ED8.14

STAFF REPORT
ACTION REQUIRED

Economic Dashboard

Date:	November 9, 2015
To:	Economic Development Committee
From:	General Manager, Economic Development and Culture
Wards:	All
Reference Number:	

SUMMARY

This report updates the Toronto Economic Dashboard. It provides a summary of the most recent data available at the time this report was prepared for key economic indicators benchmarking the city's economic performance.

RECOMMENDATIONS

The General Manager, Economic Development and Culture recommends that:

1. City Council receive this report for information.

Financial Impact

There are no financial implications resulting from this report.

DECISION HISTORY

At the January 28, 2011 meeting of the Economic Development Committee (EDC), staff made a presentation providing an overview of various trends and issues affecting Toronto's economy. After discussion among the committee members, the Committee Chair requested staff to submit a report updating the key indices that benchmark Toronto's economic health at each subsequent EDC meeting.

COMMENTS

The first section of this report provides an overview of recent developments in the global economy, with a focus on Canada, Ontario and Toronto.

The following section explores growing income inequalities in the city of Toronto and its potential impact on economic growth.

The final section of the report summarizes major local economic indicators, including labour market metrics, building activity, office and housing market updates and retail sales.

Global Economy

Economic growth rates are typically expressed as the change in Gross Domestic Product (GDP). In this report, GDP growth rates are expressed in "real" terms, which means that the growth rates have been adjusted for inflation. Quarterly growth rates are expressed at annual rates, i.e. the annual rate that would be achieved, if the quarterly growth rate were maintained for four quarters.

The Bank of Canada's (BOC) October 2015 Monetary Policy Report (MPR) downgraded its global growth forecasts for 2015 and 2016 compared to previous forecasts. The BOC is now predicting that global growth rates will slow from an estimated 3.4% in 2014 to 3.0% in 2015, recovering to 3.4% in 2016 and 3.6% in 2017.

According to the BOC, "monetary policy easing by a number of central banks, together with the positive effects of low oil prices, is providing for this pickup in growth. Nevertheless, persistent weakness in global business investment and slow progress implementing structural reforms in a number of economies are dampening the growth of potential output". http://www.bankofcanada.ca/2015/10/mpr-2015-10-21/

Table 1: Global Economic Growth

	Annual Real GDP Growth Rate			
	2014	**2015**	**2016**	**2017**
Canada	2.4%	1.1%	2.0%	2.5%
United States	2.4%	2.5%	2.6%	2.5%
Euro Area	0.9%	1.5%	1.5%	1.5%
China	7.3%	6.8%	6.3%	6.2%
Japan	-0.1%	0.6%	0.8%	0.7%
World	3.4%	3.0%	3.4%	3.6%
Source: Bank of Canada				

United States

In October 2015, the BOC slightly increased its 2015 growth forecast for the U.S. from 2.3% to 2.5%. U.S. GDP is now expected to grow by 2.6% in 2016 and 2.5% in 2017, which is marginally lower than the previous BOC forecast in July.

Consumption, which has been the main driver of growth in the U.S., has been supported by solid employment growth and lower oil prices. After a soft first quarter (0.6% at annualized rates), real GDP rebounded to an annual rate of 3.7% in 2015q2. Advanced estimates for 2015q3 show that the economy cooled to an annualized growth rate of 1.5%. http://www.bea.gov/newsreleases/national/gdp/2015/gdp3q15_adv.htm

The University of Michigan U.S. consumer confidence index improved to 92.1 in October from 87.2 in September. Personal financial expectations and consumers' views about durable goods purchases increased to their highest levels since 2007. These data suggest that consumption will increase by 2.9% in 2016. http://www.sca.isr.umich.edu/

Europe

The BOC also slightly upgraded its 2015-2017 growth forecasts for the Euro area. GDP is now expected to grow by 1.5% annually between 2015 and 2017.

On October 22, 2015, Mario Draghi, President of the European Central Bank (ECB), said that the ECB expects "the economic recovery to continue, albeit dampened, in particular, by weaker than expected foreign demand… However, the recovery in domestic demand in the euro area continues to be hampered by the necessary balance sheet adjustments in a number of sectors and the sluggish pace of implementation of structural reforms." http://www.bloomberg.com/news/articles/2015-10-22/draghi-s-introductory-remarks-at-ecb-press-conference-text

China

Chinese growth has been substantially downgraded over the past few months, mainly because the economy is undergoing a structural shift from investment and export-based growth towards greater reliance on domestic demand. In the aftermath of the current economic slowdown, China's Central Bank lowered its benchmark lending rate and banks' reserve requirements in order to support the economy.

Commodity Prices

The price of oil (West Texas Intermediary) had been relatively steady between 2009 and 2014, ranging from $ US 82 to $ US 107. Since July 2014, oil prices have been trending consistently downward, as oil consumption in China is growing at half the rate it did over the past decade. In addition, there is a consensus among analysts that global production will exceed consumption throughout 2016. The July 14, 2015 Joint Comprehensive Plan of Action agreement on the nuclear program of Iran has also contributed to depressed oil prices, as economic sanctions might be lifted as early as December and Iran is a major oil producer. As of November 3, the price of oil was hovering around $ US 45.

It is not only the price of oil that has declined significantly over the past few months. The Standard & Poor's Goldman Sachs Commodities Index (which comprises 24 commodities from all commodity sub-sectors, including energy products, industrial metals, agricultural and livestock products as well as precious metals) has been consistently underperforming over the past year. Since its post-recessionary peak in 2011, the Bloomberg commodity index has declined by about a half.
http://markets.ft.com/research/Markets/Tearsheets/Summary?s=570179

The impacts of these reductions in commodity prices have, of course, been felt much more acutely in commodity producing parts of Canada than in Toronto. However, even in Toronto, the reduction in commodity prices has had a dampening impact on economic activity, particularly for large corporations like the big five banks with operations across the country.

Canada

The BOC's October 2015 MPR left Canada's 2015 growth forecast unchanged at 1.1%. At the same time the BOC slightly downgraded its Canadian growth forecast for 2016 and 2017, to 2.0% and 2.5% respectively, compared to the 2.3% and 2.6% projections in the July MPR. This downgrade is related to continued weakness in oil and commodity prices and the associated decline in energy companies' investment intentions.

Table 2: Components of Canadian GDP Growth

	2014	2015	2016	2017
GDP	**2.4%**	**1.1%**	**2.0%**	**2.5%**
Consumption	1.5%	1.2%	1.1%	1.0%
Housing	0.2%	0.3%	0.0%	0.0%
Government	-0.1%	0.2%	0.1%	0.2%
Business fixed investment	0.0%	-0.9%	-0.2%	0.7%
Net exports	1.1%	0.6%	1.1%	0.6%
Inventories	-0.3%	-0.3%	-0.1%	0.0%
Source: Bank of Canada				

Canada's real GDP declined (-0.8% at annualized rates) in 2015q1 and in 2015q2 (0.5%), which meets the technical definition of a recession, albeit a mild one, which was largely attributed to the oil price decline that is estimated to have subtracted about 1.25% percentage points from GDP growth in the first half of 2015.

The Canadian economy is projected to grow by 2.0% (at annual rates) in the second half of 2015 as well as in 2016, then accelerating to 2.5% in 2017. Given that the economy seems to be recovering, on October 22, 2015, the BOC announced that it is maintaining its target overnight interest rate at 0.5%. http://www.bankofcanada.ca/2015/10/fad-press-release-2015-10-21/

The incoming federal Liberal government has announced that it will lower middle income tax rates and increase government spending. These actions are expected to provide a short-term stimulus for the private consumption and government components of Canadian GDP.

The most recent Canadian forecast by the Policy and Economic Analysis Program (PEAP) incorporates the anticipated fiscal stimulus associated with the federal government election platform; however, that stimulus is offset by "weakness in the energy sector". PEAP projects that the Canadian economy will grow by 2.3% in 2016 and accelerate to 3.0% in 2017.

The BOC acknowledged that full adjustment to lower commodity prices will take several years, "since investment, including through the creation of new firms, is needed to build the capacity to absorb the reallocated labour into the non-resource sector". However, there are some preliminary signs that these adjustments have commenced as non-commodity exports have rebounded in recent months. According to BOC analysis, about two thirds of exchange rate sensitive sectors are outperforming less exchange rate sensitive sectors.

One service export sector that is traditionally exchange rate sensitive and has grown particularly strongly recently is the travel and tourism sector. In the first seven months of 2015, international arrivals increased by 8.6% compared to the same period last year. July recorded the highest number of international visitors to Canada since 2006.

Arrivals from the U.S. to Canada increased by 9.6% year-to-date (YTD), while visitors from key Latin American markets such as Brazil and Mexico also increased substantially, partially because of strong gains in July of 44.8% and 21.2% respectively, which were likely related to Toronto's hosting of the Pan Am and Parapan Am Games.

At the same time, the number of overnight outbound trips by Canadians declined as of July YTD by 1.2% over the same period of 2014. This was due to a 6.3% decline of travel to the U.S., which is not surprising given the continued depreciation of the Canadian dollar vis-à-vis the U.S. currency. This suggests that Canadians are substituting local consumption for a trip abroad, which has positive economic benefits for Canada. http://en.destinationcanada.com/research/statistics-figures/international-visitor-arrivals

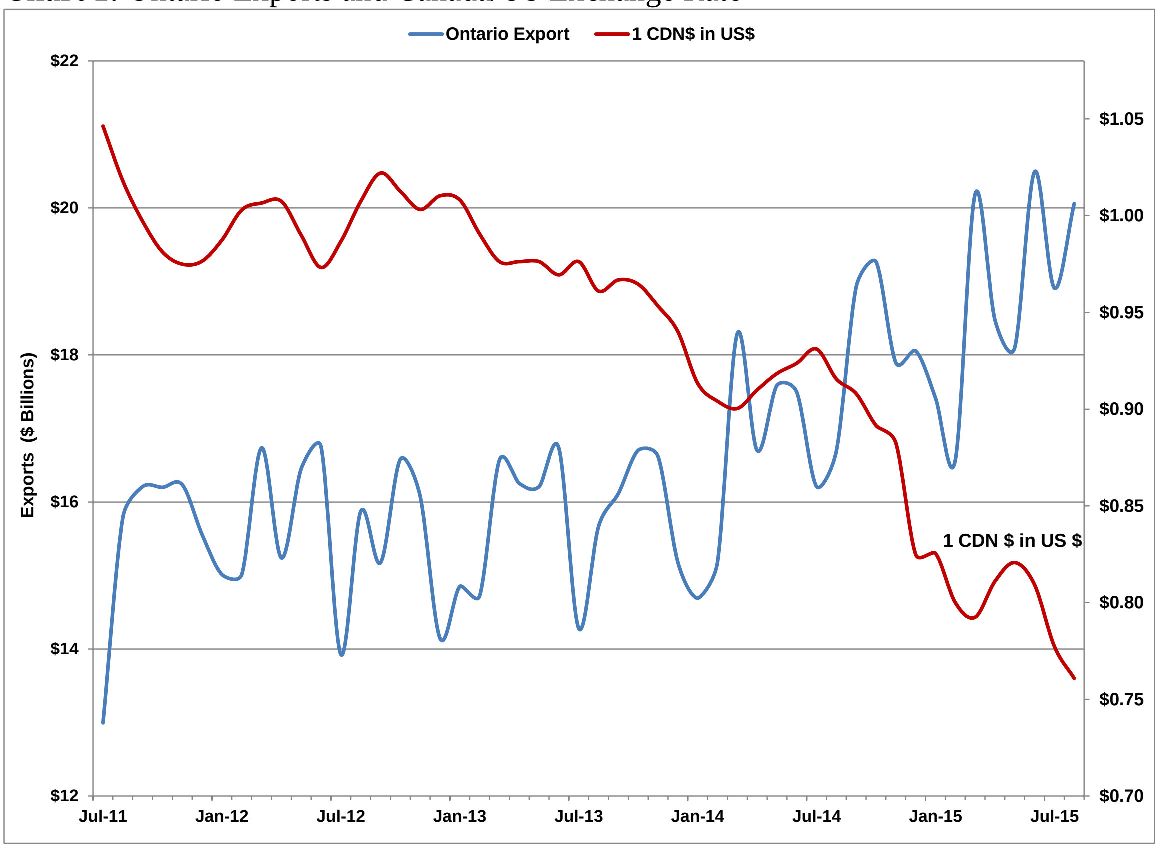
A study by Deloitte found that increasing international visits to Canada may have positive economic spin offs beyond the economic impacts associated with tourism spending. Regression analysis of Canadian data reveals that "a rise in business or leisure travel between countries can be linked to subsequent increases in export volumes to the visitors' countries – as well as an increase in the variety of goods exported". http://www2.deloitte.com/content/dam/Deloitte/ca/Documents/international-business/ca-en-ib-tourism-and-trade.pdf

Ontario

Economic growth rates have slowed only modestly in Ontario. After expanding by 2.2% in 2014, Ontario's annual GDP growth rate is forecast to grow by 2.0% in 2015 and 2.5% in 2016. PEAP notes that the Ontario economy has been producing "modest to solid" growth in the first half of 2015, and "as in Canada as a whole, 3rd quarter growth for Ontario looks extremely promising." (PEAP forecast, Oct 29, 2015)

Ontario export industries have responded positively to the depreciating Canadian dollar, as exports increased to $ CAN 20.1 billion in August 2015 from $ CAN 13 billion in July 2011, when the Canadian dollar peaked against the US currency.

Chart 1: Ontario Exports and Canada/US Exchange Rate



International overnight visits to Ontario have also recorded marked increases. As of July YTD, total overnight travel increased by 10.0% over the same period in 2014. Both U.S. and overseas travellers registered healthy gains. The Pan Am and Parapan Am Games that took place in the Toronto region over the summer also contributed to utilizing the recently added air capacity between Mexico City and Toronto as well as Rio de Janeiro and Toronto.

Toronto Region

Statistics Canada does not produce sub-provincial GDP estimates, but the City has three private-sector forecasts for GDP for the Toronto Census Metropolitan Area (CMA): Conference Board of Canada, Oxford Economics and Moody's.

Using the average of the three forecasts, the economy of the Toronto region is estimated to have grown by 3.1% in 2014, and it is expected that the Toronto region will grow by 2.5% in 2015 and 3.3% in 2016.

Although the Toronto economy has slowed, it is expected to outperform the national economy due to Toronto's lower exposure to the natural resource sector. This summer's Pan Am and Parapan Am Games also provided a timely boost to economic growth with associated increases in economic activity due to higher construction, visitor and operational spending, all of which had a positive impact on GDP.

Income Inequality

Over the past few years, the topic of income inequality and its impact on economic growth and society has increased in prominence in Toronto and across most of the developed world.

This brief overview discusses changing levels of income inequality over the past several decades, some key reasons why these changes are occurring, the potential impacts of these changes, particularly on economic growth, and actions the City is taking to respond to these impacts.

Changes in Income Inequality

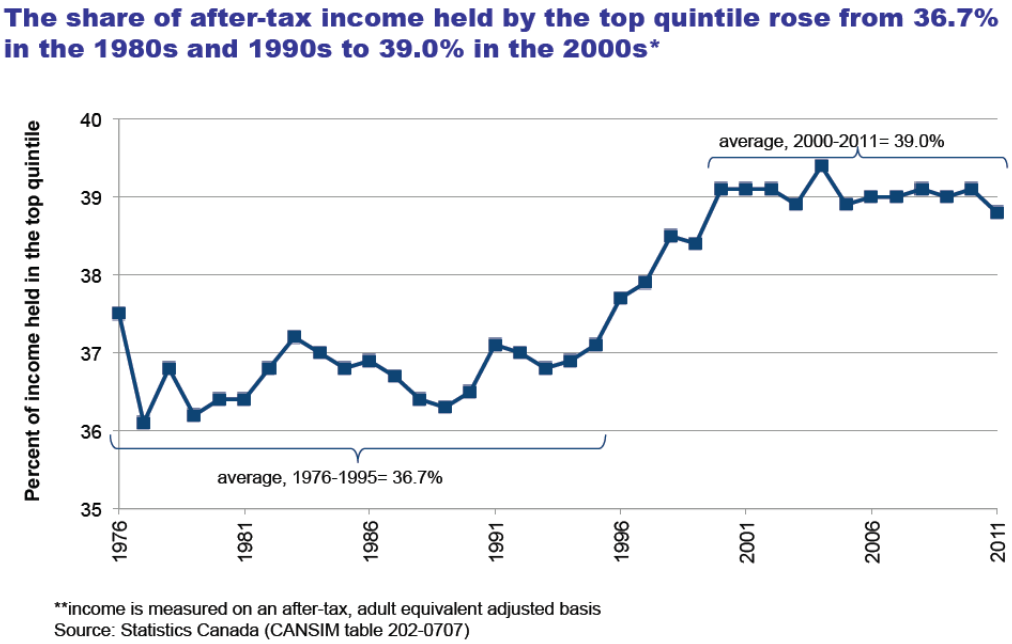
The most comprehensive measure of income equality is the Gini coefficient[1]. Based on this measure, income inequality in Canada was significantly higher in 2011 than it was in 1976. The largest increases in Canadian income inequality occurred during the 1982 recession and the early 1990's recession. Since 1996, income inequality in Canada has remained at the same level. The most recent data are from 2011.
http://milescorak.com/2015/02/06/two-stories-about-inequality/

The increase in income inequality in Canada can also be observed by the growing concentration of income among high income earners. In 1990, the share of after-tax income earned by the top 20% of income earners in Canada stood at 36.5%; by 2000, the

[1] A low Gini coefficient indicates a more equal distribution, with 0 corresponding to complete equality, while higher Gini coefficients indicate more unequal distribution, with 1 corresponding to complete inequality (with one person owning all of the wealth).

share earned by the top 20% had risen to 39% of the total, where it has remained since then. (Chart 2)

Chart 2: Rising Income Inequality in Canada



The share of income accruing to the top one percent of the income distribution in Canada shows a similar pattern. It rose from 7.5% in the early 1980's to a peak of over 13.5% in 2008, and has subsequently fallen back to 11.7% (in 2012).
https://milescorak.files.wordpress.com/2015/02/corak_two_stories_about_inequality_and_public_policy_presentation_to_queens_university_february_5_2015.pdf

According to a recent report by the Organisation for Economic Co-operation and Development (OECD), "In most countries, the gap between the rich and the poor is at its highest level (in) 30 years." Income inequality (measured using the Gini coefficient) in 2011 in Canada was almost exactly the same as the OECD average. Incomes are more equal in Canada than in the Australia, Great Britain, and the USA; however, incomes are less equal in Canada than in most northern European countries.
http://www.oecd.org/social/in-it-together-why-less-inequality-benefits-all-9789264235120-en.htm

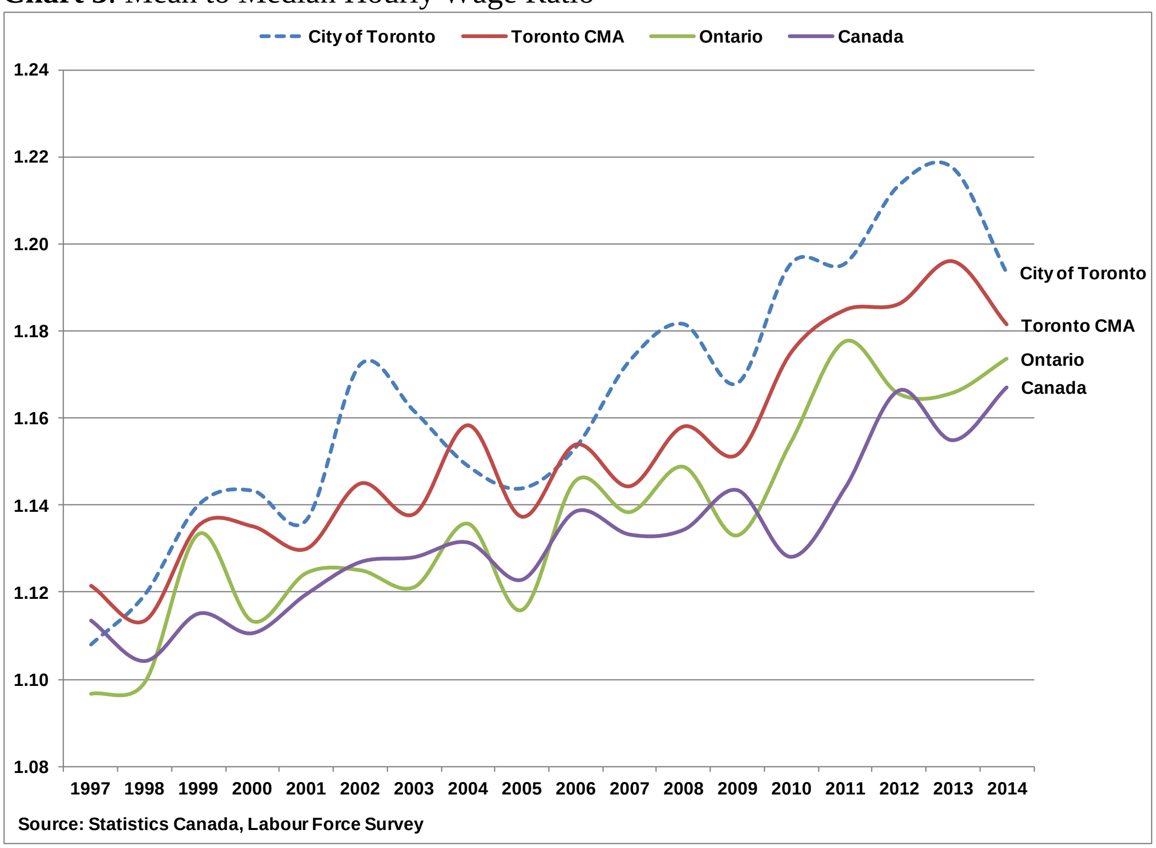
Income inequality increased less quickly in Canada than in other OECD countries post 2008, mostly because Canada did not experience the 2008 recession as dramatically as many other OECD countries, largely due to the resource boom. Miles Corak notes that most of the large increases in median market incomes in Canada in the last 10-15 years have been concentrated in Alberta, Saskatchewan and Newfoundland.

Two important related measures of inequality include differences in wealth and in the inter-generational persistence of income inequality. Wealth is less equally distributed than incomes in all OECD countries, and on this measure Canada is also near the OECD average. However, Canada has fared significantly better than the OECD average in resisting the inter-generational persistence of income inequalities.

In Canada, as elsewhere, the proportion of the population that has permanent full-time jobs with pensions and benefits has been declining. Many newly created jobs are temporary with fixed length contracts, or part-time and without benefits; these are referred to as "non-standard" jobs or precarious employment. According to the OECD, average wages for non-standard employees compared to permanent full-time employees in Canada are substantially lower (57% of the wages of permanent full-time employees) than the OECD average (75% of the wages of permanent full-time employees). Non-standard workers in Canada also experience the highest poverty rate in the OECD and the 7th largest gender pay gap in the OECD.

Within Canada, as in most other countries, incomes are less equal in big cities than elsewhere. The mean-to-median wage ratio for the City of Toronto is a good proxy for income inequality; an increase in the ratio suggests stronger wage growth in higher end of the wage spectrum. In the last seventeen years, income inequalities have more or less consistently been higher for Toronto residents than for other Canadians. Income inequalities have also been rising slightly faster in Toronto than elsewhere in Canada.

Chart 3: Mean to Median Hourly Wage Ratio



To summarize, a significant body of research reveals a shrinking group of middle-income earners, accompanied by growth in upper- and lower-income households. There is also a growing sense that employment relationships are being re-negotiated in ways that do not favour workers, and that access to opportunities for many people is more limited than it was in the past. In more concrete terms, as a result of these changes, fewer Toronto residents can aspire to owning their own home today than ten years ago, and more workers now find themselves precariously employed than at any time since the 1930's.

Neighbourhood Inequalities

Income inequality is also increasing among neighbourhoods in Canada. A 2011 study demonstrated that between 1980 and 2005, neighbourhood income inequality (measured by the Gini coefficient) grew in all of the eight largest Canadian Census Metropolitan Areas (CMAs). According to the Canadian Labour Market and Skills Researcher Network (CLSRN), neighbourhood income inequalities in Toronto were higher than in the other seven major CMAs from 1980 to 2000. Between 2000 and 2005, neighbourhood income inequalities accelerated sharply in Calgary, finally catching up to Toronto's levels in 2005.
http://www.clsrn.econ.ubc.ca/workingpapers/CLSRN%20Working%20Paper%20no.%2082%20-%20Chen,%20Myles%20and%20Picot.pdf

These trends have been well documented in Toronto by David Hulchanski and associates at the University of Toronto's Centre for Urban and Community Studies. Their research divides the Toronto CMA into three "cities" and observes that incomes have risen in high-income areas and fallen in lower income areas. The middle-income part of the city decreased in size from 1970-2005, while the low-income part increased in size. Poverty moved from the centre of the city to the edges. http://neighbourhoodresearch.ca/wp-content/uploads/2011/05/Read_The_Three_Cit_1069461a.pdf

In its recent report, The Opportunity Equation, the United Way makes a strong point that "the neighbourhood where a person lives can influence the opportunities available to them. Some areas in the inner suburbs experience higher concentrations of poverty, lower educational attainment levels, higher unemployment rates, higher social assistance usage, and higher overall marginalization rates".

The United Way concludes that the opportunity equation (work hard plus access to opportunity equals success) is breaking down, since income inequality is limiting access to good jobs, childcare, housing, health care, and education. The report also reveals signs of growing pessimism, as more than half of survey respondents feel that the next generation will be worse off than the current one. Increased pessimism can also negatively impact economic growth by depressing consumer confidence, leading to lower consumer spending. http://www.unitedwaytoronto.com/document.doc?id=285

Another recent report by the Metcalf Foundation on the increase in the number of working poor in Toronto prompted the Toronto Star to label Toronto as "the Downton

Abbey of Canada", in a reference to the unequal conditions experienced by the servants of an aristocratic family in the popular British period drama.
http://metcalffoundation.com/wp-content/uploads/2015/04/WorkingPoorToronto2015Final.pdf

Factors Driving Changes in Inequality

While increasing income inequality has a range of drivers, this section discusses key factors that have been highlighted in recent research and literature.

One of the most significant contributors to rising income inequality is the fundamental changes underway in labour markets, driven by globalization and technological change. An International Monetary Fund (IMF) article by Ekkehard Ernst ("The Shrinking Middle"), showed that, globally, there has been a steady shift in employment from traditional medium skill jobs in manufacturing and services toward both high and low skill jobs, which has led to increased income inequality.

The impact of computers and robots on the production process has persisted, resulting in the loss of many routine jobs. According to Ernst (2014), "this shift is no longer limited to manufacturing, where robots took over the conveyor belt some time ago. Even in many service sector occupations—such as accounting and health care— computers are taking over ever larger shares of the work—for example, by helping with tax preparation or providing diagnostic tools for medical doctors". As more and more routine functions are automated, the demand for high skill cognitive jobs that cannot yet be performed by computers is increasing.
http://www.imf.org/external/pubs/ft/fandd/2015/03/pdf/ernst.pdf

In high-income countries, like Canada, these technological changes have been exacerbated by the persistent movement of industrial production from city regions in developed countries to lower-wage regions in developing countries. This process, known as off-shoring, has had a profound impact on employment and income distributions in western cities. While this trend may be abating very recently, its historical impacts are still far reaching.

In a report for the Toronto Workforce Innovation Group, Tom Zizys documented similar labour market trends in Ontario and Toronto. He describes Toronto's labour market as an "hourglass", where most jobs are clustered at the upper and lower ends of income and skill levels. From 1991 to 2006, knowledge jobs (those that require post-secondary education or highly refined skills) grew by about 50% in Ontario. In the same period, entry level jobs grew by 27%, while medium skill jobs increased only by 9%.

When comparing the shape of labour markets in Toronto and the rest of Ontario, Zizys concludes that "the hourglass takes a peculiar form, slightly top-heavy with a higher proportion of knowledge workers in the city of Toronto, and significantly bottom-heavy with higher proportion of entry level jobs in the rest of Ontario". http://metcalffoundation.com/wp-content/uploads/2011/05/working-better.pdf

Governments also influence income distributions, both through explicit income re-distribution programs and broader social and economic policies. The Canadian tax and benefit system does not reduce income inequalities as much as in some other OECD countries. Finland, Belgium and Germany have similar levels of market income inequality as Canada, but they achieve lower levels of inequality through taxes and transfers.

Institutional and policy changes, including "changing norms governing executive compensation, deregulation (particularly in transportation and finance), reduced UI/EI coverage and weakened employment/income protection", can also lead to increasing inequality. https://kingston.liberal.ca/files/2014/01/Public-Forum-on-Income-Inequality-2013-by-Charles-Beach.pdf

Income Inequality and Economic Growth

Recent research that points to a correlation between increased income inequality and lower economic growth also presents a concern for economic development efforts. A certain degree of income inequality happens when there are market incentives for investment and risk-taking, which in turn stimulate growth. On the other hand, excessive levels of inequality are detrimental to economic growth.

A recent IMF research paper found that:

- "Lower net inequality is robustly correlated with faster and more durable growth, for a given level of redistribution", and
- "Redistribution appears generally benign in terms of its impact on growth; only in extreme cases is there some evidence that it may have direct negative effects on growth. Thus the combined direct and indirect effects of redistribution – including the growth effects of the resulting lower inequality – are on average pro-growth." http://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf

The OECD report (May 21, 2015) referenced on page 8 concludes that "the long-term rise in inequality of disposable incomes observed in most OECD countries has indeed put a significant brake on long-term growth."

These negative impacts on growth appear to be the result of income inequalities "curbing opportunities for the poor and lower middle classes" (defined as those in the poorest 40% of the population). The OECD's regression analyses show that as income inequalities rise, members of the lowest groups are less likely to graduate from university, their numeracy and literacy scores decline (even when students from poorer families spend the same time at school), and their employment rates decline.

A recent report by the Medical Officer of Health also points out that there is a significant correlation between incomes and health outcomes. If income inequality contributes to poorer health outcomes, this increases health care costs, lowers productivity and leads to lower economic growth.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.HL3.2

Addressing Increasing Income Inequality

Consistent with their mandates and access to revenues, initiatives to deal with rising income inequalities have largely been spearheaded by the federal or provincial governments. Where such steps have been taken, they typically involve changes in labour legislation as well as significant investments in public health, education and targeted income supports.

However, the most visible evidence of increasing inequality and its impacts, notably the gap between those who are financially successful and those struggling to maintain their standard of living or who are falling behind, are most apparent at the local level. Therefore, while many of the levers to address income inequality belong to other levels of governments, municipal governments are increasingly aware of the need to consider ways in which they can use different approaches within their mandates to ensure prosperity is widely shared among their residents.

One idea that is gaining ground at multiple levels relates to ensuring that growth is widely shared in order to promote strong sustainable growth. The OECD, the World Bank, the IMF and the European Commission, as well as various national, regional and municipal governments have begun to use the concept of "inclusive growth" to guide approaches that focus on ensuring that the benefits of growth are shared more broadly. For example, in its call to action, *All on Board: Making Inclusive Growth Happen*, the OECD (2014) makes the case for changes to a range of policies – from broad macroeconomic policy and labour market policy to education and skills, and innovation and entrepreneurship – to better support economic growth and inclusiveness.

Meanwhile, in *Europe2020 - A strategy for smart, sustainable and inclusive growth*, the European Commission defines the focus of inclusive growth as "empowering people through high levels of employment, investing in skills, fighting poverty and modernising labour markets, training and social protection systems so as to help people anticipate and manage change." Increasingly, a range of cities are also exploring the ways in which inclusive growth strategies link to economic and workforce development strategies, as well as poverty reduction strategies. http://www.jrf.org.uk/report/connecting-growth-and-poverty-reduction

While there is no single definition of inclusive growth, two elements are important to note here. First, economic growth, of itself, does not guarantee a reduction in income inequality and poverty. Second, as a result, there is a critical role for all orders of government to play. Moreover, given the spatial dimension of inequality, there is a strong emphasis on the pivotal role that local government can play through their work planning, managing and delivering services generally, as well as through more place-based thinking and actions.

Recognizing the importance of acting locally, the City of Toronto has a number of important initiatives to address gaps in the opportunities available to residents and the related gaps in outcomes. Central among these initiatives is the City's Poverty Reduction Strategy, which sets out an action plan to address poverty in Toronto, across three complementary objectives: (1) Address Immediate Needs, (2) Create Pathways to Prosperity, and (3) Drive Systemic Change.
http://www.toronto.ca/legdocs/mmis/2015/ed/bgrd/backgroundfile-82323.pdf

The City's Workforce Development Strategy compliments the poverty reduction strategy by focussing the efforts of Toronto and Employment Services staff on improving job seeker outcomes. http://www.toronto.ca/legdocs/mmis/2015/ed/bgrd/backgroundfile-81228.pdf

The Strong Neighbourhoods Strategy, adopted by City Council in March 2012, seeks to advance equitable outcomes for all neighbourhoods and is the focus of the City's policy initiatives to deal with the geographic concentration of poverty in Toronto.

All of the City initiatives outlined above, as well as many of the policy recommendations that the City has offered to the provincial and federal governments, are related to the objective of ensuring greater income equality as detailed in this report. Emerging research and literature also strongly indicates that if overall economic growth is not more broadly shared, persistent inequality is likely to have a negative impact on growth.

Moving forward, the City's social and economic development efforts will therefore be closely aligned, with a goal to reduce poverty and encourage more inclusive growth. It will also be important to continue to monitor changing dynamics in the local economy through established reporting mechanisms including this monthly Economic Dashboard report.

Labour Force

The most comprehensive and timely survey-based indicator that is available for the local economy in Toronto is arguably the Labour Force Survey (LFS). This monthly survey is collected by place of residence and is available for the City of Toronto and the Toronto region (CMA), as well as Ontario and Canada.

In the last year, the seasonally adjusted monthly unemployment rate for city residents declined from 8.9% in October 2014 to 7.4% in October 2015. In this period, the decline in the seasonally adjusted monthly unemployment rate in the city of Toronto was steeper than in the "905" where it declined from 6.7% in October 2014 to 6.4% in October 2015.

The seasonally adjusted monthly participation rate for city of Toronto residents was 63.9% in October 2015, slightly lower than it was a year ago.

The seasonally adjusted monthly employment rate, which combines the participation rate and the unemployment rate for city of Toronto residents, while trending downwards since May 2015 (61.2%), now stands at 59.1% in October 2015, slightly higher than it was a year ago.

Unfortunately, Statistics Canada substantially changed the methodology used to produce LFS population estimates for the city of Toronto at the beginning of 2015. These changes have resulted in large and inexplicable swings in population and related counts. Between December 2014 and October 2015, the city of Toronto's estimated population aged 15+ fell by over 300,000 people. These population changes were not real, and they have pulled down all of the absolute numbers (including total persons employed and unemployed). Rates, ratios, and the absolute numbers for the CMA, Ontario and Canada should be unaffected. However, the monthly change in the number of employed (or unemployed) Toronto residents can be very misleading.

Building Activity

According to Skyscraperpage.com, there were 145 high-rise and mid-rise buildings under construction in the city of Toronto on October 14, 2015, which is slightly higher compared to a year ago (138 buildings). Toronto remains ahead of all other North American cities for high and mid-rise building construction. Emporis, another data source, indicates that Toronto has slipped to second place in North America, after New York City, by the number of major buildings under construction.

Data from Skyscraperpage.com also allow a comparison of Toronto with other North American cities, by the size of buildings under construction. New York City has more 50+ storey buildings under construction than Toronto; however, Toronto has more buildings under 50 stories.

The total value of building permits issued in the city of Toronto in the first three quarters of 2015 increased by 13.9% over same period in 2014. The September YTD increase in building permits issued in the city of Toronto was led by a jump in non-residential permits (57.8%), whereas residential permits declined (-12.9%). The large increase in non-residential permits was due to a 241.2% jump in institutional permits, including the $765 million building permit issued for the new Humber River Regional Hospital located at Keele Street and Highway 401. Industrial (53.8%) and commercial (21.2%) permits also rose compared to the same period in 2014.

In the first nine months of the year the value of building permits issued in "905" municipalities was 29.7% higher compared to same period of last year. The increase in the value of “905” building permits was led by a surge in residential permits (52.7%), while non-residential decreased (-8.9%) over same period of last year. In "905" municipalities, industrial building permits increased by 80.3%; whereas "905" commercial and institutional permits decreased by 18.3% and 40.4% respectively, compared to the same period last year.

The building permit data in the attached presentation are three month averages, in order to smooth the monthly fluctuations in these data.

Office Market

In the last year, according to Cushman & Wakefield, the office vacancy rate in the city of Toronto declined from 6.1% in 2014q3 to 5.9% in 2015q3. At the same time, the vacancy rate in "905" municipalities increased from 11.1% to 11.6%. Overall, the Toronto region's vacancy rate increased slightly from 7.6% in 2014q3 to 7.7% in 2015q3.

Downtown Toronto office vacancy rates remain much lower than elsewhere in the city and the rest of the Toronto region. In the last year, vacancy rates have fallen in the downtown, from 4.9% to 4.6%, and in Toronto East, from 10.9% to 10.3%. Vacancy rates increased in Toronto West from 6.3% to 8.0%, and the Yonge Core from 6.1% to 6.4%.

Perhaps more important than the vacancy rate is the change in occupied office space, also known as "office absorption", as this indicator more directly measures the demand for office space.

In the last year, total occupied office space in the Toronto region increased by 2.4 million sq. ft., and Downtown Toronto accounted for almost 70% of the total increase in the region.

Housing

In the first nine months of 2015, housing starts in the Toronto CMA are up by 42.5% (31,723 units) compared to the same period in 2014. While there has been a recent rebound in detached housing market starts, the high rise market still dominates regional housing starts. According to the Canadian Mortgage and Housing Corporation, "robust sales of pre-construction condominium apartment units throughout 2014 continue to convert to starts this year".

Total housing completions in the city of Toronto in the first nine months of 2015 increased to 27,537 units from 8,129 units in same period of 2014. This reduced the number of residential units under construction in the city of Toronto, from 48,643 in September 2014 to 36,149 in September 2015.

The strong increase in completions has also increased (however, only by 808 units) the number of dwelling units in the city of Toronto that have been completed but not absorbed, from 966 units in September 2014 to 1,774 in September 2015.

According to RealNet data, as reported by BILD, the total year-to-date (Jan-Sept) pre-sales of new residential units in the GTA is down slightly (-542 units) in 2015, compared to 2014; however, the year-to-date GTA presale total for 2015 remains 10,332 units higher than in the first nine months of 2013. GTA high-rise presales are down by 1,898 units in 2015 and low-rise presales are up by 1,356 units (September 2015 year-to-date, compared to the same period last year).

Residential re-sale data for the city of Toronto continue to show strong growth in prices and incremental growth in the number of units sold. The average house price ($671,350) in the city of Toronto in October 2015 was 6.0% higher than a year ago. The price increase was across all market segments, but was more pronounced in the low rise sectors. The marginal increase in total sales over last year was driven by the condominium market (9.1%), whereas sales in the detached (-10.2%) segment was lower, and townhouse and semi-detached resales were flat.

Retail Sales

Seasonally adjusted retail sales in the Toronto CMA were flat in August compared to July and stood at $6.52 billion. On a year-over-year basis, seasonally adjusted retail sales in August 2015 were 6.1% higher than in August 2014.

The largest increases in retail sales, August 2015 compared to the same period a year ago, were: used car dealers (26.3%), new car dealers (17.8%) and convenience stores (15.1%). The biggest declines in retail sales in August 2015 compared to August 2014 were: electronics and appliance stores (-5.8%), specialty food stores (-4.5%) and gasoline stations (-3.0%).

CONCLUSION

Over the past year the price of oil and a variety of other commodities has declined significantly. As a consequence, commodities producing countries such as Canada have experienced substantial slowdowns. While full adjustment to lower commodity prices will take several years, there are some preliminary signs that Ontario exports are rebounding.

Though the Toronto economy growth rate has slowed, it is expected to outperform the national economy due to lower exposure to the natural resource sector. This summer's Pan Am and Parapan Am Games also provided a timely boost to economic growth. A range of local economic indicators, particularly in the housing sector, indicate that Toronto's economy is holding out well despite sluggishness in the national economy.

Income inequality has increased in Toronto and across most of the developed world, and is likely having a negative impact on economic growth. The OECD notes that "the long-term rise in inequality of disposable incomes observed in most OECD countries has indeed put a significant brake on long-term growth". While many of the levers to address income inequality belong to other levels of government, multiple goals are aligned in City strategies to advance poverty reduction and more inclusive growth at a local level.

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ATTACHMENTS

Attachment: Economic Dashboard Presentation