



2024 ONTARIO ECONOMIC REPORT

Ontario Chamber of Commerce
8th Annual Ontario Economic Report



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Key Highlights

This year's Ontario Economic Report (OER) reveals a provincial economy under strain. Business confidence has hit a new low, real GDP-per-capita is falling, and the economy is hampered by inflation, interest rates, skills gaps, infrastructure backlogs, mental health and addictions crises, and prolonged uncertainty.

Despite these challenges, Ontario has avoided a significant economic contraction. Inflation and labour shortages are gradually easing, and businesses have proven resilient in the post-pandemic economy.



Highlights from the 2024 Business Confidence Survey:

- **Business confidence in the economy has dropped to a record low** for the second year in a row, with only 13 percent of businesses feeling confident in Ontario's economic outlook. Confidence is lowest among small businesses (1 to 99 employees).
- **Pessimism is mainly attributed to high costs**, including both costs of living and costs of doing business.
- **The policy priorities of Ontario businesses reflect ongoing pain points**, as they seek tax reforms, buy-local programs, workforce development support, and affordable housing for their employees.
- **However, 48 percent of businesses are confident in their internal outlooks and a majority expect to grow in 2024**, as population growth and a resilient labour market have sustained aggregate consumer demand in most sectors.
- **Labour shortages have eased somewhat from last year**, dropping from 55 percent to 40 percent of organizations reporting shortages, with elevated shortages in construction, transportation, and manufacturing.
- **As businesses grapple with economic headwinds, many are limiting their investments in important social and economic issues**, including employee health and well-being, diversity, equity and inclusion, Indigenous reconciliation and climate action.

Highlights from the 2024 Economic Outlook:

- **Ontario's real GDP is forecasted to grow by 0.4 percent** in 2024, following 1.1 percent growth in 2023.
- **Conversely, real GDP per-capita has fallen to below pre-pandemic levels** and that downward trend is expected to continue into 2024.
- **Inflation is expected to ease to 2.9 percent** in 2024, after a period of 'sticky' inflation in 2023 in which core inflation measures (such as energy and housing costs) remained elevated.
- **Inflationary pressure will continue** to weigh on the economy, dampening consumer spending and housing starts.
- **Ontario's unemployment rate is expected to increase** to 6.8 percent in 2024 in light of the forecasted economic slowdown after remaining relatively unchanged between 2022 and 2023.
- **Most regions of Ontario are expected to continue seeing weaker employment growth and elevated unemployment over the next 12 months.**

Faced with these circumstances, Ontario must pursue a principled economic growth strategy focused on addressing its productivity challenge. See [Section III](#) for the OCC's policy recommendations.



Section I: The Business Confidence Survey

Each year, the Ontario Chamber of Commerce (OCC) surveys businesses and other organizations to better understand their perspectives. This year's survey was conducted online by Golfdale Consulting from October 10 to November 21, 2023.

A total of 1,857 respondents completed the survey, representing a broad cross-section of industries, regions, and types of organizations across the province. For a breakdown of survey respondents by region, sector, organization size, and diversity leadership, see [Appendix A](#).

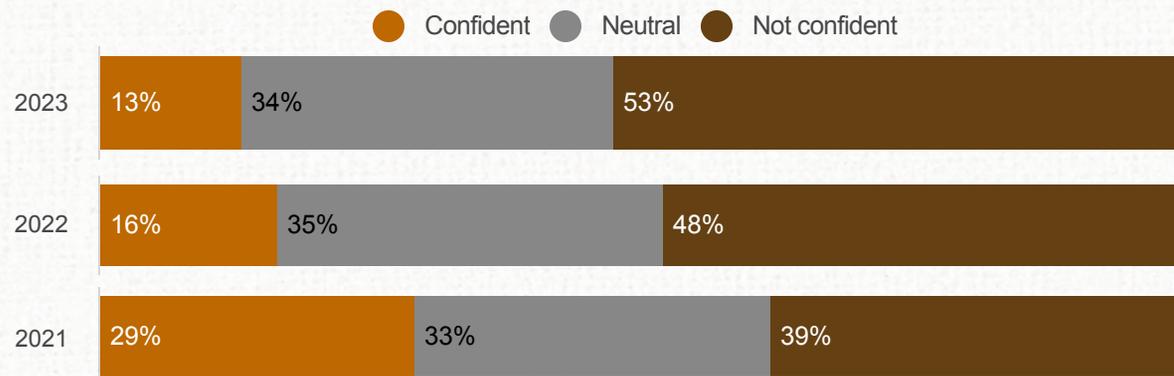


Business Confidence

Business confidence has reached a record low for the second year in a row. Only 13 percent of businesses are confident in Ontario's economic outlook, down from 16 percent last year and 29 percent two years ago (Figure 1).

Although Ontario has avoided a significant economic contraction to the degree [previously forecasted](#), the economic conditions that brought confidence down last year have largely persisted and have amplified unease heading into the new year.

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

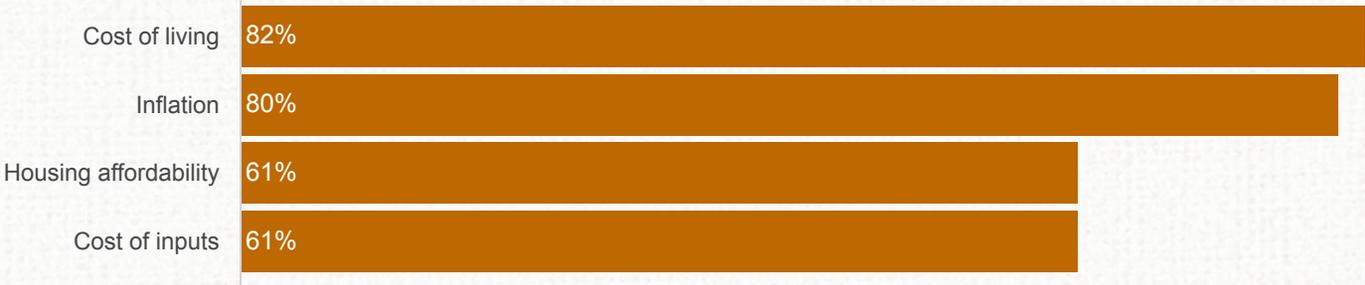


This year, business pessimism about Ontario's economy is mainly attributed to high costs, namely the cost of living, inflation, housing affordability, and cost of inputs (Figure 2). Inflation emerging from the pandemic, along with the resulting interest rate hikes, have put considerable strain on both households and businesses. Those pressures have propelled governments at all levels to introduce a series of tax credits, policy reforms, and programs aimed at mitigating the impacts.ⁱⁱ For more analysis on inflation and interest rates, see [Inflation](#).

One notable difference from last year's survey is that labour shortages and skills gaps are no longer a top concern across the board. See '[Labour Shortages](#)' below for more analysis.

Figure 2: Top reasons for pessimism about Ontario’s outlook

% of pessimistic businesses reporting this as a reason for low confidence



Small businesses are once again less confident than larger businesses this year (Figure 3). With more limited [access to capital](#) and resources on average, smaller businesses have had difficulty navigating fluctuations in consumer spending, inflationary pressures, and workforce-related challenges such as [mental health](#). Small businesses are also more likely to express concern with the repayment of COVID-19 loans such as the [Canada Emergency Business Account](#), which many businesses said they will not be able to repay by the deadline.

Figure 3: Confidence in Ontario’s outlook (small, medium, and large organizations)

% of organizations confident in Ontario's economic outlook



Confidence in Ontario’s economic outlook varies considerably across industries and is lowest within the agriculture sector, where only 3 percent of organizations are optimistic about the economic climate (Figure 4). Agricultural businesses are more likely than others to express concerns related to extreme weather events, trade and supply chain barriers, and provincial government policies.ⁱⁱⁱ They also face growing [labour gaps and succession planning challenges](#) as much of their workforce ages.

Organizations on the frontlines of serving their communities are also among those least confident in Ontario’s outlook. This includes the non-profit, health care, and social assistance sectors, where demand has climbed in response to growing health, homelessness, and addictions crises. Organizations in those sectors are grappling with [revenue uncertainty and staffing challenges](#), while fiscal constraints are limiting [municipalities’ capacity](#) to support service delivery.

Retail falls close behind at 10 percent confidence. As noted below, that sector has seen a decline in consumer spending amid inflationary pressures.

Figure 4: Least confident sectors^{iv}



By contrast, confidence is strongest in the mining and utilities industries (Figure 5). Both industries have benefited from strong growth and investments from the public and private sectors as federal and provincial policies, including [Ontario’s Critical Minerals Strategy](#), have focused on bolstering the province’s electrification infrastructure and electric vehicle supply chains.

Figure 5: Most confident sectors^v



Regionally, confidence is lowest in the Stratford-Bruce Peninsula (5 percent) and Windsor-Sarnia (7 percent), where businesses appear more concerned with inflation and housing affordability than elsewhere in the province. Windsor-Sarnia has historically been on the more pessimistic side, with the [highest jobless rate in the country](#). In Stratford-Bruce, confidence dropped considerably this year in line with significant job losses in that region in 2023 (see Regional Economic Outlook in [Section II](#)). Both regions also report a higher share of survey respondents from the non-profit, agriculture, and tourism sectors compared to others, which could help explain the lower confidence.

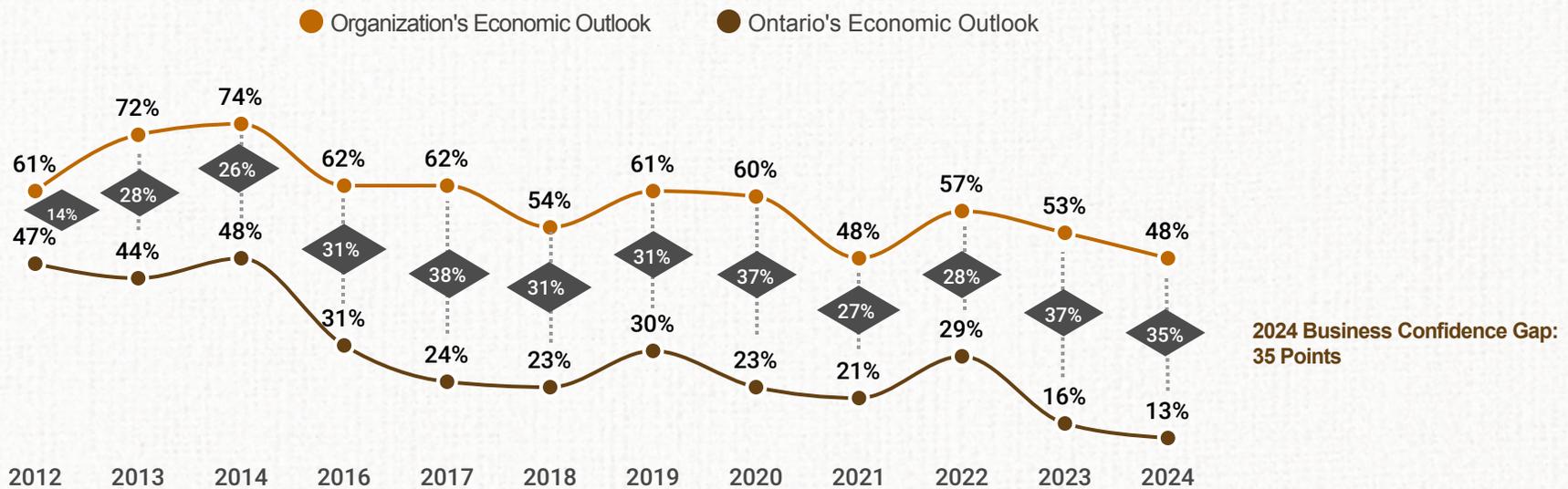
Conversely, confidence is highest in Northeast and Northwest Ontario (23 percent), where the mining industry is a major employer.

For more results on confidence in Ontario's outlook by region, sector, organization size, and diversity leadership, see [Appendix B](#).

Businesses remain more optimistic about their own organizations than the economy at large this year. Forty-eight percent of businesses are confident in their own organizations, compared to 53 percent last year (Figure 6). The internal-external confidence gap persists from previous years and likely reflects the fact that businesses have more control over their own success than that of the broader economy.

For more results on internal confidence by region, sector, organization size, and diversity leadership, see [Appendix C](#).

Figure 6: The business confidence gap



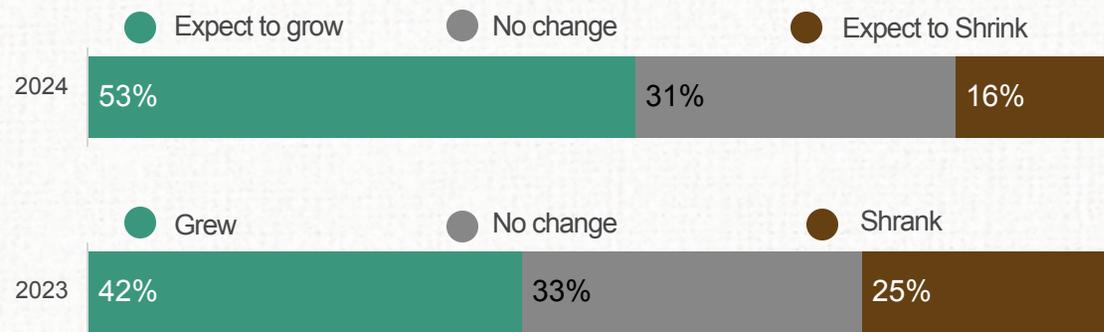
Business Growth

Most businesses expect to grow in 2024, but that optimism is highly industry dependent. Overall, 84 percent of organizations anticipate either holding steady or growing this year (Figure 7). Despite economic headwinds, population growth and a resilient labour market have sustained aggregate consumer demand in most sectors.

However, most businesses in the retail and real estate sectors are pessimistic about their growth. Fewer than one-third of businesses in those sectors managed to grow over the past year as inflation [put a chill on consumer spending on housing and merchandise](#).

Larger businesses are more likely to have grown over the past year than smaller ones (59 percent vs. 40 percent).

Figure 7: Business growth^{vi}



Government Policies

The policy priorities of Ontario’s business community reflect their major pain points, including business and living costs, consumer spending, and workforce gaps (Table 1).

The top priority cited by all sectors is reducing or simplifying business taxes (50 percent of all businesses, and 83 percent of businesses in the accommodation and food services industry). This puts policymakers in a difficult position; simply lowering taxes would lead to lower revenues and less capacity to invest in critical infrastructure, services, and support programs. In 2024, governments will need to be strategic and targeted about how they balance concerns about long-term fiscal prudence with the need to alleviate cost pressures.

Table 1: Top 10 policy priorities among Ontario businesses

Priority	Share of respondents
Reduce/simplify business taxes	50%
Encourage Ontarians to buy/travel locally	34%
Invest in workforce development	33%
Support affordable housing development	33%
Enhance access to credit/capital	26%
Support businesses with technology adoption & innovation	25%
Address health care capacity	24%
Expand mental health and addictions programs	23%
Strengthen local supply chains & manufacturing	22%
Invest in broadband internet infrastructure	22%

Policy priorities vary across different business segments. For example, small businesses are most preoccupied with measures that support their cash flows (e.g., taxes and buy local programs). Although large and medium-sized businesses are also concerned with those issues, their biggest priorities include affordable housing, workforce development, mental health funding, and health care system capacity – suggesting they are looking for governments to bolster the underlying economic and social resilience of their workers and customers.

Businesses led by new Canadians are more likely to want enhanced access to capital, as research suggests they are less likely than other businesses to apply for external financing. Businesses led by Indigenous persons and persons with disabilities are more likely to prioritize broadband and technology adoption – reflecting the elevated importance of improving connectivity for the economic prosperity of those communities.

From an industry perspective, businesses in the retail, tourism, and agriculture sectors are more supportive of buy/travel local policies, while the mining industry is more likely to prioritize regulatory modernization.

For more results on policy priorities by region, sector, and organization size, see [Appendix D](#).

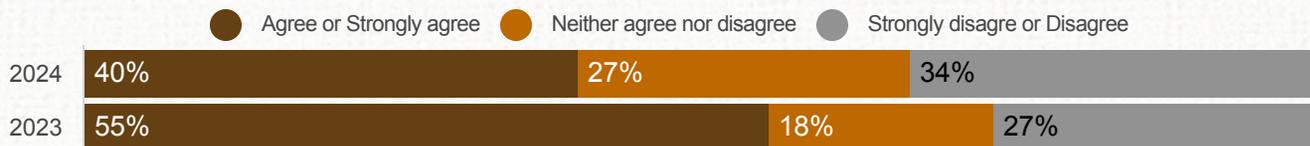
Labour Market

Labour shortages have eased somewhat this year, but demand for workers continues to exceed supply in certain sectors. Overall, 40 percent of organizations are directly experiencing a labour shortage, down from 55 percent last year (Figure 8). Mining, accommodation and food services, and education were among the sectors that experienced the greatest improvement.

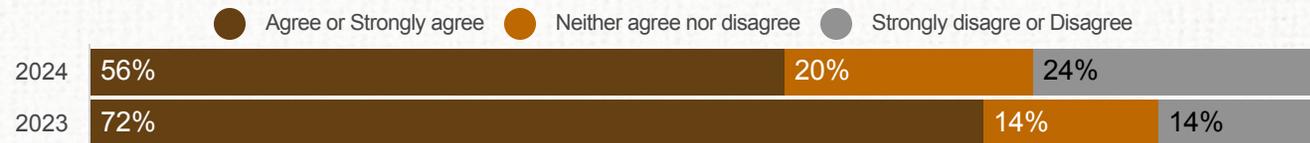
Shortages remain especially elevated in the construction industry (63 percent), as well as the transportation (55 percent) and manufacturing industries (53 percent). Skilled trades workers continue to be in high demand as Ontario invests in its local supply chains and undertakes major housing, energy, and other infrastructure projects.

Figure 8: Labour shortages in Ontario^{vii}

My organization is currently facing a labour shortage.



My sector is currently facing a labour shortage.



The prevalence of remote work has not changed since last year, with 70 percent of organizations operating fully or mostly in-person and 17 percent fully or mostly remote. Employers that can offer flexible work have been doing so to help attract and retain talent in a still tight labour market.

This arrangement is highly dependent on the type of work. Remote work continues to be more common in larger urban centres with a higher shares of white-collar jobs, such as Toronto and Ottawa, and least common in regions with a larger share of skilled trades environments, such as Windsor-Sarnia and Stratford-Bruce.

For more labour shortage results by region, sector, and organization size, see [Appendix E](#).

Supply Chains

[Supply chain bottlenecks and backlogs](#) are a key challenge for many businesses coming out of the pandemic. Only 34 percent of businesses are confident in the strength of supply chains related to their businesses, and half say their activities are directly being impacted by logistical issues (such as warehousing availability and transportation barriers). Manufacturing, wholesale trade, and retail trade businesses are the most likely to face logistical issues.

Figure 9: Supply chain challenges among Ontario businesses^{viii}



Employee Well-Being

Ontarians' physical and mental health has been a growing priority for employers since the onset of COVID-19. Mental health challenges have persisted from high levels of stress, anxiety, burnout, and isolation, leading to what experts have called a [mental health 'echo pandemic'](#) that the OCC has noted disproportionately impacted frontline workers, marginalized communities, and smaller businesses.

Employers, governments, and service providers all have an important role to play in mitigating the interconnected impacts of this crisis on individuals, communities, and the health care system.

However, most employers are ill-equipped to support their workers and communities through the mental health and addictions crises. While 74 percent of businesses say mental health and well-being are important to their success, only 39 percent have formal strategies in place (Figure 10).

Figure 10: The mental health action gap



Resource constraints hamper action across employers, particularly small businesses, which are less than half as likely to have strategies than large ones (35 percent vs 76 percent).

Further, only 13 percent of businesses feel that government supports are adequately helping them respond to workplace mental health challenges. Information sharing may be low-hanging fruit, as only 51 percent of businesses say they are aware of mental health programs that are already available for employers. The OCC's [2023 policy brief](#) and [2021 playbooks](#) offer practical resources to support employees' mental health and well-being.

The opioid overdose epidemic is one particularly severe component of the broader mental health and addictions crisis. In Ontario, 21 percent of businesses say the crisis has had a moderate or severe impact on their organizations. The OCC will be undertaking more work on this issue in 2024.

Diversity, Equity, Inclusion, and Economic Reconciliation

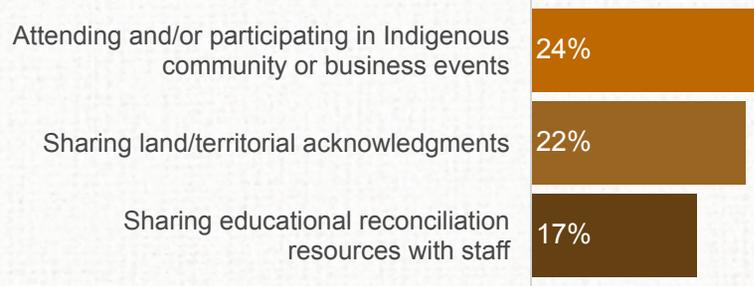
Fewer organizations are taking action around diversity, equity, and inclusion (DEI) in 2024 compared to last year. Fifty-four percent of organizations agree that DEI is important to their success, and 41 percent say they have a formal DEI strategy in place. These numbers have dropped from 2023, when 60 percent of organizations saw it as important to their success and 44 percent had formal strategies in place. Mounting inflationary pressures may have led some organizations to deprioritize DEI, despite a growing body of evidence supporting the [business case for it](#).

Of particular concern is limited action being taken around [economic reconciliation](#) with Indigenous peoples, businesses, and communities. Despite it being both a moral and economic imperative, most organizations have either not taken any action (35 percent) or don't know/ prefer not to say (20 percent). Further, only 27 percent are confident in their ability to take meaningful action to advance reconciliation.

The most common actions taken include attending and/or participating in Indigenous community or business events, sharing land/territorial acknowledgments, and sharing educational resources with staff (Figure 11). By contrast, fewer than 5 percent of organizations have revenue-sharing agreements, Indigenous Advisory Committees, Reconciliation Action Plans, Indigenous procurement policies, and/or certifications and accreditations in Indigenous relations.

These results have not changed materially from last year.

Figure 11: Most common actions taken by businesses around economic reconciliation



To help fill capacity gaps, the OCC has partnered with the Canadian Council for Aboriginal Businesses on an [Economic Reconciliation Initiative](#) focused on helping businesses implement the Truth and Reconciliation Commission's Call to Action 92. Part One of that resource – [Sharing Prosperity: An Introduction to Building Relationships for Economic Reconciliation in Ontario](#) – offers foundational knowledge and practical guidance on several topics such as Indigenous rights and meaningful opportunities for engagement, setting the stage for a more comprehensive resource to follow in the coming months.

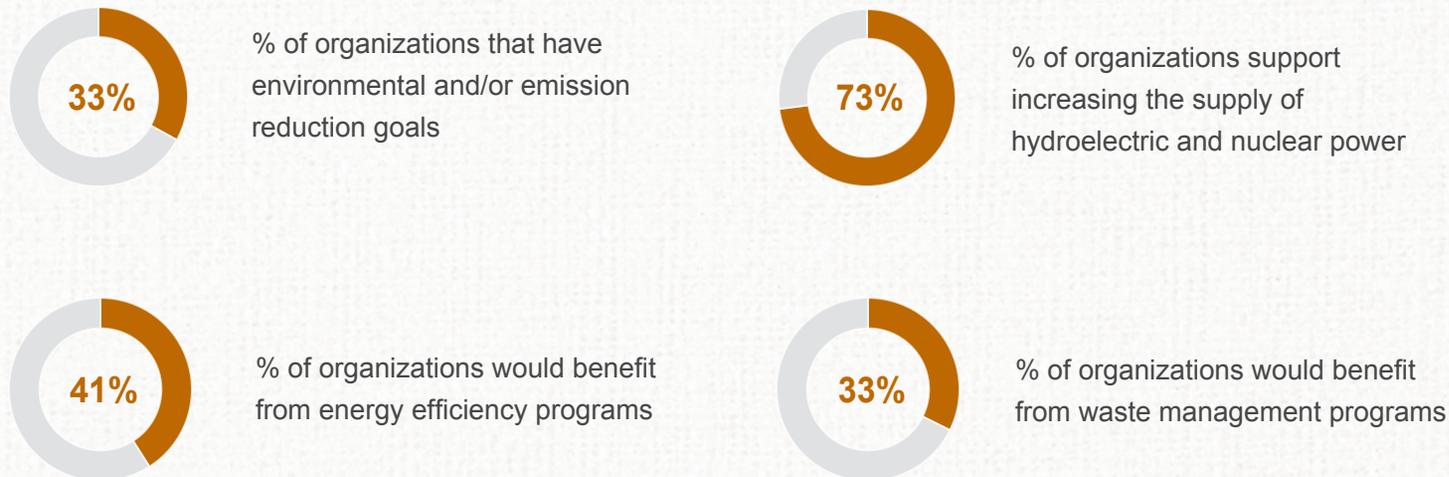
Climate Change

Climate action is an explicit priority for some critical sectors. Environmental and/or emission reduction goals are common in mining (69 percent), transportation and warehousing (63 percent), and agriculture (62 percent). By contrast, there are other sectors in which fewer than one-third of businesses have climate-related goals – including the health care, real estate, retail trade, and construction sectors.

Businesses across sectors say government programs and policies would help them advance climate action. The most popular measures include energy efficiency programs (41 percent of businesses) and waste management programs (33 percent). Energy efficiency programs are considered especially helpful in the manufacturing, wholesale trade, and transportation industries. In the mining sector, the biggest priorities are access to clean energy and fleet electrification incentives.

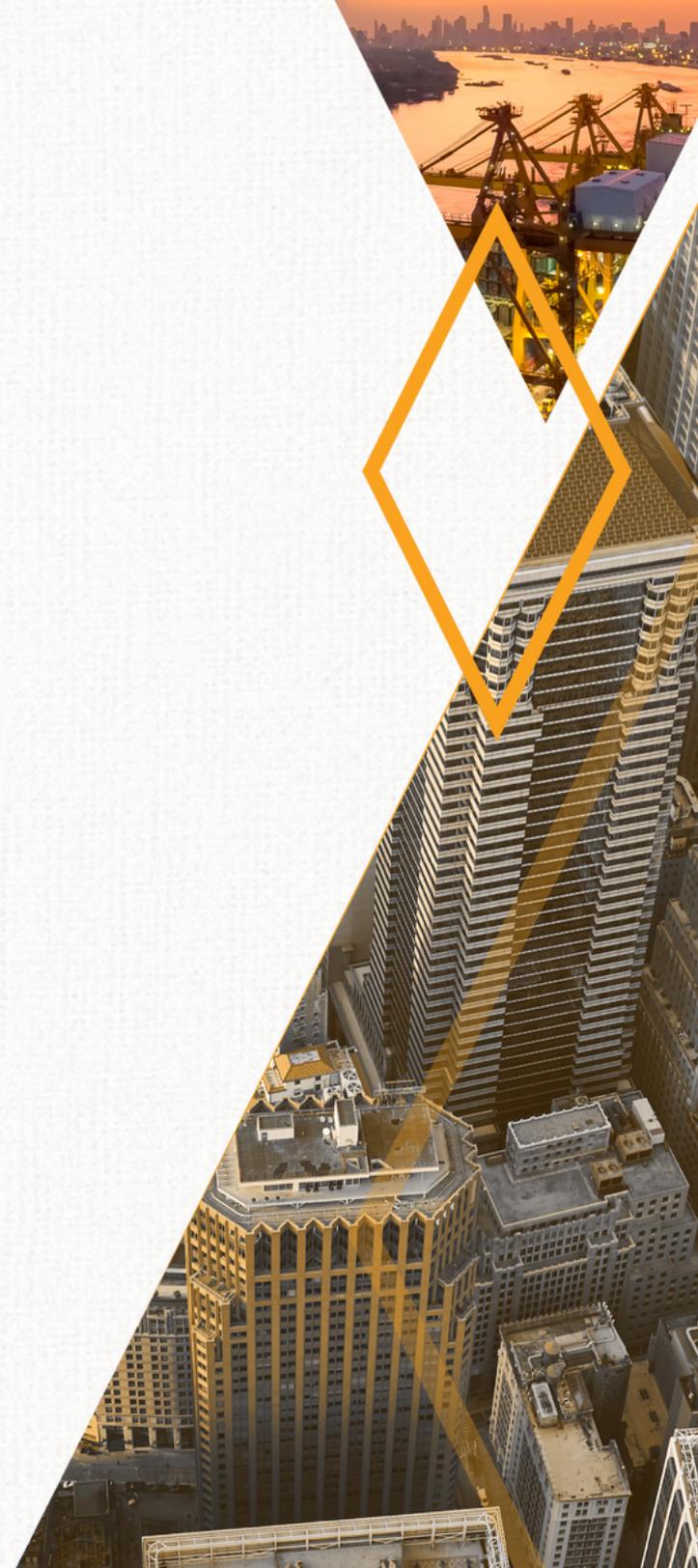
Clean energy is fundamental to all sectors. Recognizing this, 73 percent of organizations specifically support increasing the supply of hydroelectric and nuclear power for clean baseload electricity in Ontario.

Figure 12: Climate perspectives within Ontario businesses





Section II: Ontario's Economic Outlook



Unless noted otherwise, the following analysis uses forecasted data made available January 8, 2024.

Provincial Analysis (Summary)

While many experts anticipated a significant economic contraction in 2023, Ontario's economy once again demonstrated a fair degree of resilience. The unemployment rate returned to pre-pandemic levels of 5.6 percent, and inflation as measured by the Consumer Price Index (CPI) continued to trend downward and is on track to fall within the Bank of Canada's inflation-control target range of 1-to-3 percent in 2024 (2.9 percent).

Monetary tightening has been effective in cooling inflation, though the economy has yet to feel the full residual impacts of the aggressive interest rate hikes that began in mid-2022. Higher interest rates have also resulted in higher living and operating costs, impacting both business investments and household spending.

In line with this downward effect on economic activity, Ontario's real gross domestic product (GDP) grew by merely 1.1 percent in 2023, falling below pre-pandemic levels. Real GDP is forecasted to grow at an even slower pace of 0.4 percent in the year ahead, coupled with an increased unemployment rate of 6.8 percent. However, real GDP-per-capita is trending downward (see [Growth and Productivity](#)).

Immigration is fueling population growth throughout the province (2.1 percent in 2023). On the one hand, this could help sustain consumer demand and fill labour gaps in certain regions and industries. On the other hand, this additional labour supply could lead to a higher unemployment rate as job growth softens, and push costs upwards in an already-strained housing market.

The province's economic performance will continue to be heavily influenced by economic uncertainties, including changing global trade patterns and supply chains, geopolitical risks, and weather disruptions.

Table 2: Key provincial economic indicators

	Pre-Pandemic	Pandemic				Post-Pandemic
	2019	2020	2021	2022	2023e	2024f
Real GDP (% change)	2	-4.7	5.4	3.9	1.1	0.4
Consumer Price Index (% change)	1.9	0.6	3.5	6.8	3.8	2.9
Employment Growth (% change)	2.8	-4.7	5.2	4.6	2.4	0.8
Unemployment Rate (%)	5.6	9.6	8.1	5.6	5.6	6.8
Population (% change, age 15+)	1.9	1.5	1.0	1.4	2.1	2.0
Housing Starts (thousands)	68.9	81.3	100.5	96.2	92.0	85.0

Source:
Bank of Montreal (BMO)

Inflation

In 2023, Ontario faced a lingering economic challenge in the form of 'sticky' inflation, capturing the attention of both policymakers and the public. Despite CPI growth in Ontario easing to 3.8 percent in 2023 from 6.8 percent in 2022, month-over-month 'core' measures of inflation remained stubbornly elevated, challenging the notion that inflation was merely a transitory issue, as many had initially predicted.

Two significant contributors to the CPI were the pressures from the energy and housing sectors. The first two quarters of 2023 saw an ease in inflationary pressures, albeit slowly, before reacceleration in Q3 (August) mainly in response to rising energy prices, driven by global events and geopolitical tensions (e.g., oil production cuts by Saudi Arabia and Russia). This led to elevated prices at the pumps, increased production costs and, consequently, higher prices for consumer goods and services.

Figure 13 illustrates a round of minor price hikes for the CPI, Raw Materials Price Index (RMPI) and Freight Rail Services Price Index (FRSPI) following the energy cost pressures in Q3 2023. All measures remain above pre-pandemic norms.

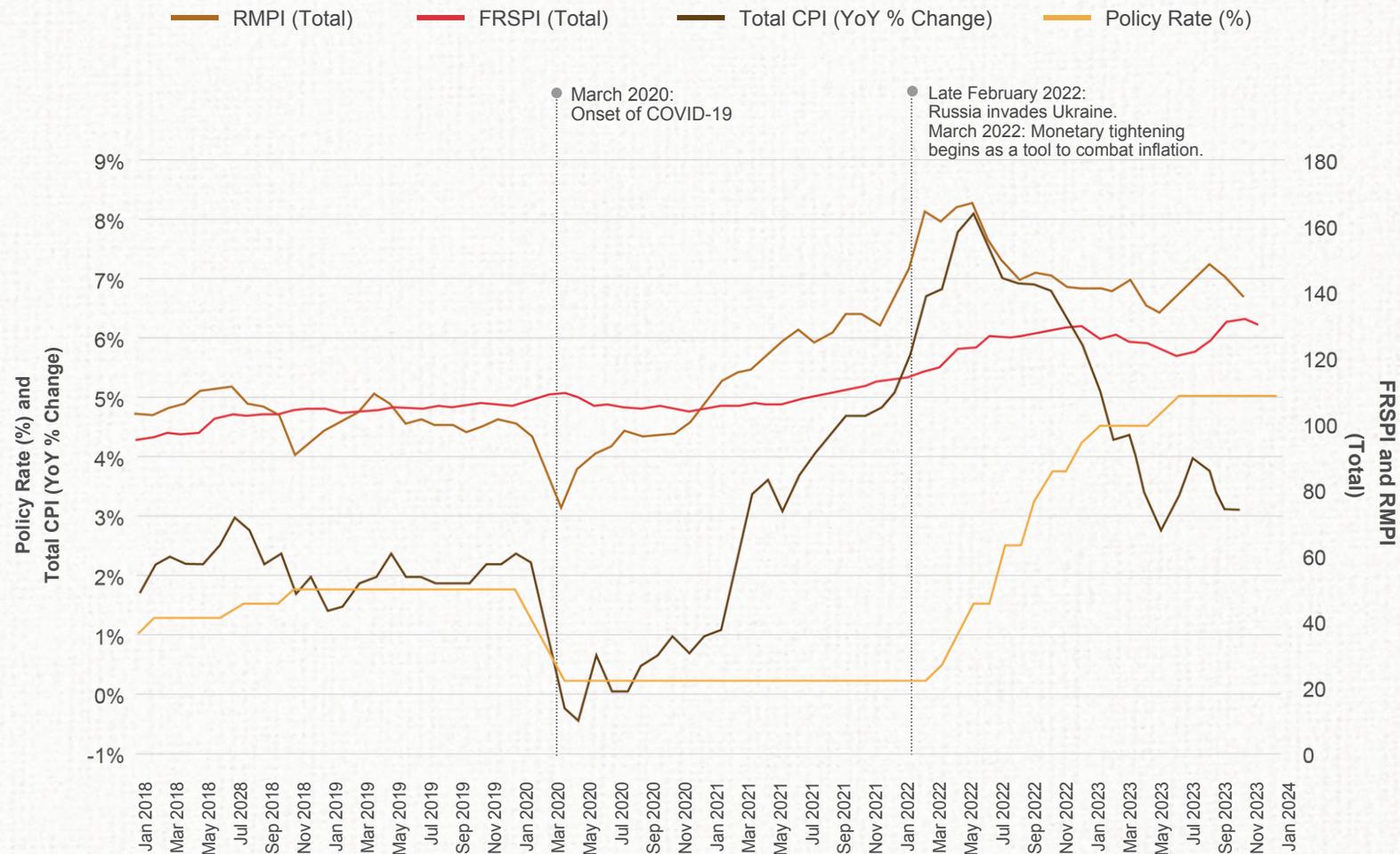
Meanwhile, Ontario's housing market saw increased demand as the province attracted [over 195,000 new immigrants](#) between October 2022 and October 2023. This, coupled with limited supply and slower housing starts compared to previous years, created upward pressure on both housing and rental prices. Mortgage costs also continued to surge in response to rising interest rates, reaching their highest levels since 2008.

Ultimately, an improvement in global energy supply and slowing grocery price growth pushed CPI growth downwards starting in October 2023, with the [month-over-month inflation](#) rate eventually easing to 3.4 percent in December 2023.

High inflation in the preceding years and the consequent interest rate hikes contributed to a slowdown in the Canadian economy in 2023. More households and businesses found themselves under financial strain from increased debt burdens, payment shocks from higher interest rates on mortgages and business loans, and the impact of inflation on real incomes. As a result, discretionary consumer spending levels decreased, with consumer spending growth slowing to 1 percent in 2023.

In 2024, forecasts suggest that on the back of interest rate hikes in previous years, Ontario's inflation rate will land at 2.9 percent, within the Bank of Canada's inflation-control target range. However, barring any material interest rate cuts, inflation experienced over the last couple of years will [continue to weigh](#) on the economy and impact consumer spending, housing starts, and the unemployment rate.

Figure 13: Interest and inflation from January 2018 to December 2023 (Canada)



Sources:
Statistics Canada,
Bank of 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.

Labour Market

Despite slower economic growth, Ontario's labour market added over [54,000 new jobs](#) over the course of the year, including 47,000 full-time positions.

Ontario's unemployment rate clocked in at 5.6 percent in 2023, unchanged from 2022 but below its 20-year historical average of 7.4 percent. However, the [month-over-month rate](#) displayed considerable variance throughout the year. Since easing to 4.9 percent at the start of Q2 (April), unemployment rose again in Q3 and Q4, due partly to the overall reduction in economic growth coupled with continued expansion of the labour supply through immigration. After record high labour shortages pushed wages higher in 2022 and early 2023, the latter half of 2023 began to show an easing of the average [wage growth rates](#) in line with rising unemployment.

Businesses continued to report a shortage of workers, particularly in some sectors as noted above in the OCC's Business Confidence Survey, although the acute challenges from 2022 have abated. Ontario's [job vacancy rate](#) fell from 5.4 percent in Q3 2022 to 3.7 percent in Q3 2023. Immigration continued to be one of the key solutions for short-term labour shortages and will likely continue to play an instrumental role in sectors such as construction and transportation.

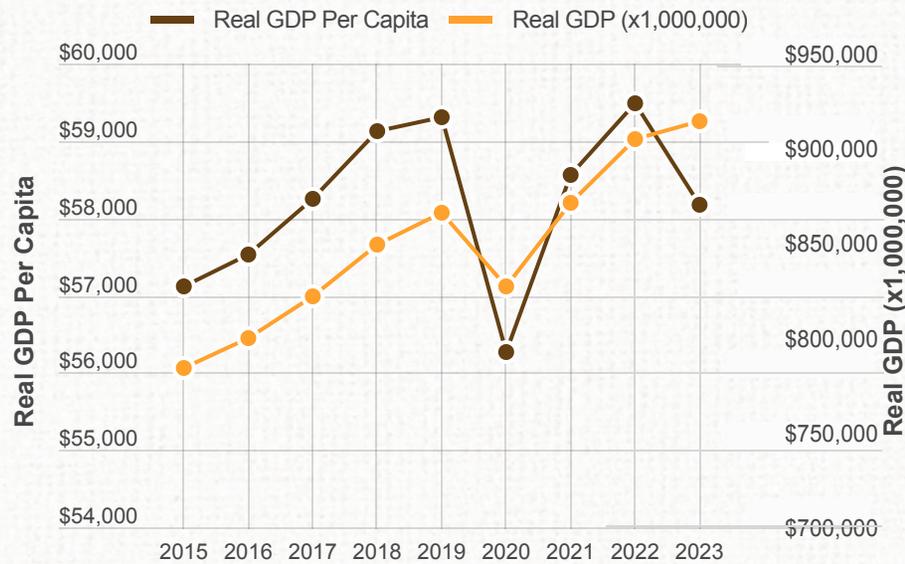
In 2024, a forecasted economic slowdown is expected to dampen hiring and result in an uptick in Ontario's unemployment rate (forecasted at 6.8 percent) as the labour supply continues to expand in response to population growth, which is forecasted at 2 percent.

Growth and Productivity

In a post-pandemic economy, policymakers and pundits are taking stock of Ontario's economic well-being. On paper, GDP growth, a tight labour market, and sustained economic activity would suggest favourable economic conditions. However, GDP is an aggregate measure reflecting both population size and economic output per individual. It therefore masks declining per-capita performance, as a high intake of immigration has driven much of the observed growth.

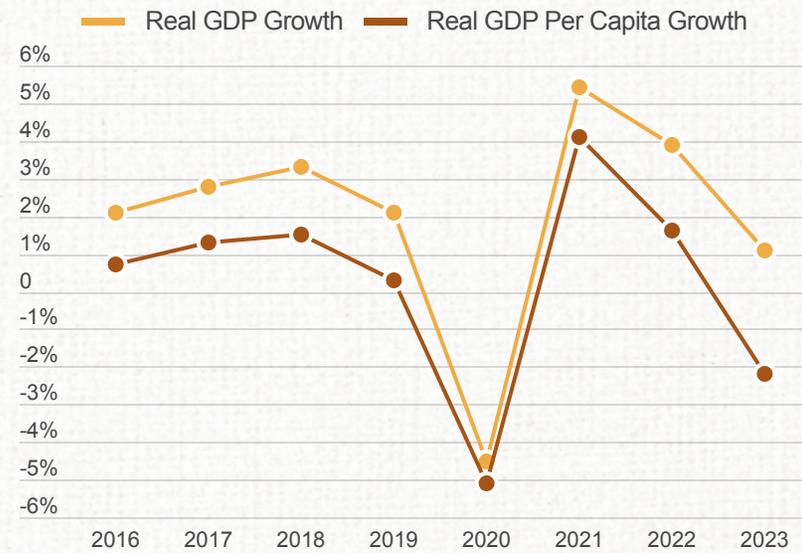
Real GDP-per-capita – an essential productivity measure – has fallen below pre-pandemic levels at approximately \$58,200 per Ontarian in 2023, representing a 2 percent decline from 2019 (Figures 14a and 14b). Simply put, each Ontarian is producing and earning less on average after accounting for inflation, suggesting lower living standards and economic well-being. Canada is [expected to continue](#) lagging behind advanced economies well into the future.

Figure 14a.: Ontario Real Gross Domestic Product (chained 2017 dollars)



Sources: Statistics Canada, BMO, author's calculations

Figure 14b.: Ontario Real Gross Domestic Product (YoY % change, chained 2017 dollars)



Productivity (or GDP per hours worked) is a key indicator of economic competitiveness and, for over a decade, Ontario's productivity has fallen behind [other jurisdictions](#), including the United States, the United Kingdom, France, Germany, and other provinces within Canada. In 2022, [business productivity](#) fell by 2.2 percent in Ontario and by 1.5 percent at the national level, with [further declines](#) reported in 2023.

Businesses must now contend with reduced consumer demand in a contracting economy, persistent affordability challenges, debt burdens, and higher input costs, including [wages](#) (which grew another 6.5 percent year-over-year in December 2023).

These factors limit the amount of discretionary dollars available for businesses to invest in research and development, innovation, capital, and technology, contributing to a cycle of declining productivity and real GDP growth. This trend was evident by the third quarter of 2023 when total [business investments](#) fell 0.8 percent, following two consecutive quarters of investment growth at 0.9 percent, and a stark decline of 9.2 percent in 2022.

Should low productivity levels persist, Ontario's ability to drive long-term economic prosperity will be stifled, as it falls further behind other jurisdictions in the global competition for talent and innovation.

Government

Throughout 2023, governments adopted budgets and policies intended to help drive and sustain economic activity amid unprecedented uncertainty.

In its [2023 Budget](#) last March, the Ontario government projected a \$1.3 billion deficit in 2023, a \$200 million surplus in 2024-25 and a \$4.4 billion surplus in 2025-26. Amid changing economic conditions during the year, including sticky inflation and forecasts of an economic slowdown in 2024 and 2025, the Ontario government revised the estimates in its [2023 Fall Economic Statement](#), budgeting higher contingencies to mitigate near-term risks, and projecting larger deficits of \$5.6 billion in 2023–24 and \$5.3 billion in 2024–25, followed by a small surplus of \$0.5 billion in 2025–26.

Similarly, as per the Government of Canada's [2023 Fall Economic Statement](#), the national deficit is set to be higher in each year ahead than was projected in the 2023 federal budget.

Table 3: Government budget balance

		Fiscal Year 2022-2023 (expected)		Fiscal Year 2023-2024 (forecasted)	
		\$ millions	% of GDP	\$ millions	% of GDP
Budget Balance	Ontario	-5,863	-0.6	-5,600	-0.5
	Canada	-35,322	-1.3	-40,000	-1.4

Source:
[Bank of Montreal \(BMO\)](#)

In addition, Ontario's 2023–24 net debt-to-GDP ratio is now forecasted to be 38.4 percent, slightly higher than the 37.8 percent projected in the 2023 Budget. Provincial government estimates also reflect global economic uncertainty, driven by a variety of factors beyond the government's control.

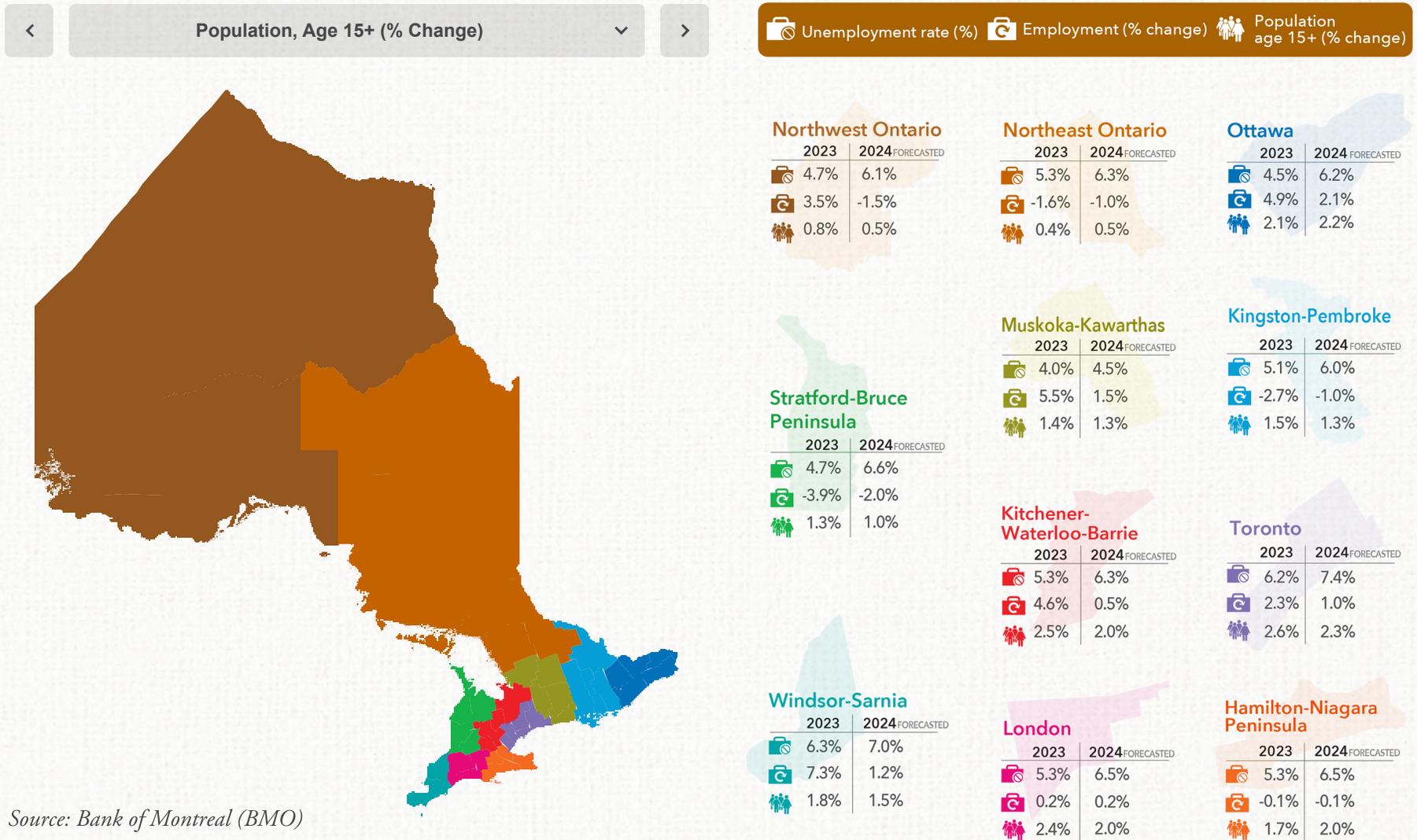
Looking ahead in 2024, it will be important for governments to focus on creating the right conditions to support competitiveness, productivity, and sustainable long-term growth. As the economy slows, the government must balance fiscal prudence with strategic investments that cultivate growth to support consumer and business confidence (see [Section III](#)).

Governments must also closely monitor and assess the financial health of businesses, especially small and medium-sized enterprises, who are still recovering from the pandemic and navigating lasting impacts of supply chain delays and disruptions, labour shortages, inflation, higher interest rates, and debt repayment deadlines.

Regional Economic Outlook

Figure 15 illustrates the 2023 expected and 2024 forecasted values of three key economic indicators for Ontario's 11 economic regions as defined by Statistics Canada: the unemployment rate, change in employment, and change in population (ages 15 and older).

Figure 15: Regional key economic indicators



Source: Bank of Montreal (BMO)

Unlike 2022, which saw employment growth throughout the province, most regions of Ontario saw weaker employment growth and elevated joblessness in 2023. These trends are expected to continue over the next 12 months as economic activity slows down.

Strong immigration levels are translating into population increases across the province. Toronto, Kitchener-Waterloo-Barrie, London, and Windsor-Sarnia all experienced peak annual population growth since 2019. Even Northeast and Northwest Ontario saw growth at 0.4 and 0.8 percent respectively, despite both regions traditionally seeing population declines prior to the pandemic.

Unemployment increased modestly in most regions with the exception of Ottawa, Muskoka-Kawarthas, Toronto, London, and Northwest Ontario, which saw positive job growth. Meanwhile, Stratford-Bruce Peninsula, Northeast Ontario, and Kingston-Pembroke saw the largest year-over-year increases in total unemployment (Figure 16).

The Stratford-Bruce Peninsula saw the largest year-over-year decline in employment in 2023 at -3.9 percent (Figure 17). The OCC's Business Confidence Survey also reported low confidence among businesses in that region, with significant [job losses](#) last year, mainly in manufacturing, professional services, and construction given a slower economy and cooling housing market following interest rate hikes.

On a positive note, [recent investments](#) in manufacturing, the electric vehicle industry, and life sciences stand to benefit many regions of the province through employment and economic growth, particularly in London, Kitchener-Waterloo-Barrie, and Windsor-Sarnia.

However, these investments will take time to manifest into tangible economic gains and help offset the downward effects of high unemployment in regions like Windsor-Sarnia. The region's [employment gains](#) in manufacturing are currently being outweighed by employment declines in other industries, such as food and accommodations, transportation and warehousing, and construction, coupled with uncharacteristically high population growth (1.8 percent in 2023 compared to an average 0.7 percent throughout the pandemic).

Looking ahead, higher unemployment rates are anticipated for all regions of Ontario, with the largest increases expected in Toronto (7.4 percent), Stratford-Bruce Peninsula (6.6 percent), London (6.5 percent), and Ottawa (6.2 percent), many of which are larger urban centres and service hubs that typically see higher labour growth and are more sensitive to changes in the pace of economic activity.

Notably, Muskoka-Kawarthas is expecting a very low unemployment rate of 4.5 percent in 2024 – a nearly 1.9 percentage point drop relative to its pre-pandemic level of 6.3 percent in 2019. This is likely attributed to the region being home to a tighter labour market with weaker growth in the working-age population relative to other regions in Ontario and surging cottage-country and retirement living. Accordingly, Muskoka-Kawarthas continues to see [job growth](#) in specific industries such as construction, professional services, health care and social services, information, culture and recreation, and food and accommodations.

The highest confidence levels were reported in Northern Ontario in this year's Business Confidence Survey, reflecting growth in the working-age population and strong improvements to the jobless rate relative to pre-pandemic levels at 5.3 percent in Northeast Ontario (from 6.4 percent in 2019) and 4.7 percent in Northwest Ontario (from 5.3 percent in 2019).

More specifically, Northwest Ontario saw strong employment gains in 2023 at 3.5 percent, despite previous forecasts suggesting the region's employment would only grow by [0.1 percent](#). The booming mining industry as well as projects like the \$1.2 billion Thunder Bay Correctional Complex construction project are favourably positioning this [regional economy](#) and driving job creation.

A growing labour force fueled by immigration is welcome news for employers across the province, especially in sectors that have struggled to attract and retain talent. Equally important to this, however, is ensuring adequate investments are in place to support integration at the local level, including housing, infrastructure, and other community services.

Ultimately, while the labour market is proving to be resilient in a post-pandemic economy, rising unemployment, decelerated job creation, and pervasive population growth are contributing to a weakening labour market relative to 2022 levels. Cost of living and availability of job opportunities will continue to play a role in where individuals choose to live and work throughout Ontario, particularly as the province builds out its mining, manufacturing, and electric vehicle supply chains.

At the same time, higher-than-usual population growth among working-age individuals is inflating regional unemployment figures and masking positive employment gains in certain sectors and regions of the province.

Figure 16: Jobless rate by region

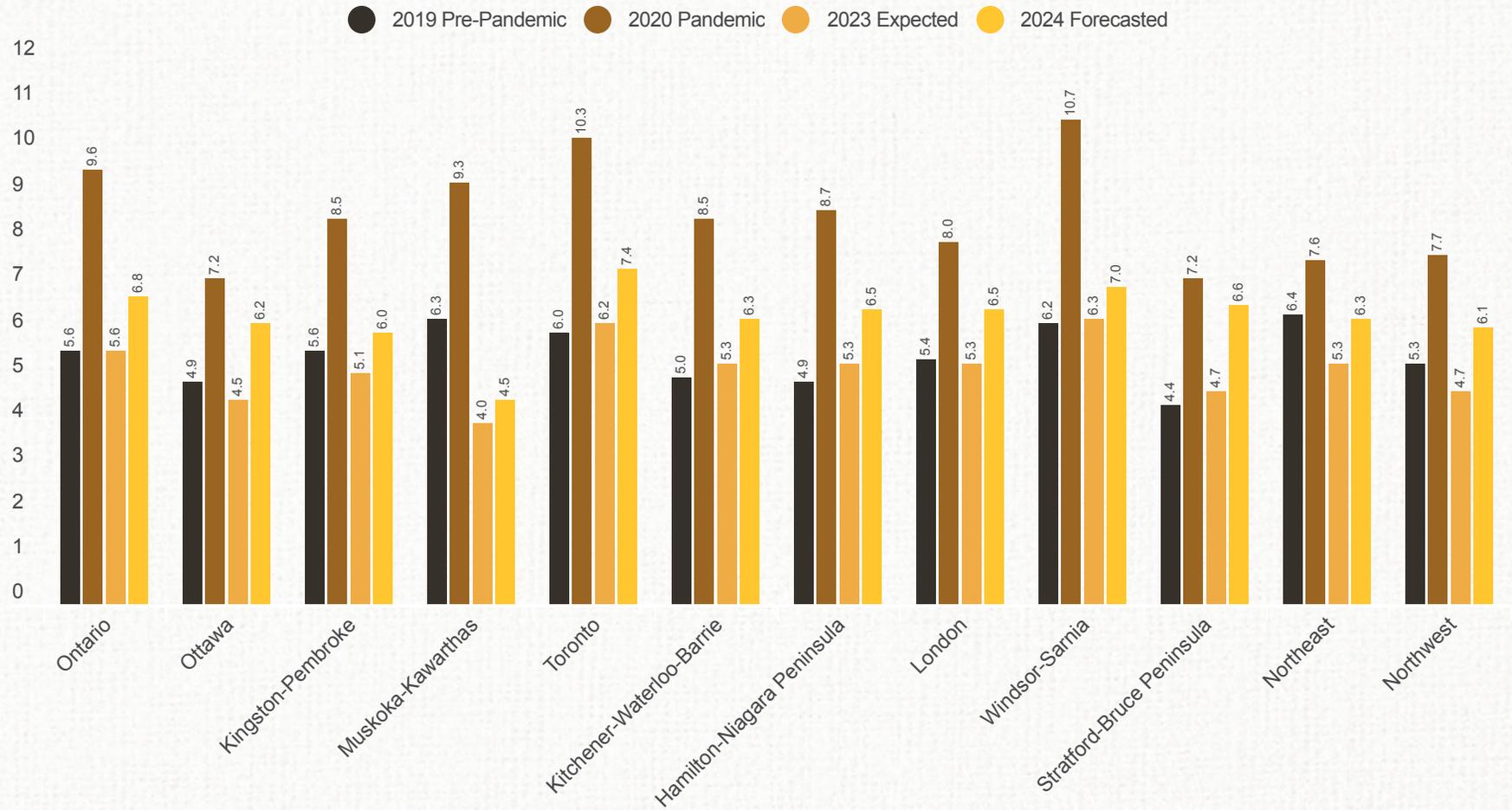
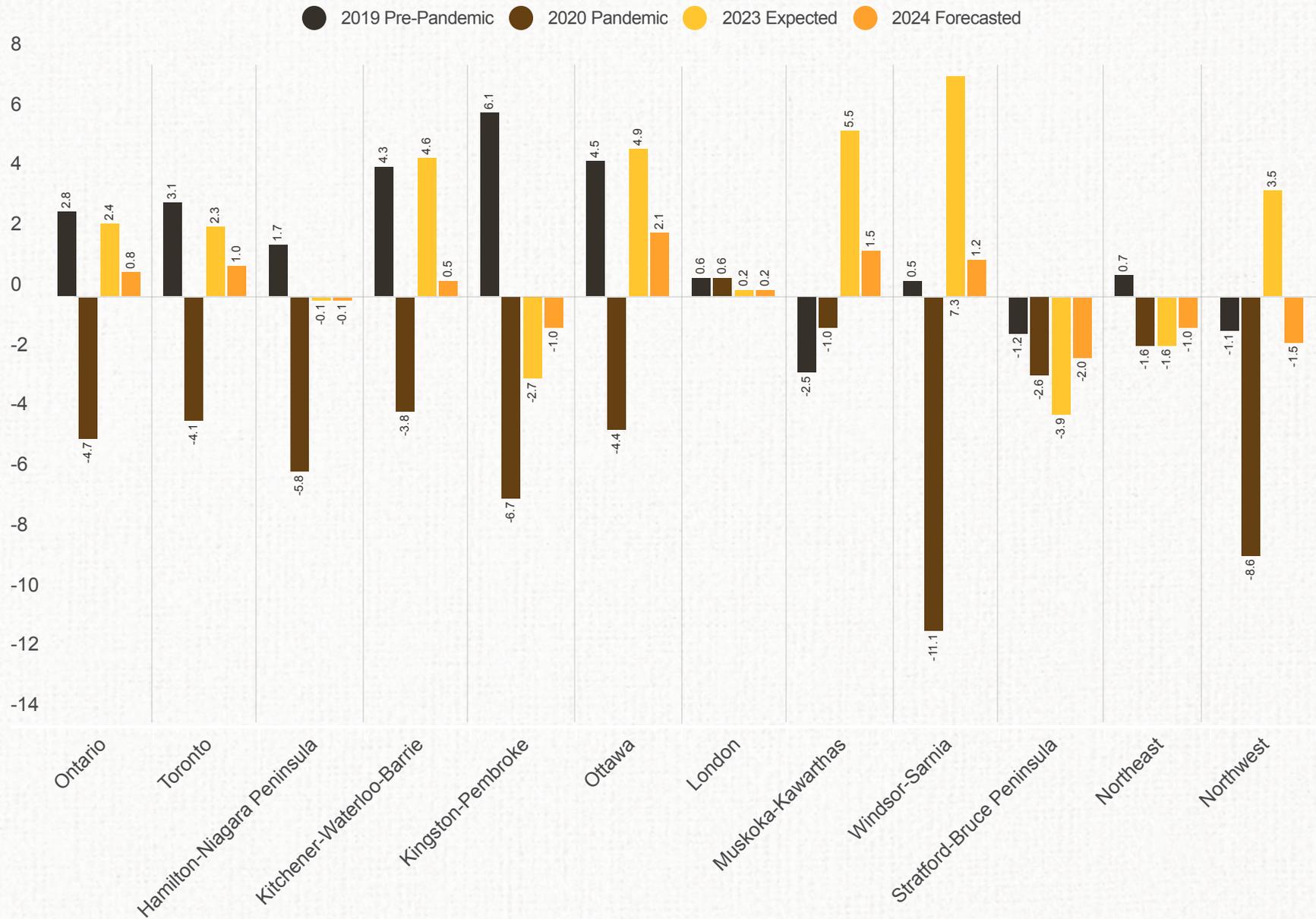


Figure 17: Employment growth as a year-over-year percentage change by region





Section III: Growing Ontario's Productive Capacity

The data and analysis in this report make it clear that Ontario's economy has remained resilient despite a growing productivity challenge.

On the surface, the province's population, employment, and aggregate output are growing thanks to high immigration levels and sustained market activity. Yet, beneath the surface, individuals and employers are facing major headwinds. Business confidence is at a record low. Per-capita GDP (a measure for living standards) is falling, with a lagging labour productivity rate that puts Ontario behind many of its peers. Economic prosperity is hampered by inflation, infrastructure backlogs, regulatory barriers, mental health and addictions crises, climate change, skills gaps, and fears of a slowing economy.

A strong economy is one that attracts private sector investments – and capital will flow where productive capacity is highest. Against this backdrop, Ontario should pursue a [principled economic growth strategy](#) focused on the drivers of productivity: a skilled, inclusive workforce, smart and sustainable infrastructure, a competitive business environment, and healthy communities.



1. Skilled, Inclusive Workforce

Ontario's workforce is its greatest asset, and it is no surprise that workforce development ranks among businesses' top three policy priorities in 2024 as employers in many sectors continue to face significant labour and skills gaps.

With emerging technologies like automation and artificial intelligence transforming business operations, it is more important than ever for post-secondary institutions and employers to be equipped to provide targeted training, experiential learning, and lifelong learning programs to help workers remain competitive as the economy evolves. Using labour market information effectively is critical to pinpoint specific gaps and address them in real time.

To prepare our workforce, Ontario needs a robust, fiscally sustainable post-secondary education system. As recommended by the [Blue-Ribbon Panel](#) on Financial Sustainability in the Post-Secondary Education Sector, government must allow institutions to increase tuition and increase multi-year base operating funding to universities and colleges, while providing needs-based financial aid for qualified students.

A competitive workforce is also an [inclusive one](#), in which historically underrepresented groups within the workforce (including Indigenous peoples, racialized people, newcomers, people with disabilities, and women) have equitable access to training and job opportunities – benefiting not just these workers, but also their employers and the Ontario economy.

Meanwhile, Ontario needs to continue modernizing its labour policies to provide workers with adequate supports. This includes making progress around [mental health and addiction programs](#) as well as a [portable benefits framework](#) for those who fall outside of traditional employer-provided programs.

2. Smart and Sustainable Infrastructure

Second to its people, Ontario's economy relies on physical infrastructure – from transportation to energy, broadband, hospitals, housing, mines, and land. Across the province, we need to build and retrofit infrastructure at a scale never seen before, using [modern technologies](#) to improve efficiencies and reduce climate impacts.

Transportation gaps must be addressed to ensure people and goods can travel seamlessly across regions, particularly as 50 percent of all businesses are directly being impacted by logistical supply chain challenges. This includes a marine strategy, investments in public transit, improved roads, and advanced mobility solutions such as autonomous and low-carbon vehicles.

Ontario needs to develop a long-term [integrated energy plan](#) that balances affordability, sustainability, and reliability. We need to expand the transmission and distribution grid to support economy-wide electrification, and advance innovation in new areas including hydrogen, low-carbon fuels, carbon capture, and small modular reactors.

The private, public, and non-profit sectors will need to [work closely together](#) to reach the province's target of building 1.5 million new homes by 2031, while ensuring affordability and climate resilience along the housing continuum. Collaboration will also be critical to address ongoing broadband and digital infrastructure gaps across rural and northern regions of the province.

The [land use planning policies](#) that underpin our built environment should reflect the principle of sustainable growth. Policies should prioritize gentle densification, minimize disruption to employment lands and sensitive lands, and invest in wetlands and other natural infrastructure.

3. A Competitive Business Environment

More than a buzzword, business competitiveness is what leads to high-paying jobs, a growing tax base, and sustained investments in the core priorities outlined throughout this report.

As in previous years, small businesses are the least confident and most concerned with survival, particularly in the face of high costs and looming debt repayment deadlines. Business taxes remain their top priority. While lowering taxes would present a fiscal challenge, there are opportunities to [simplify, streamline, and reorient taxes](#) to improve outcomes. A competitive business environment is one in which taxes, regulations, and institutions are working efficiently to incentivize growth and innovation among small businesses just as much as larger ones.

Governments can further foster a competitive marketplace by undertaking competition policy reforms, removing [barriers to interprovincial trade and labour mobility](#), updating [data policies](#), and strengthening the [innovation ecosystem](#) to support the development and commercialization of new technologies across all sectors.

Predictability is paramount. Policies need to be rooted in evidence and ongoing engagement with stakeholders. Uncertainty can also be minimized by harmonizing policies nationally and internationally, avoiding contract cancellations, and protecting businesses from changes in carbon pricing through [contracts for difference](#).

4. Healthy Communities

Finally, Ontario's economy cannot succeed without healthy and resilient communities. In this regard, the province is at risk: only 8 percent of organizations on the frontlines of health care and social assistance are confident in Ontario's economic outlook.

From a health care system perspective, Ontario needs to continue working to implement [value-based procurement](#) with a focus on patient outcomes, innovation, and supply chain resilience. Health data need to be collected, shared, and reported more effectively with robust privacy protections. As our population ages, it will become increasingly important to address capacity gaps in primary care and [health human resources](#) more broadly.

Community well-being also requires strong municipalities across the province – from big cities to small, rural, remote communities. Local governments face a growing list of complex challenges - such as homelessness, public transit, community safety and climate change - without the fiscal tools they need to address them. Ontario needs to undertake a comprehensive review and modernization of [municipalities' responsibilities and revenue sources](#), including the property tax regime, to improve community resilience.

The Ontario Economic Report is designed to support evidence-based decision-making across the public, private, and not-for-profit sectors. For our part, the OCC looks forward to working with our partners to continue advancing policy solutions, informed by our [Policy Councils](#) and focused on the core priority areas outlined above, to support sustainable, inclusive economic prosperity across the province.

Endnotes

ⁱ Confidence results throughout the report are netted to exclude those that responded “don’t know/ prefer not to answer.”

ⁱⁱ For example, the [Government of Canada](#)’s efforts include competition policy reforms, a Grocery Rebate, investments in affordable housing, and dental care. The [Government of Ontario](#)’s efforts include extending gas tax cuts, eliminating licence plate renewal fees, and a series of policies aimed at increasing housing supply.

ⁱⁱⁱ The agriculture industry’s concerns about provincial policies may be partially explained by [recent changes](#) to land use planning policies in and around the Greenbelt and the ongoing loss of farmland.

^{iv} Sectors with 10 or fewer responses are excluded from the industry analyses throughout Section I.

^v “Government” refer to public sector organizations.

^{vi} Business growth results are netted to exclude those that responded “don’t know/ prefer not to answer.”

^{vii} Labour shortages results are netted to exclude those that responded “don’t know/ prefer not to answer.”

^{viii} Supply chain confidence results are netted to exclude those that responded “don’t know/ prefer not to answer” or “not applicable” for relevance to the question being asked (supply chains related to their operations). Logistical issues results are netted to exclude “don’t know/ prefer not to answer” to capture the share of businesses facing logistical issues, whether or not they have relevant supply chains.

Appendices

Appendix A.1

Characteristics of Survey Respondents by Region

	Number of Respondents	Share of Total
Ontario	1857	100%
Greater London Area	146	8%
Greater Ottawa Area	61	3%
Greater Toronto Area	355	19%
Hamilton-Niagara Peninsula	150	8%
Kingston-Pembroke	196	11%
Kitchener-Waterloo-Barrie	185	10%
Muskoka-Kawarthas	236	13%
Northeast Ontario	205	11%
Northwest Ontario	33	2%
Other	180	10%
Stratford-Bruce Peninsula	22	1%
Windsor-Sarnia	88	5%

Appendix A.2

Characteristics of Survey Respondents by Sector

	Number of Respondents	Share of Total
Accommodation and food services	129	7%
Administrative and support, waste management and remediation services	12	1%
Agriculture, forestry, fishing and hunting	41	2%
Arts, entertainment and recreation	101	5%
Construction	130	7%
Educational services (including post-secondary institutions)	62	3%
Finance and insurance	137	7%
Government	28	2%
Health care and social assistance	99	5%
Information and cultural industries	22	1%
Labour	8	0.4%
Management of companies and enterprises	22	1%
Manufacturing	99	5%
Mining, quarrying, and oil and gas extraction	13	1%
Non-profit	136	7%
Professional, scientific and technical services	225	12%
Real estate and rental and leasing	64	3%
Retail trade	190	10%
Transportation and warehousing	44	2%
Utilities	12	1%
Wholesale trade	34	2%
Other	244	13%
I don't know/prefer not to answer	5	0.3%

Appendix A.3

Characteristics of Survey Respondents by Organization Size

	Number of Respondents	Share of Total
Small organization (1-99 employees)	1621	87%
Medium (100-499 employees)	116	6%
Large (500+ employees)	101	5%
DK/prefer not to answer	19	1%

Appendix A.4

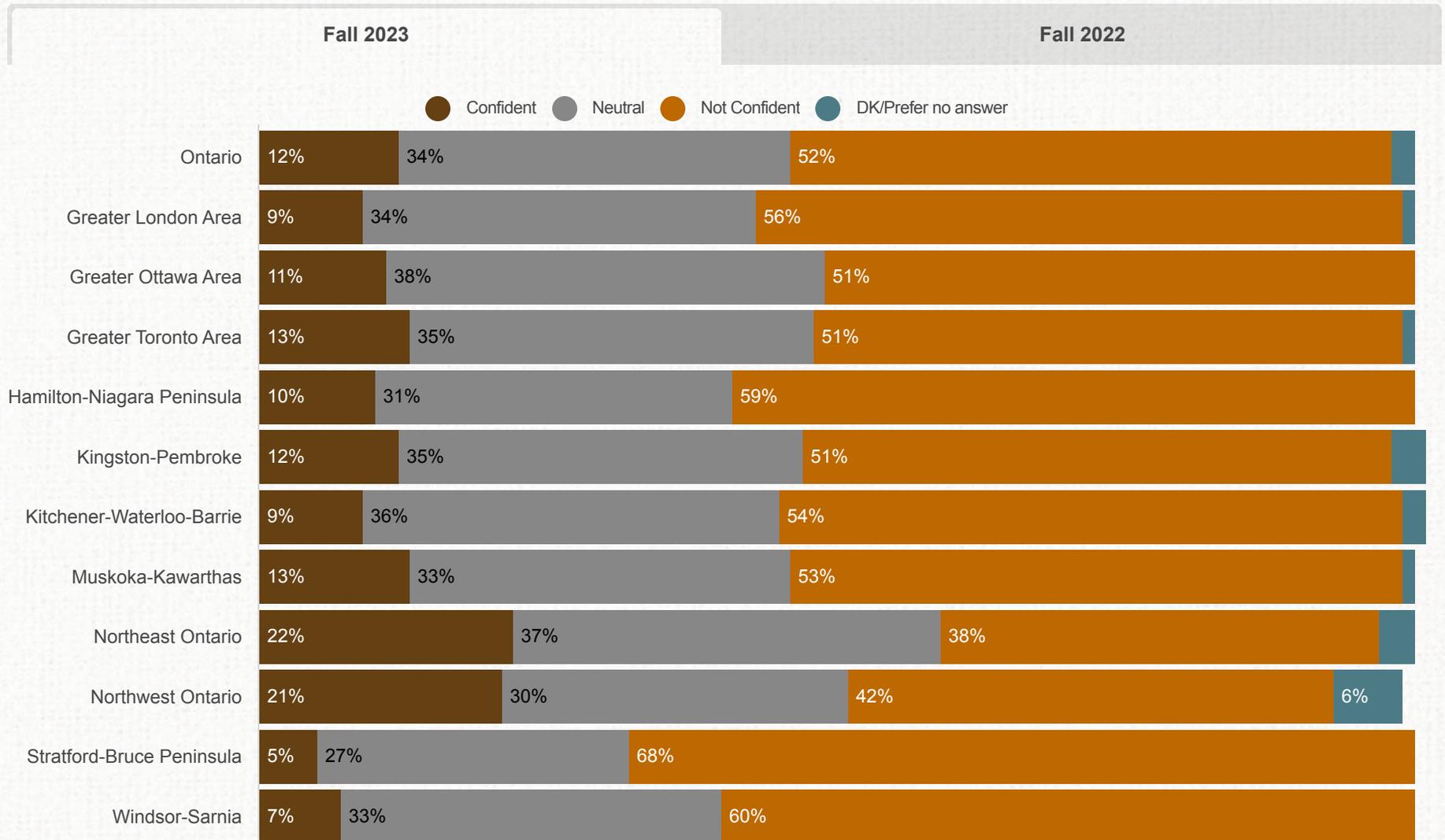
Characteristics of Survey Respondents by Diversity Leadership

"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	939	51%
Visible minority	210	11%
New Canadian (different national origin)	147	8%
Person with disability	92	5%
2SLGBTQIA+	94	5%
Indigenous person	77	4%
Prefer not to say	107	6%
None of the above	642	35%

Appendix B.1

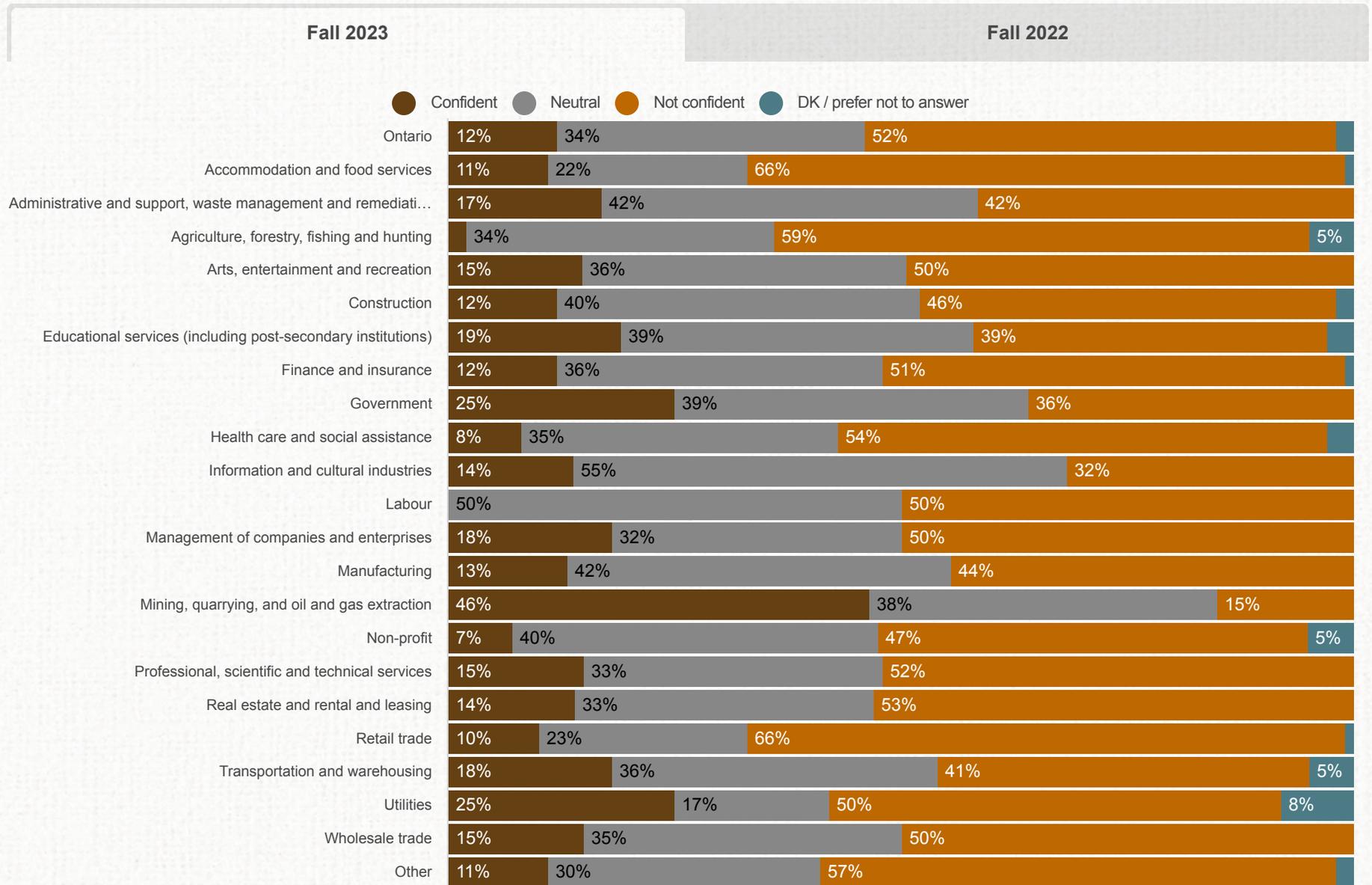
Confidence in Ontario's Outlook by Region



[Link: For additional data, access the interactive report.](#)

Appendix B.2

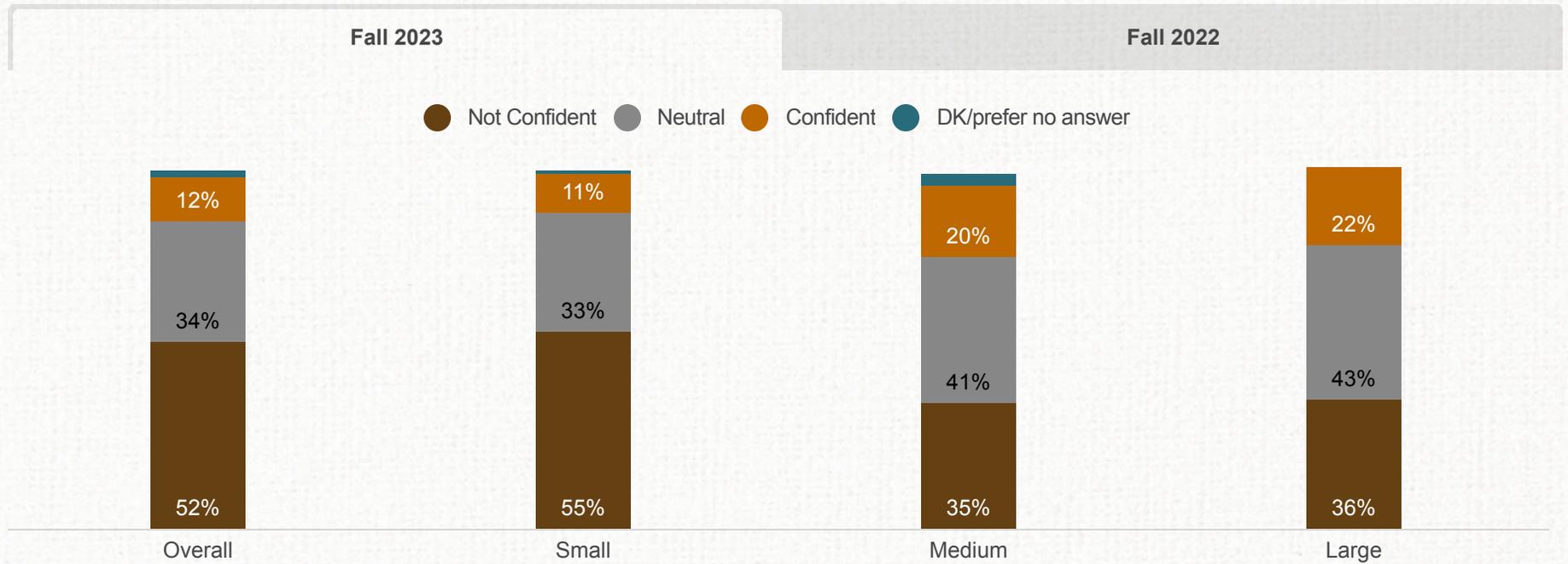
Confidence in Ontario's Outlook by Sector



[Link: For additional data, access the interactive report.](#)

Appendix B.3

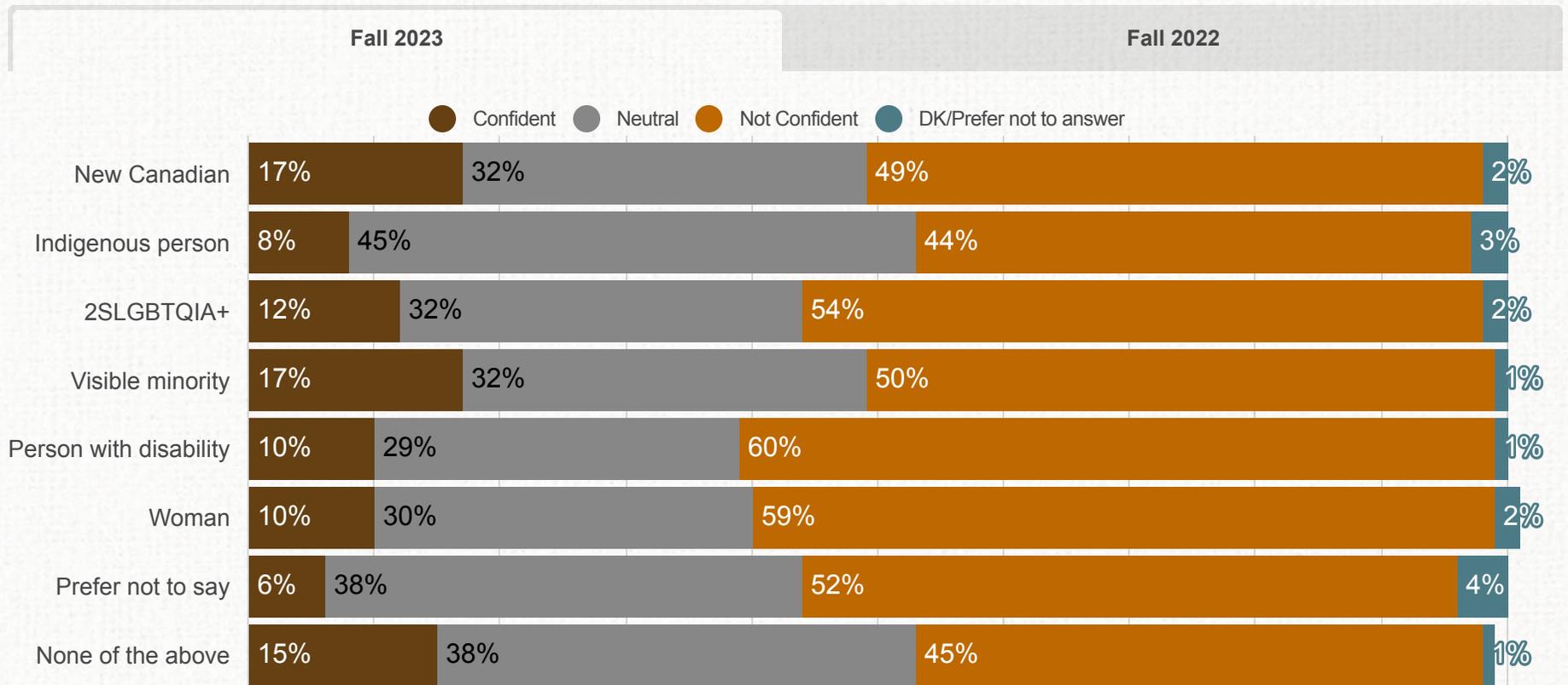
Confidence in Ontario's Outlook by Organization Size



[Link: For additional data, access the interactive report.](#)

Appendix B.4

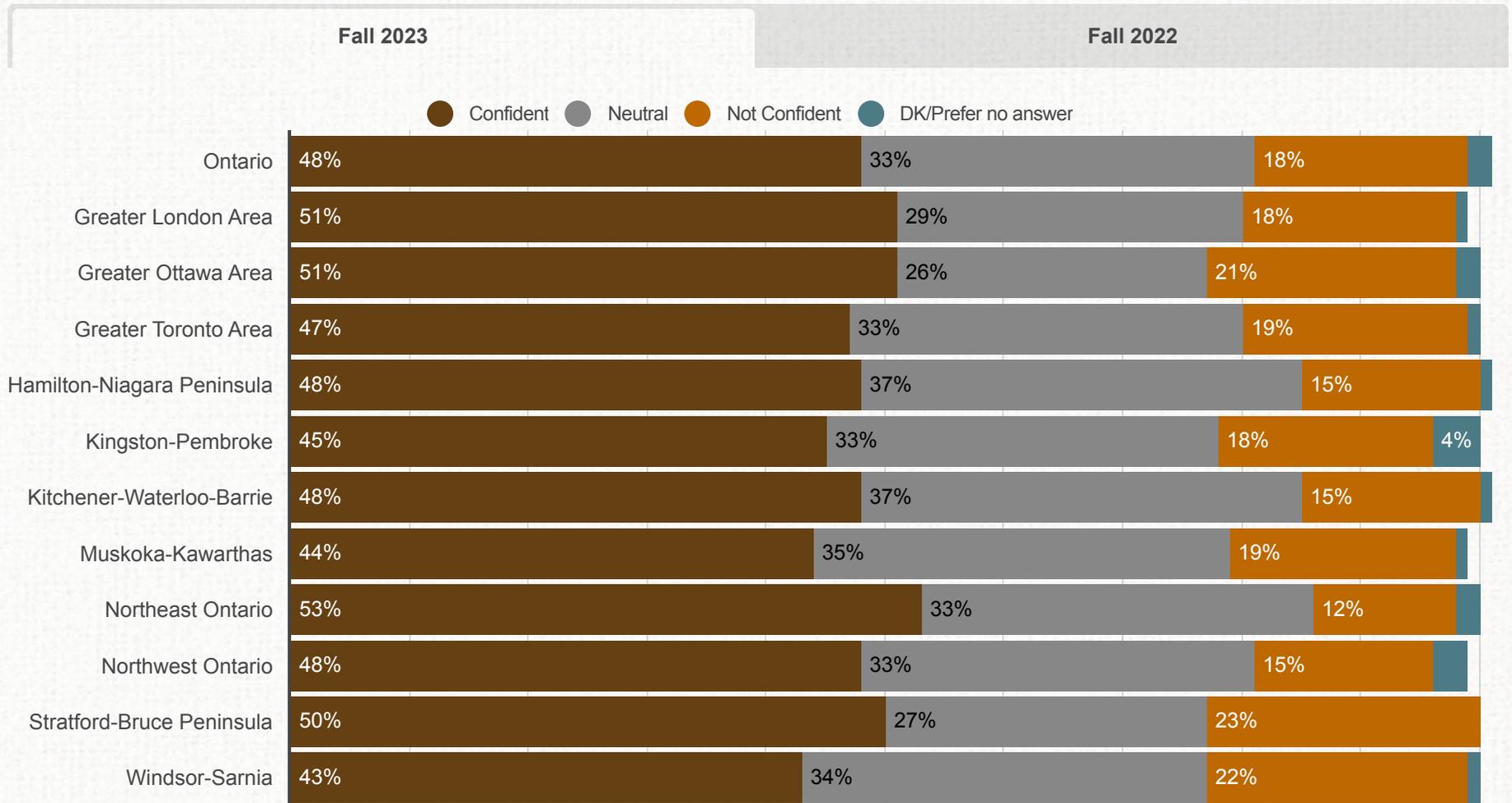
Confidence in Ontario's Outlook by Diversity Leadership



[Link: For additional data, access the interactive report.](#)

Appendix C.1

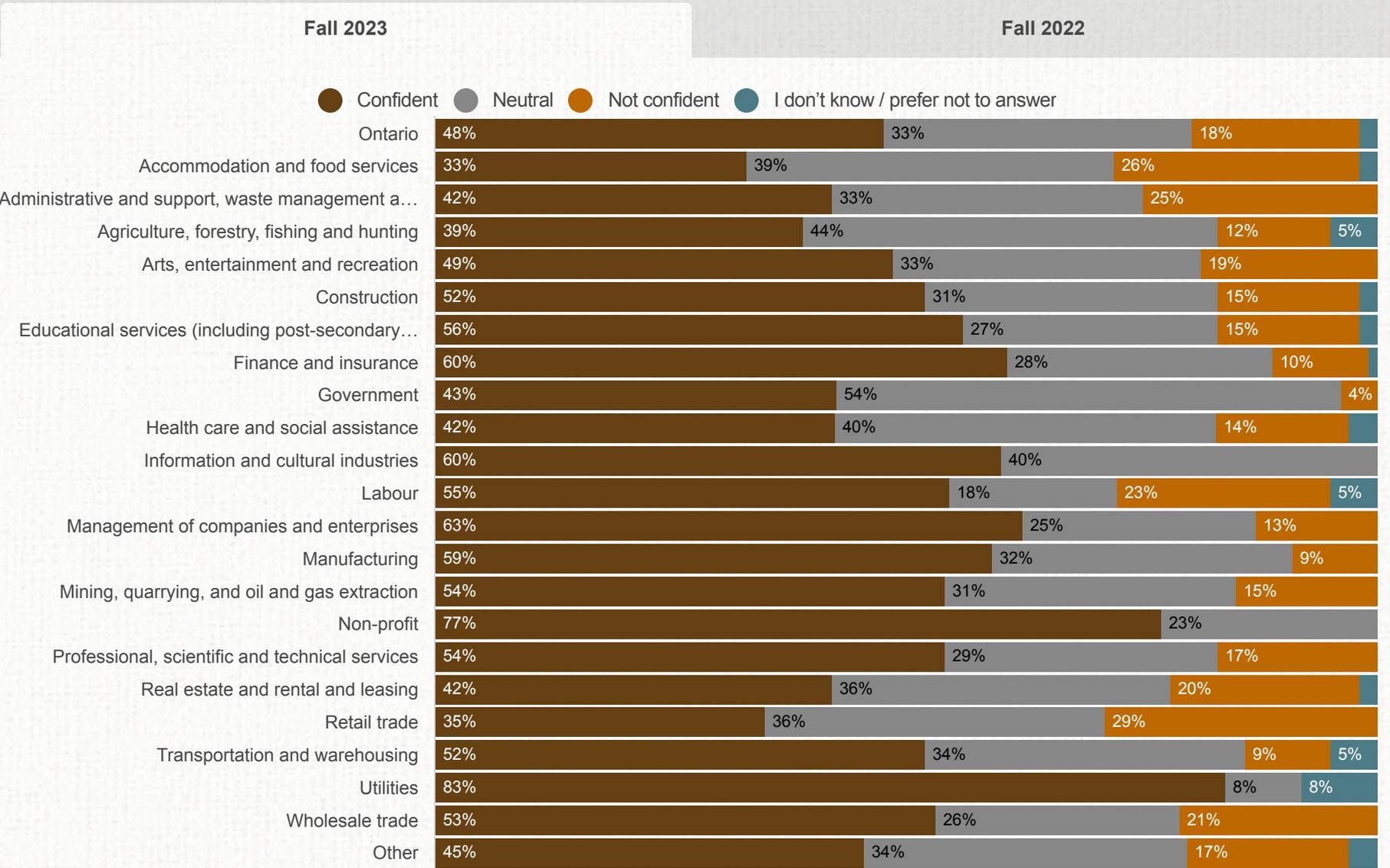
Confidence in Your Own Organizational Outlook by Region



[Link: For additional data, access the interactive report.](#)

Appendix C.2

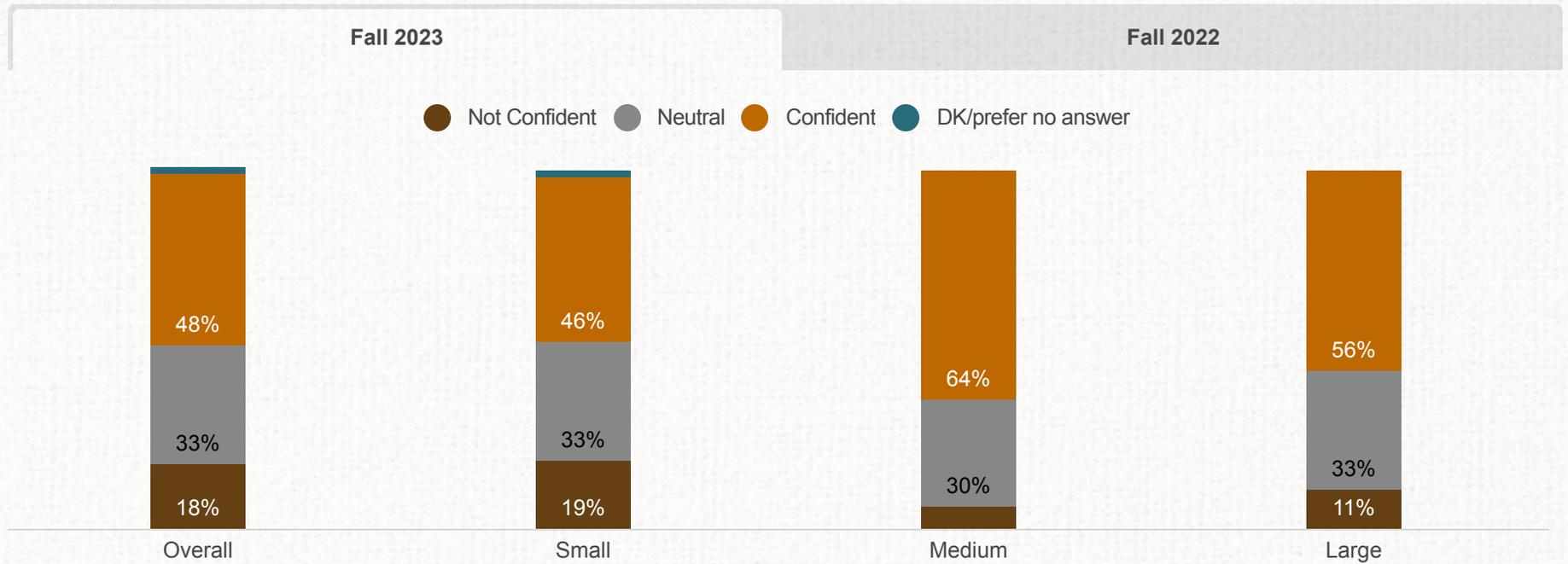
Confidence in Your Own Organizational Outlook by Sector



[Link: For additional data, access the interactive report.](#)

Appendix C.3

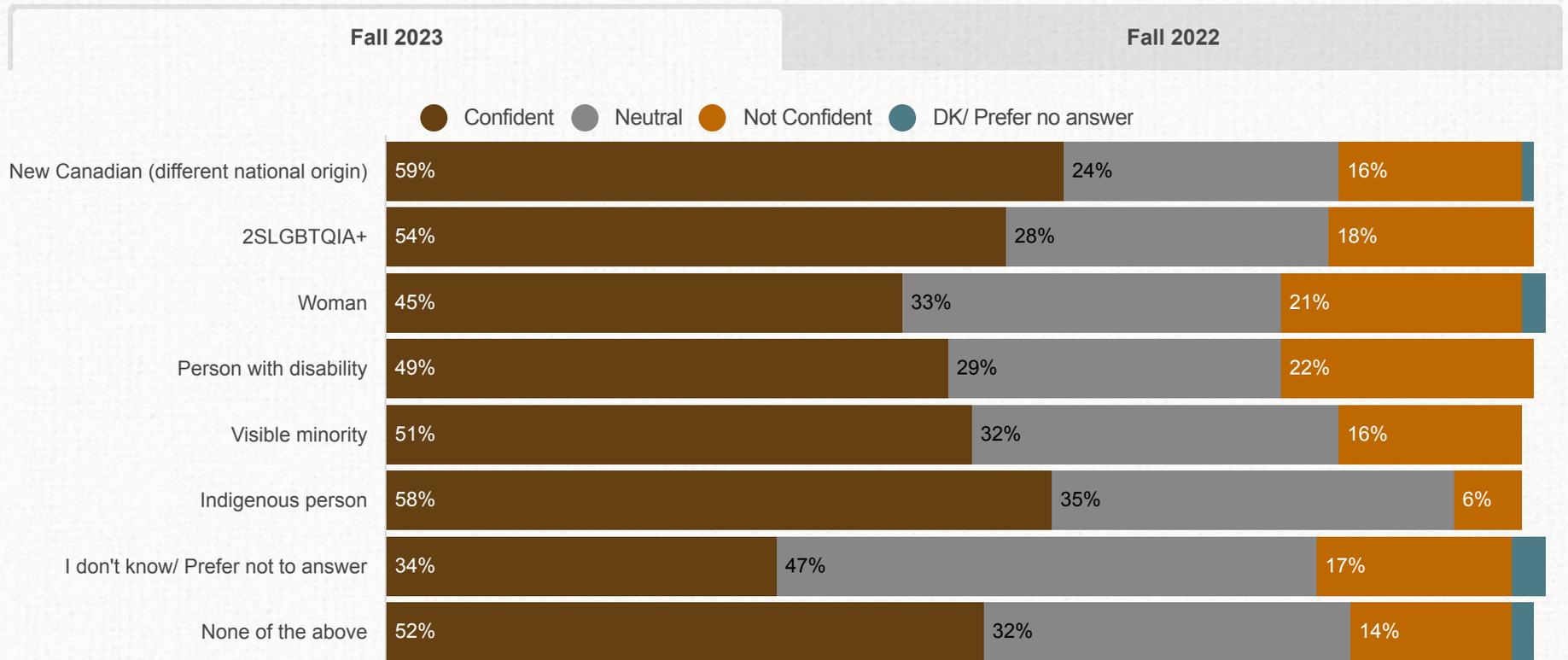
Confidence in Your Own Organizational Outlook by Company Size



[Link: For additional data, access the interactive report.](#)

Appendix C.4

Confidence in Organization's Outlook by Diversity Leadership

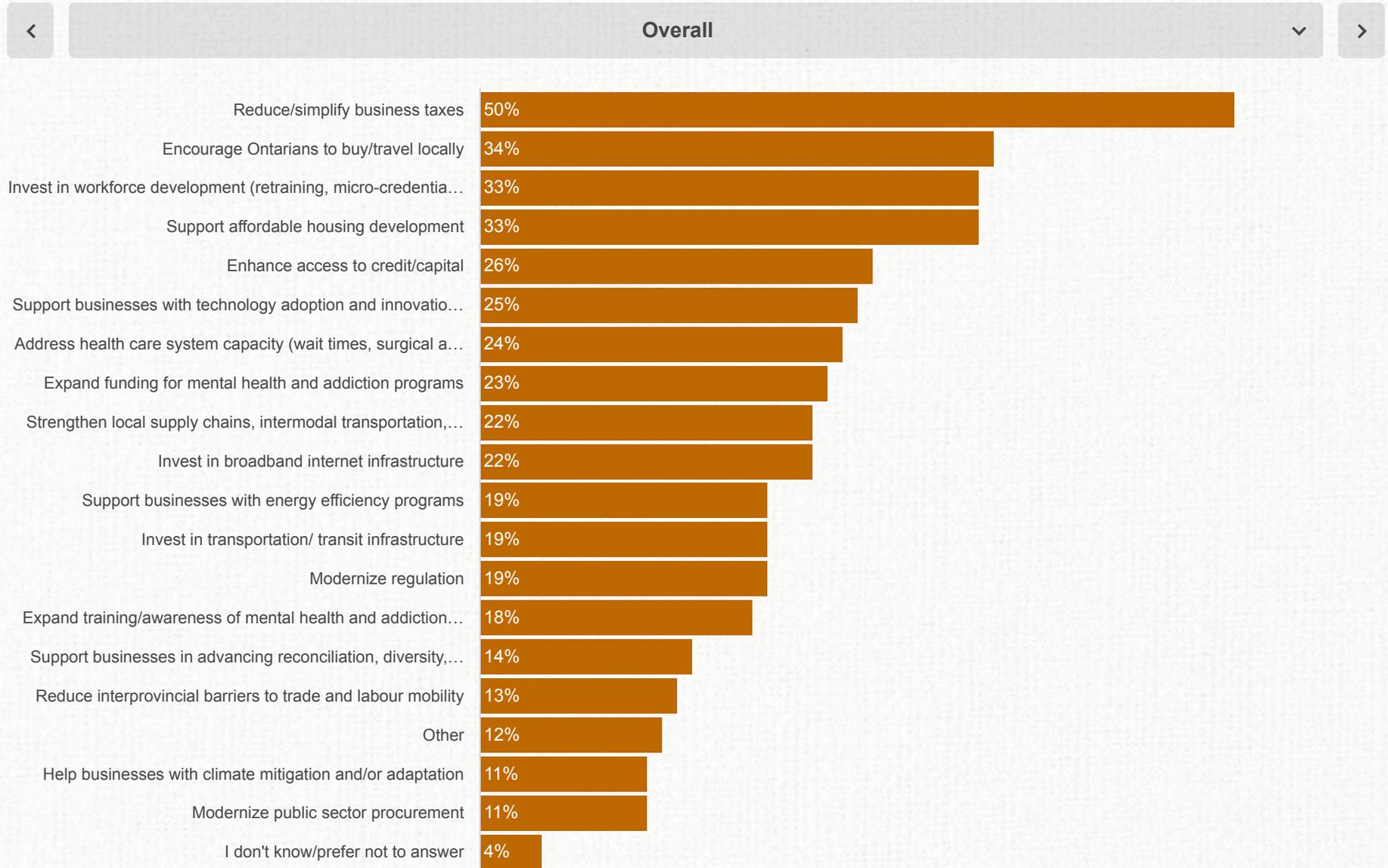


[Link: For additional data, access the interactive report.](#)

Appendix D.1

Policy Priorities by Region

"Please select all the policy priorities that would be most helpful for your organization."

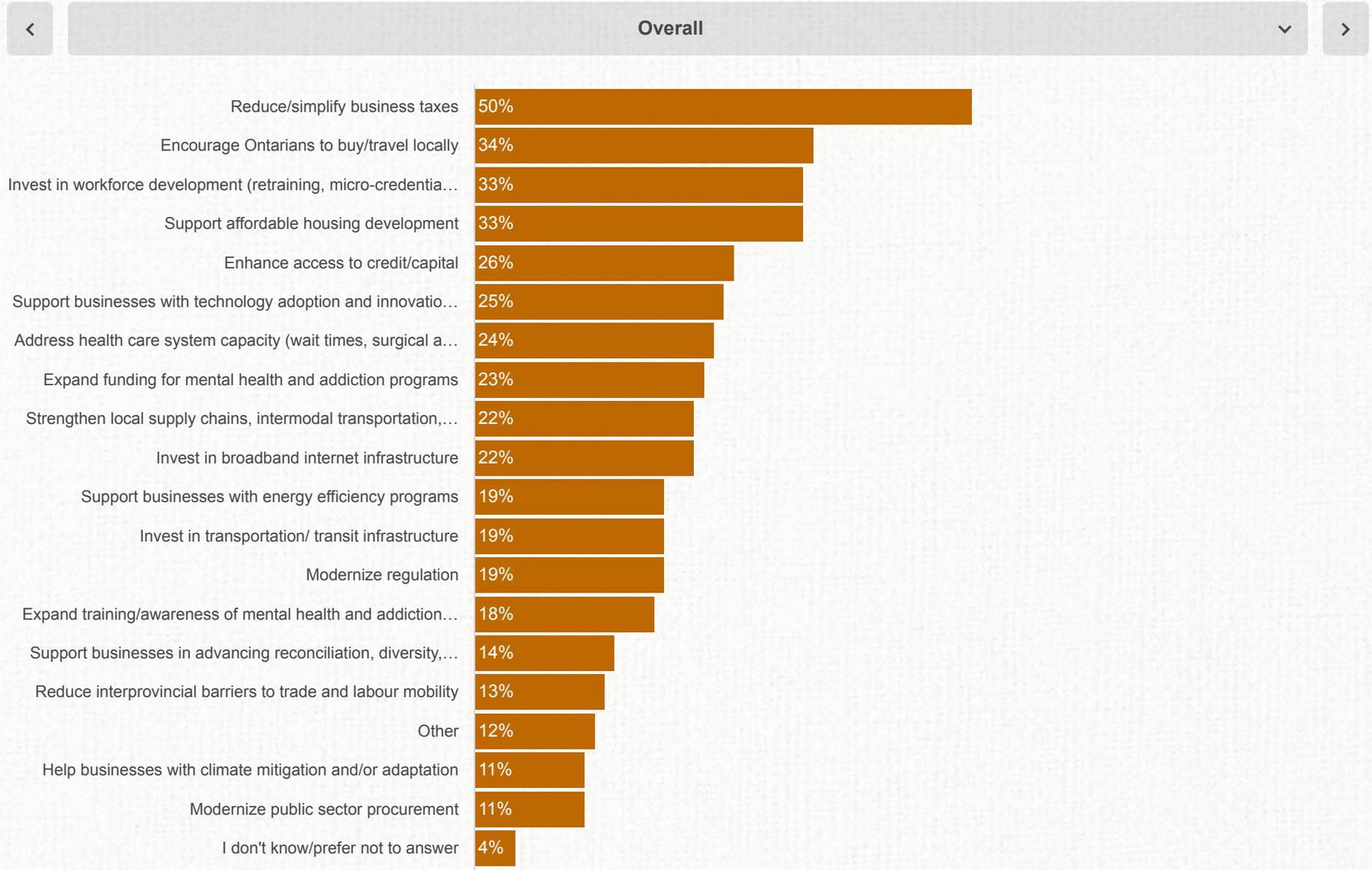


[Link: For additional data, access the interactive report.](#)

Appendix D.2

Policy Priorities by Sector

"Please select all the policy priorities that would be most helpful for your organization."

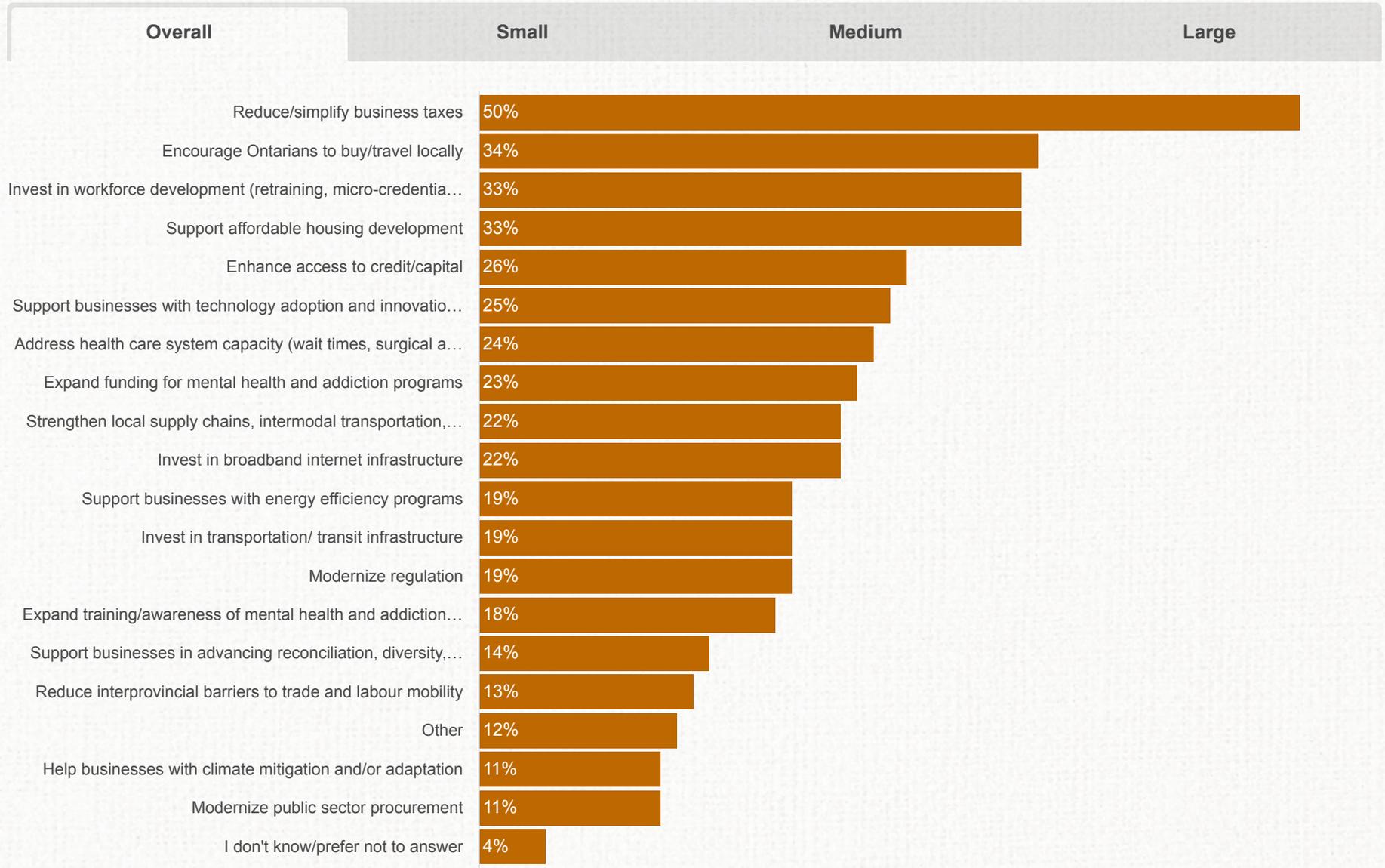


[Link: For additional data, access the interactive report.](#)

Appendix D.3

Policy Priorities by Organization Size

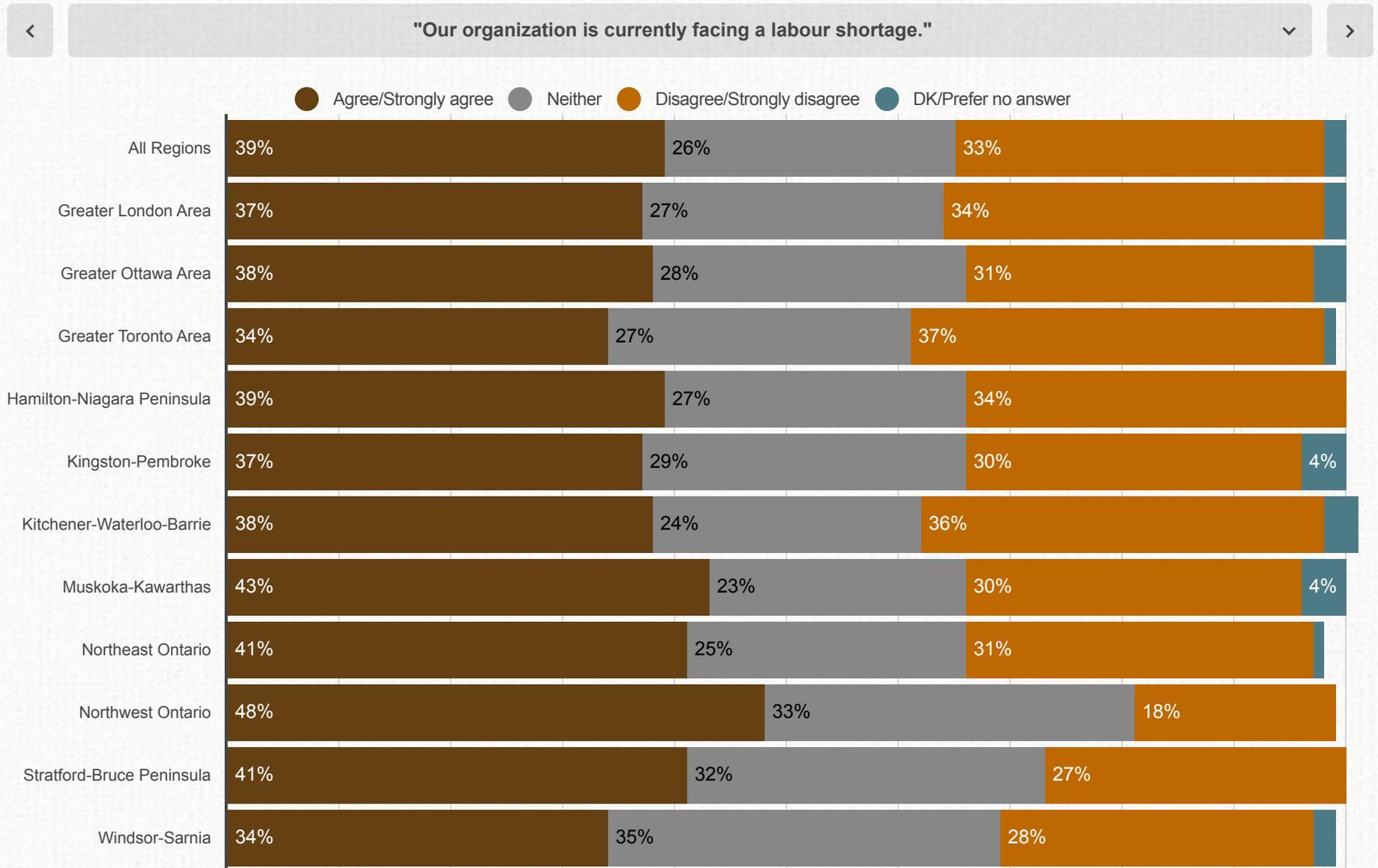
"Please select all the policy priorities that would be most helpful for your organization."



[Link: For additional data, access the interactive report.](#)

Appendix E.1

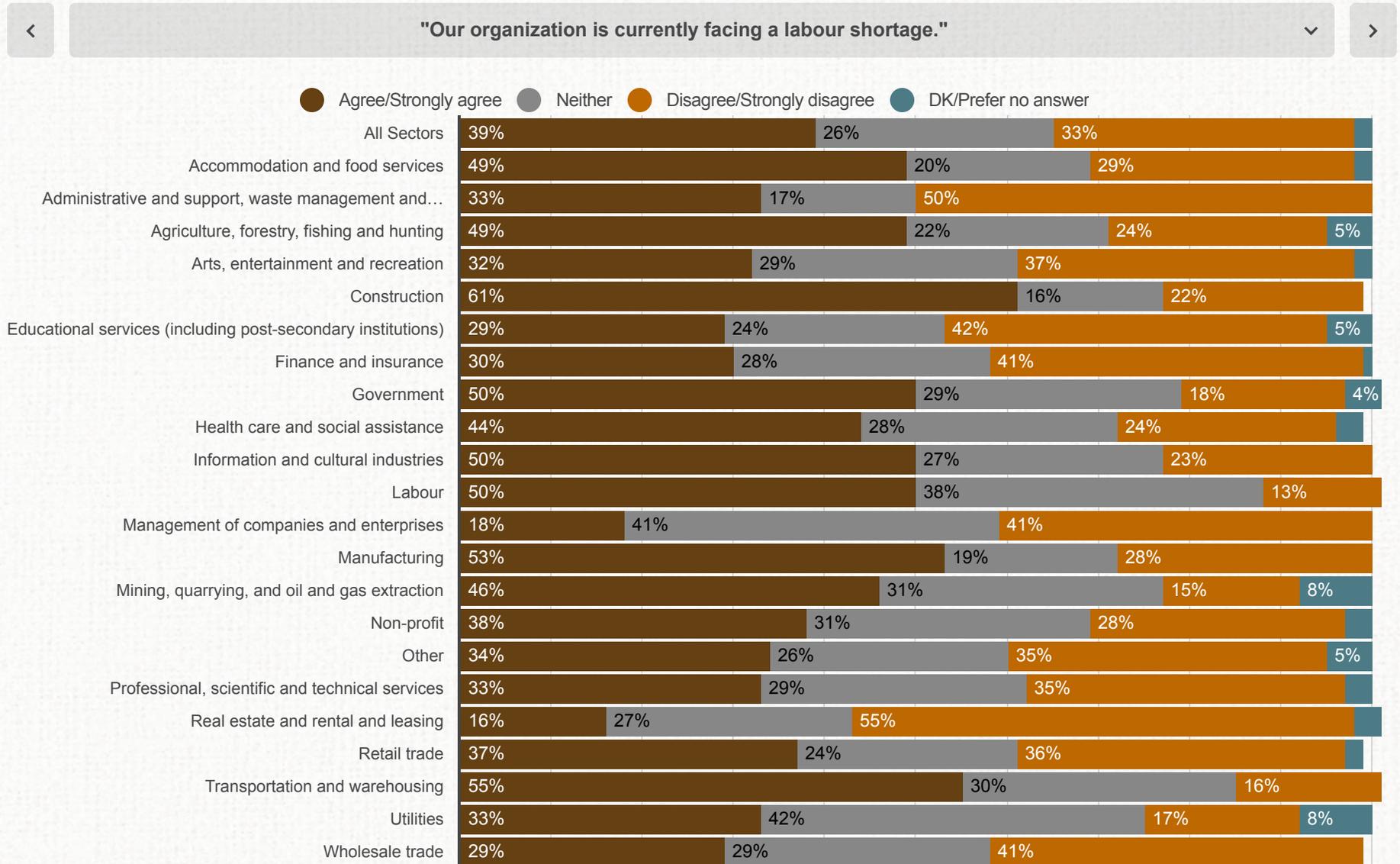
Labour Shortages by Region



[Link: For additional data, access the interactive report.](#)

Appendix E.2

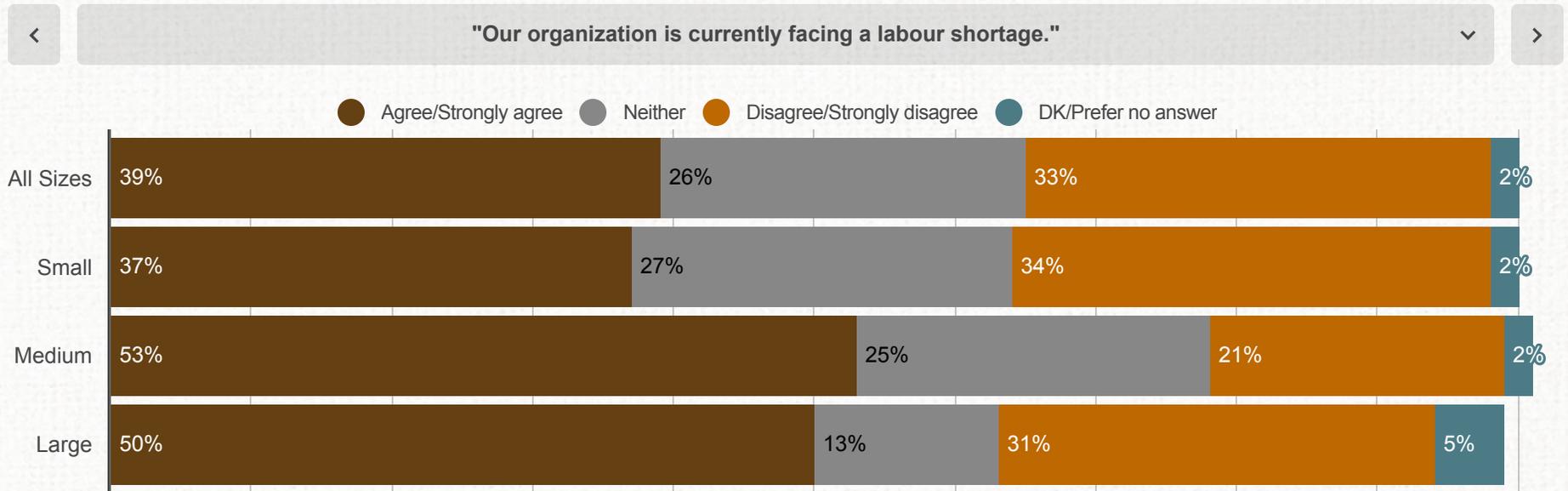
Labour Shortages by Sector



[Link: For additional data, access the interactive report.](#)

Appendix E.3

Labour Shortages by Organization Size



[Link: For additional data, access the interactive report.](#)

◆ About the Ontario Chamber of Commerce

The Ontario Chamber of Commerce (OCC) is the indispensable partner of business and Canada's largest, most influential provincial chamber. It is an independent, non-profit advocacy and member services organization. The OCC has 60,000 members, including large multinational corporations, small-to-medium-sized enterprises, labour unions, postsecondary institutions, non-profits, associations and close to 160 chambers of commerce and boards of trade.

The OCC's mission is to convene, align and advance the interests of its members through principled policy work, value-added business services and broad engagement to drive competitiveness and economic growth in the province

Thank you to our Lead Partner



Thank you to our Presenting Partner



Thank you to our Research Partners



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◆ Join the OCC

Getting Engaged with the OCC

From innovative SMEs to established multi-national corporations and industry associations, the OCC is committed to working with our members to improve business competitiveness across all sectors. The OCC works hard to drive an effective advocacy agenda for business and to ensure that our members are kept up-to-date on issues that matter.

Through your engagement with the OCC, you can:

- Advance your policy and advocacy priorities
- Strengthen your relationship with government
- Network with business leaders
- Engage with over 150 communities across the province and
- Contribute to the growth of Ontario's economy.

To learn more about opportunities to engage with the Chamber and our evolving policy pipeline, please contact Daniel Safayeni:

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