

Is the boom really a boom?

By: Sandra Dueck, Policy Analyst, Greater Peterborough Chamber of Commerce

Over the past few months we've been hearing from government how strong the economy is performing. This strength and resulting prosperity is also being given as the reason for tax changes federally and for an aggressive schedule for provincial legislative changes to the Employment Standards Act. Now while the federal picture may not be exactly like the provincial one there are similarities and trickle down impacts. Can the growth of the past two quarters be expected to continue in the third quarter? Hendrik Brakel of the Canadian Chamber of Commerce takes a look at the main economic drivers behind the unexpected growth and what we can expect when the Q3 numbers are released in a few weeks on December 1st.

5 Minutes for Business: Canada's Economy is Booming, But Will It Last?

Boom! Canada hit 4.5% growth in the second quarter after a torrid 3.7% expansion in Q1! Sounds like growth in India, not a sleepy advanced economy. As a result, Canada's deficit is lower than expected and the government announced additional spending. So is it time to stop worrying and pop the champagne?

There are four key drivers of this bonanza: (1) export growth thanks to the oil and gas sector;



(2) consumption, because Canadians continue to borrow and spend like there is no tomorrow; (3) housing which saw the biggest gains in 8 years; and (4) a healthy gain in business investment. The question is whether these are likely to continue?

Firstly, Canada's exports are set to rise 8% this year, which is superb, but is almost entirely driven by oil and gas sales which are up almost 42% so far this year. If you take out the petroleum sector, Canada's exports grew just 1%.

But the export boom won't last: the strong loonie and US weakness caused Q3 exports to fall 11.5%, while imports fell 7.1%. Net exports will be a drag on GDP growth for the rest of 2017.

Consumption will also slow down in Q3. Retail sales fell two months in a row (July and August). And job growth slowed: just 43K jobs were created in Q3, the weakest quarter in a year, with gains entirely in the self-employment category. Private sector employment fell for the first time since 2015.

Housing has been a powerful driver of growth, but the foreign buyer tax hit Canada's largest and fastest growing real estate market in May. Toronto's home sales have fallen 35% while prices were off 20%. The effects are likely to be temporary, as we saw in Vancouver, but will surely be felt in Q3.

The star of investment spending has been the recovery in the oil and gas sector but that is also facing tough times. The National Energy Board's expanded focus on downstream emissions has created an effective moratorium on new energy projects. TransCanada finally pulled the plug on Energy East and in the last two years, \$82 billion of investment has been cancelled.

So, we can expect a sharp downturn in exports and housing alongside much weaker consumption and business investment. Statistics Canada will release Q3 growth on December 1st and we expect it to be below 1%. What should we do? How do we keep growing?

Look around the world - these are exciting times in tax policy! France

has just embarked on major tax reforms, with a 2017 budget that reduces or eliminates several business taxes, while lowering overall rates. The UK Government undertook a major tax reform effort last year, but backed away from the most contentious measures in April 2017. And in the US, Congressional Republicans are determined to press ahead with the biggest tax reform in 30 years, to slash the general corporate rate from 35% to 20% while eliminating certain tax credits.

What is Canada doing in the midst of our trading partners' laser-like focus on competitiveness? We've just spent most of the summer in a ferocious battle over income sprinkling. Instead, Canada could create an internationally competitive system of business taxation that rewards entrepreneurship, encourages businesses to invest in the technologies, skills, and capacity they need to grow, and attracts capital and highly qualified people from around the world. That would ensure Canadian growth for generations!

Party leaders speak at Ontario Economic Summit

All three main party leaders spoke to the over 300 delegates attending the Ontario Economic Summit in Niagara-on-the-Lake recently.

Premier Kathleen Wynne, Opposition Leader Patrick Brown, and NDP Leader Andrea Horwath addressed electricity, Bill 148, the environment, the need for more inter-government collaboration and spoke at a high level of their desired path to see continued economic prosperity in Ontario.

To watch their speeches go to the Peterborough Chamber blog at peterboroughchamber.ca/blog



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GREATER Peterborough Chamber of Commerce
STRENGTHENING BUSINESS

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PUBLICAN HOUSE RESTAURANT
4-6PM
TUES, DEC 5, 2017

#lovelocalptbo grand prize draw for \$1000 shopping spree

Networking
Food & Door Prizes

PBX Sponsor

GREATER Peterborough Chamber of Commerce

Event Calendar



WEDNESDAY
November 22nd, 2017

Ashburnham Reception Centre
840 Armour Road



7:00am - 11:30am

Details: Breakfast Conversation with PKED's Rhonda Keenan

4 Workshops:

- Bill 148/Federal Tax Changes
- Best Kept Secret in Business: Staying Visible
- Marijuana & the Workplace
- Taking the Mystery Out of Procurement

Platinum Sponsor: BDC

Cost: \$25 Chamber Members/
\$35 Non-Members

Note: Pre-registration required



TUESDAY,
December 5th, 2017

PBX @ Publican House

300 Charlotte Street, Peterborough



4:00pm - 6:00pm

Details: Join us to celebrate the holidays at Publican House. The restaurant recently took home the statue for "Hospitality" at the 2017 Peterborough Business Excellence Awards.

We'll also be reaching into the fishbowl to draw the #lovelocalptbo year-end winner.

PBX is a great opportunity for the business community, employers, consumers, and community agencies to make valuable connections.

Bring your business cards and get ready to get connected to the Peterborough business community.

Cost: Free, courtesy of Shorelines Slots at Kawartha Downs

Note: Space is limited; pre-registration required



TUESDAY
December 12th, 2017

The Carousel
116 Lansdowne Street East
Coffee's on at 7:00am

Speakers from 7:30-8:30am

Speaker: Heather Watson, acorn30

Cost: Pay for your breakfast

FOR FIRMS WITH 1-50 EMPLOYEES

Insurance for small business that's anything but small

contact: Brian Bulger at 741-1400

PTBO CHAMBER MEMBER

STRENGTHENING BUSINESS

Some History Lessons at Lett Architects

Thank you again to Bill Lett and the team at Lett Architects. The group hosted a PBX recently at their newly renovated studio.

During his speech, Bill spoke about how one of his first networking events in Peterborough was a

Chamber of Commerce Business After Hours event and how it feels that his business has come full circle as they now have the space to host such an event.

Another historical fact: the Lett Studio originally housed Peterborough's first grocery store.



Thanks again for your hospitality and 20+ year commitment to the Peterborough Chamber of Commerce.

Watch the full video and check out pictures from the PBX at Lett Architects on Facebook at facebook.com/peterboroughchamber

Next month we'll be celebrating the holidays at Publican House Restaurant and make the #lovelocalptbo grand prize draw.

Do you have a story about your first interaction with the Peterborough Chamber of Commerce?

or

Chamber members send your Member Milestones to reception@peterboroughchamber.ca or call 705-748-9771 x0



www.peterboroughchamber.ca

BUSINESS SUMMIT

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November 22, 2017 7AM - 11:30AM

Speakers & Workshops

Minister Jeff Leal
Rhonda Keenan, PKED
Bill 148 & Federal Tax Changes
Best Kept Secret in Business: Staying Visible
Marijuana & the Workplace
Taking the Mystery Out of Procurement