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THE SCALE AND COMPETITIVENESS OF YORK REGION'S ECONOMY

The Planning and Economic Development Committee recommends the adoption of the recommendation contained in the following report, August 3, 2005, from the Commissioner of Planning and Development Services:

1. RECOMMENDATION

It is recommended that:

1. The Regional Clerk circulate this report to the area municipal economic development offices.

2. PURPOSE

The purpose of this report is to provide Regional Council with an update on the Economy of York Region, which staff is planning to undertake on a regular basis.

3. BACKGROUND

One of the Objectives contained in the recently adopted Economic Strategy is "Better understand the growth and change in the Region's economy". In 2004, the consulting firms of Essential Economics Corporation and Community Benchmarks were retained to undertake a research study on the Region's economy, as part of the Economic Strategy development process. T*he Economy of York Region* report provided for the first time an estimate of the size of the Region's economy as well as an assessment of the scale and diversity of the business structure of the Region. This summer, Community Benchmarks was engaged to prepare an update to the report in order to gauge the changes to the Region's economy. Additional research was also included as new data became available through Statistics Canada.

4. ANALYSIS AND OPTIONS

4.1 Gross Domestic Product

Gross Domestic Product (GDP) is the value of all final goods and services produced in a region. It documents annual wealth creation and is the best measure of a region's economic capability.

In 2004, York Region generated an estimated $37.5 billion of output. Same as in 2002, the scale of the Region's economy is greater than each of the Atlantic Provinces, as shown in Table 1.

Table 1
POPULATION AND GDP - York Region and Canadian Provinces
2004
(At Current Dollars)

	Population (000's)	($ Billions)
PEI	137.9	$4.0
Newfoundland	517.0	$19.563
New Brunswick	751.4	$23.369
Nova Scotia	937.0	$30.036
York Region	**889.5**	**$37.516**
Manitoba	1,170.3	$40.265
Saskatchewan	995.4	$40.456
British Columbia	4,196.4	$156..481
Alberta	3,201.9	$187.430
Quebec	7,542.8	$267.032
Ontario	12,392.7	$517.614

Source: Statistics Canada and Community Benchmarks

York Region's share of the Ontario population in 2004 was about 7.1% while York Region's contribution to Provincial GDP was slightly above 7.2%.

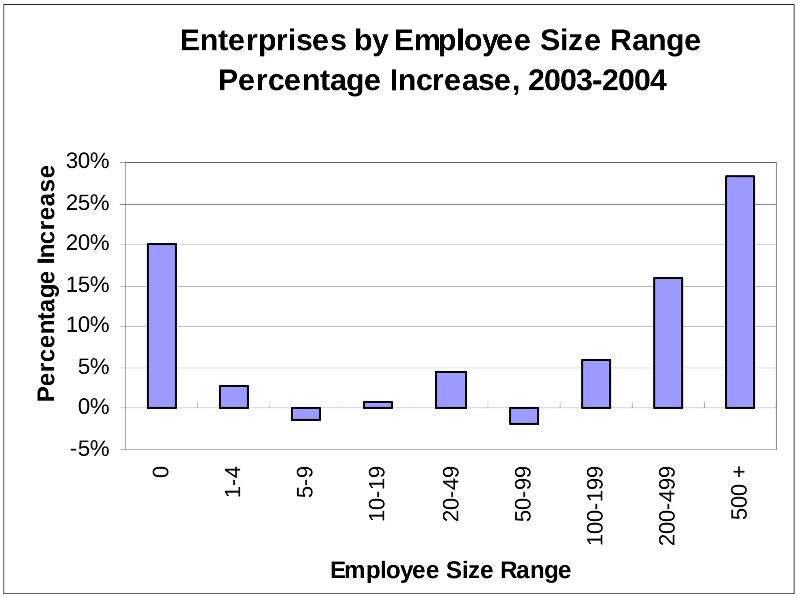
Between 1991 and 2004, York Region's Real GDP grew 112%, compared with 56% for Ontario. The Region's rapid growth is indicative of a vibrant economic and business environment.

4.2 Enterprises

Statistics Canada's *Canadian Business Pattern* provides a comprehensive count of enterprises in York Region. The database is derived from Canada Revenue Agency business numbers and from payroll remittance numbers, and is a record of enterprises with business revenue of over $30,000. This research uses a different methodology than the Employment Survey which collects data on business establishments by places of work. Therefore, the number of enterprises included in this report will take into account incorporated businesses that may have no fixed address, personal services corporations and incorporated entities carrying on business as a subsidiary or related basis at an address shared with other businesses.

In December 2004, there were 89,876 enterprises in York Region, up 13% from 2003. Of the total number of enterprises, 57,932 had no payroll employees, i.e. owner-managed.

This represents an increase of 20% compared to 2003, which underscores the strong entrepreneurial capabilities of the Region's population and a very positive environment for business creation.



Source: Statistics Canada, Canadian Business Patterns

Small firms remained the dominant form of enterprise in York Region, with approximately 94% of the firms employing less than 20 employees. However, larger firms with over 100 employees had grown by 10% compared to 2003, with the largest increase (28.3%) in enterprises with over 500 employees. This strong rate of growth reflects a strong and robust economy which has the ability to both attract new large enterprise as well as accommodate growth of local firms.

The growth in the number of enterprises is seen across all industry sectors, which reinforces the strength of York Region's diversified economic base. The largest share of enterprises is in the Professional, Scientific and Technical Services which accounts for 19% of the total enterprises in the Region. This represents an increase of 2,378 enterprises or 16% over the 2003 figure. The substantial growth in this industry sector reflects the Region's continuing transition to a knowledge-based economy which is an essential element for competitiveness.

4.3 Exporter Profile

Data for the Exporter Profile is drawn from the Exporter Register which reports commodity exports for York Region's resident exporters. The most current data available from Statistics Canada is for 2003.

In 2003, there were 2,640 exporters in York Region. While detail statistics are not readily available, sources have indicated that the number of exporters in the Region is higher than some of the surrounding regions within the GTA. With a total commodity value exported in the $10 billion mark, it can be concluded that some of the Region's exporters are engaged in quite significant export activities.

Table 2 shows a breakdown of the exporters by industry sectors. The industry sector refers to the primary business activity of the exporting establishment, regardless of the commodity being exported.

Table 2
Breakdown of Exporters by Industry Sectors, 2003
York Region

Industry Sector	No. of Exporters	% of Total
Agriculture, Mining and Construction	87	3.3
Manufacturing	1,211	45.9
Service	1,342	50.8
Total	**2,640**	**100.0**

Source: Statistics Canada and Community Benchmarks

Industries within the Manufacturing Sector with the most exporters were Machinery, Fabricated Metal Products, and Plastics and Rubber Products. Within the Region's Service Sector, the Wholesale Trade accounted for 30% of all of York Region's exporters, followed by the Professional, Scientific and Technical Services Industry.

Some industries in the Region were highly export-oriented. The most export-oriented industry was the Audio and Video Equipment Industry with each of the industry's six companies exporting. Other industries where exporters represent 70% or more of all enterprises with employees included Steel Products Industry, Aerospace Products and Parts Industry, Communications Equipment Industry, Plastic Product Industry, Agriculture, Construction and Mining Machinery Industry, Architectural and Structural Metals Industry, and Hardware Manufacturing Industry.

As indicated by the diversity of its export industries, the economic success of the Region is not dependent on one or two leading industries, which makes it less vulnerable to cyclical downturns of the top performers.

A key factor driving the growth of companies is their export activity. York Region's export strength is a sign of a highly adaptive and competitive economy. In the last four years, the Export Development Initiative has been successful in assisting companies to enter and/or expand the export market. In the future, the Export Advisors will continue to encourage companies in the Region to explore export opportunities, develop their export potentials, diversify into new markets, and increase the value of shipments.

4.4 Manufacturing Scale and Competitiveness

Manufacturing is the largest sector of Canada's economy, generating investment, jobs and revenues that will help sustain the prosperity and quality of life for everyone. The sector is also central to exports, and in York Region where export accounts for over 37% of the GDP, the manufacturing industry is vital to the growth of its economy. In order to arrive at a better understanding the manufacturing sector, the key indicators have been incorporated as part of this research study.

The strength of the Region's manufacturing industries can best be observed by examining their scale and productivity. Although the most recent data available from Statistics Canada are for 2002, the information will serve as a baseline and establish a trend to assess the sector's performance in the future.

Based on data from Statistics Canada, the Region's manufacturing sector was comprised of 2,619 establishments in 2002, employing 65,138 production workers and 18,193 administrative employees. In total, $3.6 billion in salaries and wages were paid to these employees, while $9.4 billion was spent on material and supplies, and $196 million for fuel and electricity. Shipments from the Region's manufacturing sector totalled $18 billion, with the value added accounting for over $8.4 billion. (Value added captures the economic benefit left within the Region, and equals to the income from the factors of production i.e. land, labour, and capital.)

From 2000 to 2002, the total number of manufacturing firms in York Region increased by 2.4%. While the total number of manufacturing workers (including administrative workers) rose by 1.1%, the number of production workers declined by 6%. However, despite the decline in production employment, the value of shipments increased by 4.2% and value added rose 4.0% during this period. This trend could possibly be explained by increased industry automation and/or increased productivity among workers.

Table 3
Principal Manufacturing Statistics
York Region, 2000 and 2002

	2000	2002	Growth/Decline (%)
Number of Firms	2,557	2,619	2.4
Number of Production Employees	69,329	65,138	-6.0
Total Number of Employees (incl. administration)	82,419	83,331	1.1

Total Salaries and Wages ($,000's)	3,384,965	3,620,972	7.0
Cost of Fuel and Electricity ($,000's)	189,059	196,502	3.9
Cost of Materials and Supplies ($,000's)	9,035,393	9,420,962	4.3
Value of Manufacturing Shipments ($,000's)	17,280,047	18,010,505	4.2
Manufacturing Value Added ($,000's)	8,124,261	8,453,215	4.0

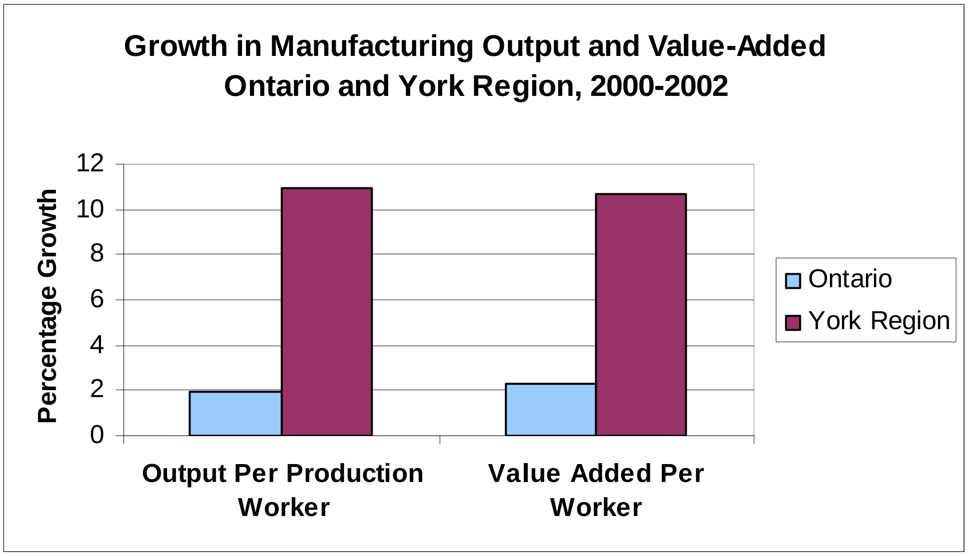
Source: Statistics Canada

The Fabricated Metal Product Manufacturing Industry was the Region's largest manufacturing employer, accounting for 15.3% of manufacturing firms and over 14% of manufacturing employee. While the Transportation Equipment, Furniture and Related Products, and Plastics and Rubber Products Industries followed closely behind in terms of the number of manufacturing employment, they accounted for a smaller proportion of the number of firms, indicating that they were on average larger establishments within the Region.

One measure of a region's manufacturing competitiveness is output per production worker. Manufacturing output per worker varies from industry to industry, and regions which employ more workers in a dominant industry tend to show statistically a higher overall output per worker. On the other hand, in a region with a diversified industrial base such as York, manufacturing outputs can range significantly from one industry to another. In the absence of a single top-performer such as an automotive assembly plant, the average output per worker in York Region in 2002 was $276,498, which was lower than the average for the Province as a whole.

Value added per production worker is another measure of industry competitiveness. The higher the value added, the greater the economic contribution to the regional economy. The level of value added is affected by factors such as the complexity of the manufacturing process, and the level of sophistication and skills required to produce a product. In 2002, the average value added per manufacturing worker in York Region was $129,774. Similar to output per worker, the value added varies from industry to industry.

Steady advances in industry competitiveness are critical to long term viability, and a more significant trend emerges when the growth in output per worker and value added are examined over time. Between 2000 and 2002, output per worker in the Region grew by 10.9% compared to 1.9% in Ontario. The growth was experienced in all but one industry in the Region. The top five industries which accounted for 45% of employment in the Region experienced higher growth in output per worker relative to that of Ontario during this time period. Similarly, the Region experienced significant growth with value added per worker between 2000 and 2002. During this period, York's value added per worker increased by 10.7% with growth in all but two industries, while Ontario experienced only 2.3% growth in valued added.



Source: Statistics Canada

The viability of the manufacturing sector will depend on how well it can enhance productivity and move towards high value added activities. As noted in the Economic Strategy, the key to increasing the sector's competitive edge is to advance the production process towards innovation and knowledge-based activities. Skills, training and education, research and shared knowledge, a high tech infrastructure, and strategic alliances are becoming increasingly important in the process. The Region's role in facilitating the establishment of a York Chapter of the Excellence-in-Manufacturing Consortium is a step in advancing the manufacturing sector towards achieving global competitiveness. Staff will also be working with CME (Canadian Manufacturers and Exporters) on programs and initiatives that will enhance the capabilities and capacities of manufacturing industries in the Region.

4.5 Relationship to Vision 2026

It is important for the Region to understand the economy and to monitor how it is changing to be able to attract and support the industries of the future. Regular updates on the Economy of York Region will contribute towards achieving A Vibrant Economy Goal as stated in *Vision 2026*.

5. FINANCIAL IMPLICATIONS

The total cost of the update report including data acquisition, research and analysis, is $8,961. This research study is included as part of the approved CISP (Community

Investment Support Program) funding from International Trade Canada for the production of a York Region Economic Profile which will be presented to Regional Council later this year.

6. LOCAL MUNICIPAL IMPACT

An understanding of the Region's economy as a whole will provide the framework in support of economic growth at the local level.

7. CONCLUSION

According to Export Development Canada, the country's growth prospects for 2006 continue to be positive. Investment will be strong as Canadian firms work to increase productivity growth. At the same time, employment will grow at a strong but steady pace, and income growth will be robust as the labour market lightens and productivity increases. Based on the trends in the growth of the GDP, enterprise formation and manufacturing outputs over the last few years, it can be inferred that the outlook for the Region's economic growth would remain steady and stable in the near future, similar to the forecast for Canada as a whole.

During the Economic Strategy consultation process, there was a consensus among stakeholders that in a growing and complex environment, communication and sharing of information is increasingly important. In order to remain competitive, it is necessary for the Region and its constituents to have the most up-to-date information to guide its future growth. It is recommended that this report be circulated to the area municipal economic development offices for their information, and that similar updates on the Economy of York Region be undertaken on a regular basis.

The Senior Management Group has reviewed this report.