

## Ontario

### THIRD WAVE SLOWS REBOUND, VACCINE PROGRESS SETS UP BETTER H2

- We have revised our forecast for Ontario lower in respect of strict third wave lockdown measures whose impacts are evident in the economic data.
- We expect exports to rally this year, with more meaningful gains in 2022.

Ontario's third wave of COVID-19 was severe and prompted some of the strictest containment measures implemented to date in Canada according to both the Oxford University and Bank of Canada measures. Incoming data suggest that had a meaningful impact on economic activity. In April—when those measures came into effect—full-time jobs fell by more than 2% and hours worked dropped by almost 8% m/m according to our own seasonal adjustment calculations—the most since the peak lockdown period. We suspect that Ontario's economic growth will come in weaker than the national average in the first and second quarter of 2021. The significant pickup in vaccination rates and waning of infection rates since third wave restrictions came online bodes well for a bounce-back as we approach Q3.

For automobile manufacturing output—responsible for about a third of Ontario export values—we anticipate a solid gain at the national level this year to be followed by a stronger rise in 2022. That reflects production guidance from automobile companies and should result in a similar trajectory for the province's external shipments. Last year, Canadian production fell by 28%. Other key Ontario export products include gold, silver, iron, and steel; we still expect all to benefit from metals price gains this year as the global industrial sector recovery proceeds.

Our forecast easing of residential investment in Ontario as the year progresses mirrors and is the anchor of the national-level trajectory. Housing resales and starts have both fallen back to start Q2, likely impacted by limited availability. As the year progresses, we expect stretched affordability and rising mortgage rates to cool the pace of residential sales activity, with a transitory effect from new homebuyer qualification rules. Yet, building activity should remain elevated relative to historical standards, broadly supported by low borrowing costs and tight supply-demand balances. Faster border reopening and population growth present upside potential.

The pace of immigration's recovery remains important for Ontario. The province had witnessed a year-over-year increase in newcomer admissions from January to April. As in other jurisdictions, it has seen a significant rise in the number of permanent residents who previously held temporary worker and international study permits. We remain cautiously optimistic about a full recovery given rising vaccination rates, national immigration targets, and the province's status as a desirable destination for workers.

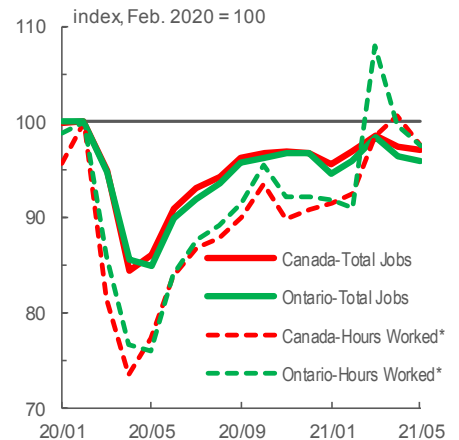
Ontario's 2021 budget projects a return to balance by FY30—the longest timeline of any province—but we see upside potential for the bottom line given conservative economic forecasts and considerable prudence built into the plan. Read our report [here](#). Total outlays scheduled under the Ontario Capital Plan were increased by \$4 bn during FY21–23 versus the November 2020 Budget. The 13% increase penciled in for FY22 should help support the recovery.

### CONTACTS

Marc Desormeaux, Senior Economist  
416.866.4733  
Scotiabank Economics  
[marc.desormeaux@scotiabank.com](mailto:marc.desormeaux@scotiabank.com)

Key Economic Indicators			
annual % change except where noted			
	20E	21F	22F
Real GDP	-5.8	5.8	4.3
Nominal GDP	-4.9	9.4	6.4
Employment	-4.8	3.7	3.6
Unemployment Rate, %	9.6	8.1	6.0
Housing Starts, 000s	81	91	77
Total CPI	0.6	2.8	2.5

### Third Wave Stalls Ontario's Labour Market Momentum in April and May



\* Seasonal adjustment by Scotiabank Economics. Sources for tables and chart: Scotiabank Economics, Statistics Canada, CMHC.

**Provincial Forecast Summary**

The Provinces	(annual % change except where noted)										
Real GDP*	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2010–19	2.2	1.0	2.3	1.1	0.7	1.9	2.3	2.1	2.2	2.6	2.8
2019	1.9	4.0	5.1	2.4	1.2	2.7	2.1	0.6	-0.7	0.1	2.7
2020e	-5.3	-5.3	-3.0	-3.2	-3.7	-5.3	-5.8	-4.8	-5.2	-8.2	-3.8
2021f	6.1	3.8	5.0	5.2	5.4	6.9	5.8	5.7	5.5	6.2	6.4
2022f	4.0	2.5	3.2	3.4	3.3	3.8	4.3	3.5	3.6	4.2	4.4
<b>Employment</b>											
2010–19	1.3	0.6	1.5	0.3	0.0	1.2	1.4	0.9	0.8	1.2	2.0
2019	2.2	1.1	3.3	2.3	0.8	2.0	2.8	1.0	1.9	0.7	3.0
2020	-5.1	-5.7	-3.2	-4.7	-2.6	-4.8	-4.8	-3.7	-4.7	-6.6	-6.6
2021f	4.1	3.4	3.3	4.7	4.1	4.3	3.7	3.7	3.3	4.4	5.3
2022f	3.3	1.3	2.5	2.6	2.3	3.2	3.6	3.0	2.9	3.7	3.4
<b>Unemployment Rate (%)</b>											
2010–19	6.9	13.3	10.6	8.7	9.4	7.1	7.0	5.6	5.3	6.2	6.1
2019	5.7	12.3	8.7	7.4	8.1	5.1	5.6	5.3	5.6	7.0	4.7
2020	9.6	14.1	10.4	9.8	10.0	8.9	9.6	8.0	8.4	11.4	8.9
2021f	7.6	12.5	8.3	7.9	8.2	6.3	8.1	6.3	6.2	9.2	6.7
2022f	5.8	12.1	7.4	6.9	7.3	4.9	6.0	4.9	4.9	7.0	4.9
<b>Motor Vehicle Sales (units, 000s)</b>											
2010–19	1,818	33	7	51	41	432	715	55	53	237	194
2019	1,914	34	8	53	41	454	789	53	46	227	214
2020	1,564	28	7	44	34	376	612	46	40	186	180
2021f	1,750	32	9	50	40	425	673	52	45	216	208
2022f	1,973	34	9	55	44	480	764	56	50	244	235
<b>Budget Balances, (CAD mn)</b>											
2019**	-39,400	-1,383	22	3	49	4	-8,672	5	-319	-12,152	-321
2020	-354,200	-1,644	-120	-706	-13	-6,240	-38,468	-2,080	-1,865	-20,192	-8,144
2021f	-154,700	-826	-112	-585	-245	-12,250	-33,100	-1,597	-2,611	-18,221	-9,698
2022f	-59,700	-587	-46	-218	-296	-8,500	-27,700	-374	-1,685	-10,982	-5,484

\* Based on preliminary estimates of real GDP by industry for all provinces but Quebec and Ontario. \*\* NL budget balance in 2019 is net of one-time revenue boost via *Atlantic Accord*.

Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund and Stabilization Reserve transfers.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

**This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.**

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.