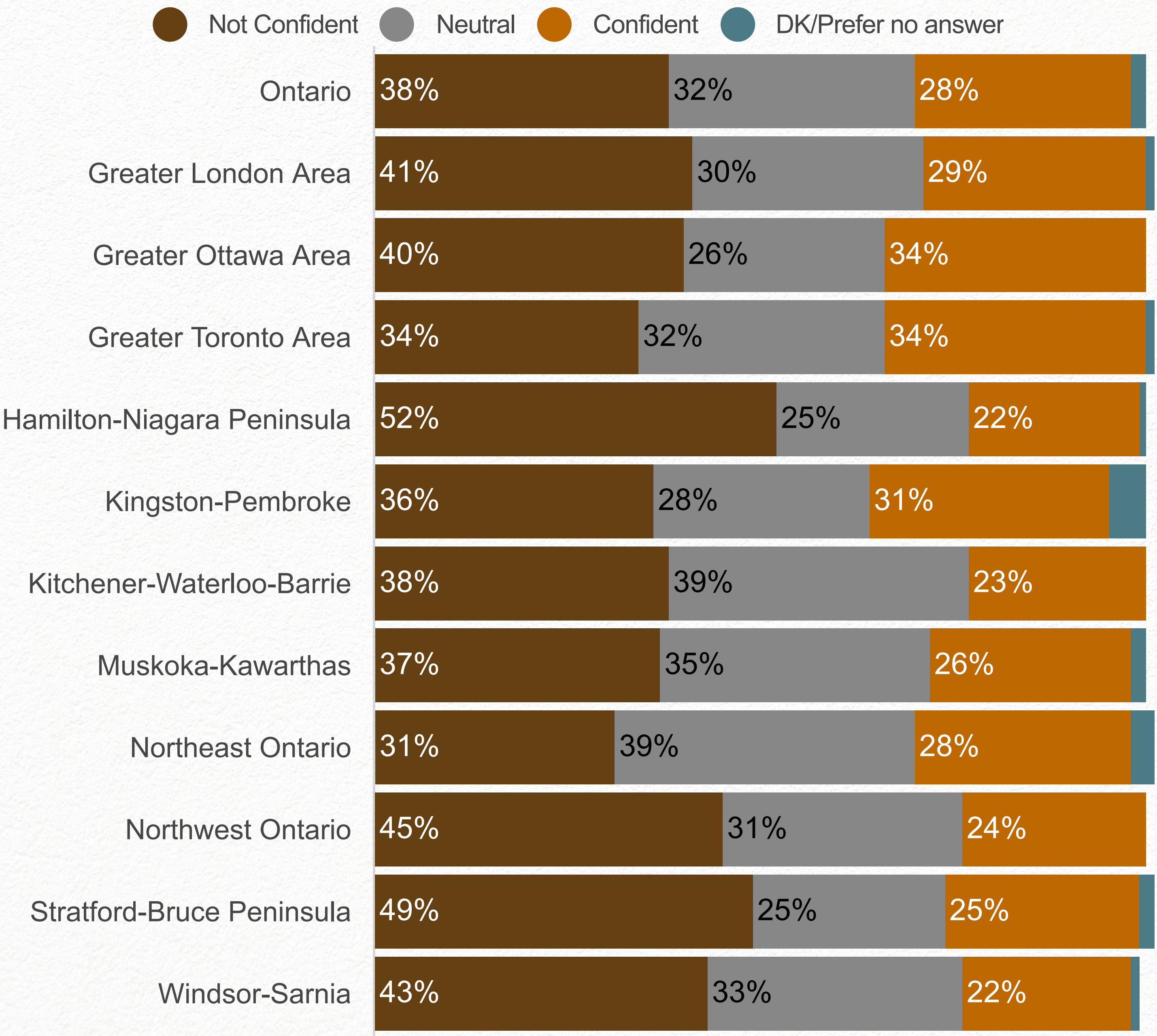
Appendix B.2

Confidence in Ontario's Outlook by Region

Fall 2021 | Fall 2020



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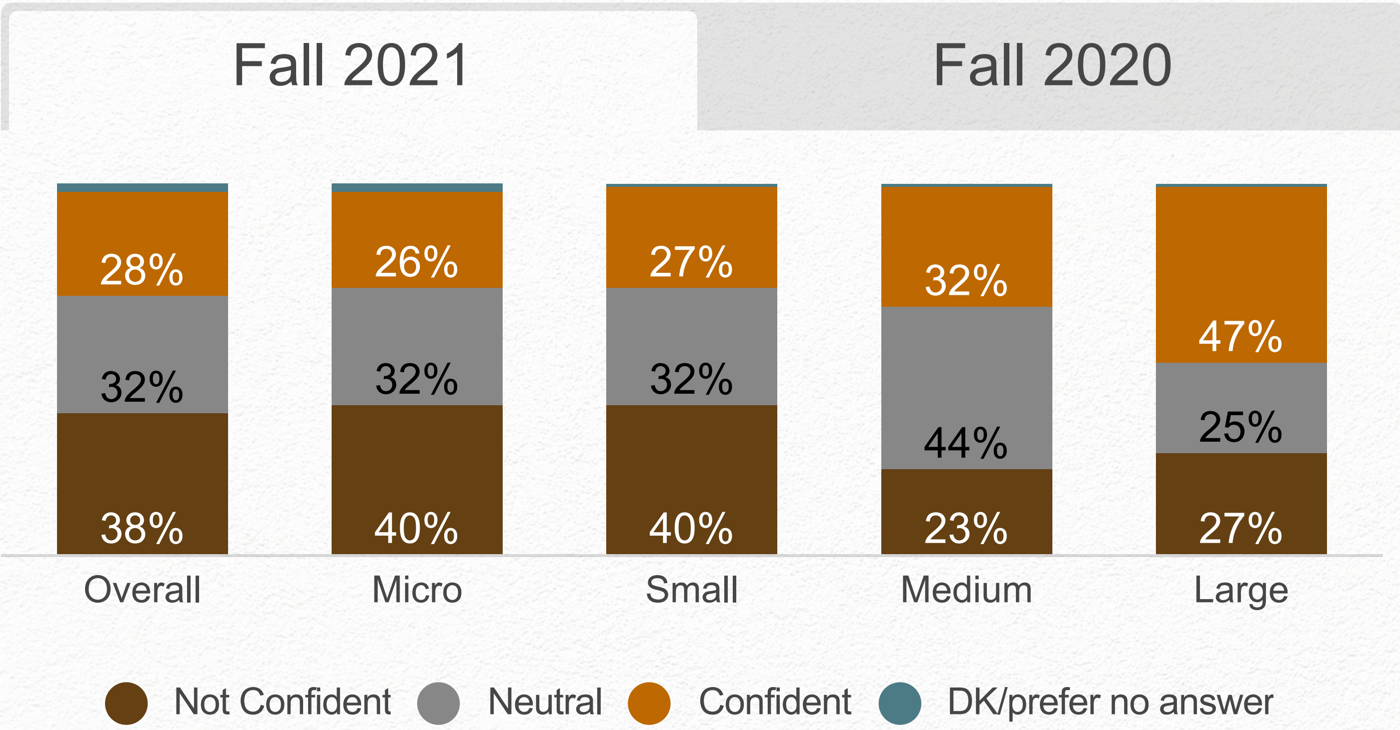
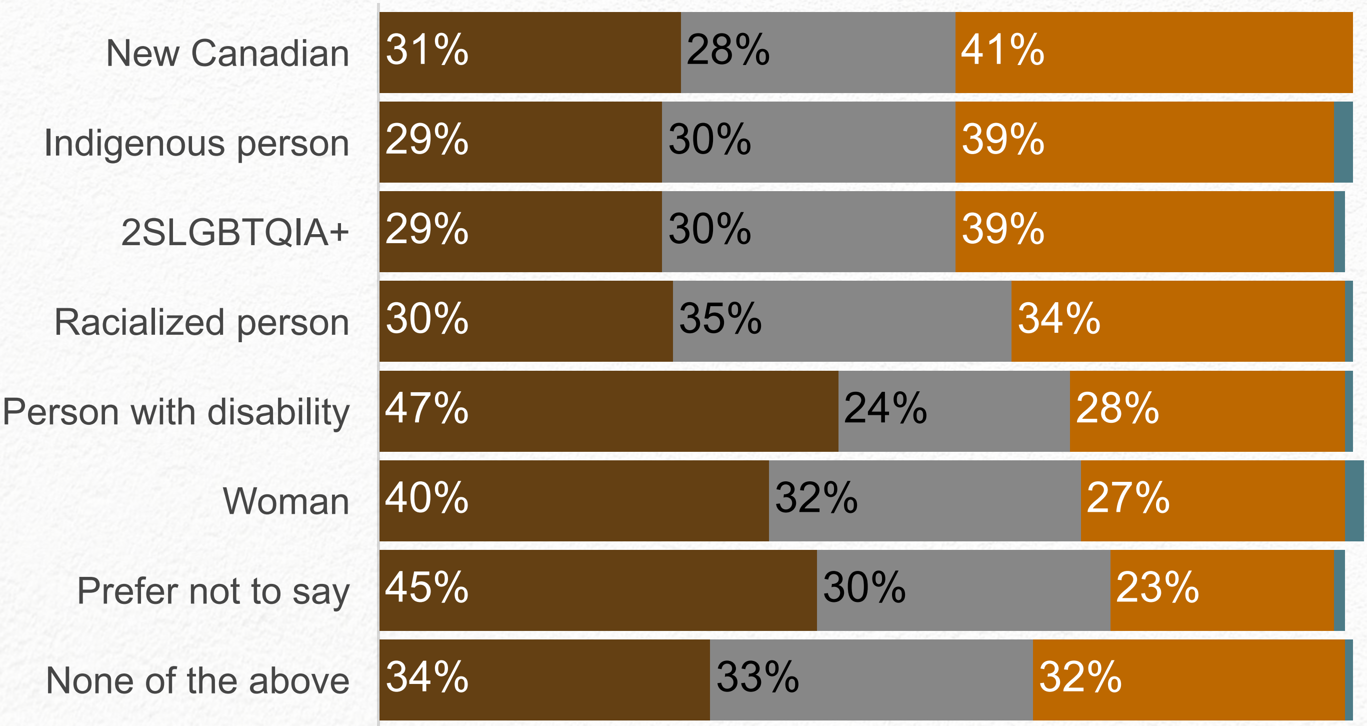
Appendix B.3

Confidence in Ontario's Outlook by Organization Size



Appendix B.4

Confidence in Ontario's Outlook by Diversity Leadership



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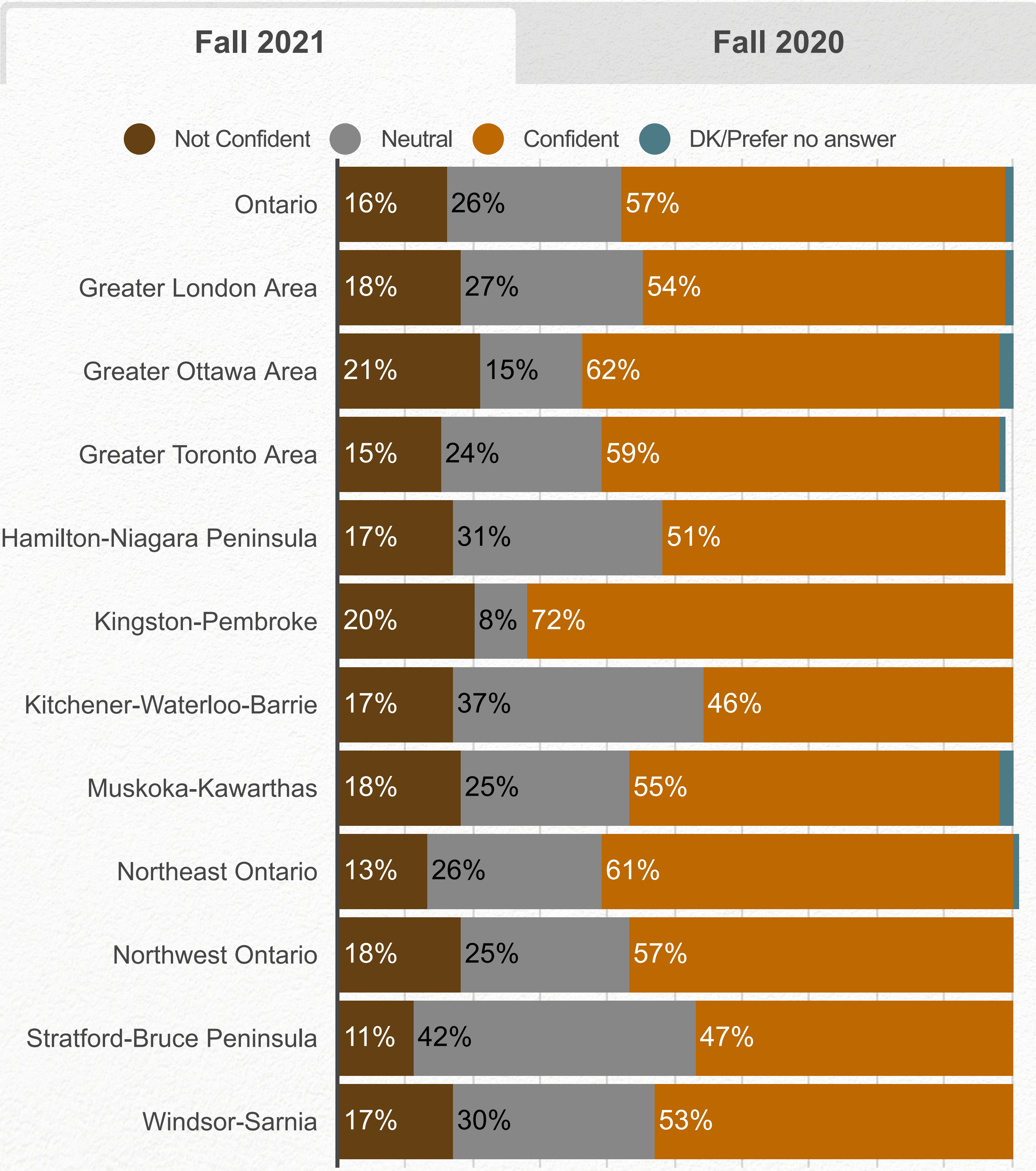
Appendix C.1

Confidence in Your Own Organizational Outlook by Region



(Results of *Confidence in Organizational Outlook* by *Company Size* on next page)

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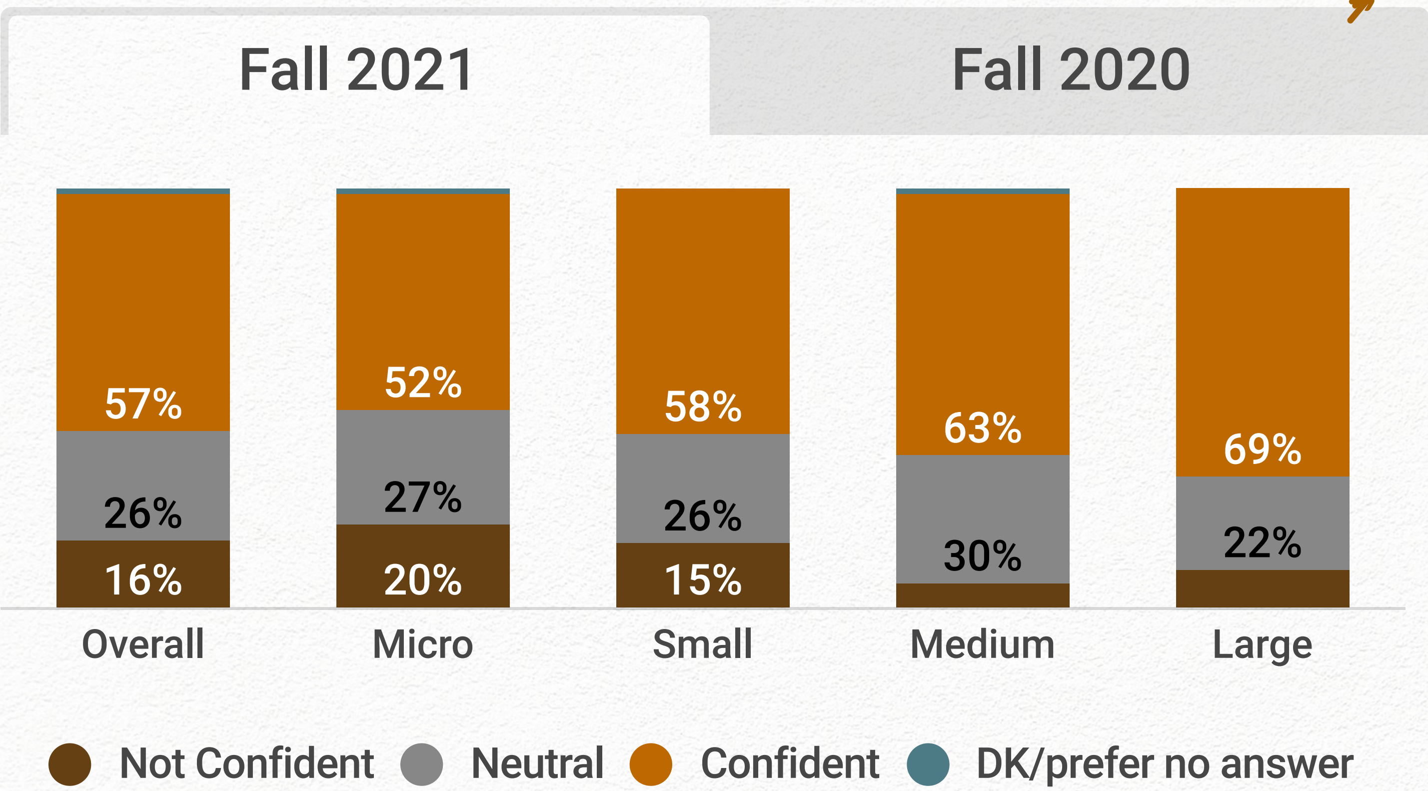
Appendix C.2

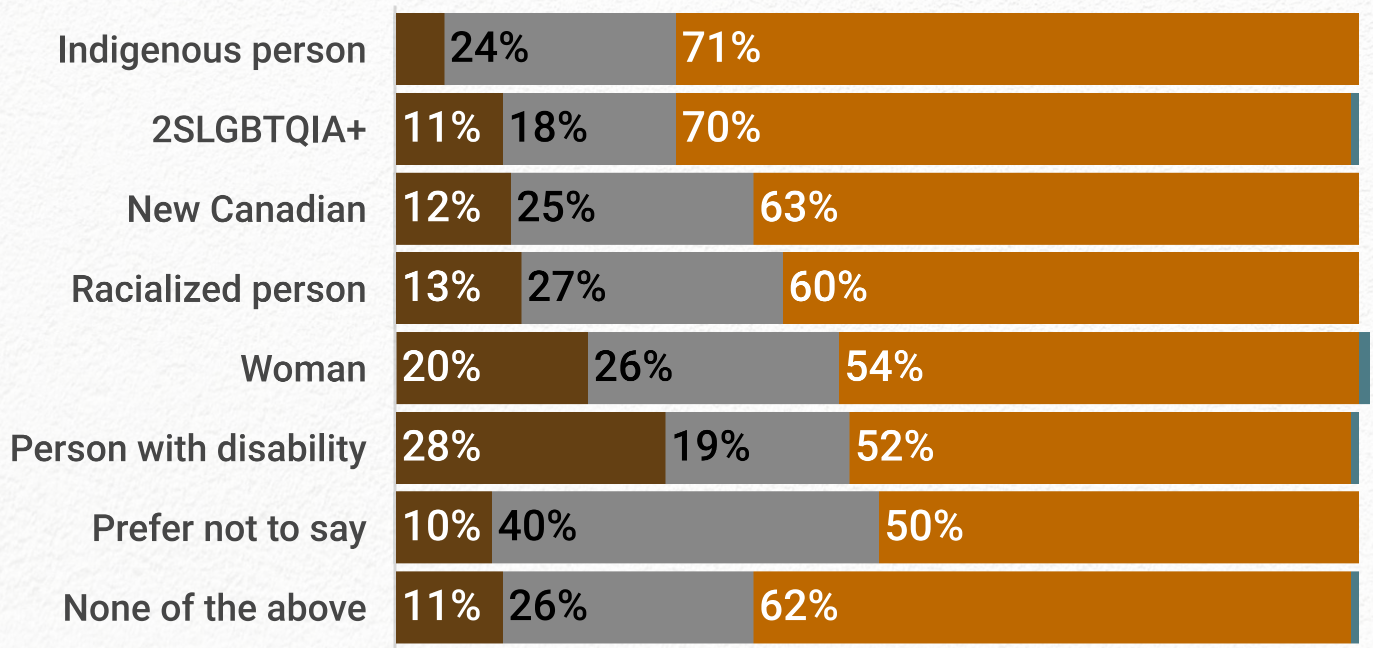
Confidence in Your Own Organizational Outlook by Company Size

Click here



Appendix C.3

Confidence in Organization's Outlook by Diversity Leadership



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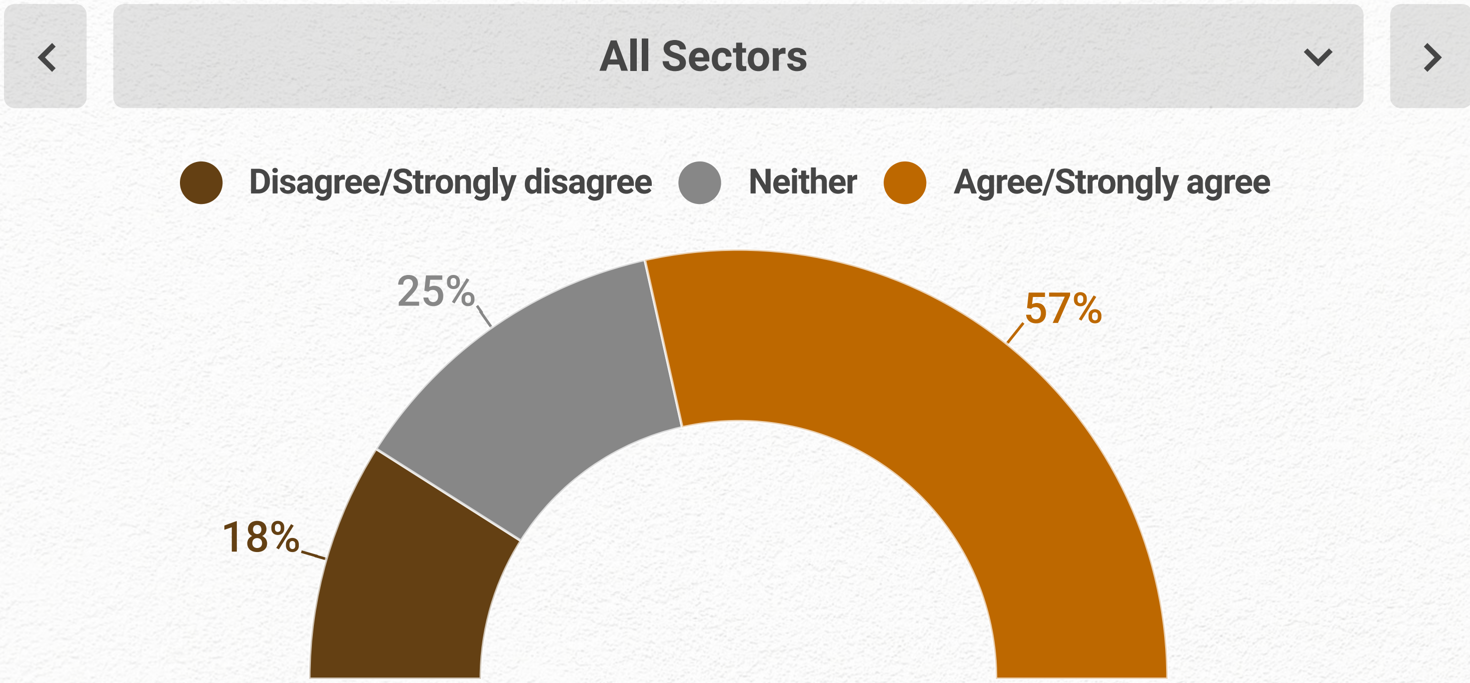
Appendix D.1

Expected Entrepreneurship Rebound from COVID-19 by Sector

"Please indicate the extent to which you agree or disagree with the following statement: Entrepreneurship in Ontario will rebound from the COVID-19 pandemic."



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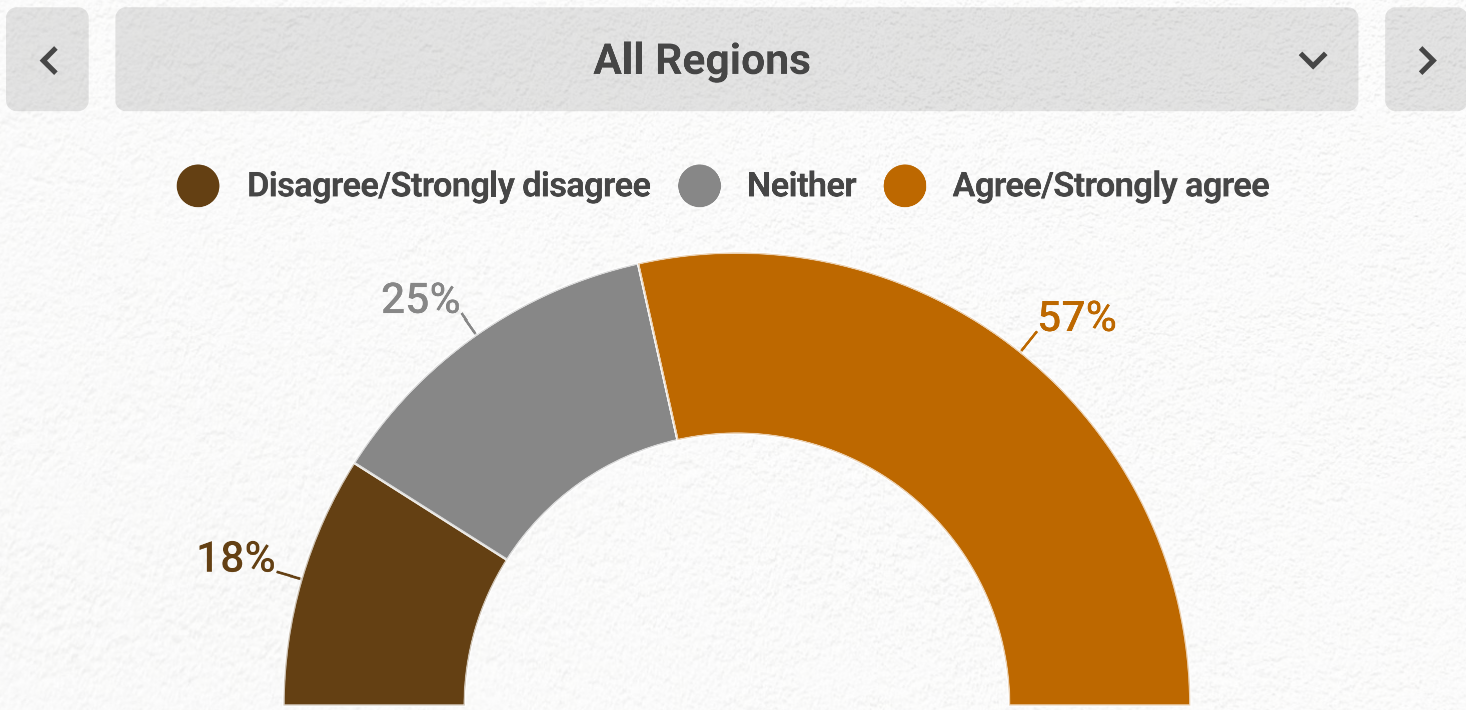
Appendix D.2

Expected Entrepreneurship Rebound from COVID-19 by Region



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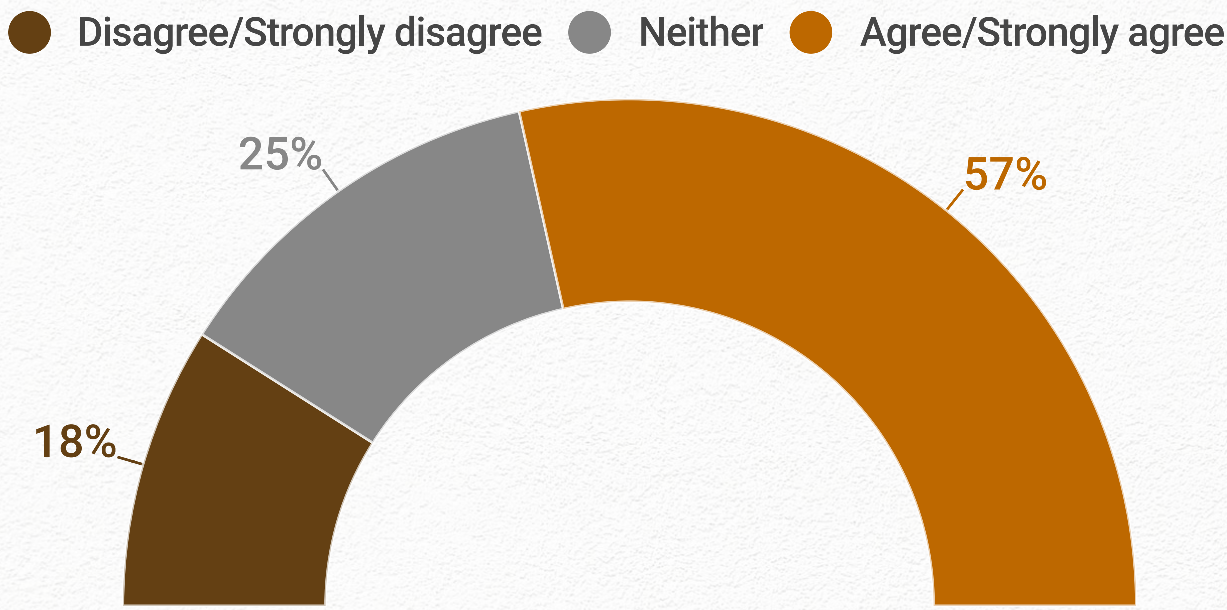
Appendix D.3

Expected Entrepreneurship Rebound from COVID-19 by Organization Size

Ontario



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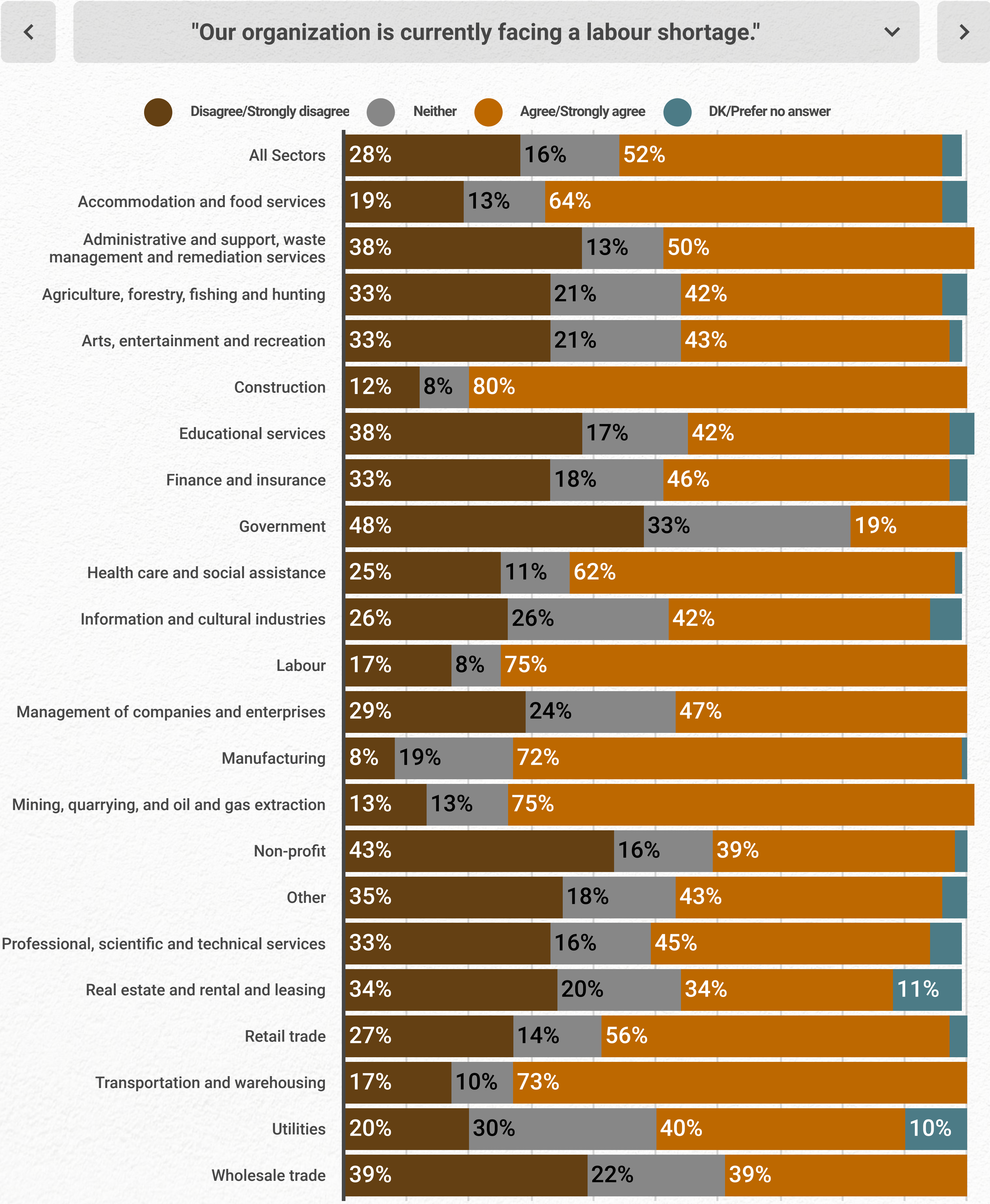
Appendix E.1

Labour Shortages by Sector



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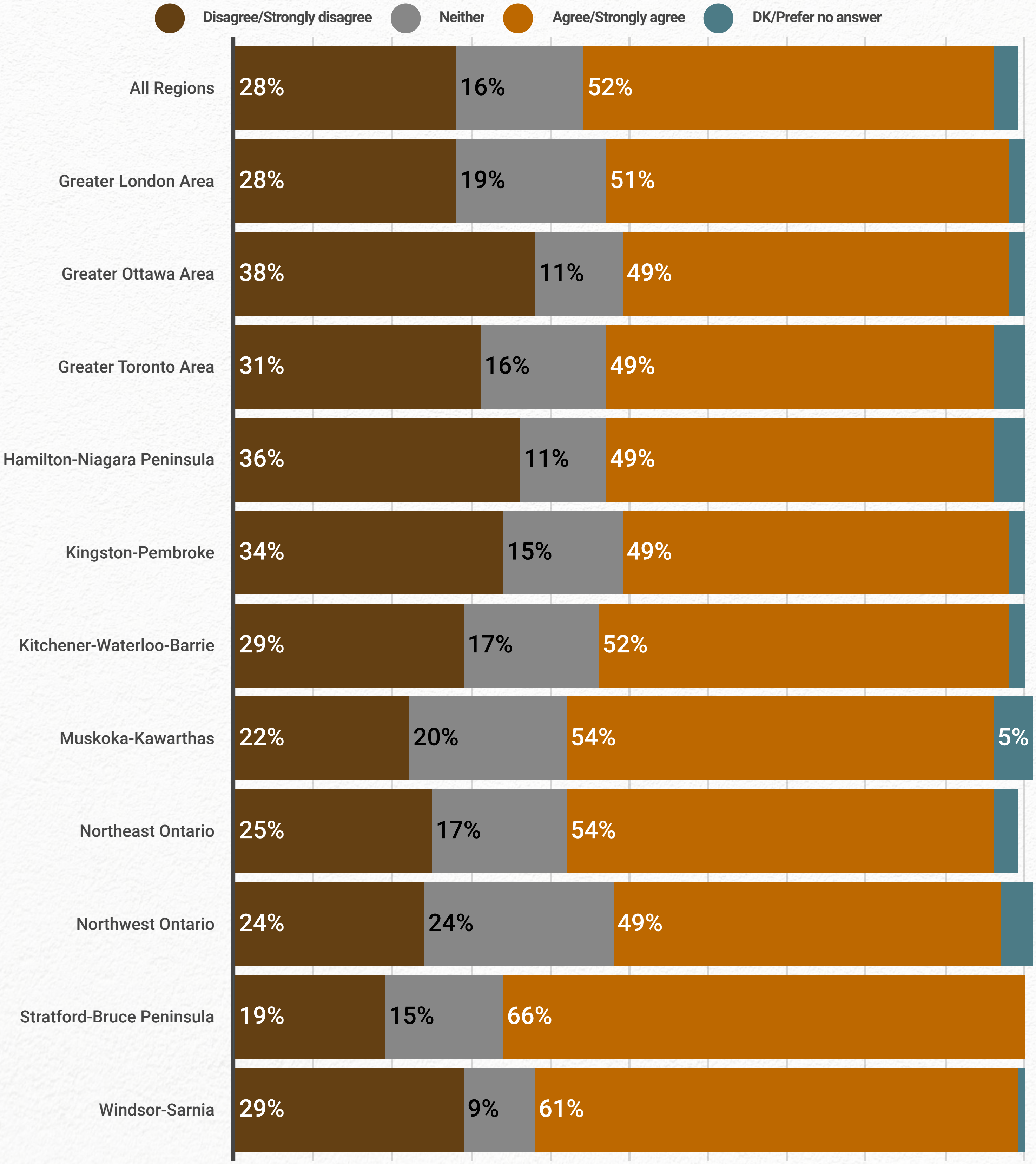
Appendix E.2

Labour Shortages by Region

"Our organization is currently facing a labour shortage."



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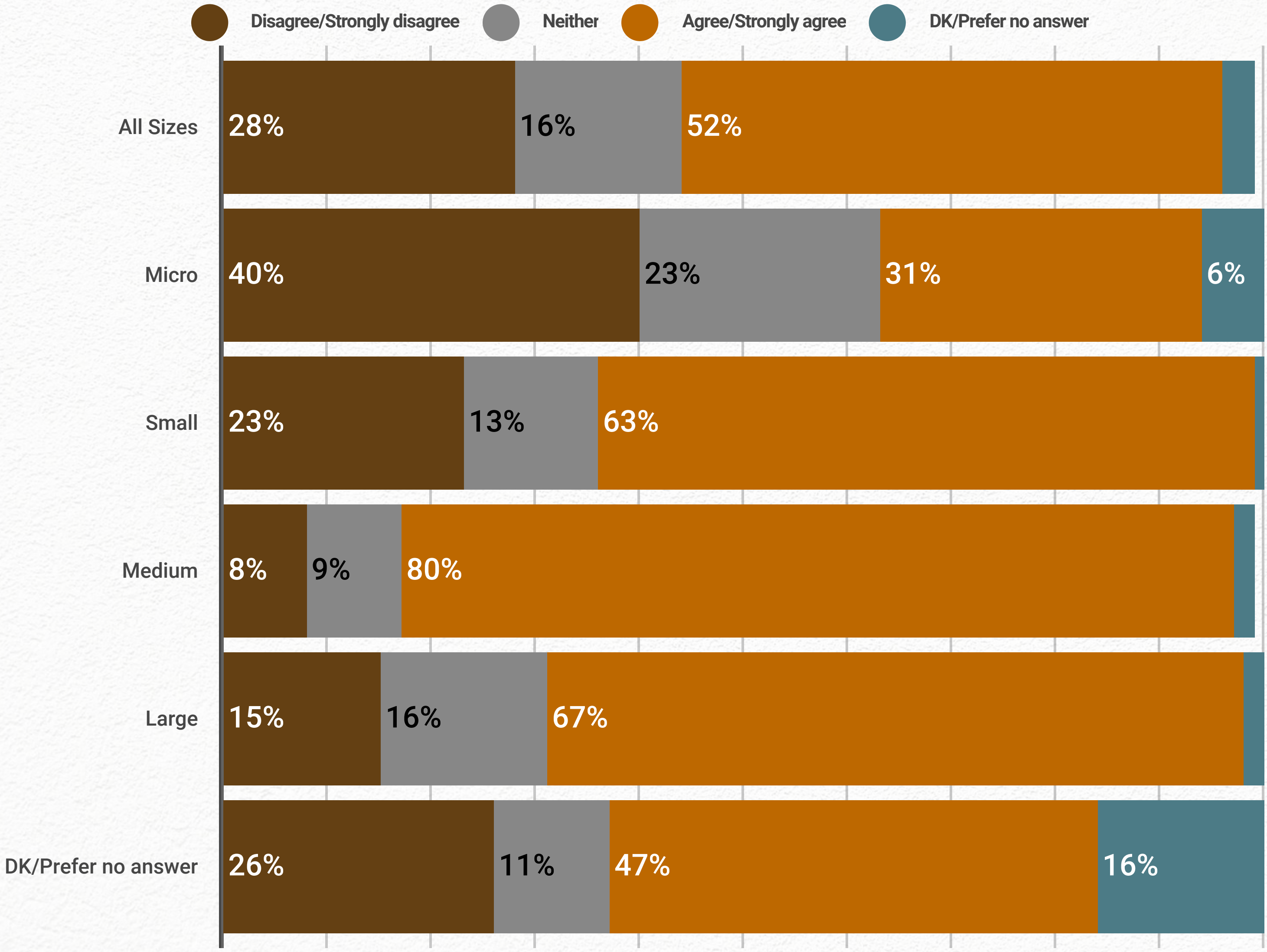
Appendix E.3

Labour Shortages by Organization Size

"Our organization is currently facing a labour shortage."



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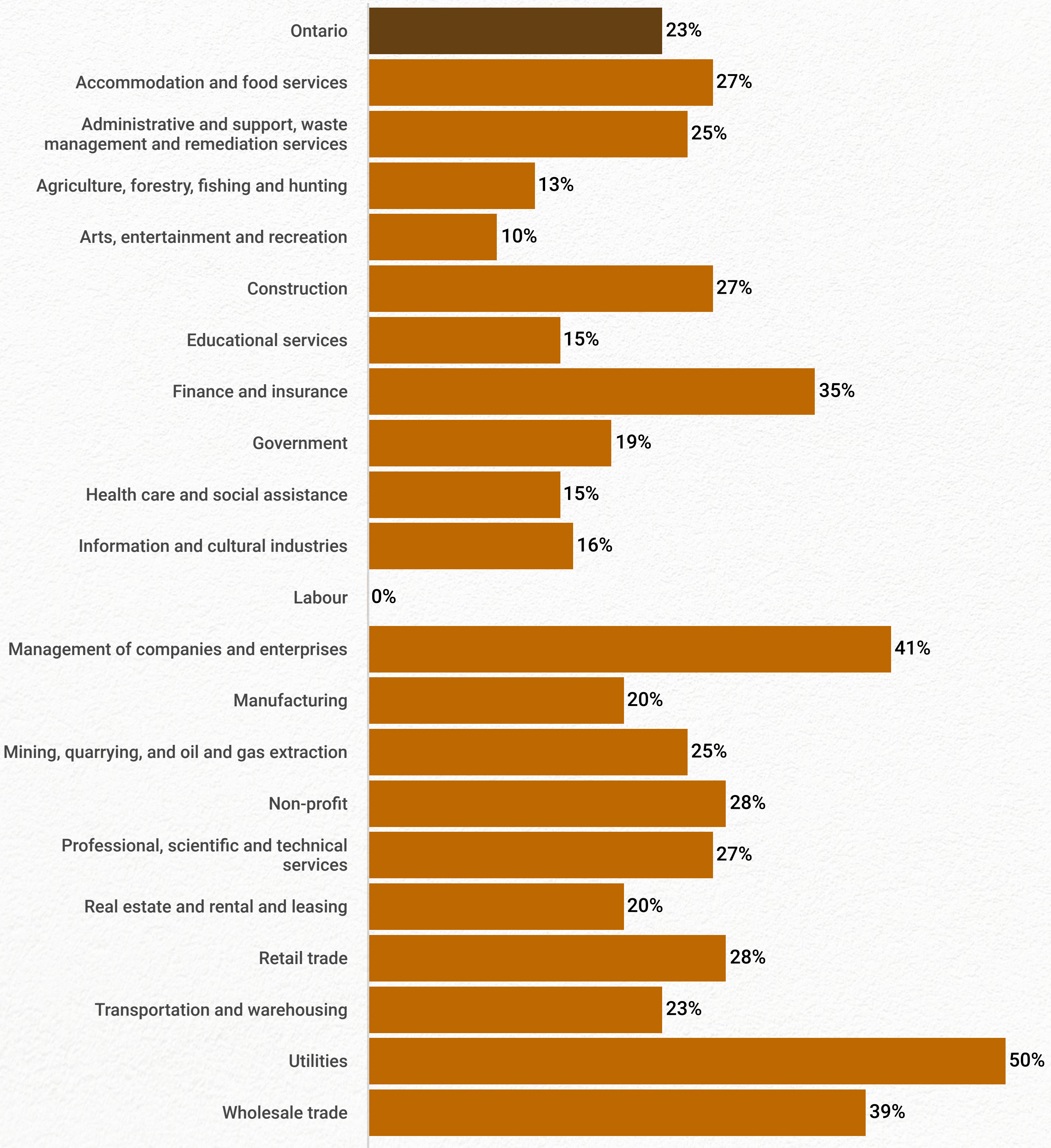
Appendix F.1

Policy Priorities by Sector

"Please select all the post-pandemic policy priorities that would be helpful for your organization or sector."

Modernize regulation



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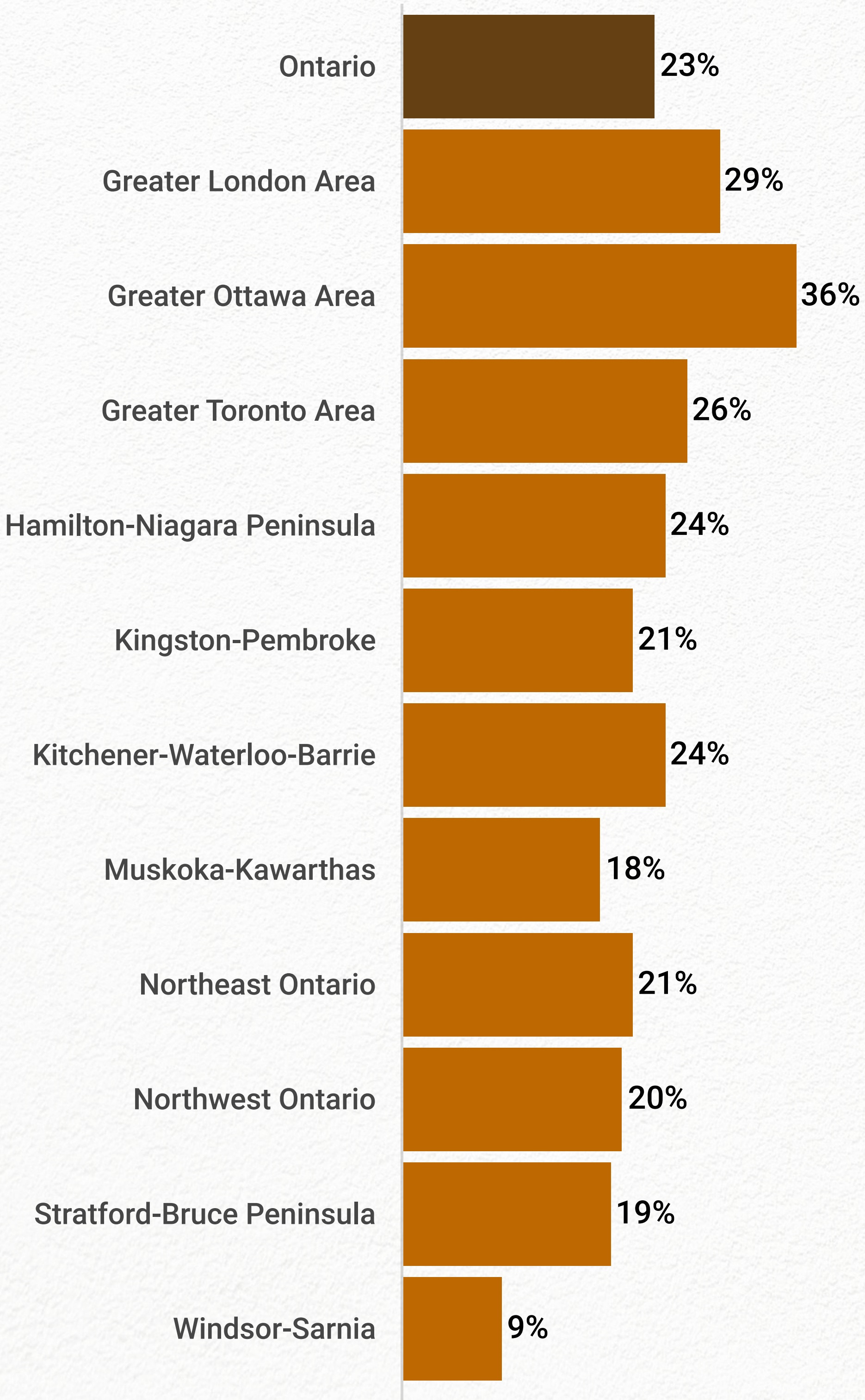
Appendix F.2

Policy Priorities by Region

"Please select all the post-pandemic policy priorities that would be helpful for your organization or sector."

Modernize regulation



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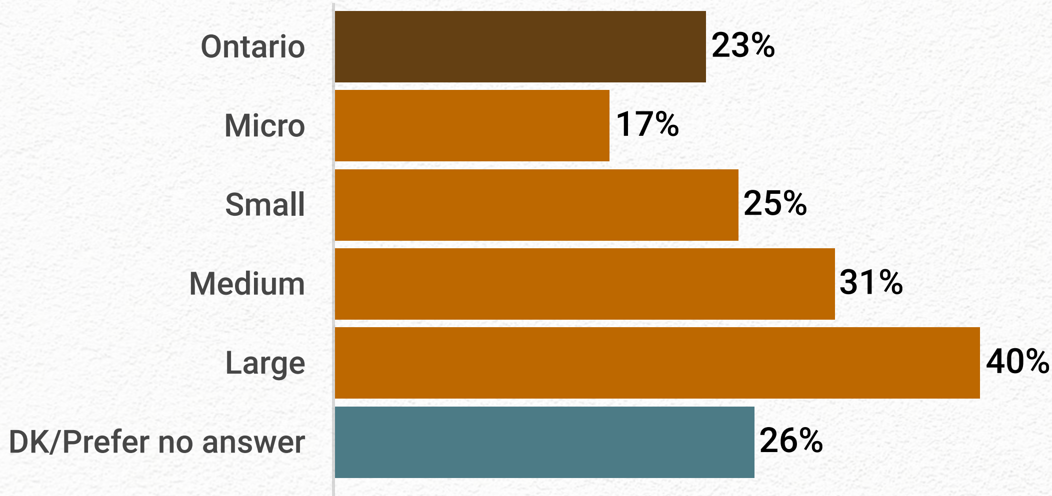
Appendix F.3

Policy Priorities by Organizational Size

"Please select all the post-pandemic policy priorities that would be helpful for your organization or sector."

Modernize regulation



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