

Peel's Economic Pulse

2022 Economic Performance and Outlook

Financial Policy and Development
Financing, Corporate Services



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Rapid Change in the Macroeconomic Environment, Increased Risks, and Outlook

A significant shift in the macroeconomic environment in 2022 halted economic recovery, and increased uncertainty and global recession risks

The post-pandemic economic rebound was interrupted in 2022 by heightened geopolitical uncertainties, which along with supply chain challenges, shifted the macroeconomic environment to one characterized by higher inflation and rising interest rates.

- Inflation accelerated across the globe, including in Canada and Ontario, where the rates jumped to a four-decade high 6.8 per cent.
- To reduce inflation, interest rates were increased significantly in most developed economies including in Canada, where the Central Bank’s Overnight Interest Rate was adjusted from 0.25 per cent at the beginning of the year to 4.25 per cent by year end, the highest rate since 2008. The rate continued to increase in early 2023.
- One of the consequences of the higher price environment was slower economic growth. Global output slowed significantly from a multi-decade high of 6.1 per cent in 2021 to 3.4 per cent in 2022.
- Economic growth in Canada and Ontario also slowed from respective rates of 5.0 per cent and 5.1 per cent in 2021 to 3.4 per cent and 3.6 per cent in 2022, but employment rose, and the national unemployment rate fell to a near historic low 5.3 per cent.

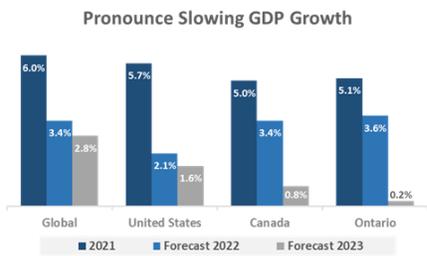
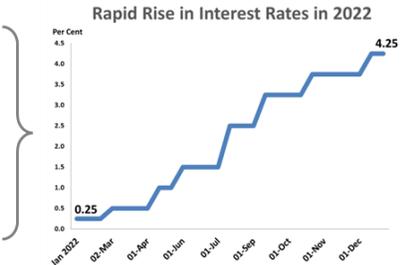
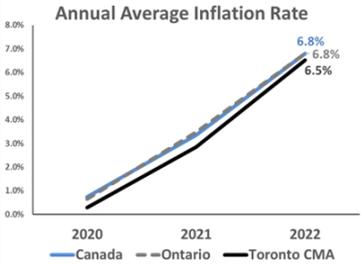
40-year high inflation rate



Rapid rise in interest rates



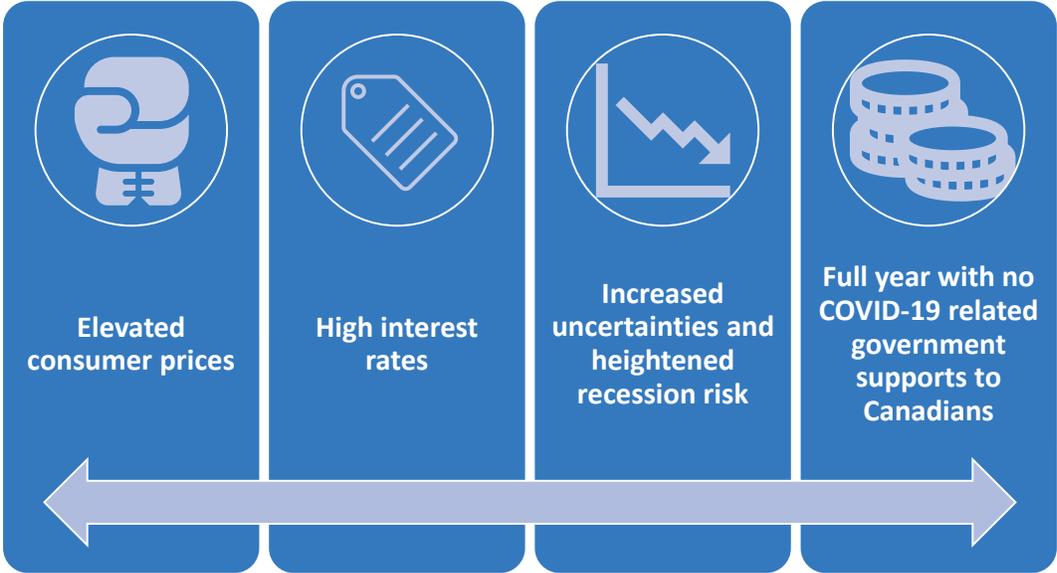
A slowdown in economic growth



Sources: Statistic Canada, Bank of Canada & International Monetary Fund

Rapid Change in the Macroeconomic Environment, Increased Risks, and Outlook

Key features of the changed macroeconomic environment include elevated consumer prices, high interest rates, increased uncertainties and heightened recession risk, and a full year without COVID-19 related government supports to Canadians impacted by the pandemic.



Impacts from the changed macroeconomic environment included the following:

Elevated food insecurity



Rising food prices was a leading source of inflation in Canada. Between December 2020 and December 2022, the price of groceries rose by 15.8 per cent, almost twice the 8.5 per cent increase in the preceding five-year period¹. This exposed many, particularly low-income Canadians, to elevated food insecurity risks.

¹ [Research to Insights: A look at Canada's economy and society three years after the start of the COVID-19 pandemic \(statcan.gc.ca\)](https://www150.statcan.gc.ca/n1/pub/26-267-x/2023001/article/00001-eng.htm)

Rapid Change in the Macroeconomic Environment, Increased Risks, and Outlook

Increased housing unaffordability



Although the average price of homes has retreated from peak levels reached in early 2022, housing prices remain outside the affordability threshold of many. This was worsened by rising mortgage rates which have made the carrying cost of a home more unaffordable. As home prices rose, many shifted to the rental market where prices have also increased. In November 2022, average rent in Canada exceeded \$2,000 per month for the first time. In Peel, rental vacancy rates rose, and the cost of rent increased in 2022.

Rising business insolvency



Business insolvencies in Canada rose sharply in 2022 as supply chain challenges, inflationary pressures and labour-related obstacles affected many businesses². Business insolvencies in Peel also increased to reach a seven-year high.

Outlook: Elevated uncertainty

Economic growth at all levels of geography is expected to slow further in 2023 due to several factors including:

- **A high level of uncertainty due to the ongoing conflict in Ukraine:** The ongoing conflict remains a risk to global growth prospects given the strategic importance of both Russia and Ukraine in the global supply chain. It has also elevated uncertainties at all economic levels, including in Peel, and increased planning, business, and short-term growth risks.

² Ibid

- **Elevated consumer prices and high interest rates:** It is estimated that inflation has peaked. However, prices remain elevated, and together with high interest rates are expected to continue to constrain growth particularly in sectors that are interest rate sensitive. These include construction and manufacturing, which are two important sectors in the local economy.
- **Heightened business risks:** The higher price environment has increased business costs while growth has slowed, keeping insolvency risks elevated.

Growth is expected to slow in both Canada and Ontario in 2023. Canadian real Gross Domestic Product (GDP) is expected to increase by 0.3 per cent, down from 3.4 per cent in 2022. Ontario's GDP is projected to slow from 3.6 per cent in 2022 to 0.2 per cent in 2023. As growth slows, employment growth is also expected to slow and both national and provincial unemployment rates are expected to increase from near record levels reached in 2021 and 2022.

As the broader economy slows, Peel's economy faces similar risks. As a highly trade oriented economy, slower global growth, particularly the projected slowing of the United States (US) economy, will inhibit local growth, especially in sectors like manufacturing, trade, and transportation and warehousing. On average, these sectors employ over 40 per cent of Peel's residents and account for over 30 per cent of business establishments in Peel. Over the medium-to-long-term, several factors will contribute to improved growth prospects, including increased immigration and the gradual return to price stability (lower inflation), which will enhance long-term planning and growth.

³ [Building a Strong Ontario](#); pp.5.

Peel’s Population Review and Outlook

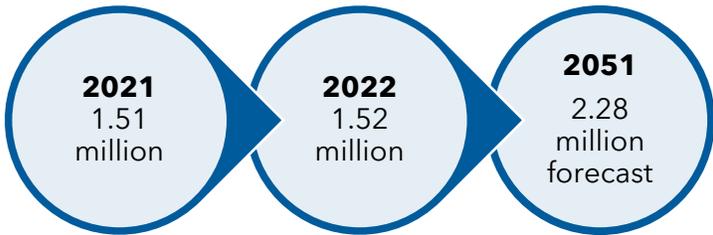
Growth in key areas in Peel, amidst adverse responses to a changed environment

Peel remained a growing municipality, demonstrated by positive changes in some local growth indicators such as population, taxable assessment base, total business establishments, building intentions, and residential building activity (housing starts). Changes in other indicators, primarily those that are interest rate sensitive such as home sales (both resale and new) were negative, and business insolvencies increased as the adverse impacts of the changed macroeconomic environment started to emerge. Peel’s labour market changes were also less positive in 2022, and the number of residents that sought social assistance increased.

Sustained population growth in Peel in 2022

Compared with 2021, Peel’s year-end population increased by 0.8 per cent to 1.52 million persons in 2022. Immigration was the key driver of growth as pandemic related restrictions eased, and Canadian immigration targets were increased. In 2022, a record 405,000 persons immigrated to Canada.

Figure 1. Total population in Peel Region with undercount



Source: Peel Data Center

Outlook: Peel's population is expected to continue to grow over the long-term

- Higher immigration targets announced by the Canadian government, are expected to bolster Peel's population growth over the medium-term.
- In addition, Peel strategic advantages will continue to attract new residents. Peel is part of the Greater Toronto Area (GTA), Canada's largest industrial and commercial center, providing its residents with a range of employment and economic opportunities that enhance economic success.
- In addition, Peel is culturally diverse, offering its residents a range of cultural experiences that makes it an attractive location to new residents.
- Peel's population is expected to increase to approximately 2.28 million by 2051.

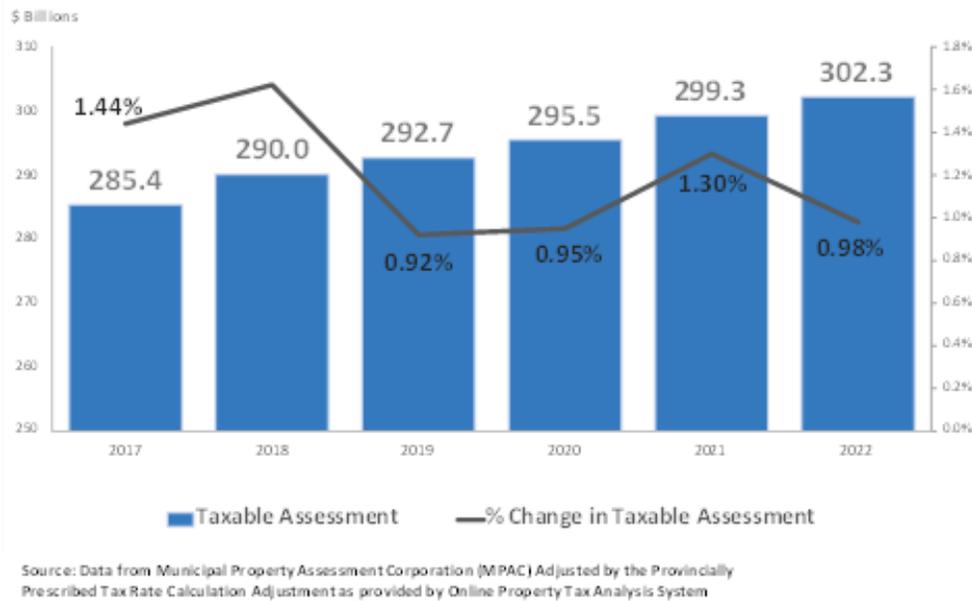


Peel's 2022 Taxable Assessment Base Growth and Outlook

Sustained growth in Peel's taxable assessment base

Peel's total taxable assessment base grew by 0.98 per cent in 2022 (for the 2023 tax year) to continue its long-term growth trend, but at a slower pace than the historic average. Peel's taxable assessment base has increased by an average of about 2.0 per cent per year since Current Value Assessment (CVA) was introduced in 1999. Growth in 2022 slowed relative to 2021 but was comparable to those attained in 2019 and 2020.

Figure 2. Peel's total taxable assessment base



*Adjusted to reflect a year-over-year taxable assessment growth

Figure 3. Changes in Peel's taxable assessment base by major sub-sectors: 2022



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- The growth in Peel's total taxable assessment base in 2022 was supported by increases in both residential (0.97 per cent) and non-residential (1.02 per cent) taxable assessments.
 - Growth in Peel's total taxable assessment reflects the changes and improvements to existing properties, as well as the addition of new properties, as Peel continues to grow. In 2021 and 2022, the number of housing starts registered in Peel exceeded 7,000 units, well above the average annual number of starts (5,889 units) over the preceding 10 years. In addition, Peel's business sector continued to expand with growth in the number of business establishments.
 - Sustained addition of properties (both residential and non-residential) will expand the Region's taxable assessment base, which may help to limit the increase in the tax obligation per household and business and contribute to improvement in the tax competitiveness of Peel Region.

Outlook: Long-term growth in Peel's total taxable assessment base is expected to continue

- Total population and jobs in Peel are expected to increase to 2.28 million and 1.07 million respectively by 2051. These growth targets suggest that Peel's taxable assessment base will continue to grow over the same period as new construction takes place to accommodate the planned growth.
- Growth will not be without challenges. As Peel grows and taxable assessment base gets larger, it takes more in assessment value to sustain previous growth levels. In addition, as Peel matures, and developable land becomes less, growth rates will fall below historic averages.
- Further, accelerated shift in consumer preferences, along with ongoing technological change, are likely to constrain future growth in commercial development.

Peel's Business Establishments Review and Outlook

Peel's business sector was over 200,000 business establishments strong following strong growth in 2022

Figure 4. Number of business establishments in Peel

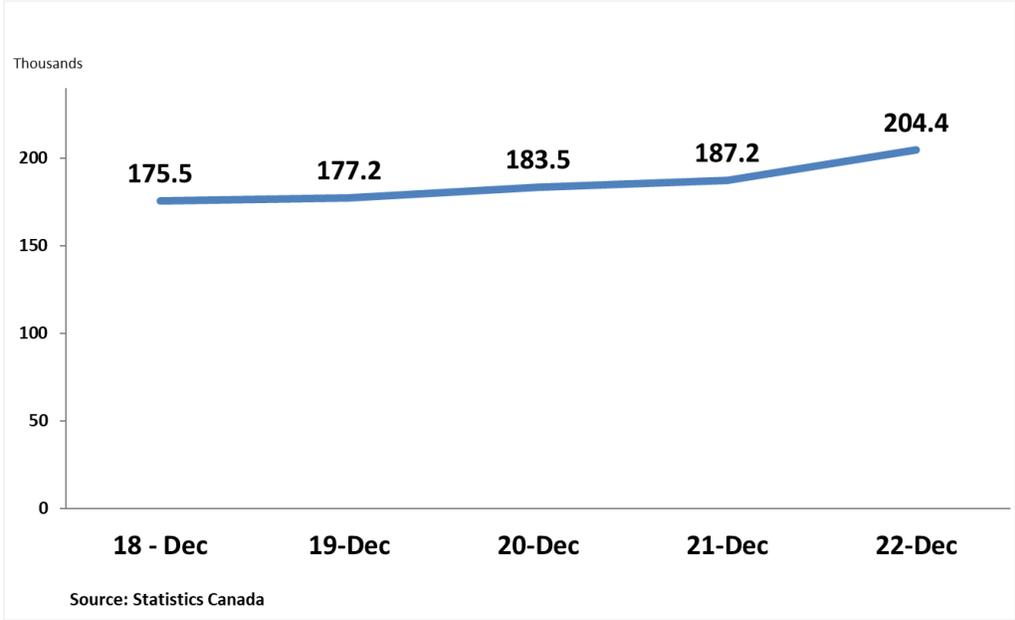
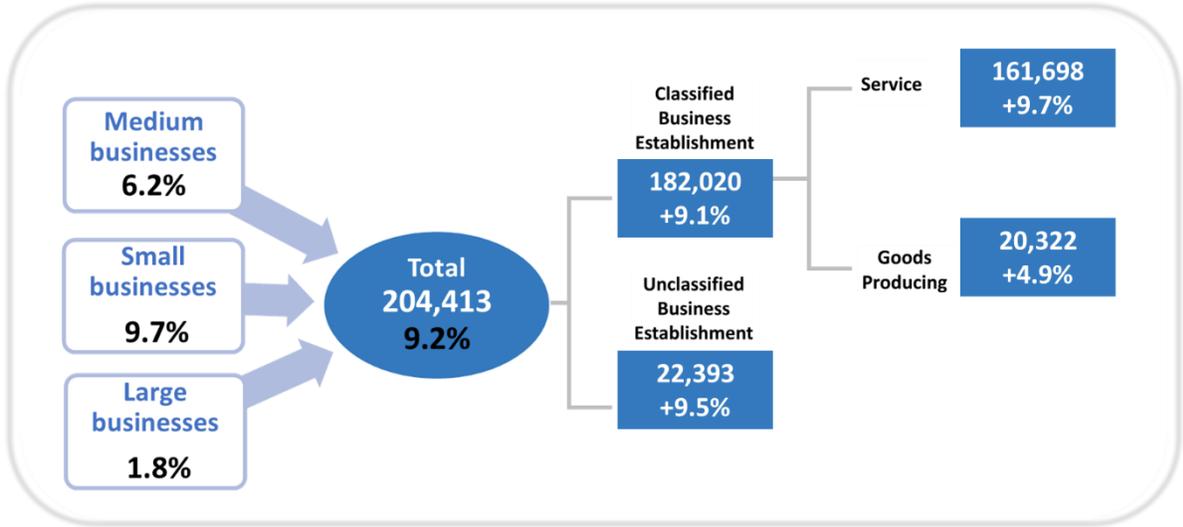


Figure 5. Small business establishments in services led growth in 2022



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- Peel's business sector expanded in 2022 to reach a new high of 204,413 business establishments.
 - Compared with December 2021, there were 17,176 more business establishments in Peel Region in December 2022, an increase of 9.2 per cent, and the strongest growth in seven years.
 - All major business sub-categories registered growth, led by small businesses in the service sector. Peel's small business sector remained at approximately 99 per cent of total businesses in 2022.
 - Macroeconomic changes influenced the growth in Peel's business sector in 2022. Historically low interest rates, which remained in place until early 2022, supported growth in real estate activities and businesses. In addition, the shift to online shopping and associated need for delivery services, influenced a 56.3 per cent growth in businesses in messenger and delivery services, a sub-sector of the transportation and warehousing sector. The number of businesses in transportation and warehousing increased by 11.8 per cent.
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Outlook: Short-term business risks have increased but long-term prospects remain positive

- Short-term business prospects have been tempered by higher inflation, rising interest rates and labour shortages which will increase business cost and risks for many businesses.
- Further, the post-COVID environment has amplified some trends such as online shopping and remote working. These, along with ongoing factors like technological advancement and automation, will continue to influence business growth in the short to medium-term.
- Notwithstanding, Peel remains an attractive business location and is expected to continue to attract new businesses to satisfy the needs of a growing population.

Peel's 2022 Construction Sector Review and Outlook

A significant change in the environment for the construction industry



Several factors influenced changes in the construction sector in 2022, chief among which were the following:



Higher construction prices: Although the prices of some construction inputs peaked in 2021, overall average price remained above pre-pandemic levels in 2022, keeping construction costs elevated.



Rising interest rates: Interest rates rose fast and sharp, to combat inflation. The shift to a higher interest rate environment reduced demand particularly for residential construction.



An increase in the non-resident speculation tax in Ontario: The tax was increased in March and October 2022 and helped to constrain housing demand during the year.

Higher prices and rising interest rates increased the cost of home ownership and pushed many potential homeowners in Canada out of the market. In 2022, the Bank of Canada's housing affordability index, which measures how difficult it is to afford a home, reached its highest point since 1990⁴. In Peel, decision making prior to 2022 influenced positive overall changes in business intentions and housing starts, but the negative impact of the changed environment on home sales was immediate.

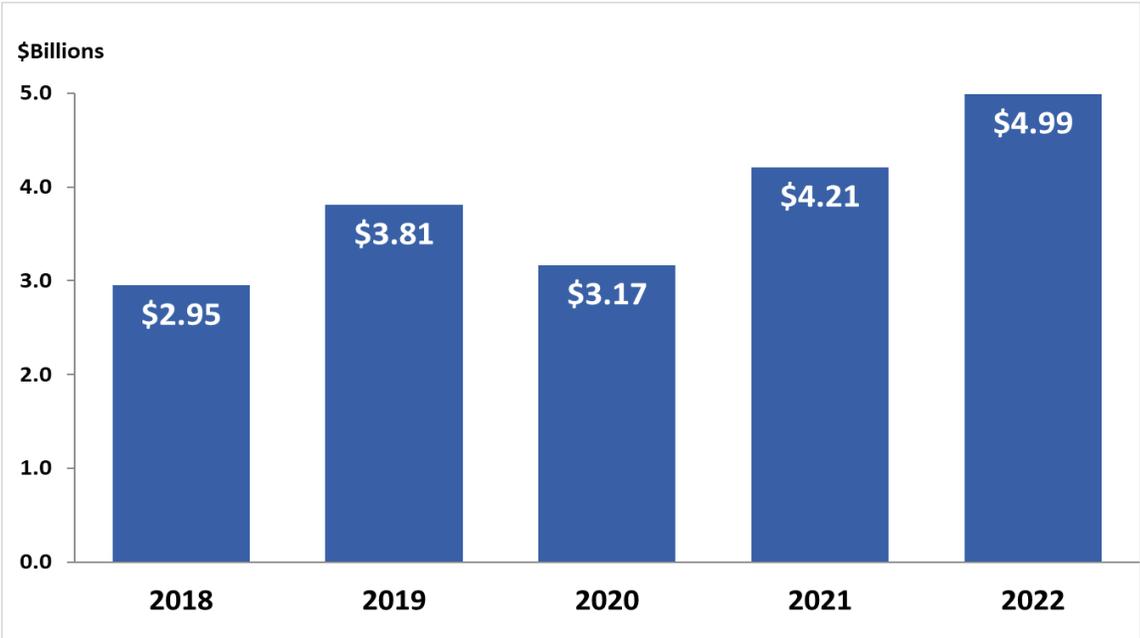
⁴ [Research to Insights: A look at Canada's economy and society three years after the start of the COVID-19 pandemic \(statcan.gc.ca\)](https://www150.statcan.gc.ca/n1/pub/26-26977-2022001-eng.htm)

Building Permits

Strong growth in early 2022 supported growth in Peel’s total value of building permits to a record \$4.99 billion.

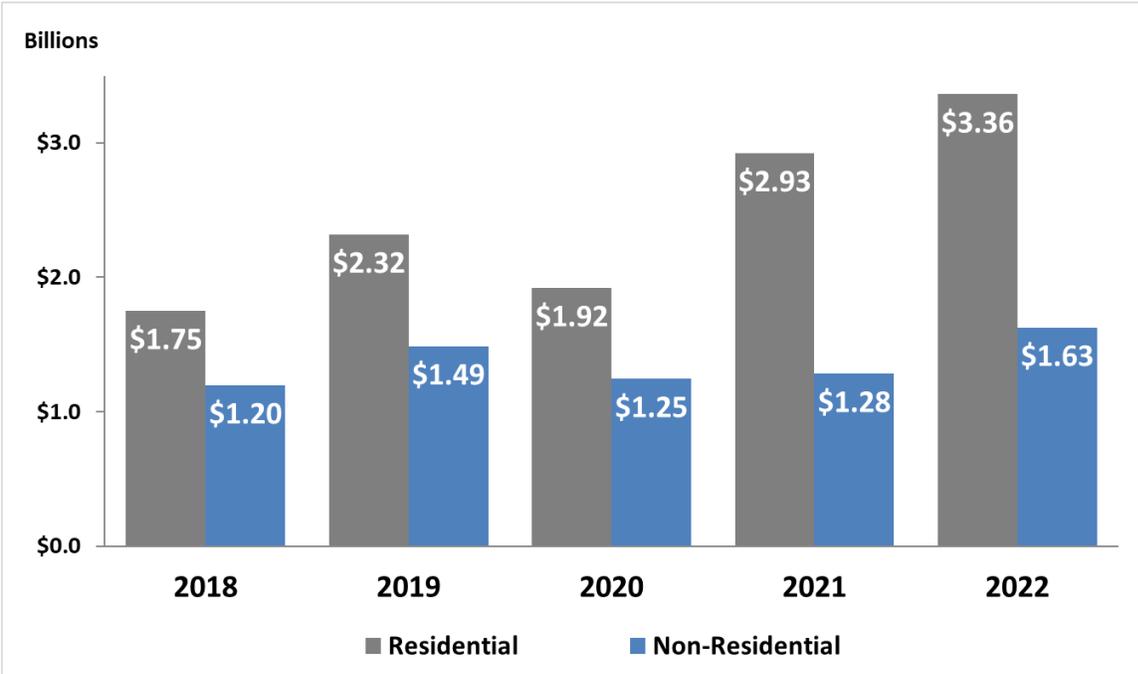
Following a strong 32.9 per cent surge in the total value of building permits issued in Peel in 2021, a growth of 18.6 per cent was recorded in 2022. This pushed the total value of building permits issued to the highest level ever recorded in Peel.

Figure 6. Total value of building permits issued in Peel



Non-residential building permits grew by 26.7 per cent to \$1.63 billion, the strongest growth in eight years, while residential building permits grew by 15.0 per cent to \$3.36 billion.

Figure 7. Total value of building permits issued in Peel by major sub-sectors



Both ongoing and more recent trends likely influenced the changes in the value of building permits issued in Peel in 2022:

- The value of commercial building permits registered a second consecutive annual decline, highlighting the ongoing impact of the changing nature of employment on changes in Peel. A five-fold increase in industrial building permits outweighed the decline in commercial (and institutional) building permits and supported overall growth in the non-residential sub-sector; and
- The total value of building permits issued more than doubled in the first quarter of 2022, as business intentions continued to reflect the low interest rate environment that prevailed until early 2022. Changes slowed as the year progressed, moderating significantly from +126.3 per cent in Q1 2022 to -30.4 per cent in Q3 2022 as inflation accelerated and interest rates increased.

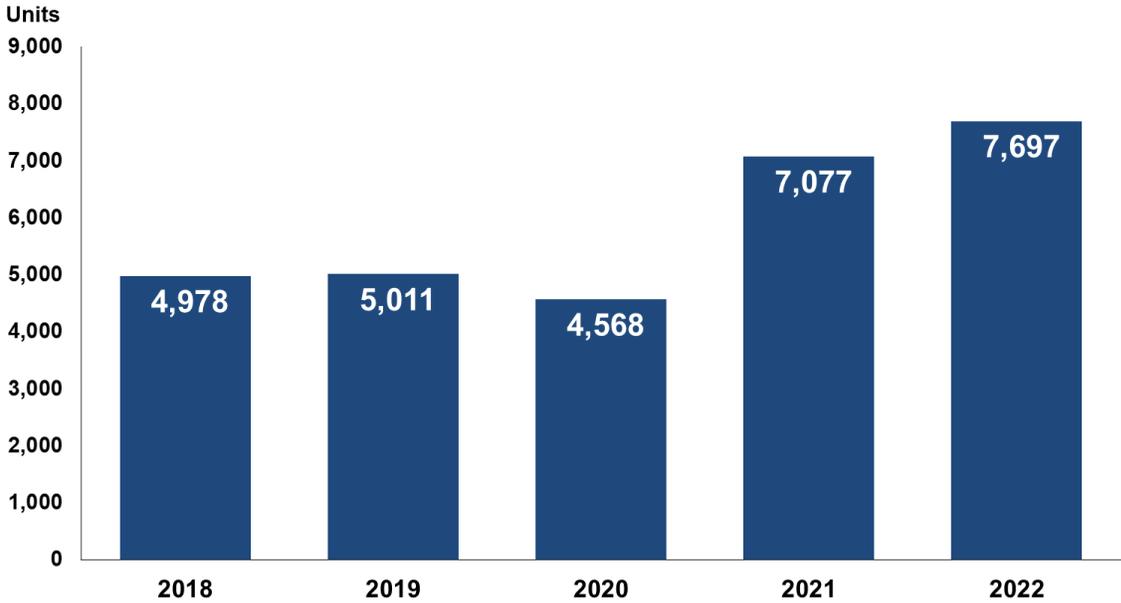
After increasing by 69.2 per cent in 2021, the number of units associated with the total value of building permits issued changed little (-0.8 per cent at 14,717 units) in 2022, indicating that the changed macroeconomic environment may have started to impact building intentions in Peel.

Housing Starts

A multi-year high of 7,697 housing starts recorded in Peel in 2022

The rebound in the number of housing starts in Peel from a COVID-induced low in 2020, continued in 2022 with an increase of 8.8 per cent compared with 2021.

Figure 8. Annual number housing starts in Peel



The increase in starts concentrated solely in multiple starts, which increased by 15.3 per cent to 6,311 units. Single starts fell by 13.6 per cent to 1,386 units.

Many of the units in the multiple segment of the market are usually parts of large projects consisting of many units. This was likely the main factor in the growth registered in Peel in 2022.

Outlook: Short-term challenges but long-term growth prospects remain positive

Short-term changes in building permits and housing starts will likely be tempered by the following:

- **Elevated housing unaffordability:** While home prices continue to retreat in early 2023, they remain above the affordable threshold for many, and together with higher interest rates, are expected to constrain short-term housing demand and limit residential building intentions.
- **The changing nature of employment:** The pandemic has amplified pre-existing trends including a shift to online shopping. This has already impacted changes in commercial building activities and is expected to continue in the short to medium-term.

Long-term changes are uncertain. However, several factors are expected to have positive impacts:

- **Higher immigration:** Higher Canadian immigration targets should boost Peel's population growth which will support the demand for housing.
- **More persons working from home:** This will likely continue to increase the preference for more spacious suburban homes and support housing demand and home construction in Peel.
- **Regional maturity:** As the Region matures, and developable lands become scarce, larger projects dominated by multiple starts are expected to support growth in the number of housing starts.

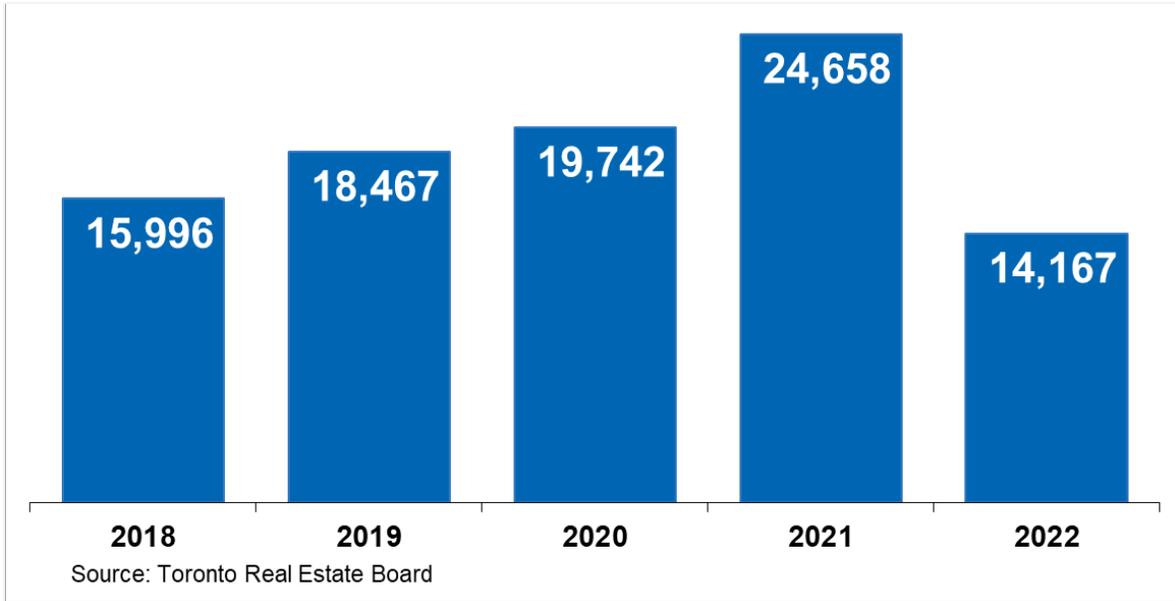
Residential Resale Market

Higher home ownership costs induced a two-decade low 14,167 residential resale units sold in Peel

The changed environment in 2022 triggered an immediate response in both residential resale and new home sales in Peel.

After record-breaking sales in 2021, the number of residential resale units sold in Peel and the broader GTA fell to multi-year lows in 2022.

Figure 9. Annual number of residential resale units sold in Peel

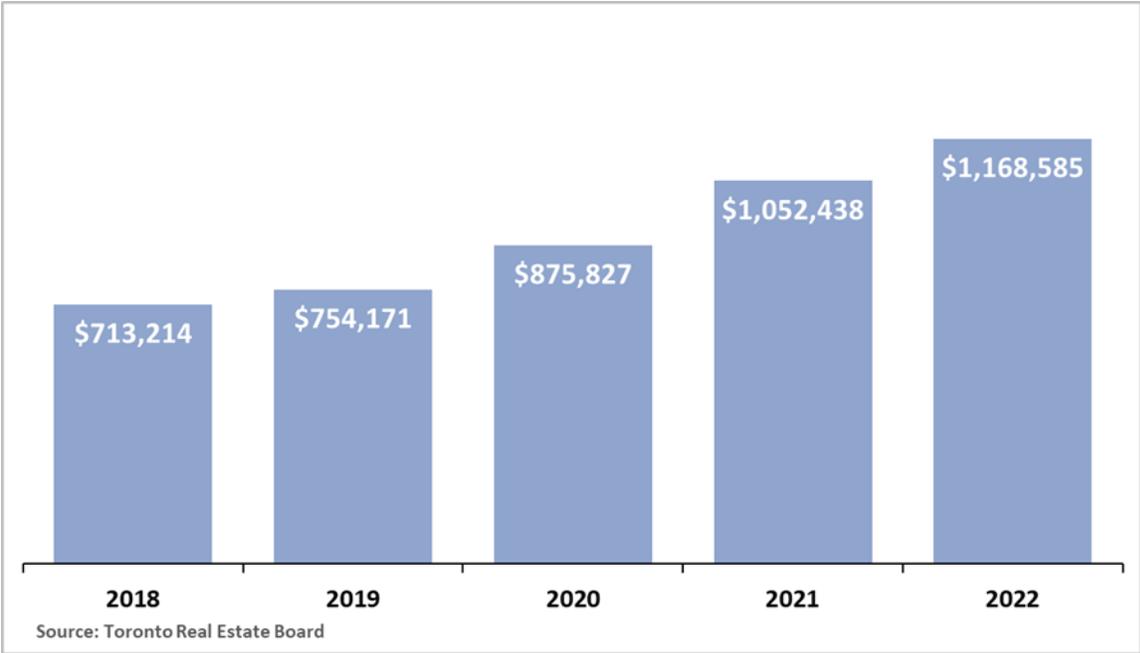


In Peel, the number of units sold in 2022 fell by 42.5 per cent to its lowest level in 22 years, while the 75,140 units sold in the GTA fell (-38.3 per cent) to a fourteen-year low.

As sales contracted, the monthly average price of a residential resale unit in Peel retreated from its peak level reached in February 2022. However, prices remained above 2021 levels for most of the year and contributed to an 11.0 per cent increase in average price for the full year 2022.

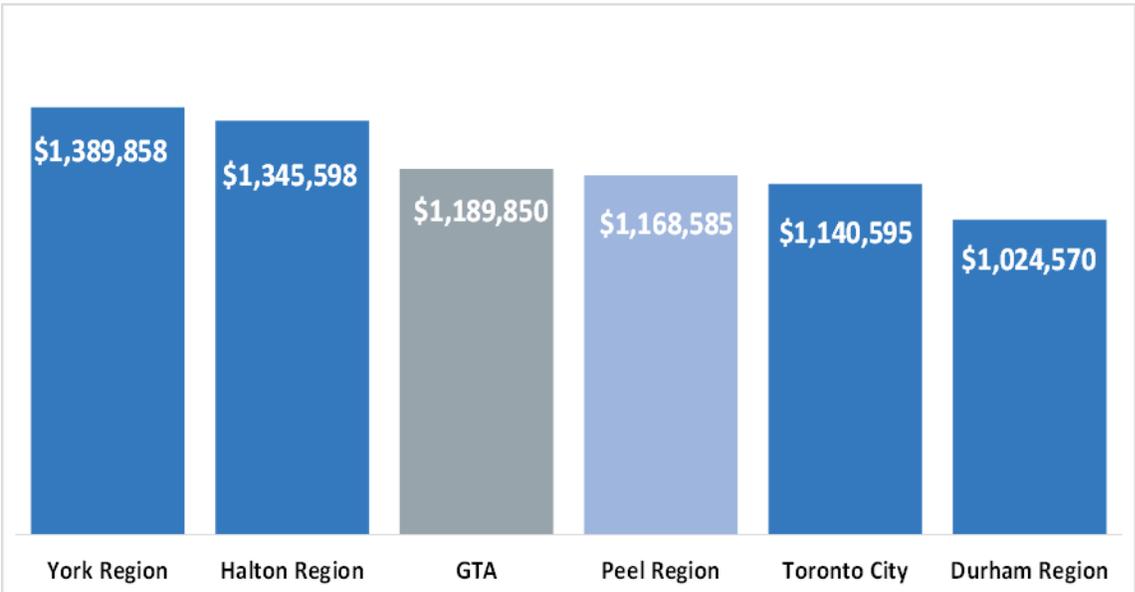
The average price of a resale home in Peel was approximately \$1.17 million in 2022, up 11.0 per cent.

Figure 10. Annual average price of residential unit in Peel



Average price in the Greater Toronto Area (GTA) also increased (+8.6 per cent), as prices rose in all five GTA Regions.

Figure 11. Average price of residential resale unit sold by GTA regions in 2022

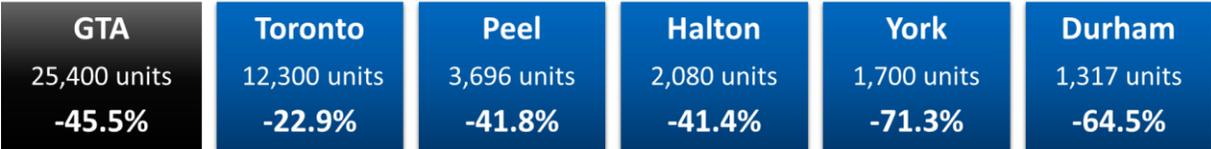


New Home Sales

Sharp decline in new home sales in Peel

- In 2022, total new home sales in Peel fell by 29.1 per cent to 3,696 units. This was in sharp contrast to a 36.7 per cent growth in 2021 when Canadian interest rates were at historically low levels.
- The number of units sold in the GTA also fell as sales declined in all GTA Regions.

Figure 12. New home sales by GTA Region in 2022



Source: Altus Analytics

Outlook: High interest rate is expected to constrain home sales in 2023

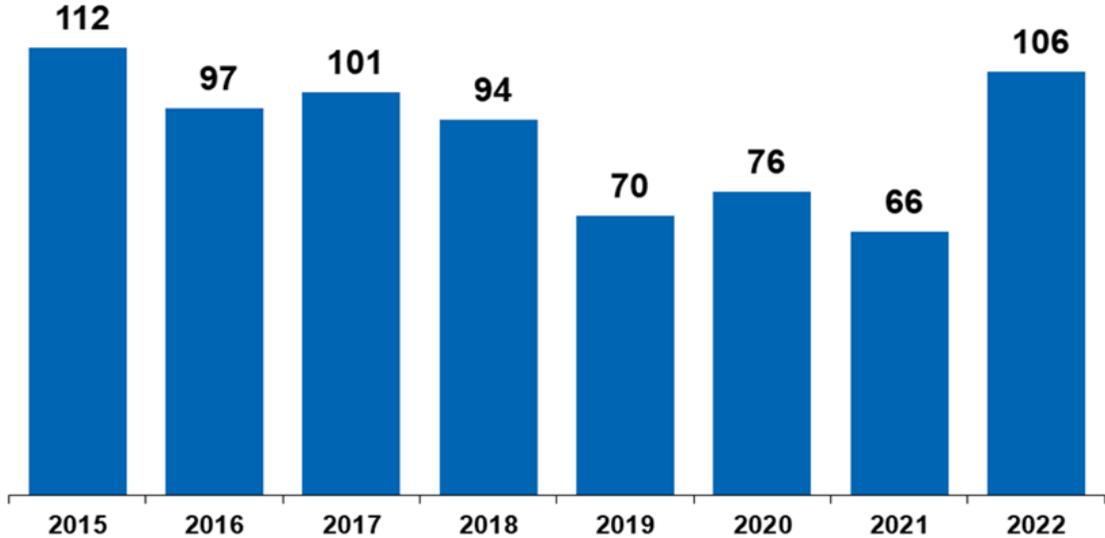
- Higher interest rates that eroded housing affordability throughout 2022 are expected to persist in 2023, exaggerating housing affordability challenges and constraining the demand for both new and resale homes throughout Canada, including in Peel.
- Average price in Peel’s residential resale market continued to fall in early 2023 and is expected to continue throughout the year, given the prevailing 15-year high interest rates. Over the medium to long-term, higher Canadian immigration targets are expected to boost local population growth and support the demand for housing.

Peel's Business Insolvencies Review and Outlook

Insolvencies increased as the economy re-opened

- Business insolvencies rose sharply at the national level as supply chain challenges, inflationary pressures and labour-related obstacles affected many businesses⁵. In addition, as the economy reopened, the courts were able to increase the processing of insolvency cases, and this may have also contributed to the higher number of cases observed in 2022.
- In Peel, while the number of business establishments continued to increase, insolvencies climbed from 66 cases in 2021 to 106 cases in 2022. This was the highest level of business insolvencies in seven years.
- In Peel, business bankruptcies accounted for most of the insolvencies registered in 2022 at 72 cases. Commercial proposals amounted to 34 cases, up from 26 cases in 2021.

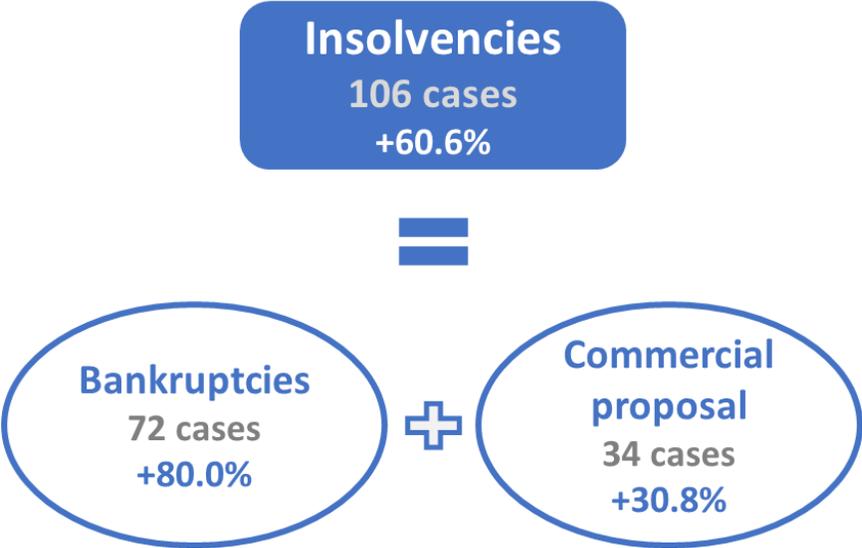
Figure 13. Number of business insolvency cases in Peel



Source: Statistics Canada; Office of the Superintendent of Bankruptcies

⁵ [Research to Insights: A look at Canada's economy and society three years after the start of the COVID-19 pandemic \(statcan.gc.ca\)](https://www150.statcan.gc.ca/n1/pub/26-667-x/2022001/article/00001-eng.htm)

Figure 14. Increase in business Insolvency in Peel in 2022



OUTLOOK: Elevated insolvency risks

- The full impact of the changed economic environment (COVID-19 induced changes, elevated inflation, and higher interest rates) on the local business sector remains unknown, keeping business insolvency risks elevated.

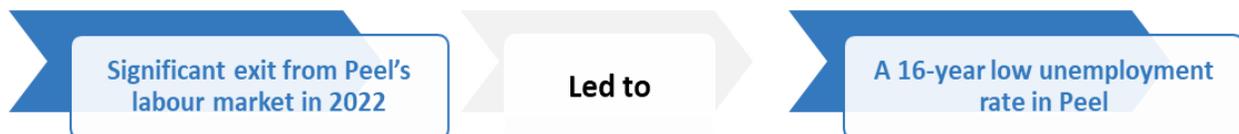


Peel's 2022 Labour Market Review and Outlook

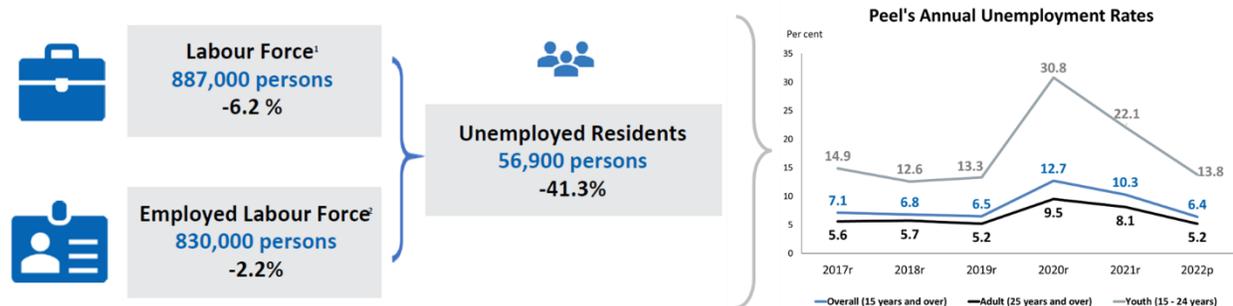
A record exit from Peel's labour market dampened changes

Compared with 2021, total employment in Peel's labour force fell by 2.2 per cent (-19,000 positions) to 830,000 positions in 2022. Simultaneously, a record 59,100 residents left the labour market (-6.2 per cent) reducing total labour force to 887,000 persons. In response, Peel's participation rate fell 2.5 percentage points to 67.2 per cent. This was the first year since 2009 that both employment and labour force in Peel fell.

Those who left the labour market were no longer counted as part of Peel's labour force. As a result, the number of unemployed residents fell by 41.3 per cent to 56,900 persons, and Peel's unemployment rate declined to 6.4 per cent, its lowest level since 2006.

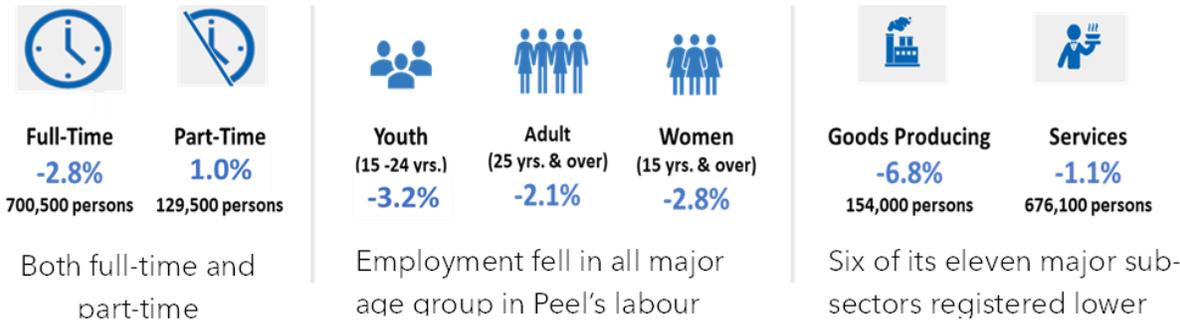


Labour market exits may occur because of several reasons including reduced employment opportunities, frustration from long and unsuccessful job search, and retirement.



In the current flexible work environment, labour market exit may also result from the migration of workers from one location to another. While such workers remain in the labour market, they are counted as part of the labour force in their new location. In 2022, the number of residents who migrated from Peel to other Ontario locations and other provinces increased.

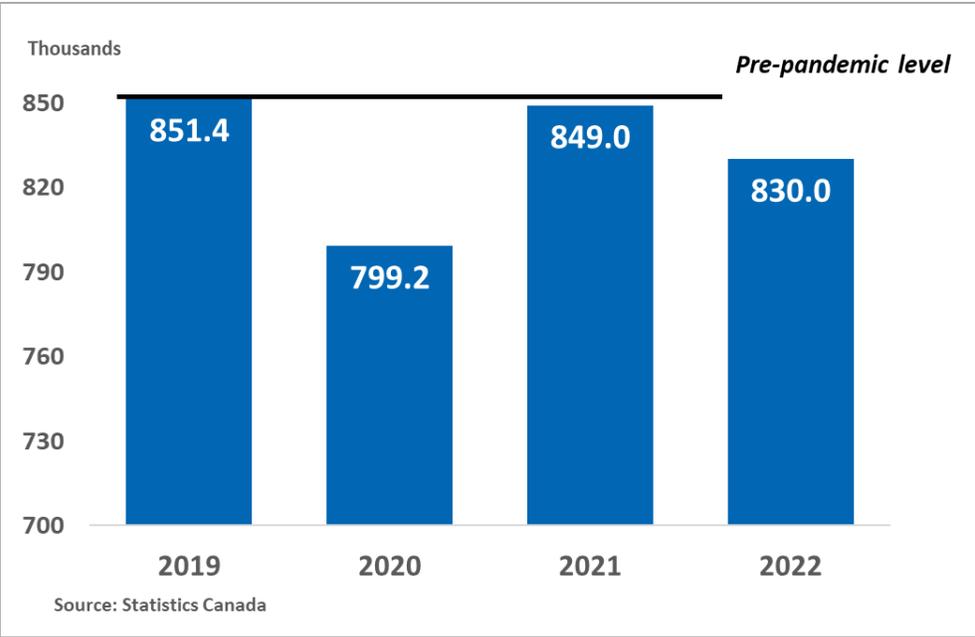
The decline in employment was spread across most major segments of Peel’s labour market



Total employment in Peel’s labour market fell to below pre-pandemic (2019) level

- Total employment in Peel’s labour market fell to 830,000 positions in 2022. This was below the revised 851,400 positions registered in 2019, prior to the pandemic.

Figure 15. Annual average employment in Peel’s labour market



- There was lower employment in all major labour market segments.

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- Lower manufacturing employment pushed total employment in the goods producing sector below pre-pandemic levels. At 90,400 positions, manufacturing employment in Peel fell to its lowest level since Peel-specific labour market data became available in 2001.
 - Full-time employment declined in 2022 and reversed some of the gains registered in 2021. The decline concentrated in the adult (25 years and over) segment of the labour market. Part-time employment for adult (25 years and over) increased by 14.5 per cent to offset some of the loss in full-time positions.

Outlook: Short-term labour market changes are uncertain given several economic risks and structural shifts

- Short-term changes are uncertain at all economic levels, and some risks including the onset of a shallow recession in 2023, have increased. Associated risks of slower employment growth and higher unemployment rates have also increased.
- The higher price environment has also amplified some business risks, while COVID-19 induced government supports to businesses have ended, contributing to higher unemployment risks.
- Notwithstanding, labour market conditions in Canada have remained tight with low labour supply relative to vacancies. The increase in remote work will help some workers, including Peel residents, to leverage the tight national labour market conditions and benefit from expanded employment opportunities, thereby mitigating local employment risks.
- Over the medium to long-term, Peel's labour market is expected to benefit from the increase in international immigration. As new immigrants become more established, they will integrate into Peel's labour market, expand the pool of workers available to local businesses, and contribute to local labour market and economic growth.

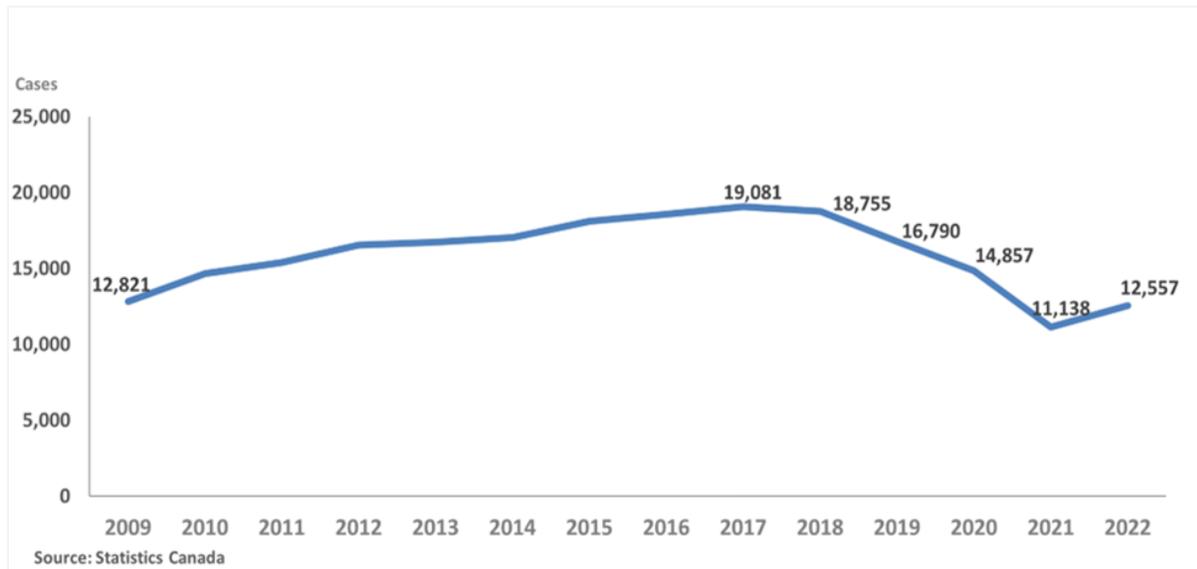
Peel's 2022 Ontario Works (OW) Review and Outlook

In 2022, Peel's OW caseloads increased for the first time in five years



- In 2022, Peel's average monthly caseloads were 12,557 cases, 12.7 per cent higher than in 2021.
- The increase in Peel's OW caseloads started after the termination of Government supports to COVID-19-impacted Canadian individuals in October 2021. Residents seeking social support through OW increased immediately, as reflected in the rise in monthly OW caseloads in November 2021, the month after government supports ended.
- Monthly caseloads trended upwards throughout 2022 and as a result, Peel's average monthly OW caseloads increased for the full year 2022, the first such increase in five years.
- Despite the increase in Peel's average monthly caseloads in 2022, they remained low by historic standards. At 12,557 cases, they were the second lowest since 2009 (12,821 cases).

Figure 16. Annual average monthly Ontario Works caseloads in Peel



Outlook: Peel’s Ontario Works caseloads to rise in 2023

- Higher inflation and interest rates have eroded the value of money, increased food insecurity and elevated unaffordability risks. This will likely force many already vulnerable residents to seek or continue to require social support in the short to medium-term. These supports include those provided by Ontario Works. Peel’s average monthly caseloads are therefore likely to continue to rise in 2023.

Emerging and ongoing risks and outlook for Peel

Outlook: High level of uncertainty



The short to medium-term outlook remains uncertain due to the prevailing macroeconomic conditions and emerging risks including:

Elevated price levels: Inflation is expected to trend down in 2023. This means that the rate at which prices are rising will slow, but prices will remain elevated. Many consumers/households will not be able to afford the same goods and services that they were able to afford before and will be forced to reduce consumption. Many will continue to face food insecurity, unaffordability, and heightened low-income risks. Businesses will also face higher costs, which will likely constrain business and economic growth.

High interest rates: The sharp increase in interest rates has already slowed activities in some sectors, like construction. Further slowing is likely, particularly in the residential sub-sector as the cost of home ownership rises and housing affordability risks become more exaggerated.

Ongoing war in Ukraine: The war in Ukraine is ongoing. Both Ukraine and Russia are important global trade partners and suppliers in the global supply chain. Uncertainties associated with the war will also affect trade and supply chains, exposing trading partners globally to significant uncertainties. Local exporters face similar risks.

Given elevated economic risks, **slower growth** is expected at all economic levels in 2023. In Peel, this risk is tempered by several factors. Peel’s population is expected to continue to grow due mainly to increased immigration. Additionally, its location advantage (proximity to the large US market and situated in the most vibrant economic hub in Canada), and its highly developed transportation network which facilitates the movement of goods and people, will also remain growth enhancing factors.