

### 3. Employment and Economy

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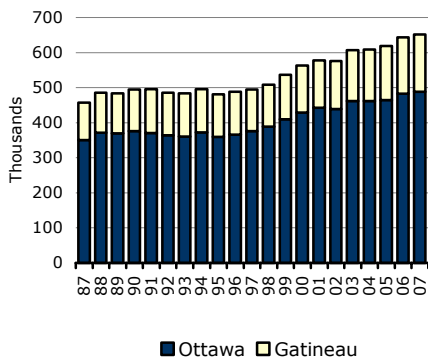
#### HIGHLIGHTS

- The number of employed residents in Ottawa grew by 1% in 2007, the **lowest** job growth rate among Canada's big cities
  - Employment in Ottawa-Gatineau increased by 1.3%
  - High-tech employment up by **1,700 jobs** (2.4%)
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#### 3.1 Employment

**Total Employment, Ottawa and Gatineau, 1987-2007**

Source: Statistics Canada

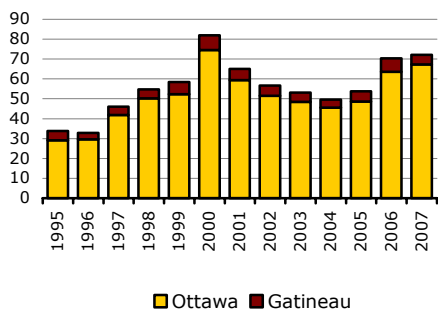


Based on the City's most recent Employment Survey, there were **522,000 jobs** located in Ottawa in 2006. The city's economy created a net 40,000 new jobs between 2001 and 2006. This five-year period featured a slowdown in the high-tech sector and a surge in federal employment. Although new government jobs partly offset high-tech losses, job growth for the period was slightly lower than the average five-year growth since 1976.

Statistics Canada undertakes the sample-based Labour Force Survey (LFS) on a monthly basis. According to the LFS, the number of employed Ottawa residents stood at **488,200** (annual average) in 2007, up only 1.1% from 2006<sup>9</sup>. This was one of the lowest rates of job growth in the last ten years for Ottawa. (Table 10)

**High-tech employment, Ottawa-Gatineau**

Source: Statistics Canada



The Ottawa-Gatineau CMA as a whole gained **8,200 jobs** in 2007, ranking sixth in new jobs and the lowest growth rate (1.3%) among the nation's six big cities. For the period of 2002-2007, Ottawa-Gatineau ranks fourth out of the six large cities in job growth rate. (Table 17) Ottawa-Gatineau's unemployment rate (5.2%) was below the national average (6.0%) and lower than Toronto's and Montreal's in 2007.

Ottawa-Gatineau had **651,500** employed residents in 2007, ranking fifth of the six largest metro areas. The employment rate (number of residents holding jobs as a per cent of the population 15 and over) was, at 68.5 per cent, the fourth-highest of all 27 CMA's in the country.

The strongest gains in employment at the CMA level were in utilities, construction and manufacturing (7,800 jobs, with construction accounting for 5,000 of those), health and education (3,500) and public administration (3,400).

<sup>9</sup> The City's Employment Survey shows a higher number of jobs because it counts jobs located in Ottawa (i.e. place of work) and therefore captures Ottawa jobs held by residents of neighbouring jurisdictions, while the LFS reports people's employment status by their place of residence.

On the other hand, there were high-tech job losses mostly on the Gatineau side, which caused employment in the professional, scientific and technology services sector to drop by 4,000. There were also decreases in the accommodation and food services sector (-3,600 jobs) and in finance, insurance and real estate (-1,500).

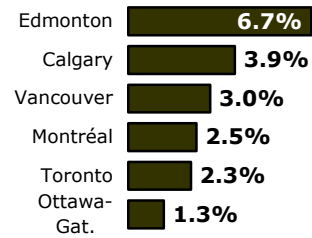
Private-sector employment represented 63.4% of all jobs in Ottawa-Gatineau, slightly down from 64.3% in 2006. In Ottawa, 2007 private-sector employment was also slightly down to 65.2%, from 66.1% in 2006. (Tables 12, 13)

### High Tech

The high technology sector, which had reached 77,600 jobs in Ottawa-Gatineau in 2000 (70,800 of which were in Ottawa), numbered 72,100 employees in 2007 (67,300 in Ottawa). This was a gain of 1,700 high-tech jobs at the metro level, a low number that conceals a loss of 2,000 high-tech jobs in Gatineau but a gain of 3,700 positions in Ottawa. In 2007, Ottawa gained 2,400 positions in the area of software and communications and 2,200 in microelectronics, but lost 700 jobs in telecommunications.

### Employment growth (%), 2006-07

Source: Statistics Canada



### NEW JOBS, 2007

CMA	New jobs
Toronto	63,400
Montréal	45,800
Edmonton	37,800
Vancouver	35,600
Calgary	25,500
<b>Ottawa-Gatineau</b>	<b>8,200</b>

Source: Statistics Canada

## 3.2 Gross Domestic Product

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### HIGHLIGHTS

- National GDP growth was 2.4% in 2007, forecast 2.6% in 2008
  - Ottawa's 2007 GDP growth, 2.7%, was 4<sup>th</sup> among Canada's six big cities
  - 2008 GDP growth forecast, 2.6%, to rank 4<sup>th</sup>, and same as national average
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#### GROSS DOMESTIC PRODUCT (GDP) GROWTH, 2007-08 (f)

	2007	2008f
Canada	2.4%	2.6%
Toronto	2.5%	2.5%
Montréal	2.2%	2.4%
Vancouver	3.0%	3.1%
<b>Ottawa-Gat.</b>	<b>2.7%</b>	<b>2.6%</b>
Calgary	3.4%	3.9%
Edmonton	2.8%	3.6%

Source: Conference Board of Canada, *Metro Outlook Spring 2008*

The Conference Board of Canada provides estimates of annual Gross Domestic Product (GDP) for Canada's metropolitan areas.

In its Spring 2008 *Metropolitan Outlook*, the Conference Board estimates Ottawa-Gatineau's Real GDP at basic prices (in 2002 dollars) at **\$45.8 billion**. This pegs the local economy's growth at 2.7% for 2007, higher than the 2.4% national growth rate but down from 3.5% in 2006.

Ottawa-Gatineau's GDP growth rate was fourth among the million-plus cities in 2007. The strongest growth belonged to Calgary (3.4%) and Vancouver (3.0%), both cities showing a more moderate pace of growth than in 2006.

The Big Six urban areas represent 40.9% of Canada's GDP and their economic growth (2.8%) was stronger than the national average, largely due to strong growth in the three western cities. (*Table 15*)

The Conference Board forecasts a stable year in 2008 for Ottawa-Gatineau, with steady but unspectacular job growth, steady levels of construction supported by institutional projects, steadily rising domestic demand, and rising net migration. Moderate job growth is seen originating from the high-tech sector, despite the high Canadian dollar, and from the federal government, with the caveat that if the federal fiscal position tips into deficit, growth in the civil service will be slower than expected.

Ottawa-Gatineau's GDP is forecast to grow by 2.6% in 2008, the same as the national average and slightly higher than forecast growth for Toronto (2.5%) and Montreal (2.4%).

The top economic leaders are expected to be, again, Calgary (3.9%), Edmonton (3.6%) and Vancouver (3.1%).

### 3.3 Personal and Disposable Income

#### HIGHLIGHTS

- Ottawa-Gatineau has the **third highest average personal and disposable income among major cities**

Average personal income<sup>10</sup> per capita in Ottawa-Gatineau rose by 4.9% in 2007. At **\$40,078** it is the third highest among the Big Six cities behind Calgary and Edmonton. The Conference Board forecasts more moderate annual increases of 3.1% and 3.8% in 2008 and 2009 respectively. (Table 16)

Personal disposable income (after taxes) rose by 4.4% to **\$30,347** in 2007, ranking Ottawa-Gatineau third in this category as well.

Edmonton, Vancouver and Montreal recorded the strongest increases in personal and disposable income in 2007.

### 3.4 Consumer price index

The All-Items Consumer Price Index (CPI) for Ottawa, the general inflation benchmark, stood at **110.7** for 2007 (re-indexed to 2002=100). The annual inflation rate, as measured by the CPI, was **1.9%**.

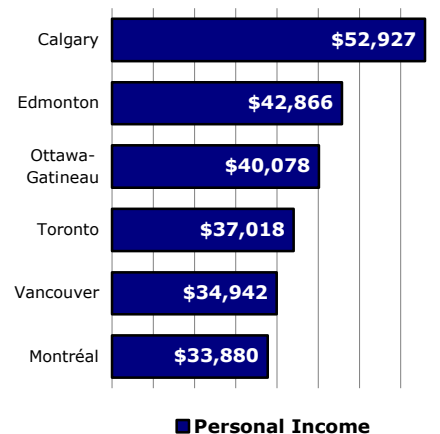
Between 2002 and 2007, the All-Items CPI went up by 10.7%. During those five years, the Shelter CPI went up by 15.6%, the Rented Accommodation CPI by 4.3%, and the Owned Accommodation CPI by 18.7%.<sup>11</sup> (Table 18)

The Shelter and Owned Accommodation CPIs have risen faster than the general rate of inflation, while the Rented Accommodation CPI reflects lower rent increases due to higher vacancy rates through the first part of the decade. The increase in the owned accommodation index is a reflection of widespread increases in house prices over the last few years. Low mortgage rates have continued to prompt more tenants into home ownership. The surge of the condominium market has added options for those wishing to purchase, adding to the momentum toward ownership.

<sup>10</sup> Income data is in nominal dollars, not adjusted for inflation.

<sup>11</sup> The Shelter CPI includes heat and utilities, but the Rented and Owned Accommodation Indices do not.

**Personal Income per Capita, 2007** Source: Conference Board of Canada, Metropolitan Outlook Spring 2008



**2007 rate of inflation for Ottawa (CPI): 1.9%**

### 3.5 Mortgage rates

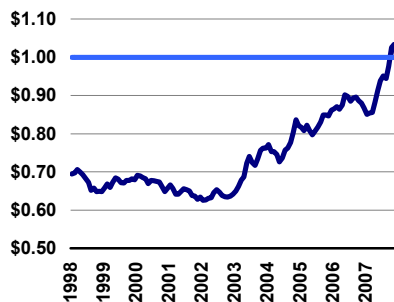
#### Mortgage Rates, 1998-2007

Source: Bank of Canada



#### Canadian dollar exchange rate vs. U.S. dollar, 1998-2007

Source: Bank of Canada



#### HIGHLIGHTS

- The gap between short-term and long-term mortgage rates has almost disappeared
- The steady rise in mortgage rates and house prices has continued to erode housing affordability, though Ottawa remains the most affordable big city in Canada for housing

As the sub-prime mortgage crisis continues to rock financial markets and dampen U.S. demand for Canadian exports, questions abound as to how long our economy can withstand the turbulence. Thus far, most forecasters believe that Canada will experience a modest economic slowdown without tipping into recession, unlike the U.S., which many believe is already in recession.

The worldwide credit crunch resulting from the sub-prime crisis had led to aggressive interest rate cuts by the U.S. Federal Reserve. However, U.S. banks faced with liquidity shortages have not passed on these rate reductions to the consumer, so the U.S. housing market is continuing to struggle without any mortgage rate stimulus or relief.

The Bank of Canada has also reduced its interest rates, but not as sharply as the U.S. Fed. Canada's manufacturing is severely affected by the U.S. slowdown and by the high Canadian dollar, but employment and consumer spending remain buoyant. The greatest risk to the Canadian economy resides in a sharp decline in commodity prices that may flow from a prolonged and severe U.S. recession.

Should this occur, however, the federal government is still in a budgetary surplus position and has more interest rate room to manoeuvre to cushion the effects of a hard U.S. landing on Canada. Canadian mortgage rates increased by 100 basis points in 2007. That is also the spread that exists between Canadian and U.S. overnight target rates. Interest rate reductions are likely to take place in Canada through 2008 but on a more modest scale than south of the border and probably with little effect on consumer mortgage rates.

### 3.6 Construction

#### HIGHLIGHTS

- Total 2007 building permits in Ottawa-Gatineau: **\$2.6 billion**, an all-time record
- Ottawa-Gatineau's increase in value of construction ranks second after Toronto's among Canada's Big Six cities
- Non-residential construction in Ottawa had its best year on record
- 2007 residential activity had strongest growth rate among major cities and also an all-time record

Building permits for the Ontario part of the Ottawa-Gatineau CMA soared to **\$1.99 billion** in 2007, 21% higher than the \$1.64 billion recorded in 2006. This is a high-water mark for construction. (Table 14)

Residential construction had an exceptionally strong year. The 30% increase in permit value for residential construction was the strongest among the Big Six Canadian cities. Eleven apartment buildings, most of them condominiums, were started in 2007.

New downtown office towers as well as major expansions at hospitals and universities, and ongoing renovation work at several government buildings, contributed to the surge of activity on the non-residential side. The value of commercial construction in Ottawa climbed by 11.2% in 2007. All non-residential sectors experienced stronger activity, with industrial construction up 55.7% from 2006. Institutional construction, which comprises expansions to hospitals and universities, was up 13.9%.

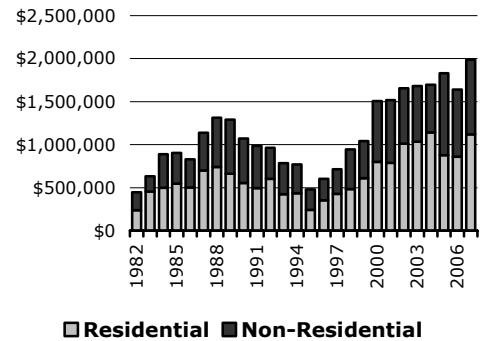
The total for the Ottawa-Gatineau CMA was **\$2.6 billion**, a 19.8% increase over 2006. Residential construction rose by 22.5% in the CMA, while non-residential permits were 15.9% more than the year before.

#### Major cities

At the national level, Ottawa-Gatineau ranks sixth of the major cities in terms of dollar value of building permits, but second after Toronto in terms of growth rate over 2006. The three western cities remain in boom mode. Vancouver remains ahead of Montreal in second rank. In Calgary, the value of building was almost identical to Montreal's.

#### Building permits, Ottawa-Gatineau CMA (Ontario part), 1982-2007

Source: Statistics Canada



#### BUILDING PERMITS, MAJOR METRO AREAS, 2007

CMA	Bldg. Permits (\$bn)	% chg. 2006-07
Toronto	\$13.22	19.9%
<b>Ottawa-Gatineau</b>	<b>\$2.60</b>	<b>19.8%</b>
Calgary	\$6.48	18.3%
Edmonton	\$3.92	10.8%
Montreal	\$6.51	7.9%
Vancouver	\$7.02	6.1%

Source: Statistics Canada



*The University of Ottawa's new Desmarais building, part of the institutional construction boom that has helped building permits soar in recent years.*