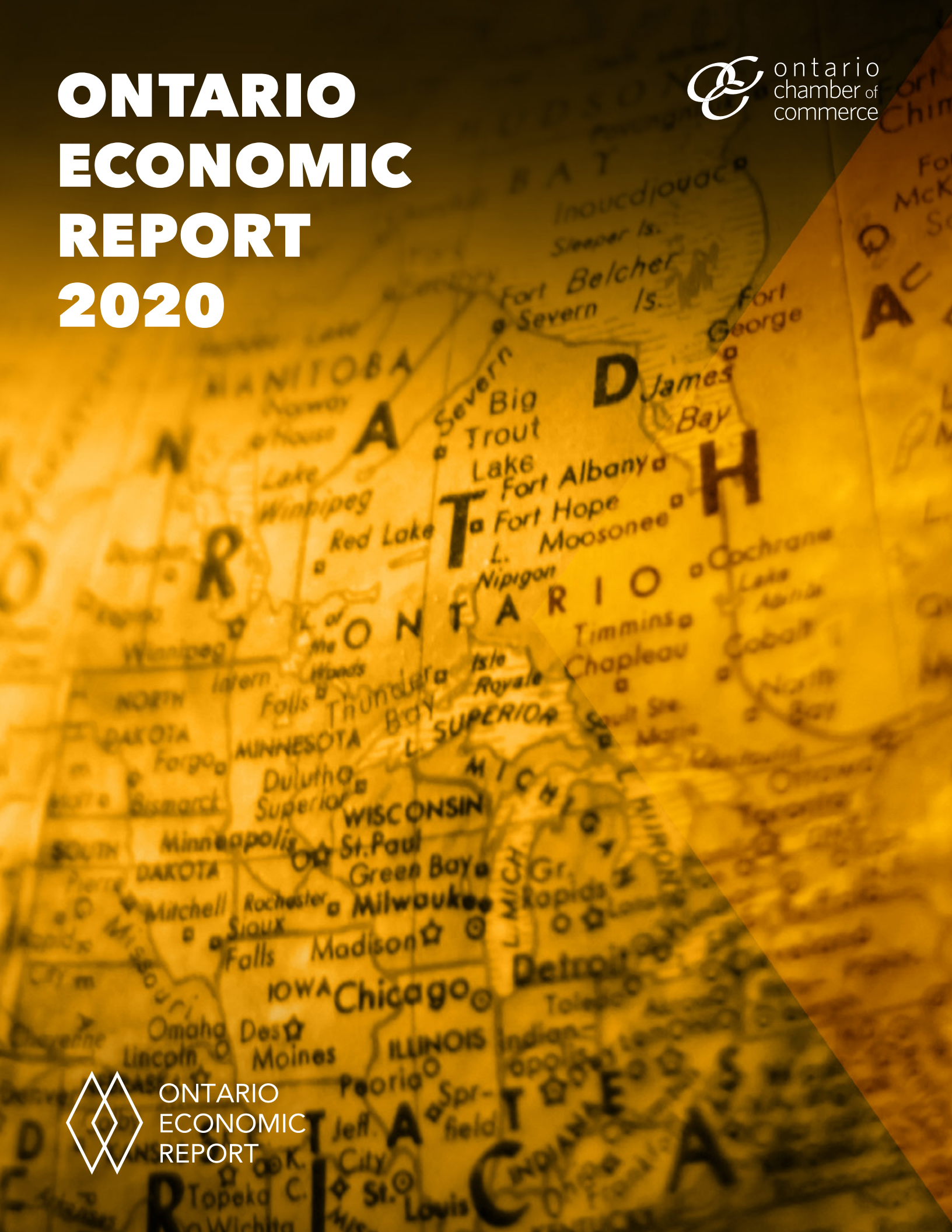
ONTARIO ECONOMIC REPORT 2020

ontario chamber of commerce



ONTARIO ECONOMIC REPORT

ABOUT THE ONTARIO CHAMBER OF COMMERCE

For more than a century, the Ontario Chamber of Commerce (OCC) has been the independent, non-partisan voice of Ontario business. Our mission is to support economic growth in Ontario by defending business priorities at Queen's Park on behalf of our network's diverse 60,000 members.

From innovative SMEs to established multi-national corporations and industry associations, the OCC is committed to working with our members to improve business competitiveness across all sectors. We represent local chambers of commerce and boards of trade in over 135 communities across Ontario, steering public policy conversations provincially and within local communities. Through our focused programs and services, we enable companies to grow at home and in export markets.

The OCC provides exclusive support, networking opportunities and access to policy insight and analysis to our members. We also work alongside the Government of Ontario on the delivery of multiple programs, and leverage our network to connect the business community to public initiatives relevant to their needs.

ontario chamber of commerce

The OCC is the indispensable partner of business.

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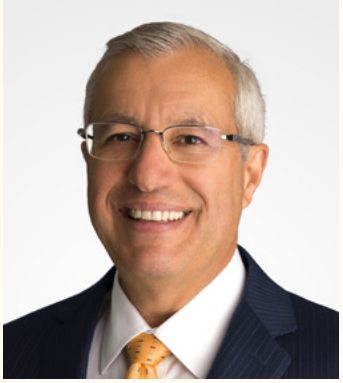
WHAT POLITICAL LEADERS ARE SAYING



VICTOR FEDELI

Minister of Economic Development, Job Creation, and Trade

"Our government is focused on increasing investment in our economy, putting more money in people's pockets, making our communities healthy, our streets safe, our commutes shorter, and our government smarter. Our plan is already showing results. Actions taken by our government saved businesses $5 billion in 2019 and a further $5.4 billion in 2020. With input from advocacy groups like the Ontario Chamber of Commerce, we will continue to create the right conditions for businesses to succeed and make Ontario the best place to invest, work, grow, and live."

ANDREA HORWATH

Leader, Official Opposition and Ontario New Democratic Party

"I believe in the Promise of Ontario. Our vision for the province is to be the best place in the world to raise a family, work, start a successful business or invest. And I believe we get there by investing in a world-class education system, expanding the infrastructure and public services families need, seizing on the opportunity we have to be a leader in the green economy, and ensuring the province is a predictable and stable partner for business, workers, entrepreneurs and municipalities. That's how we'll unlock even more of Ontario's potential, and help more Ontarians to build their best life."

JOHN FRASER

Interim Leader, Ontario Liberal Party

"Ontario's strength is our highly-educated and skilled workforce. It is critical that the government continues to invest in our people by providing resources and opportunity, in order for our economy to grow. Thank you to the Ontario Chamber of Commerce for your steadfast advocacy and trusted partnership. Together, we are building a more prosperous province for all Ontarians."

MIKE SCHREINER

Leader, Ontario Green Party

"Thank you to the Ontario Chamber of Commerce and all Ontario businesses for the work you do to create good quality jobs, generate prosperity for local communities, and lead the transition to a clean, low-carbon economy. We must make it easier for responsible businesses to grow and be profitable in Ontario, while also protecting workers and the planet. Most importantly, business leaders and entrepreneurs hold the solutions we need to solve the climate crisis while driving sustainable, long-term prosperity."

WHAT BUSINESS LEADERS ARE SAYING

MARK POWESKA

President and CEO, Hydro One

"Safe and reliable power is essential to unlocking economic development and meeting the unique needs in each region across the province. Hydro One is committed to investing in infrastructure that boosts Ontario's economy for businesses large and small. Hydro One energizes life and the economy by working with customers, municipalities and other stakeholders."

BILL MAURIN

President and CEO, Meridian

"As Ontario's largest credit union with over 75 years of banking history, Meridian has long supported and serviced local businesses needs across Ontario. This year's Ontario Economic Report underscores the critical role small businesses play in supporting regional economic growth and offers policy recommendations to improve Ontario's competitiveness. Meridian welcomes the OCC's commitment to evidenced-based research and analysis which aims to inform decision makers about the pressing problems businesses are confronting."

MOHAMED LACHEMI

President and Vice-Chancellor, Ryerson University

"At Ryerson University, one of our greatest strengths has been the success and growth of great partnerships that bring collective resources to bear on important issues. Partnering with the Ontario Chamber of Commerce allows the university to harness the very powerful tools of collaboration and knowledge sharing to address the complex, modern-day challenges facing all Ontarians. Bringing expertise together through partnerships creates better solutions for partners, their stakeholders and their communities."

JAMIE LIM

President and CEO, Ontario Forest Industries Association

"The Ontario Forest Industries Association welcomes the new research from the OCC presented in the OER. This research gives government and business the tools to keep Ontario competitive in a quickly evolving economy by examining the most pressing policy issues and taking the pulse of Ontario businesses. The report underscores the importance of businesses adopting new technologies as well as innovating to remain competitive. Our sector has been a leader on this front, leveraging new research and development to ensure Ontario's forest industry continues to innovate and introduce new products."

EXECUTIVE SUMMARY

The Ontario Economic Report (OER) is the landmark research platform of the Ontario Chamber of Commerce (OCC), presenting the collective voice of our 60,000 members in 135 communities across the province. This research highlights the year ahead and year that was, offering a unique lens on the economy.

This year, the data contained within this report reflects the theme of the OCC's annual Ontario Economic Summit (OES) by exploring Ontario's competitiveness throughout the following three sections. We have gauged the temperature of business through the Business Confidence Survey (BCS), benchmarked small business competitiveness with the Small Business Friendliness Indicator (SBFI), and examined regional growth projections in the Economic Outlook.

The 2020 iteration of the OER reveals new facets of Ontario's competitiveness, including the perception gap between micro- and macroeconomic realities, how friendly (or not) the business environment is for small firms, and the oft-significant differences in experience among regions of the province. These are factors all tiers of government and industry must consider as they seek to make Ontario competitive for business.

1. The Business Confidence Survey (BCS)

The 2020 BCS provides insights into how confident Ontario businesses are about the economic outlook of the province and their own organizations. The difference between these numbers is the confidence gap, which this year widened to its second-greatest mark since we began testing confidence in 2012. Although organizational confidence remains high at 60 percent, confidence in the broader economy dropped seven percentage points from the previous year to 23 percent. Consistent with what we have heard in previous years, challenges related to the costs of doing business, hiring, the high cost of living, and the province's debt continue to be top of mind for our members. Beyond this, businesses also indicated bearish growth expectations nationally and globally which have manifested in lower confidence in Ontario's economic outlook. Further, location, size, and sector each had some influence on businesses' confidence.

Despite macro concerns about the economy, most businesses have a positive view of their local communities; 69 percent of respondents believe their organization can thrive in their current location. Similarly, revenue and staffing projections remain strong through 2020. High levels of organizational confidence align with our members' expectations for growth over the next year. Specifically, 85 percent of respondents expect to maintain or increase their revenues, while 89 percent expect their workforces to remain the same or increase over the next year.

New for 2020, infrastructure investment topped the list of business priorities for government. Our members believe the government can better support Ontario's competitiveness by investing in the kind of infrastructure that contributes to the "industrial commons." This means expanding broadband internet access, upgrading rural transportation systems, and prioritizing the construction and maintenance of trade-enabling infrastructure.

2. The Small Business Friendliness Indicator (SBFI)

The inaugural SBFI was developed as means of measuring Ontario's competitiveness, specifically from the perspective of small businesses. It is intended to provide an assessment of the friendliness of Ontario's business environment across seven different metrics.

The benchmark SBFI score is -9, indicating that this province's environment is viewed as unfriendly by small businesses. Although the overall score is negative, Ontario is succeeding on metrics such as the helpfulness of the Province in starting a business, the ease of licensing, and the delivery of useful training and networking programs. Results show the biggest barriers to friendliness for small businesses are hiring, the process of starting a business, and the overall regulatory environment.

Importantly, results indicate small businesses are embracing digital government, with only 17 percent of respondents indicating they do not use government websites when complying with regulation or seeking information. The SBFI reveals small businesses are ready for digital convenience from government and would benefit from more online services.

3. Ontario's Economic Outlook

Using the latest data provided by the Bank of Montreal, this section provides a forecast for the economic outlook of Ontario's regional economies over the next year.

Ontario's principal economic indicators remain sound, albeit subdued, heading into 2020, but economic growth is expected to vary greatly across the province. The forecasts show employment and population growth in the Greater Golden Horseshoe (GGH) and Ottawa surpassing other parts of Ontario, reinforcing a decade-long trend of imbalanced economic growth across the province. The impacts of many of the issues identified throughout the OER are disproportionately felt in rural and remote areas of the province. Challenges related to accessing financial capital, attracting and retaining talent, and inadequate transportation, energy, and broadband networks are compromising the ability of many of Ontario's communities to compete effectively with other jurisdictions.

As in previous iterations of this report, we continue to see vulnerability within our economy, alongside opportunities for government and industry to work together to support economic growth in Ontario. The insights from this report are intended to inform public and private sector decision-making as well as guide the OCC's policy and advocacy activities throughout the year.

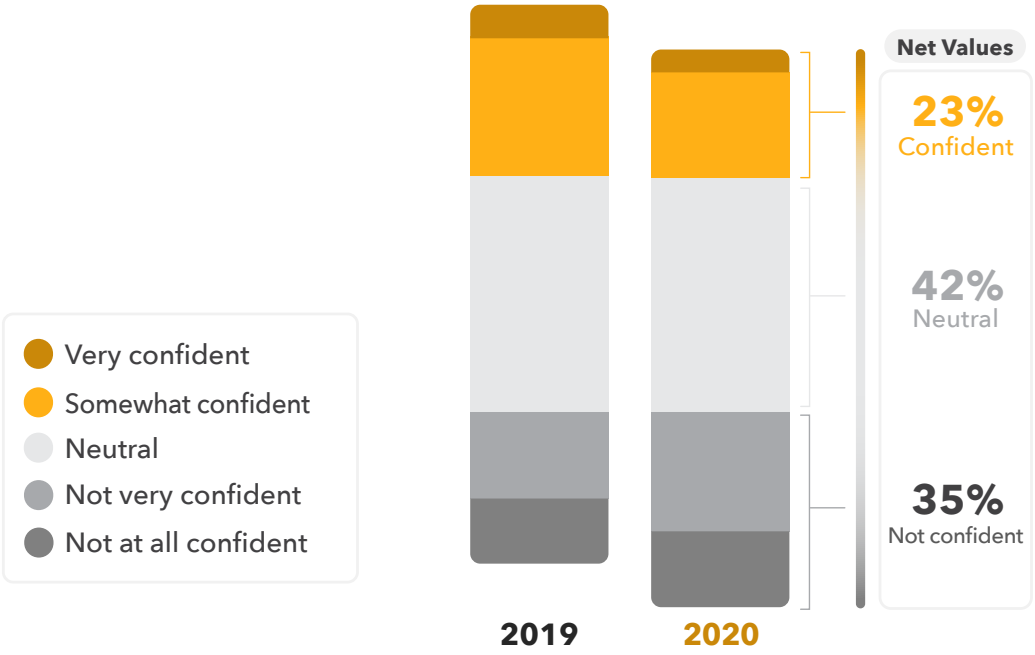
THE 2020 BUSINESS CONFIDENCE SURVEY

Gogama
by Craig GIlmour

The OCC regularly surveys its members to better understand the experience of business in Ontario. This data provides our members' perspective on the economy and can identify developing trends in economic activity.[1]

In 2020, we observed a slight decrease in business confidence in Ontario's overall economic outlook with only 23 percent of respondents expressing confidence in the economy, compared to 30 percent in 2019. The majority of respondents (42 percent) are neutral with respect to their confidence about Ontario's economic prospects with 35 percent expressing a lack of confidence. Together, these numbers reflect the subdued economic projections for Ontario amidst continuing trade uncertainty, fiscal restraint, and predictions for slower global growth.

Figure 1: How confident are you about Ontario's economic outlook as of right now?



Confidence Numbers in Focus:

Businesses in the service sector are twice as likely as businesses in the agriculture and forestry sectors to feel confident in Ontario's economic outlook. The geographic regions which reported the highest confidence levels are the Greater Toronto Area and the Greater Golden Horseshoe (specifically in Niagara Falls and Wine country, and Huron, Perth, Waterloo, and Wellington regions). Meanwhile, the lowest confidence levels are seen in parts of Eastern Ontario (Ontario's Highlands, Muskoka, Parry Sound, and Algonquin Park regions) and Northcentral Ontario.

1 A survey of n=1240 OCC members was conducted online by Golfdale Consulting between October 2 and November 10, 2019.

The top four most commonly cited drivers of confidence in Ontario's economy are: our skilled and productive workforce (30 percent); economic growth projections (28 percent); population growth projections (28 percent); and technological innovation (25 percent). The 2019 Business Confidence Survey (BCS) revealed that while Ontario businesses understand innovation is critical to their competitiveness, many remained hesitant to embrace technological innovation. By contrast, this year's BCS reveals that businesses expressing confidence in the economy heading into 2020 are also more likely to invest, take risks, and adopt technological advancements.

In particular, our survey finds that businesses in the York-Durham region, and those in the finance and manufacturing sectors, are most likely to cite new technologies as a reason for optimism about Ontario's economic outlook. Technology is both a challenge and an opportunity for Ontario. The province excels in technology development, especially in artificial intelligence (AI), with over 300 AI start-ups housed within the Toronto-Waterloo Innovation Corridor alone. [2] However, compared to competitive jurisdictions, Ontario lags when it comes to commercializing and adopting innovation within industry.[3] As other regions take steps to accelerate their technology adoption, Ontario's economic outlook may increasingly depend on its ability to keep pace.

Among those who lack confidence in Ontario's economic outlook, the reasons cited are reflective of what we have heard in previous years. The high cost of living continues to be the primary perceived impediment to the province's growth (48 percent), followed closely by the skills shortage (45 percent), and the high price of inputs (41 percent). Input costs appear to be especially concerning for the manufacturing sector, where 70 percent of respondents selected it as a reason for low confidence. This is likely driven by industrial electricity rates, which are higher in Ontario than most other jurisdictions in North America.[4]

The ability of Ontario businesses to successfully hire employees remains a polarizing factor in 2020. On one hand, for the 23 percent of respondents who are confident about Ontario's economic outlook, having access to a skilled and productive workforce was the primary driver of that optimism. On the other hand, concerns regarding labour shortages were top of mind for the 33 percent of businesses who lacked confidence in the economy. This dynamic can in part be explained by differences in geography, sector, and size of business and the character and immediacy of particular skills challenges. The 2020 BCS finds mining, oil and gas extraction, and construction and labour as the sectors most concerned about skills shortages. While it is a concern across the province, it is most evident in Northern and Eastern Ontario. Interestingly, large businesses are nearly twice as likely as small- and medium-sized businesses (23 vs. 13 percent) to prioritize addressing the skills mismatch as a strategy to strengthen Ontario's competitiveness.

The results also reveal that the size of an organization impacts confidence levels for Ontario's economic outlook. Specifically, smaller businesses report feeling less confident in Ontario's economic outlook (35 percent of small businesses are not confident, compared to 26 percent of medium and large businesses). We will explore the issues Ontario's small businesses are uniquely confronting in the Small Business Friendliness section of this report, which helps to explain the discrepancy in confidence between smaller and larger firms.

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2 Jason Kirby. 2018. "Canada's Next Breakthrough is AI Commercialization." MaRS Discovery District, *https://www.marsdd.com/magazine/canadas-next-breakthrough-is-ai-commercialization/*.

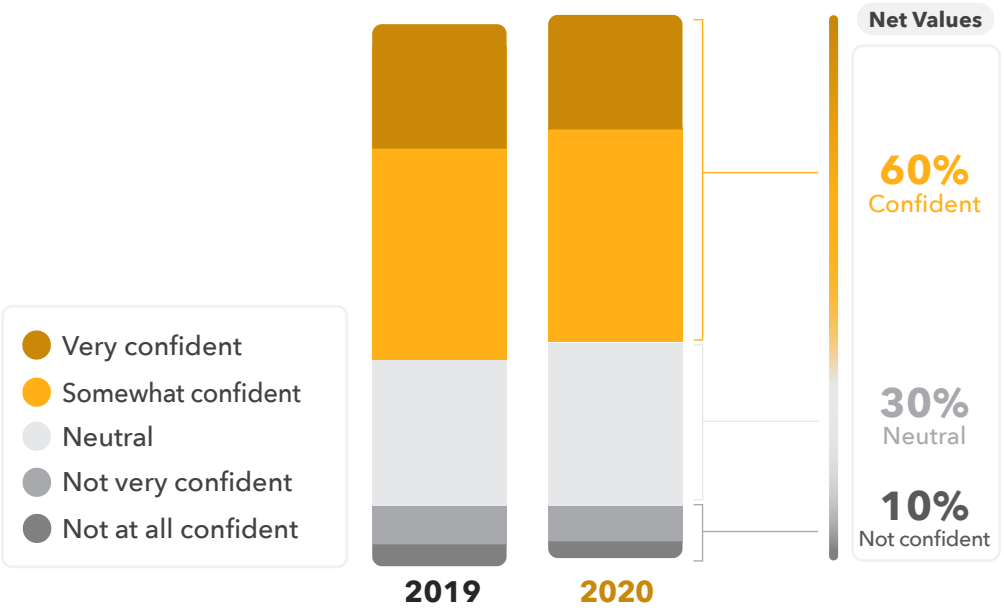
3 The Conference Board of Canada. 2018. "Innovation." *https://www.conferenceboard.ca/hcp/provincial/innovation.aspx*

4 Mathew Wilson and Alex Greco. 2018. Manufacturing Ontario's Future: Leveraging Ontario's Manufacturing Sector to Drive Ontario's Economic Success. Canadian Manufacturers and Exporters. *https://cme-mec.ca/wp-content/uploads/2018/12/CME-ON-Manufacturing-Strategy-Final-compressed.pdf*

Growth Projections for 2020: Most Businesses Remain Optimistic

In sharp contrast to their views on the overall economy, 60 percent of respondents are confident in their own organization's economic outlook, which is largely consistent with confidence values from previous years. Only 10 percent of members lacked confidence in their own organization's outlook heading into 2020.

Figure 2: How confident are you in your own organization's economic outlook as of right now?



Regardless of broader economic uncertainty, Ontario businesses see their products and services as in-demand in a growing market. Furthermore, top drivers of organizational confidence include the addition of new staff and access to new technologies. The ability to access and adopt new technologies is a common factor for members who are confident in their own organization's economic outlook, as well as that of Ontario more broadly.

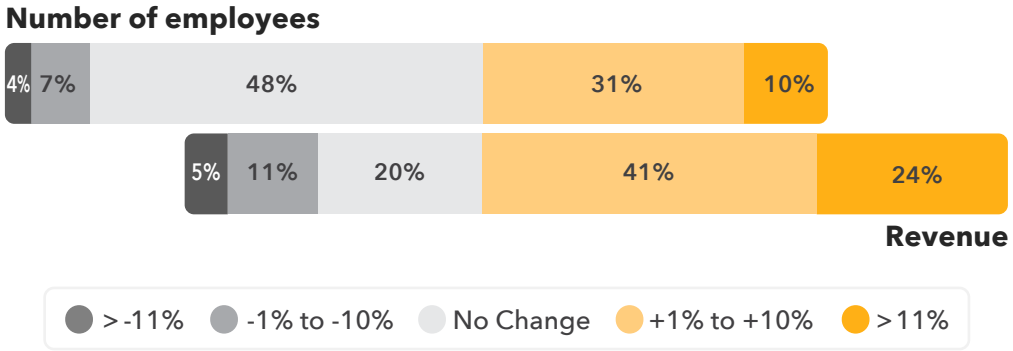
Businesses with the most confidence in their own organizational outlooks are located in the Bruce Peninsula and the Toronto-Waterloo Innovation Corridor (the GTA and the Huron, Perth, Waterloo and Wellington regions). These are regions that have recently benefitted from especially high levels of economic activity.

Among those that lack confidence in their organization, the primary reasons cited are the high cost of living (40 percent) and the high price of inputs such as raw materials and electricity (39 percent). The direction of government economic policy remains a concern for a segment of our membership, as it has in previous years.

Revenue and Staffing Projections

High levels of organizational confidence align with our members' projections and expectations regarding the growth of their workforces and revenues over the next 12 months. While 48 percent expect no change in the growth of their workforce over the next year, 41 percent are expecting at least some growth. More specifically, 10 percent of members are projecting a measurable staffing increase of at least 11 percent.

Figure 3: Over the next 12 months, how much do you expect your enterprise to shrink or grow?



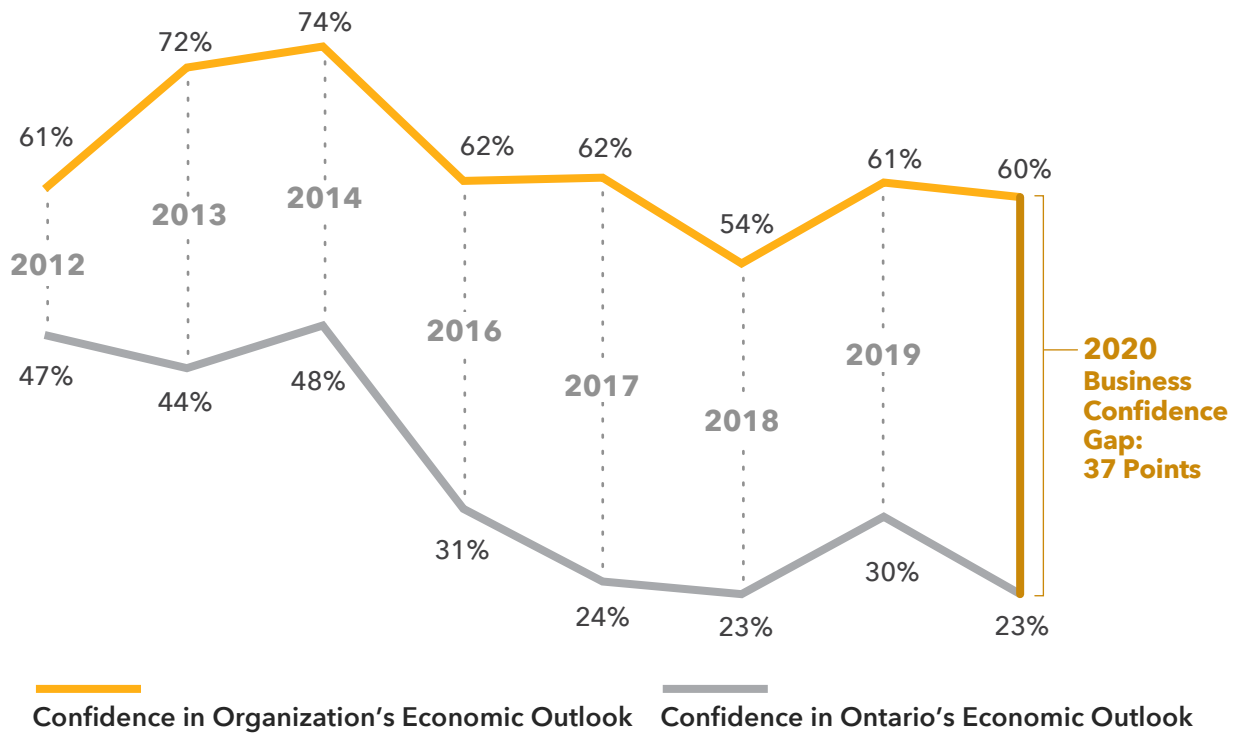
Ontario businesses are also far more likely to project an increase rather than a decrease in their organization's revenue over the next 12 months. Heading into 2020, 85 percent of Ontario businesses are expecting their revenues to increase or stay the same. Only 16 percent believe their revenues will decline over the next 12 months. This optimism remains consistent with results reported in 2019, where 86 percent of members were expecting their revenues to increase or stay the same, compared to 14 percent expecting a decrease.

Confidence Gap Widens to Near Historic Levels

The OCC measures the 'confidence gap' between how businesses view the economic outlook of their own organizations versus that of the province as a whole.

We have consistently observed members reporting stronger confidence in their own organization than the broader economic outlook of the province. For instance, in 2019 and 2018 the confidence gap remained steady at 31 points, despite increases in business confidence and greater optimism for Ontario's economic outlook over the last year. However, in 2020, we observe a further divergence between the confidence businesses have in themselves, compared to the provincial economy, with a notable 37-point differential.

Figure 4: Confidence gap since 2012



Amidst projections for slower economic growth and continued trade uncertainty, the confidence gap in 2020 grew to a 37-point differential, the second highest level recorded since 2012.[5]

Whilst the majority of respondents are confident in their own ability to succeed, broader concerns remain regarding the costs of doing business in Ontario, the high cost of living, and the province's debt continue to be areas of concern. We believe the confidence gap is caused, at least partially, by multi-faceted policy issues our members have repeatedly identified as drags on Ontario's competitiveness. A wider confidence gap in 2020 may reflect bearish economic expectations stemming from the possibility of stagnation or even recession. This is evidenced in our survey results, with more than one in four low-confidence respondents selecting national and/or global economic outlooks as a reason for their pessimism. As businesses are not yet feeling the impact of a potential slowdown, confidence in themselves remains high, while confidence in the broader economy falls.

The confidence gap is widest among businesses in the Bruce Peninsula region, where we see organizational confidence at 67 percent and confidence in the broader economy at only 18 percent. This discrepancy may, in part, be attributable to companies in this region benefitting considerably from the stability of Bruce Power's investments in its nuclear refurbishment project. However, given that these benefits are concentrated, confidence in the wider economy remains low.

5 For statistical accuracy, Figure 4 does not include 2015, where the survey methodology differed from other years.

Strengthening Competitiveness

Business confidence is ultimately tied to an organization's ability to access the tools they deem necessary to compete. Over the last eight years, the OCC has tried to better understand what else can be done to bridge the confidence gap by examining the most critical factors to Ontario's competitiveness.

Top three priorities members would like to see the provincial government act on to strengthen competitiveness

1. **Invest in infrastructure**
2. **Reduce regulatory burdens**
3. **Lower the cost of living (tie)**
3. **Lower or reform business taxes (tie)**

Investing in infrastructure, such as transportation and broadband internet, emerged as the most critical factor for respondents, followed by reducing regulatory burdens, lowering the cost of living, and lowering or reforming business taxes. This finding is consistent with what we have heard throughout the year in consultations across Ontario. Our members believe government can better support both businesses and communities by investing in the kind of infrastructure that contributes to the "industrial commons" – the foundation of public investments that drive development and growth.

> "To strengthen Ontario's competitiveness, respondents are most likely to want the provincial government to invest in infrastructure."

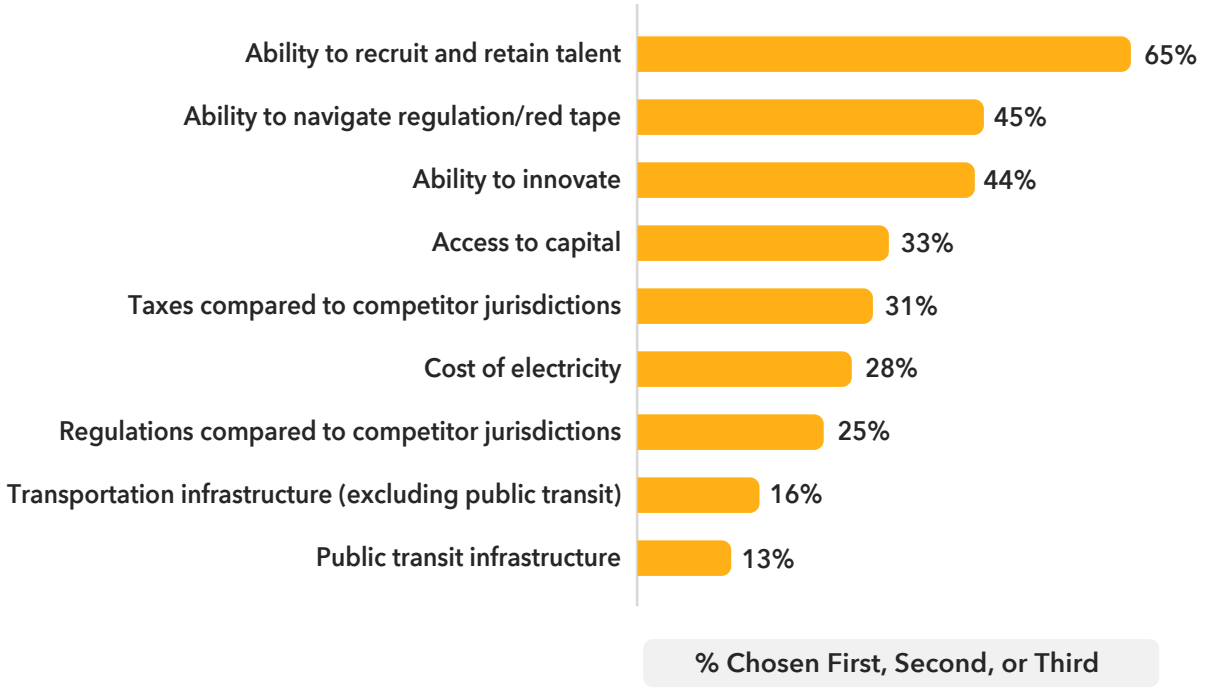
Investing in critical infrastructure is one of the most cost-effective ways government can drive economic development. While government is not well suited to pick winners and losers at the firm or industry level, it can and should build overall capacity within the economy. The survey results reinforce that our members are eager to continue working with government to identify projects that would have the greatest impact on regional growth. Expanding broadband access and upgrading rural road networks are two fundamental priorities for Ontario's future competitiveness.

However, priorities shift when the survey results are broken down by sector. The mining sector, alongside the finance and insurance industries, were the most likely to choose reducing regulatory burdens as the most important factor to strengthen competitiveness. Perhaps unexpectedly, the government, health care, and social services sectors also prioritized reducing red tape. Taken together, we see the broad-based consensus among our members to continue to make meaningful progress towards reducing the regulatory burdens. Addressing Ontario's skills mismatch, while not a top ranked priority overall, was nonetheless a primary focus for the mining, construction, agriculture and forestry sectors. It was also ranked the highest among non-profit organizations. By contrast, manufacturers largely prioritized lowering and/or reforming business taxes.

Priorities for strengthening Ontario's competitiveness varied across regions. Respondents in the GTA prioritized reducing regulatory burdens and investing in critical infrastructure with less emphasis on lowering or reforming business taxes - which was a top concern for Ottawa, Niagara, North Central, Northeast, and Southwest Ontario. Addressing the province's skills mismatch was most frequently selected by Bruce Peninsula and the Ontario's Highlands in Eastern Ontario.

We also asked our members to identify the most critical factors that contribute to their own competitiveness and ability to thrive. Three predominant areas emerged: recruiting and retaining talent; navigating regulation; and the ability to innovate.

Figure 5: There are a number of factors that contribute to an organization's competitiveness. What are the top three factors critical to your competitiveness?

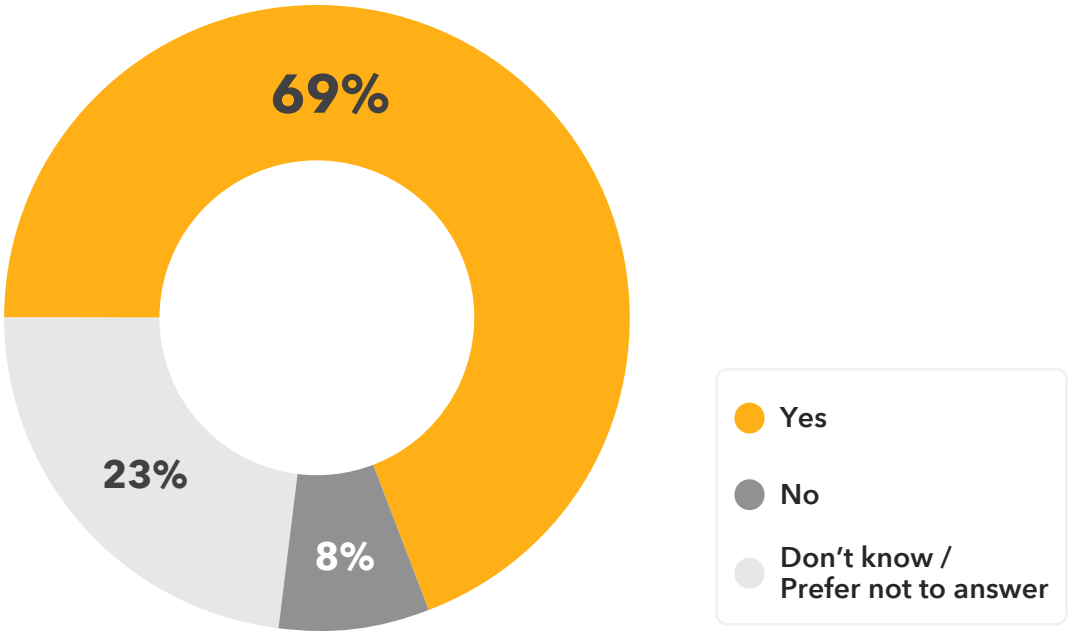


Although the ability to recruit and retain talent remains a concern for our members, this year marks a 10-percentage point drop in how heavily our members prioritized it compared to 2019, and a 12 percentage point drop compared to 2018. Ontario is home to a highly educated labour pool and benefits from attracting a disproportionate share of Canada's immigrants, but recruitment efforts for our members continue to be stifled by a supply/demand mismatch in areas such as the skilled trades, emotional intelligence, design, communications, as well as science, technology, engineering and math (STEM). This is also reflected in the polarizing nature of our members' ability to access Ontario's human capital as a driver of both confidence and non-confidence in Ontario's economy.

Also important to the competitiveness of Ontario businesses is the ability to embrace, and benefit from, technological innovations, which ranks as a top three critical factor. This is consistent with earlier findings, which revealed businesses that are optimistic about both Ontario's economic outlook and their own outlook identified access to, and the adoption of, new technologies as a primary driver of confidence.

Despite a widening confidence gap, concerns regarding a broad range of public policy challenges, and ongoing regional disparities, over two-thirds of our members firmly believe their communities have sufficient economic opportunity for their businesses to succeed (Figure 6).

Figure 6: All things considered, do you believe the community you live and work in has enough economic opportunity for your business to thrive?



A closer look at the regional data reveals a positive correlation between businesses who believe they are in a community where their business can thrive and businesses who are confident about their own economic outlook. Similarly, the findings reveal a positive correlation between businesses that believe their communities have the opportunities needed to thrive and those that have confidence in the broader economy. Intuitively, businesses that are optimistic about their own communities also tend to be confident in their organization's economic outlook and that of the broader economy.

Insights from the 2020 Business Confidence Survey

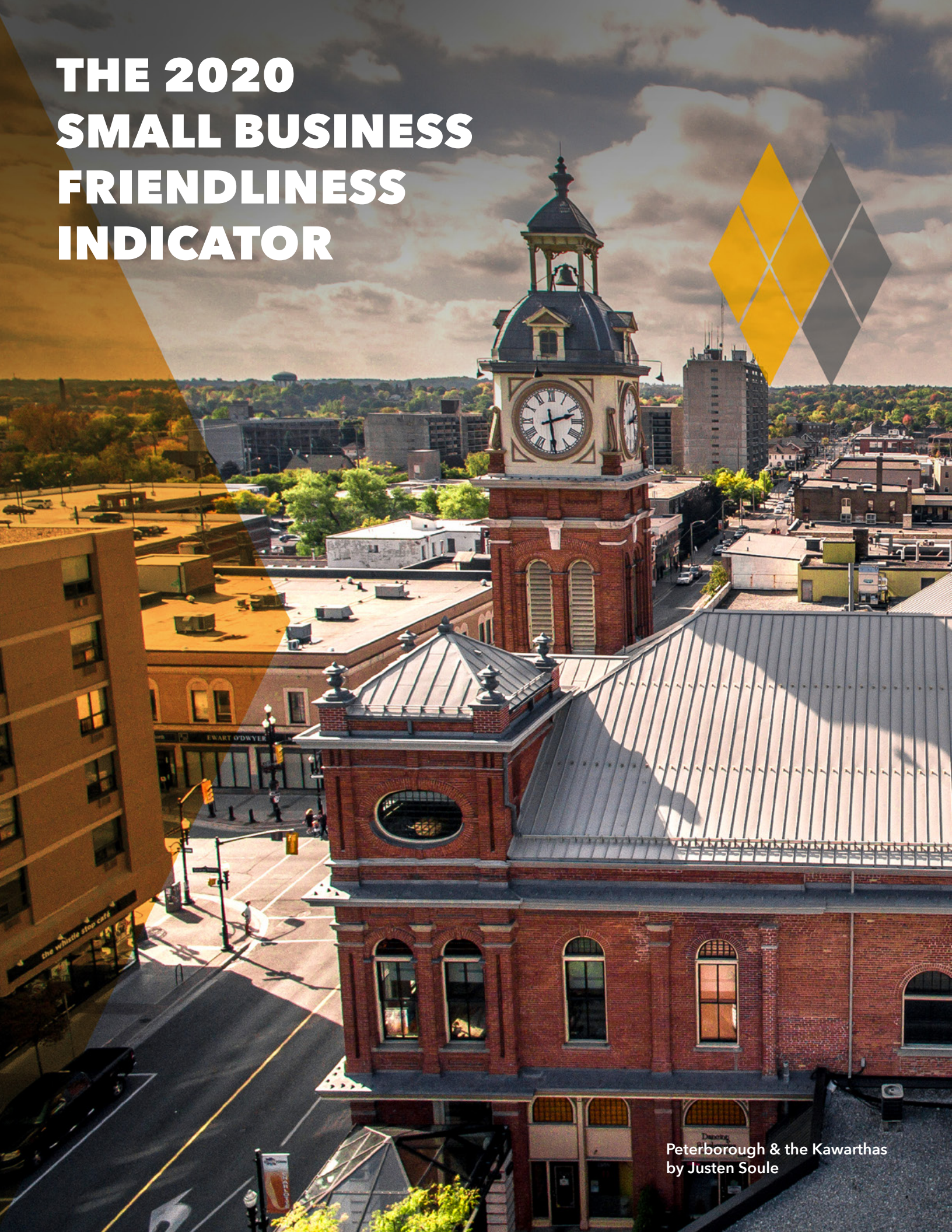
- The confidence gap widened in 2020. Although organizational confidence remains high, business confidence in the broader economy dropped seven percentage points in 2020, explained in part by lowered growth expectations nationally and globally.

- As Ontario's skills mismatch becomes a consensus issue that is being actively addressed by both employers and government, this year's BCS reveals that respondents' concern has shifted to infrastructure investment, which topped the list of priorities for government.

- The BCS also reveals shifting attitudes towards technology as a driver of confidence. The ability to access and adopt new technologies is a common factor for members who are confident in their own organization's economic outlook, as well as that of Ontario more broadly. Similarly, the ability to harness new technologies and innovate was ranked as the second most critical factor to an organization's success.

- Despite economic headwinds, challenges related to hiring, the cost of doing business, and Ontario's infrastructure deficit, over two-thirds of respondents believe they have the means to thrive economically. Heading into 2020, 85 percent of Ontario businesses expect their revenues to increase or stay the same and nearly 90 percent believe they will maintain or grow their workforce.

THE 2020 SMALL BUSINESS FRIENDLINESS INDICATOR



Peterborough & the Kawarthas
by Justen Soule

As Ontario-based businesses – and Ontario as a province – competes for customers, investment, and talent in an interconnected world, it is important to assess Ontario's business friendliness. We tend to view competition between jurisdictions as relevant only to large or medium-sized enterprises, but the friendliness of our province to small business is an important component of our overall competitiveness as a province.

While often overlooked, small businesses are powerful drivers of economic growth across Ontario: they constitute 98 percent of all businesses and 30 percent of the provincial GDP. Together, small businesses employ nearly three million Ontarians and represent over two-thirds of private sector workers. Given the share of the economy represented by small business, ignoring their competitiveness is tantamount to ignoring business competitiveness overall.

With the aim of better understanding and servicing the competitiveness needs of small business, the OCC developed the Small Business Friendliness Indicator (SBFI).[6] The SBFI is represented by a single numerical score of 'friendliness', calculated across seven metrics, derived from a survey of small businesses (Figure 7).[7]

For the purposes of the SBFI, 'friendliness' refers to how small businesses perceive the business environment as well as government policy, regulation, and supports as they relate to a range of factors relevant to day-to-day operations, including starting a business, licensing, complying with regulation, and hiring. The intention is to measure and set a benchmark for friendliness so we may identify touchpoints between industry and government that require improvement. It is important to note that this is the first iteration of the SBFI therefore we are unable to compare this data with previous years. By strategically addressing these metrics, we believe the Government of Ontario could build an environment more conducive to small businesses prosperity.

Interpreting the Small Business Friendliness Indicator (SBFI):

The SBFI can be thought of as a Net Promoter Score (NPS). It is calculated by subtracting the share of small businesses who are 'detractors' (those who registered a negative or very negative response to the question) from the share of respondents who are 'promoters' (those who registered a positive or very positive response to the question). NPS, which has been widely adopted by Fortune 1000 companies as a proxy for gauging customer satisfaction or loyalty, is an index with a range from -100 to +100.

6 We would like to acknowledge the Thumbtack United States Small Business Friendliness Survey as an inspiration and guide for this project and thank them for their permission to adapt that study for Ontario.

7 For the purposes of the SBFI, small business is defined as fewer than 99 employees. A total sample of 1240 member businesses across Ontario were surveyed for the Business Confidence Survey. A sub-sample of 740 small businesses then completed a further set of questions that comprise the SBFI.

Negative SBFI Reveals Specific Areas for Improvement for Ontario's Small Businesses

The inaugural SBFI has an overall **score of -9**, indicating that although the province is currently perceived as not 'friendly' to small business, there are specific areas where both government and industry can work collaboratively to create a more favourable environment conducive to small business growth (Figure 7).

Figure 7: Ontario's Small Business Friendliness Indicator

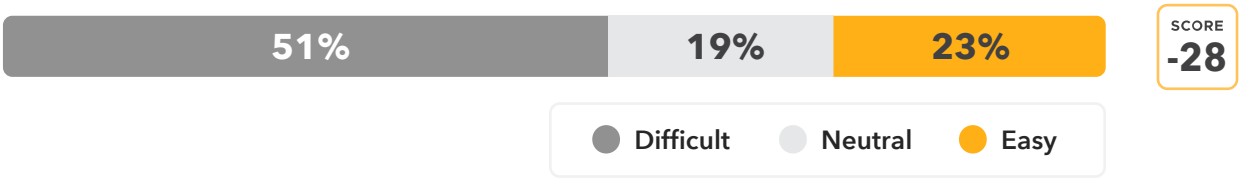
	SCORE
Overall Small Business Friendliness	**-9**
Perceived ease of starting a business	-28
Helpfulness of province in starting a business	7
Overall regulatory friendliness	-27
Ease of hiring a new employee	-48
Ease of licensing experience	9
Helpfulness of training or networking programs	30
Ease of use of provincial government websites	-6

While overall the SBFI is negative – indicating that on average respondents find Ontario to be generally unfriendly to small business – the results are not consistently negative across the seven metrics that together make up the SBFI. In fact, with respect to the helpfulness of the Province in starting a business, ease of licensing, and available training and networking programs, small businesses give Ontario positive scores. However, the results indicate respondents find it particularly difficult to start a business, hire a new employee, and comply with regulation. The ease of use of government websites was also considered 'unfriendly' by small businesses. We explore the responses to each of these metrics in greater detail below.

1. Perceived Ease of Starting a Business

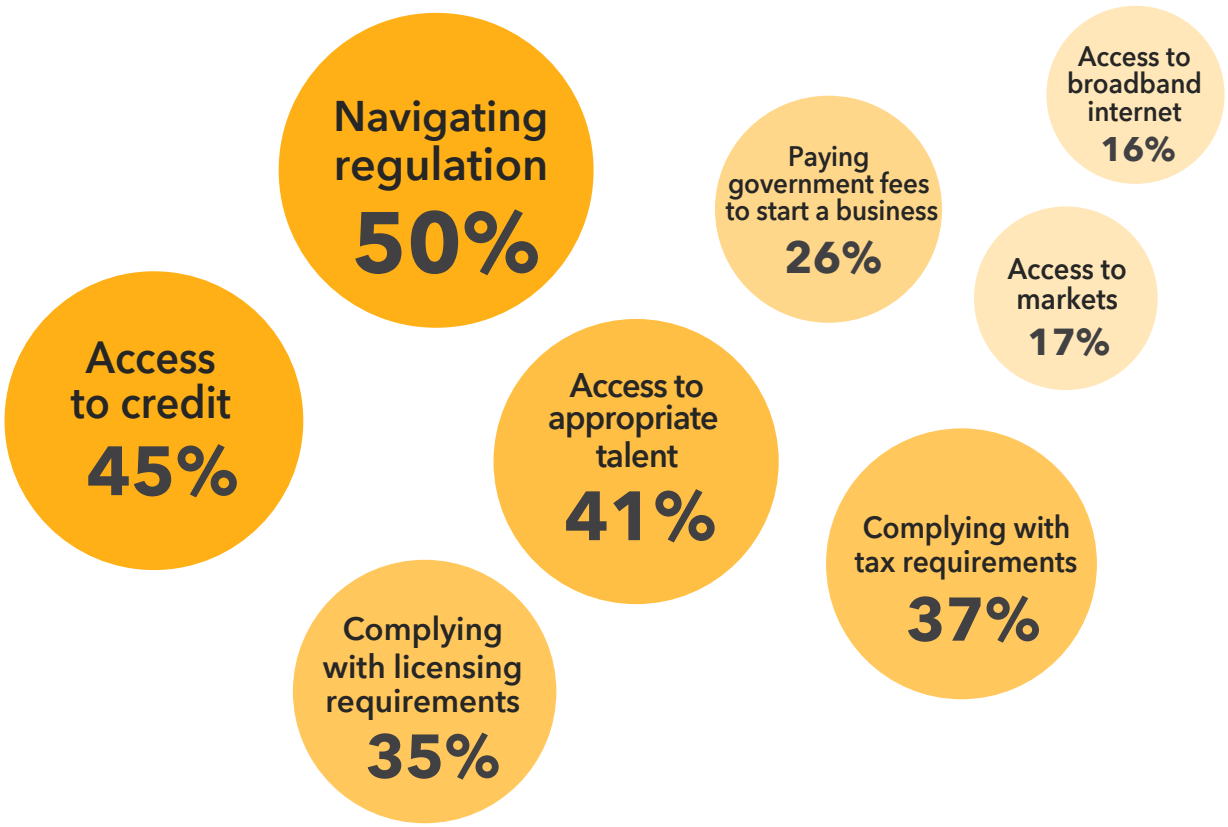
Over half of small businesses believe it is difficult to start a business in Ontario, with only 23 percent finding it easy, resulting in a **score of -28**. While difficulty in starting a new business is felt across all sectors, it is particularly acute among goods-producing industries and less pronounced among service-oriented industries.

Figure 8: How easy or difficult is it to start a business in Ontario?



Small business owners find understanding and navigating government rules to be the most prohibitive barrier to starting a business. Securing capital and accessing talent ranked second and third, respectively. More broadly, we see that a number of the most cited barriers to starting a small business – including the top barrier – are within the government's scope of control. If the provincial government takes action by simplifying and streamlining the process for starting a business in Ontario, the small business friendliness score could improve.

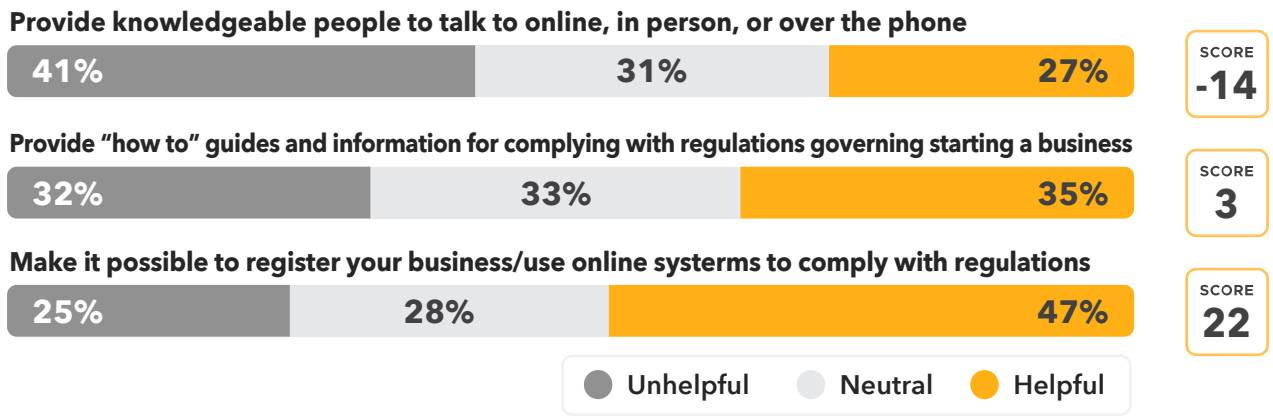
Figure 9: What are the biggest barriers to starting a business in Ontario?



2. Helpfulness of the Province in Starting a Business

Despite the difficulties of starting a business, respondents find the government to be quite helpful when it comes to navigating some of the aforementioned barriers, resulting in a **score of 7** for this metric. Specifically, small businesses identified the government was most helpful in providing them the ability to register their business and comply with regulations online. While the overall score for this metric is positive, the results show respondents are frustrated when they need to speak to a government representative who is knowledgeable about the process of starting a business (whether in person, over the phone, or online). Business friendliness could be further improved by directing resources towards one-on-one help for individuals seeking to understand and comply with those regulations relevant to starting a business.

Figure 10: How helpful do you believe the provincial government is when starting a business?



3. Overall Regulatory Friendliness

Ontario's overall regulatory friendliness registered a **score of -27**, indicating that the perceived poor administration of regulation in Ontario is a challenge for small businesses.

Figure 11: How friendly or unfriendly is the Ontario government with regard to the following types of regulations?

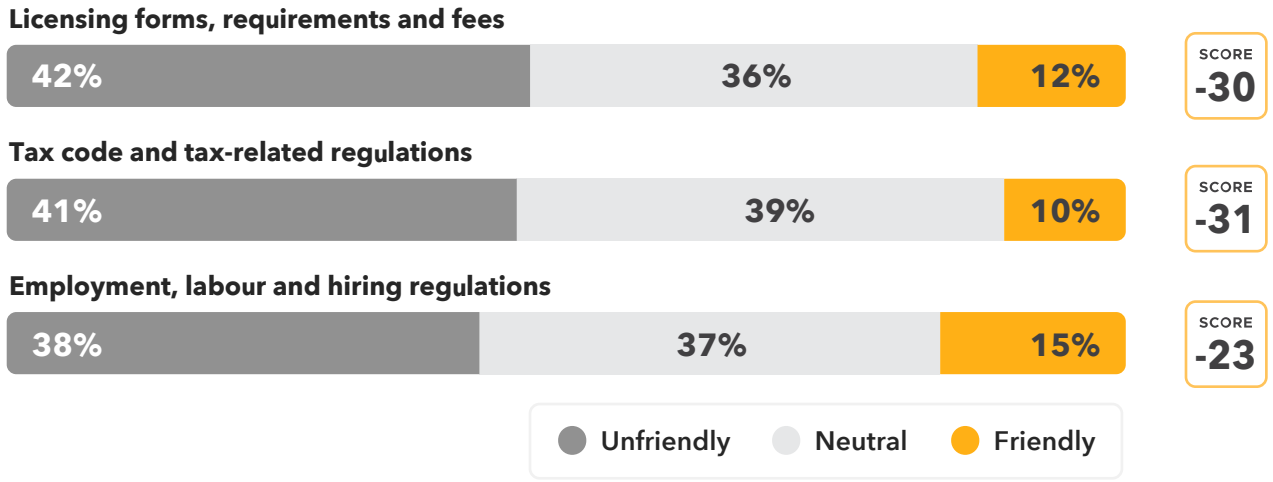


Figure 11 breaks down the score for overall regulatory friendliness into its three components: licensing;[8] provincial taxes; and employment, labour and hiring regulations. To alleviate the regulatory barriers small businesses confront, the government should consider measures that would make it easier for small businesses to obtain licensing forms, meet regulatory requirements and remit fees. Progress could be made by harmonizing standards where appropriate, modernizing compliance systems, and adopting an outcomes-based approach to regulation.

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8 It should be noted that licensing and certification is managed by a host of agencies and independent bodies, some of which are beyond the purview of the provincial government.

Respondents also underscored the need to improve Ontario's tax code and tax-related regulations. The Government of Ontario recently announced its intention to reduce the small business Corporate Income Tax (CIT) rate from 3.5 percent to 3.2 percent, which will allow businesses to reinvest in their own productivity and growth. However, the OCC has long held that it is primarily the structure – not the level – of Ontario's CIT that deters firm growth and contributes to the scale-up challenge small businesses uniquely confront. The flat-rate structure of the Small Business Deduction (SBD) means that companies face a substantial rise in their CIT rate when their annual earnings surpass $500,000, at which point the rate jumps from 3.2 percent to 11.5 percent. To address this challenge, the OCC continues to recommend the creation of a revenue neutral, variable SBD for income below the $500,000 threshold, so that the CIT rate gradually increases as income grows and small business owners will no longer be discouraged from growing their firms.

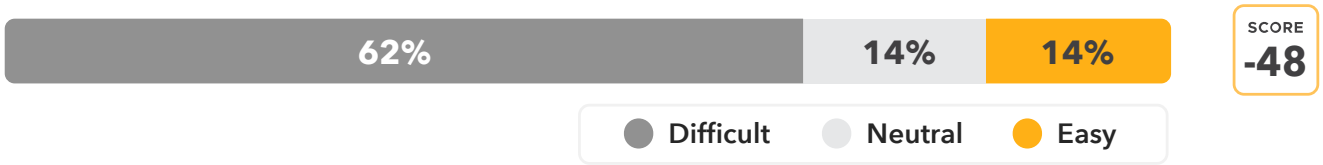
Small businesses also struggle to navigate labour legislation and the regulatory environment for hiring new employees. While this is an issue for small businesses across Ontario, firms in rural and remote communities are disproportionately impacted. The section below will explore the hiring challenge in greater detail.

4. Ease of Hiring a New Employee

The SBFI reveals that the difficulty of hiring a new employee is the biggest barrier to small business friendliness in Ontario. Specifically, of the seven metrics that make up the overall SBFI, the ease of hiring a new employee received **the lowest score** (-48). While Ontario has one of the most educated workforces in the world, employers are finding it increasingly difficult to locate enough candidates with the right skillsets, undermining business competitiveness.

The majority of respondents (62 percent) report difficulty in hiring new employees, with only 14 percent finding it easy. This is consistent with the 2020 BCS, which found that the ability to recruit and retain talent is not only a critical factor to organizational competitiveness, but also a major determinant of confidence in the province's economic outlook. As was the case with the perceived ease of starting a new business in Ontario, businesses in the goods producing sectors are more likely to struggle to hire new employees, compared to service-based sectors.

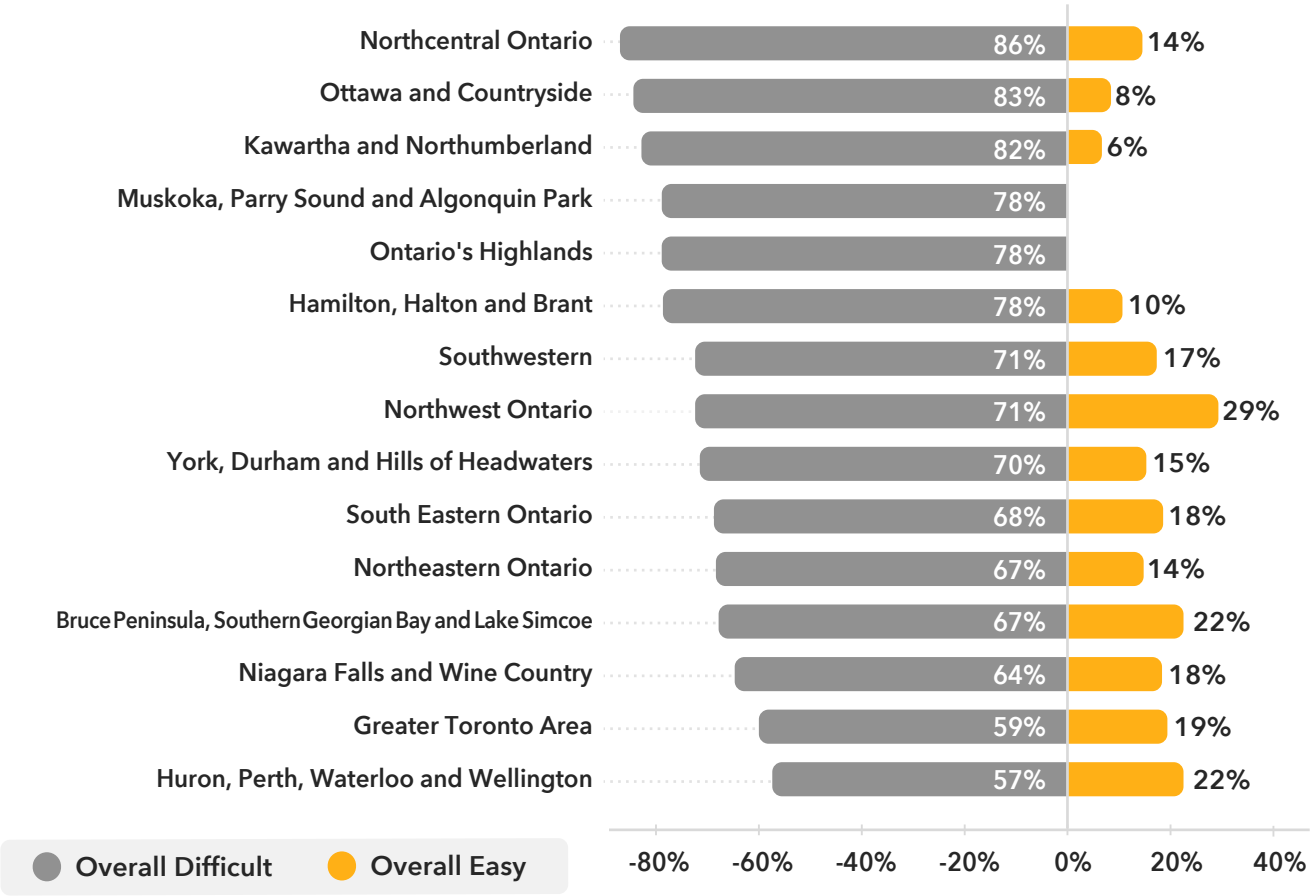
Figure 12: How easy or difficult is it to hire a new employee at your business?



Although most small businesses find it difficult to hire, this is considered particularly challenging in rural and remote regions. The 2020 BCS found businesses in Northern and Eastern Ontario are more likely to point to a skills shortage as a reason for lacking economic confidence, compared to other regions.

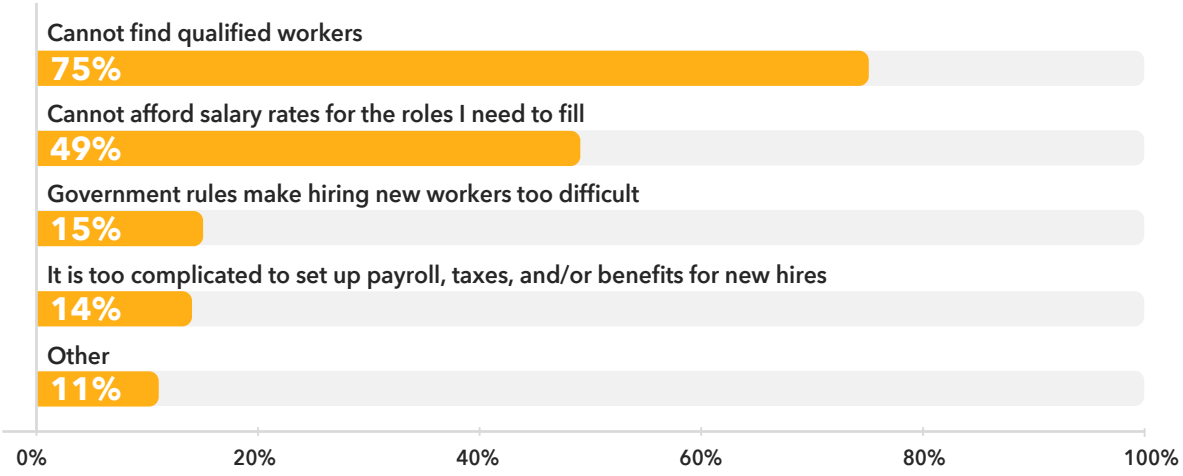
A regional breakdown of the hiring challenges small businesses face reveals a similar pattern (Figure 13). Some of the most significant reports of hiring challenges can be found in the same regions that also reported the lowest economic confidence levels, including parts of Eastern Ontario (Ontario's Highlands, Muskoka, Parry Sound and Algonquin Park) and Northcentral Ontario.

Figure 13: Regional hiring challenges



Among those respondents who faced obstacles to hiring, businesses identified finding qualified workers and being able to afford salary rates as the two biggest barriers (Figure 14). With Ontario's unemployment rate approaching a near 30-year low, and a number of major infrastructure projects planned for 2020, the province's labour market is expected to remain tight as it encounters capacity constraints. Nearly half of the small business owners looking to hire believe they cannot afford the salaries for the roles they need to fill, suggesting that the competition for workers is hitting small businesses especially hard, as many smaller firms lack the resources to compete for talent against larger firms. The disproportionate impact of the competition for talent on small businesses is also reflective of what the OCC has heard throughout the year in member consultations.

Figure 14: What obstacles do you face in hiring a new employee at your business? [9]

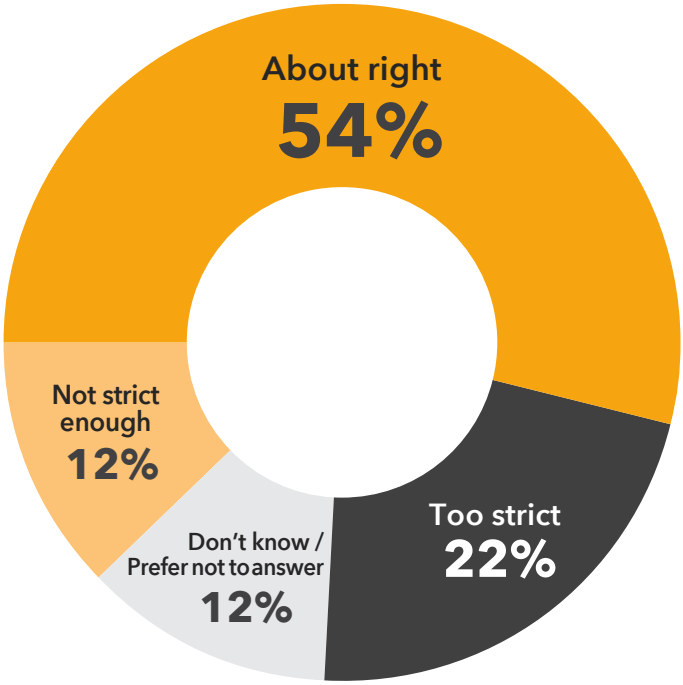


5. Ease of Licensing Experience

The ease of doing business in a given jurisdiction is also tied to licensing requirements, typically administered by the government or an independent body. To calculate this metric, we looked specifically at the responses from businesses that are licensed by a government agency or an independent industry licensing board.

Overall, small businesses reported satisfaction with respect to obtaining and maintaining a license, resulting in a **score of 9**. Of the 40 percent of respondents whose industries or professions require occupational licenses, 75 percent believe it is appropriate for their profession to require such a license, certification or permit. Beyond this, just over half (54 percent) of businesses with professional licensing requirements believe their profession has the appropriate occupational regulations already in place.[10]

Figure 15: Are the occupational regulations governing your profession too strict, about right, or not strict enough? [11]



9 n = 559 (respondents excludes those who face no obstacles to hiring and those who preferred not to answer)

10 A sample of n=740 small businesses answered the question "Does your profession require that you hold an occupational license, certification or permit to do your job?" A sub-sample of n=341 professionally licensed small businesses answered the question "Do you think your profession should require an occupational license, certification, or permit to do your job?"

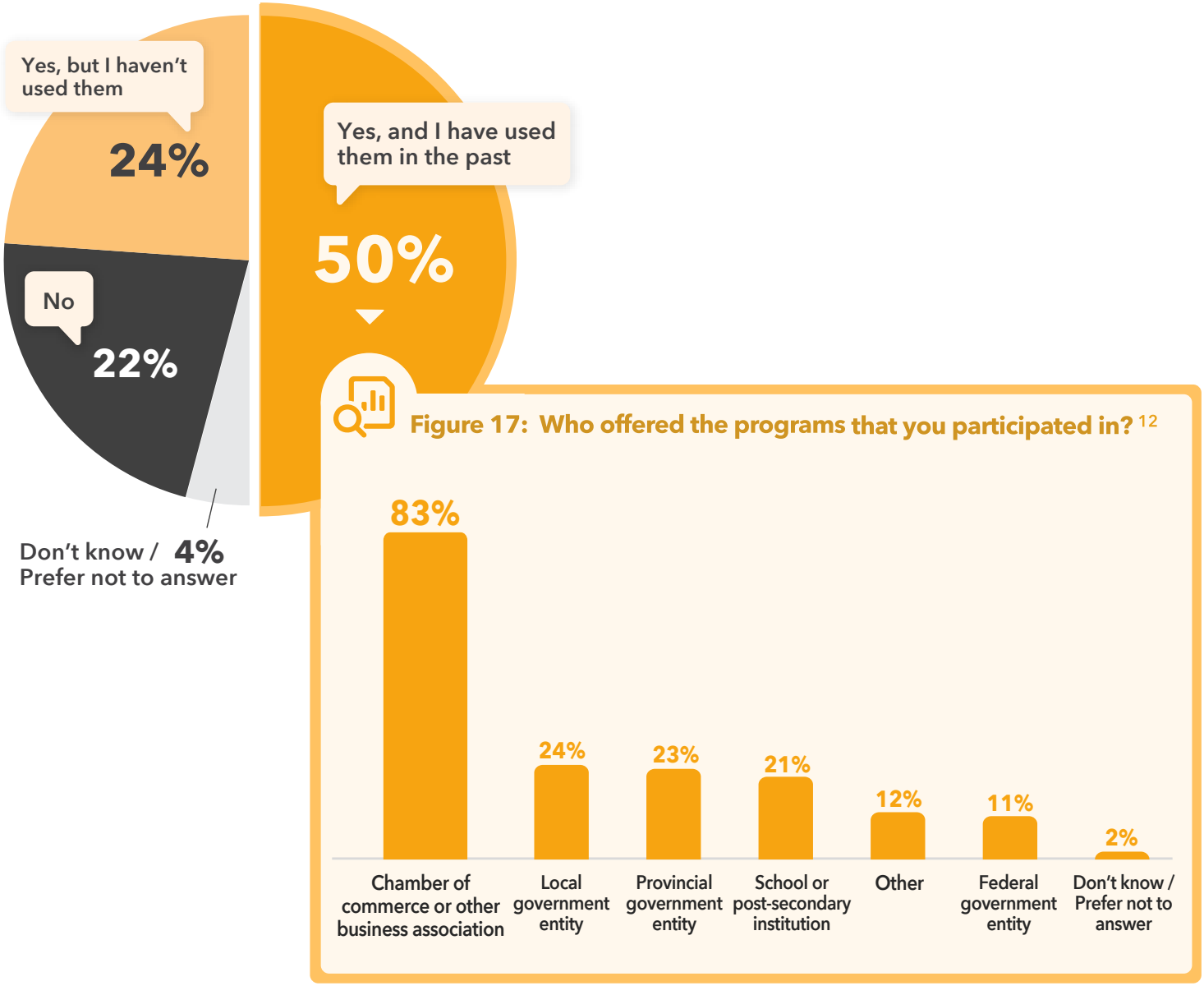
11 n = 341 (respondents only include small businesses who are required to have an occupational license, occupational certification, or occupational permit)

6. Helpfulness of Training or Networking Programs

In stark contrast to the ease of hiring, which received the lowest score (-48), small businesses find the helpfulness of training or networking programs to be the friendliest aspect of Ontario's business environment, resulting in a **score of 30**.

We find 74 percent of businesses are aware of training or networking opportunities, with half of respondents having actually made use of those programs.

Figure 16: Are you aware of any informational, training, or networking programs for business?

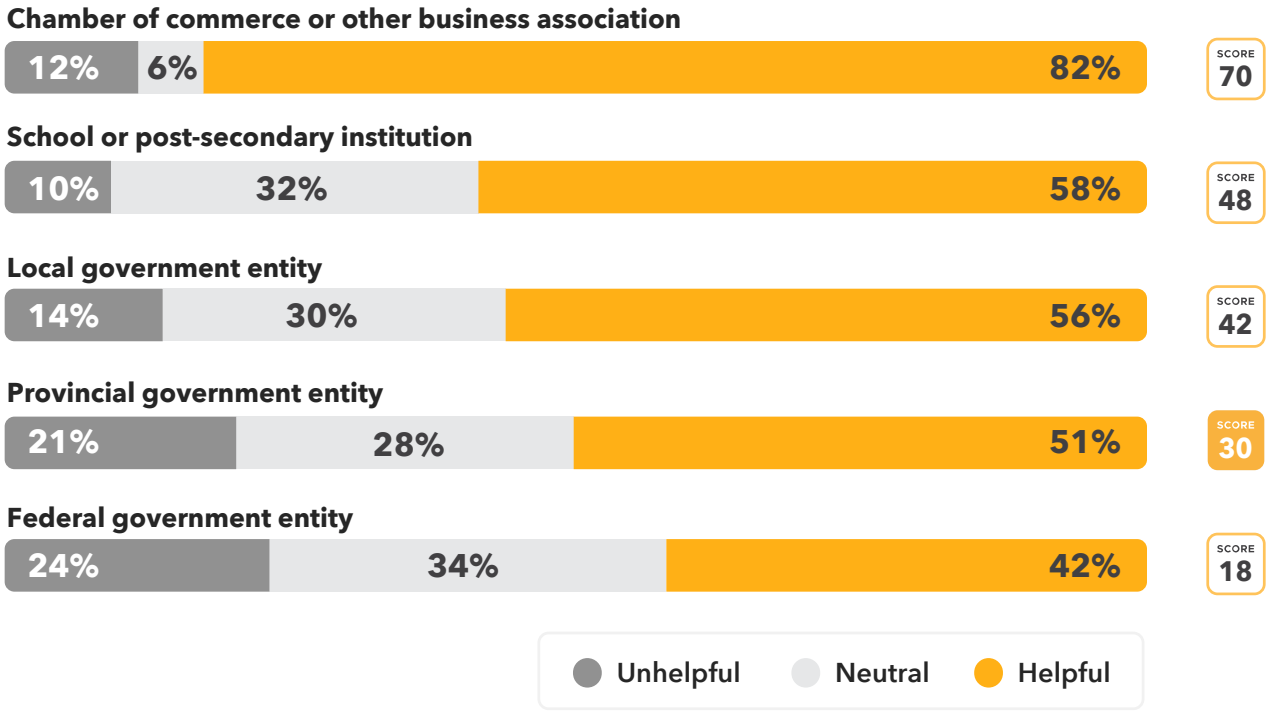


12 A sub-sample of n=368 answered the question, "Who offered the programs that you participated in?"

However, familiarity and use of these programs varies considerably by sector. The mining industry is most likely to use these programs, while the manufacturing sector is the least likely to be aware of or use training and networking programs.

Of the programs being used by respondents, the vast majority are being run by a chamber of commerce or business association. Correspondingly, nearly half (47 percent) of small businesses indicated they would turn to a chamber of commerce or business association to learn more about running their businesses – compared to 8 percent who would turn to the provincial government and just 4 percent who would look to the federal government for guidance.

Figure 18: How helpful were the programs you participated in? [13]



While chambers of commerce and business associations are by far viewed most positively among businesses that have taken advantage of training programs, the majority of small businesses also found provincial and local government programs to be helpful, along with programming from post-secondary institutions (Figure 18). Specifically, of the 50 percent of businesses which have participated in programming, just over half (51 percent) found provincial government programming to be helpful.

13 A sub sample of n = 368 answered the question, "How helpful were the programs you participated in?"

Most In-demand Programs:[14]

1. Business development	26%
2. Networking with potential clients	23%
3. Networking with other people in my field	20%
4. Skills development	18%
5. Navigating government regulation/programs	13%

To help assess their specific needs, we asked respondents about the programs in which they have participated and the varieties of programming that would be most useful to them. Business development-themed programming generated both the greatest demand and use, reflecting a desire on behalf of small businesses to receive further guidance on marketing and trade promotion activities. More generally, we see strong alignment between the type of programming small businesses would like to see and programs they have participated in.

Figure 19: What type of programs could local organizations offer to appeal to you?

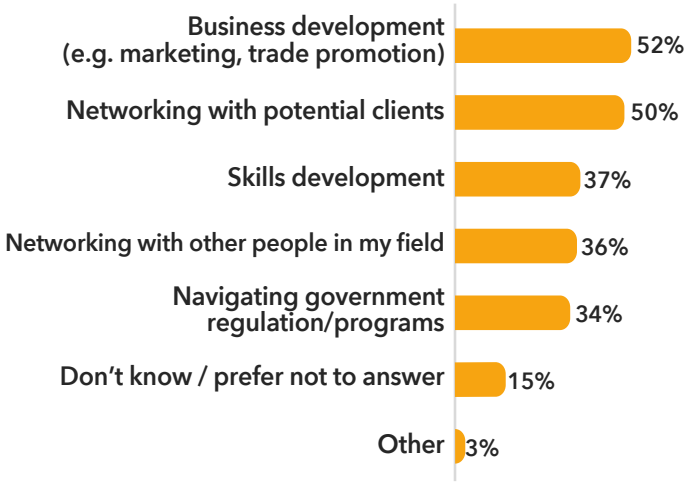
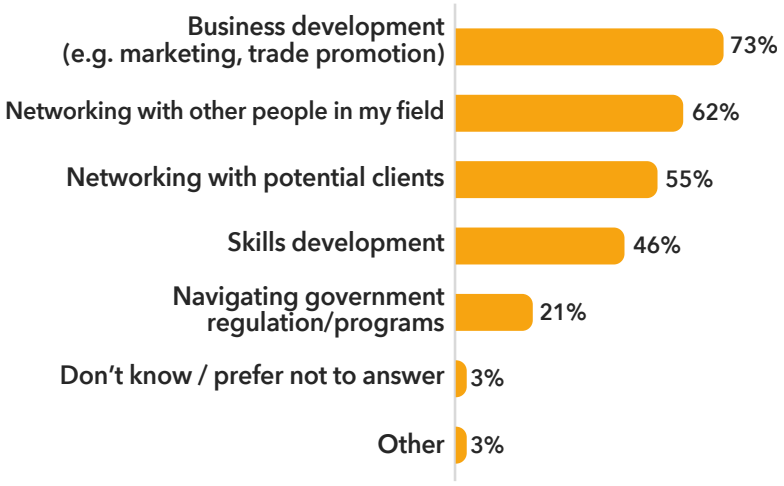


Figure 20: What type of program(s) have you participated in? [15]



The results also indicate that of the small businesses that have participated in programs, nearly half have participated in those related to skills development (Figure 19, 20). Consistent with survey results presented earlier in the SBFI and the BCS, businesses experience challenges when it comes to hiring and retaining talent. The high demand and use of skills training programming among small businesses may be reflective of Ontario's broader labour market challenges, as owner/operators seek to acquire those skills for which they cannot hire.

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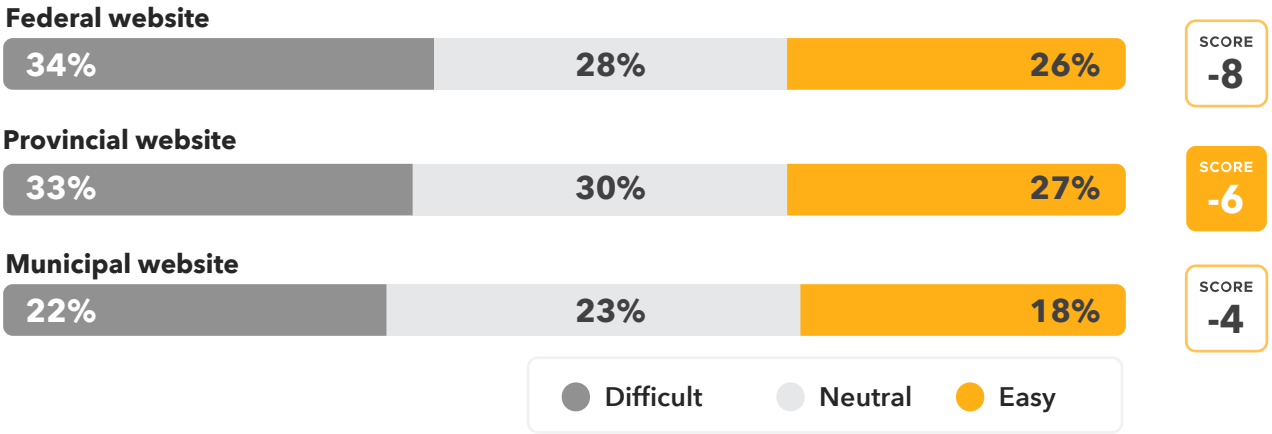
14 The programs most in demand was determined by taking a weighted average of the two scores that represent program respondents have used, and programs that would be appealing. The new scores reflect the overall "demand" for the associated program.

15 A sub-sample of n=368 answered the question, "What program(s) have you participated in?"

7. Ease of Use of Provincial Government Website

The final metric that informs the overall friendliness of doing business in Ontario is the ease of use of the provincial government website, which received a **score of -6** (Figure 21). While this SBFI metric focuses solely on the ease of use of the provincial government website, we also examined the friendliness of municipal and federal websites.

Figure 21: How easy or difficult was it to use the following government website(s)?



Respondents tend to have unfavourable views of all government websites, but the results reveal provincial and federal websites are the most likely to be used as resources for small businesses, compared to municipal websites. In an increasingly digital world, small businesses are understandably turning to government websites to help them navigate, and comply with, the regulatory environment. Accordingly, we find 71 percent turn to a federal, provincial and/or municipal government website to comply with regulations or learn more about operating a business. Only 17 percent of small businesses do not consult with government websites at all.[16] Ontario businesses are more likely to turn to federal websites for filing taxes and provincial websites for registrations, licensing, and learning about running a business. Municipal websites are most likely to be used for scheduling appointments or communicating with a government representative.

> "Only 17 percent of small businesses do not consult with government websites at all."

Given that the majority of businesses rely on government websites for a range of activities, the provincial government should focus its effort on improving online access to business registration, regulatory compliance, obtaining a license, and easy-to-navigate informational content about starting and running a business.

16 A sample of n=737 answered the question, "Have you used a federal, provincial and or municipal government website to comply with regulations on your business or to learn information about operating a business in your community?" A sub-sample of n=523 answered the question, "What website did you use?" A sub-sample of n=523 answered the question, "How easy or difficult was it to use the following government website(s)?"

Insights from the Small Business Friendliness Indicator

- The SBFI reveals that, although the overall business environment is viewed as unfriendly by small business, Ontario is succeeding on metrics such as the helpfulness of the Province in starting a business, the ease of licensing, and the delivery of useful training and networking programs.

- Hiring is a major challenge for small businesses across the board, but the results reveal that firms in the goods producing sectors located in rural and remote regions are being hardest hit. Of note, regions which report some of the biggest hiring challenges are the same regions that reported the lowest economic confidence levels, including parts of Eastern and Northcentral Ontario.

- The 2020 Business Confidence Survey revealed small businesses were less confident in Ontario's economic outlook, compared to medium and large businesses. The SBFI provides insights as to why that may be the case, as small businesses are confronting unique barriers to growth that undermine the province's overall competitiveness.

- Many of the barriers to friendliness are within the government's control. Small businesses are looking for growth-focused government policy tailored for them. By expanding digital offerings, investing in customer service, and streamlining regulations and compliance systems, Ontario can improve its competitiveness and help small businesses prosper.

- The data supports what the OCC has long advocated for: small businesses will benefit from a modernized, client-centric relationship with government, rather than complicated new initiatives, grants, or subsidies that tend to have low uptake and awareness.

Belleville
by Marilyn Warren

ONTARIO'S ECONOMIC OUTLOOK

Hamilton
by Benedek

Over the next year, Ontario's economy is expected to slow, with real GDP growth in Ontario forecasted to drop to 1.9 percent in 2020, down from an average of 2.4 percent over the last five years (Table 1). Consumer spending and commercial investment will likely remain tight in the coming years, as households retain nearly unprecedented levels of debt and businesses continue to face uncertainty in the global economy. Heading into 2020, businesses will need to be reaffirmed of both global trading relationships and continued government commitment to housing affordability.

Households

Household spending remains tepid as high household debt levels restrain household expenditures. Accordingly, 2020 is expected to reach a five-year low in consumer spending growth, at 2.2 percent. Though macro-prudential policy cooled home prices in 2018-19, prices seem to have rebounded, with a return to a seller's growth market expected through to 2021, underpinned by strong lending fundamentals.

As evidenced by the 2020 BCS, cost of living continues to be one of the most commonly cited impediments to growth by Ontario businesses. Ontarians can, however, be hopeful that acknowledgment of the problem from all three levels of government will serve to lower supply barriers to help meet heated demand and boost housing starts in the years to come.

Commercial

Growth in commercial capital investment fell in 2019, likely motivated by concern for the future due to perceived fragility in the global economy, elevated Sino-US tensions, growing global protectionist sentiment, and economic uncertainty in Europe. However, a number of large infrastructure projects, such as the construction of the Gordie Howe Bridge and various reactor refurbishment projects, are expected to prop-up demand. This is consistent with results from this year's BCS, which revealed Ontario's businesses community ranked infrastructure investment from the provincial government as the top priority to strengthen Ontario's competitiveness.

Labour Market

In 2019, job growth reached the highest it has been in nearly 20 years, and the unemployment rate approached a near 30-year low. Foreign and domestic immigration has managed to ease Ontario's heated job market, with 2020 population growth estimated between 1.7 and 1.8 percent—the strongest it has been in nearly two decades. In 2020, the unemployment rate is expected to remain steady at 5.5 percent, while the rate of job growth will cool to 1.9 percent, down from 2.8 percent in 2019. Reaffirming the importance of a strong labour market, Ontario businesses cited strong growth in population and skilled labour as two of the most common reasons to remain confident in Ontario's economy.

Table 1: Bank of Montreal Ontario Economic Forecast*

	2019	2020 FORECAST
REAL GDP	1.8	1.9
CONSUMER PRICE INDEX	2.0	1.9
EMPLOYMENT	2.8	1.9
JOBLESS RATE (%)	5.5	5.5
POPULATION	1.9	1.9
HOUSING STARTS (000s)	70.2	70.0

*Average annual percentage change, unless otherwise noted

Ontario's Regional Economic Outlook

Ontario's principal economic indicators remain sound, albeit subdued, heading into 2020, but economic growth varies greatly across the province. As discussed in the OCC's 2019 report, *The Great Mosaic: Reviving Ontario's Regional Economies*, regional economic performance has been remarkably imbalanced in recent decades as population and employment growth in Toronto, the Greater Golden Horseshoe (GGH), and Ottawa have far surpassed growth in other parts of Ontario.

Unfortunately, this trend is expected to continue in 2020, with employment and population growth expected to continue to reinforce these regional inequities (Figure 22). The 2019 OER noted that between 2003 and 2018, the GTA and Central Ontario (defined as the area surrounding Toronto) accounted for 93 percent of the 915,000 net new jobs created in the province, while Northern Ontario's net employment numbers declined by 23,600 jobs over the same period.

Figure 22: Actual and forecasted population and employment growth by region

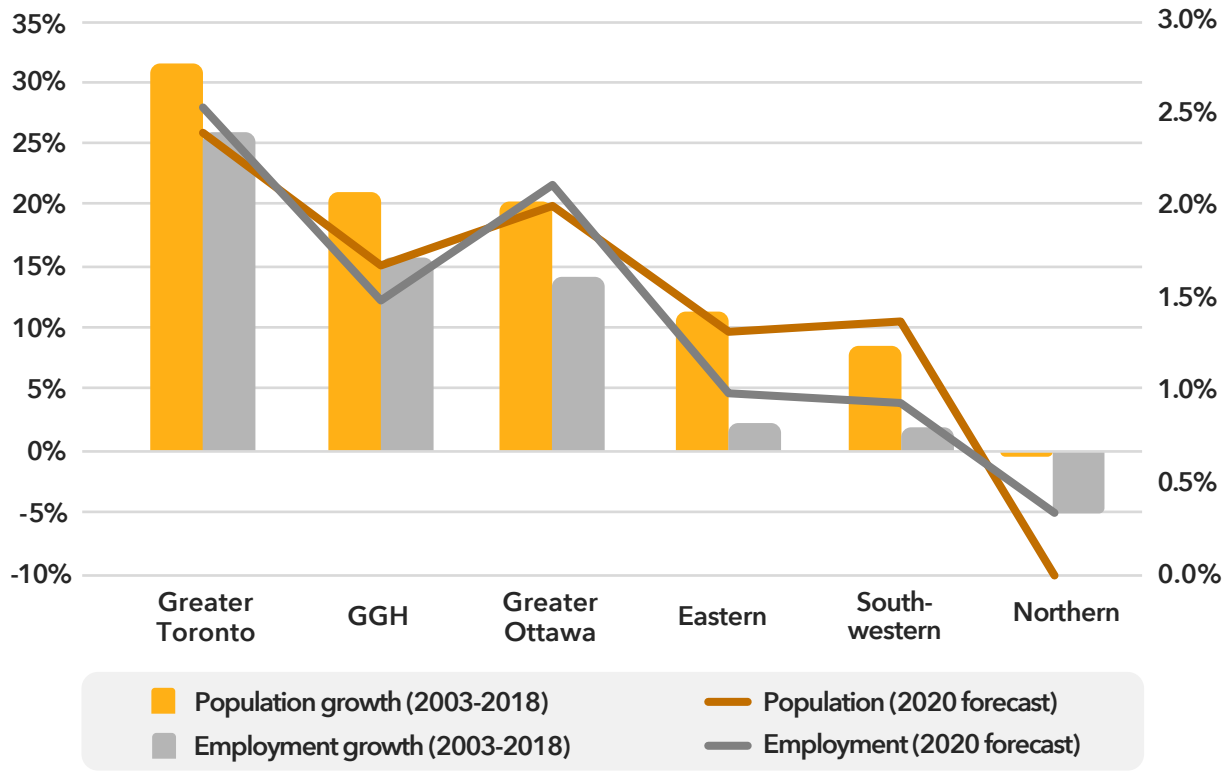
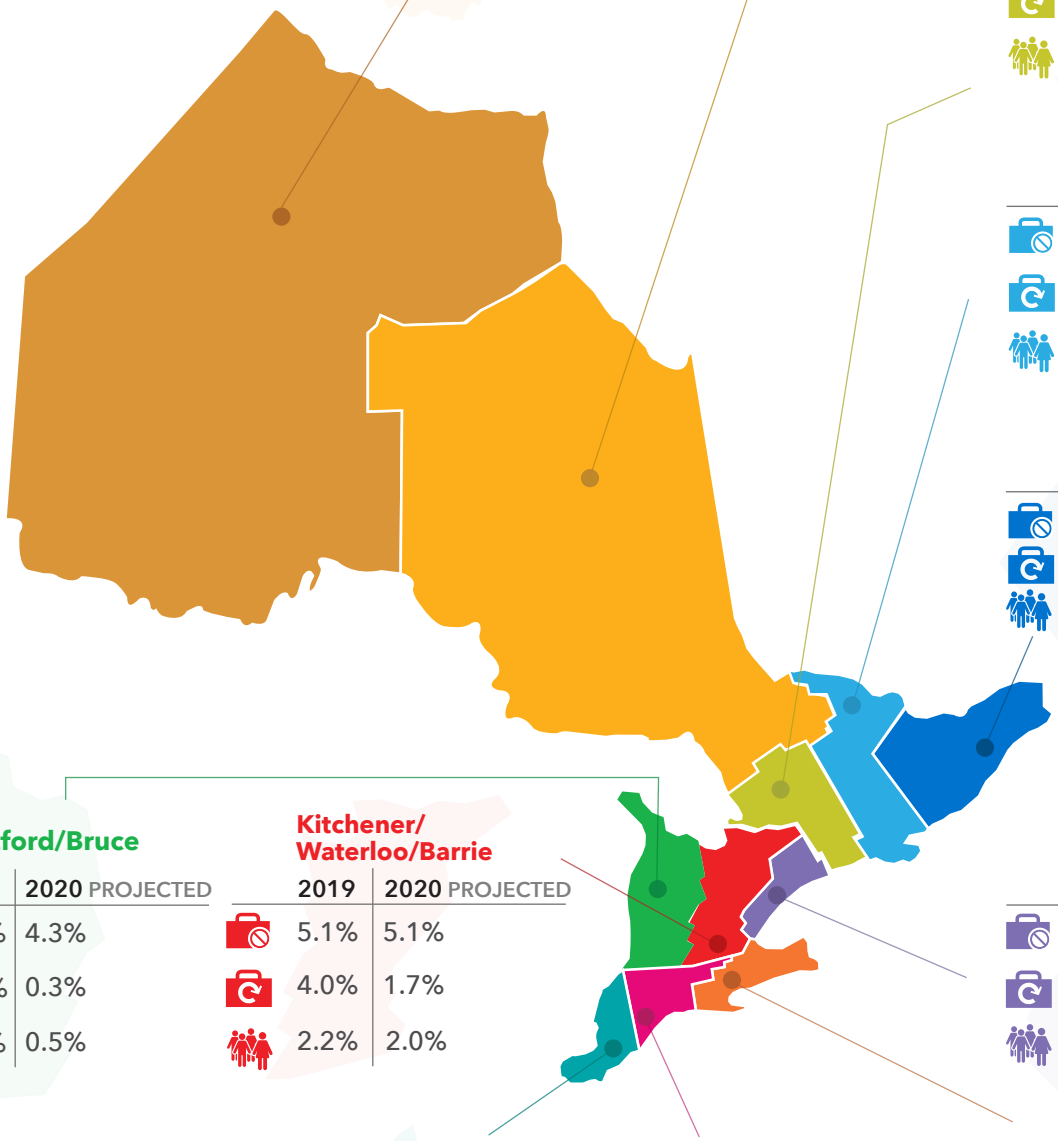


Figure 23 depicts the 2020 economic forecasts for Ontario's 11 economic regions (as defined by Statistics Canada) and focuses on three principal indicators: population growth, the change in employment, and the jobless rate. The forecasts show employment growth in Toronto (2.5 percent) and Ottawa (2.1 percent) outpacing forecasted growth in Northern Ontario (0.3 percent). Population growth is expected to follow a similar path, with the highest growth rates forecasted in Toronto (2.4 percent), Ottawa (2 percent), and Kitchener-Waterloo-Barrie (2 percent), compared to 0 percent in Northern Ontario.

Figure 23: Ontario's regional economic outlook



Northwest Ontario

2019	2020 PROJECTED
5.2%	5.2%
-1.2%	0.3%
-0.1%	0.0%

Northeast Ontario

2019	2020 PROJECTED
6.3%	6.3%
0.2%	0.3%
-0.1%	0.0%

Muskoka/Kawarthas

2019	2020 PROJECTED
6.0%	6.2%
-2.6%	0.6%
1.3%	1.2%

Kingston-Pembroke

2019	2020 PROJECTED
5.6%	5.8%
5.6%	1.3%
1.0%	1.4%

Ottawa

2019	2020 PROJECTED
4.8%	4.5%
4.5%	2.1%
1.8%	2.0%

Stratford/Bruce

2019	2020 PROJECTED
4.3%	4.3%
-1.5%	0.3%
0.7%	0.5%

Kitchener/ Waterloo/Barrie

2019	2020 PROJECTED
5.1%	5.1%
4.0%	1.7%
2.2%	2.0%

Toronto

2019	2020 PROJECTED
5.9%	5.8%
3.5%	2.5%
2.5%	2.4%

Windsor/Sarnia

2019	2020 PROJECTED
6.1%	6.7%
0.4%	0.6%
1.0%	1.4%

London

2019	2020 PROJECTED
5.3%	5.2%
-0.1%	1.5%
1.7%	1.7%

Hamilton/Niagara Peninsula

2019	2020 PROJECTED
4.8%	4.8%
1.6%	1.3%
1.5%	1.4%

Jobless Rate (%) | Employment (% change) | Population, age 15+ (% change)

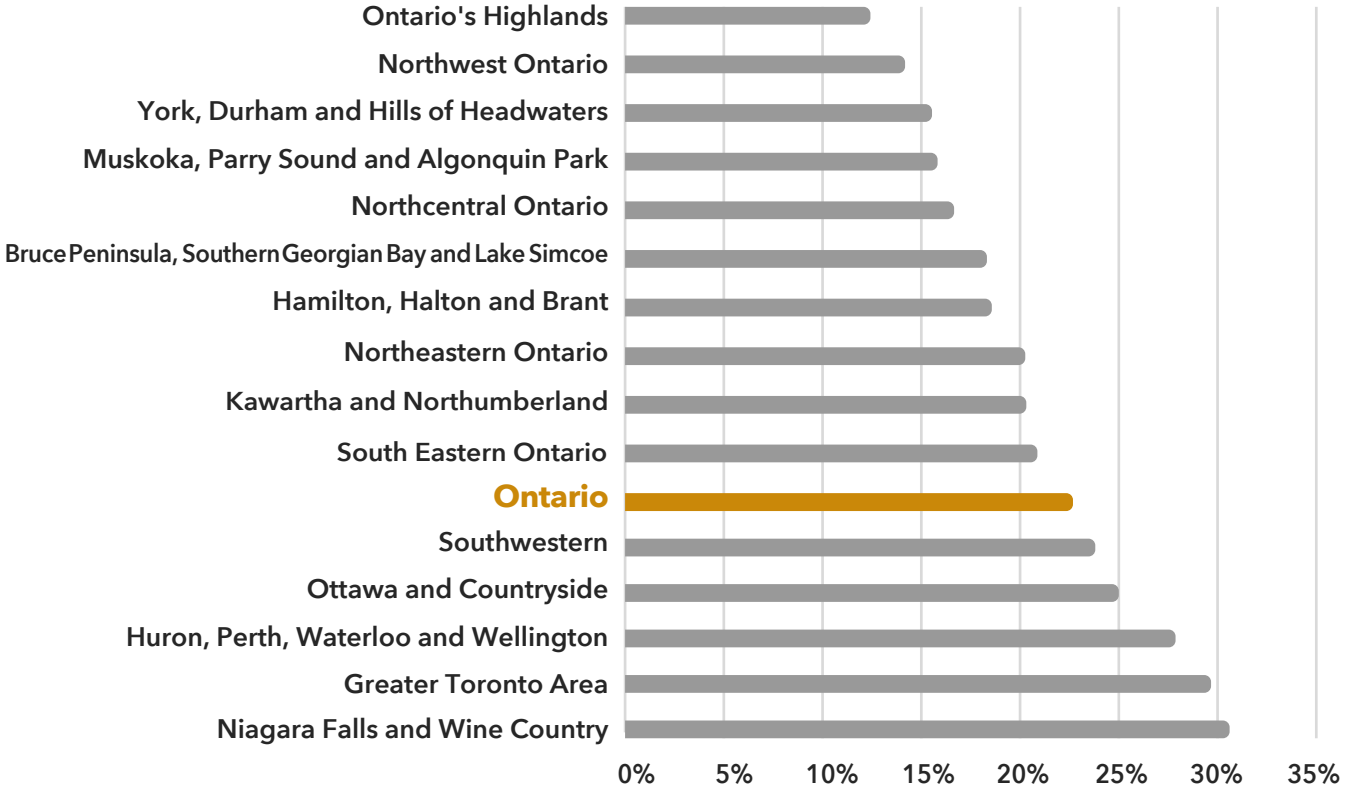
While each community faces its own opportunities and challenges, rural and Northern regions have generally had to contend with urbanization and outmigration resulting from economic consolidation and the rise of the service sectors. These regions are typically also disadvantaged by weaker infrastructure, such as roads and broadband.

As a result, business confidence also varies considerably by region (see Figure 24). Not surprisingly, Toronto and Ottawa are two of the regions where businesses are most likely to say they are confident in Ontario's economic outlook. Other regions with higher confidence include Niagara Falls and Wine Country and Huron-Perth-Waterloo-Wellington, both located at least partially within the GGH.

Regions where businesses are the least likely to say they are confident in Ontario's economic outlook include Muskoka, Parry Sound, and Algonquin Park, Ontario's Highlands, and Northcentral Ontario. The challenge for these regions is largely access to talent. Though this is true to some extent across the province, it is particularly difficult for employers in rural areas to find workers, especially those with the right skillsets. As discussed in *The Great Mosaic*, labour shortages are acute in Ontario's agriculture, manufacturing, and construction sectors. From our 2020 BCS, we know that these are also the same sectors in which businesses are least confident in the province's economic outlook.

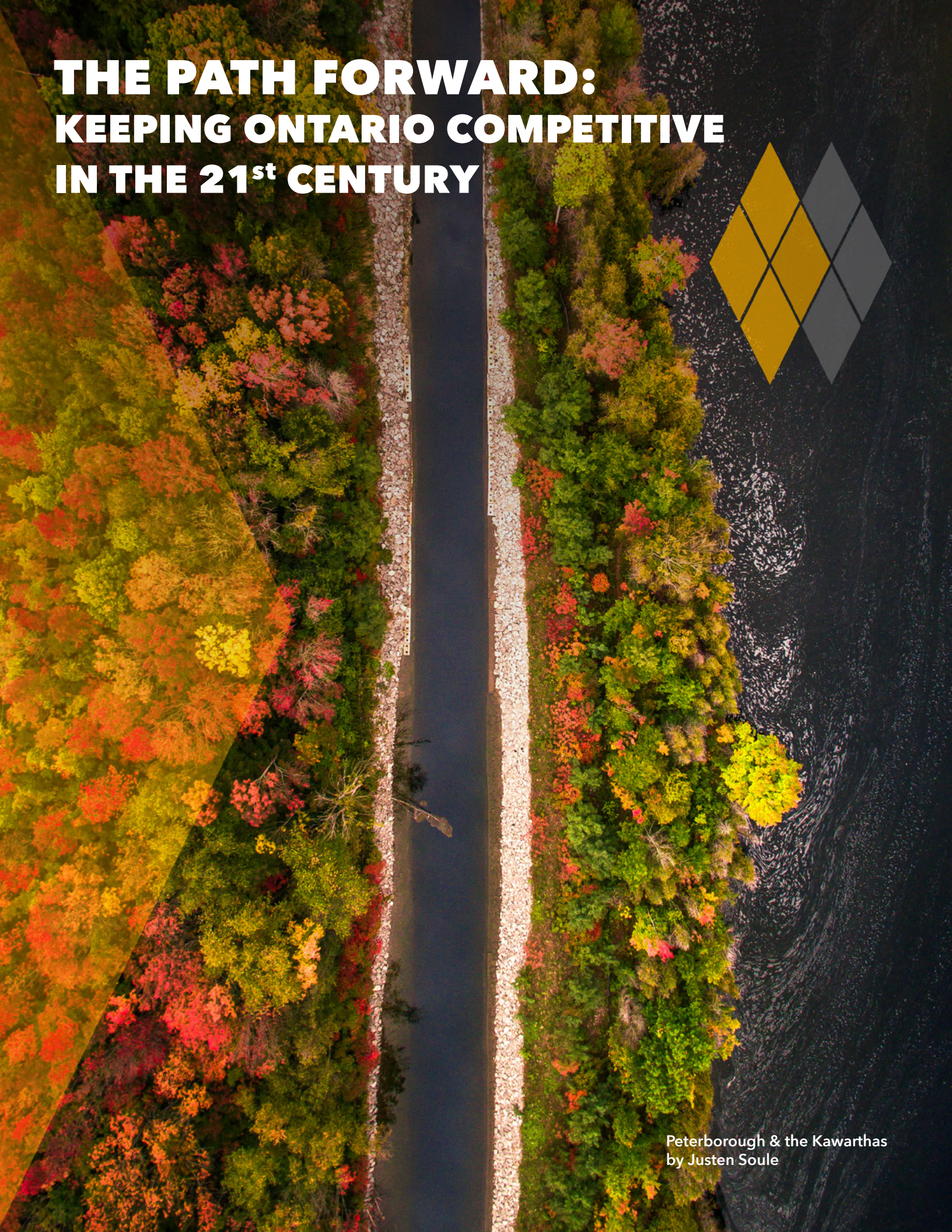
In rural and Northern Ontario, low population growth also accentuates the challenges of an aging population. In fact, businesses in Haliburton (Ontario's Highlands), where 33 percent of the population is over the age of 65, are among those least likely to say they are confident in Ontario's economic outlook. Conversely, the GTA has one of the lowest proportions of seniors (15 percent) and is one of the regions where businesses are most confident.

Figure 24: Percentage of businesses in each region that are confident in Ontario's economic outlook



Toronto
by Scott Webb

THE PATH FORWARD:
KEEPING ONTARIO COMPETITIVE IN THE 21st CENTURY



Peterborough & the Kawarthas
by Justen Soule

In an increasingly interconnected world, Ontario's economic prosperity depends on its ability to compete effectively with other jurisdictions for capital and talent. Decisions we make now regarding infrastructure, investment, workforce development, and institutional capacity will dictate whether Ontario will be well equipped to thrive in the twenty-first-century economy.

Reflections on the 2020 Findings

Ontario's economy is expected to confront headwinds over the next year – slower economic growth, a tight labour market, and continued trade uncertainty – manifesting in near record low levels of business confidence in Ontario's economic outlook and a widening of the confidence gap. Although organizational confidence remains high, challenges related to hiring, the cost of doing business and Ontario's infrastructure deficit continue to be top of mind for businesses. This year's BCS also finds that industry and firm size both have some influence on business confidence.

Importantly, the results reveal shifting attitudes towards technology, as Ontario businesses increasingly understand and appreciate the role technology plays in remaining competitive. Specifically, the ability to access and adopt new technologies is a driver of business and organizational confidence, while innovation was ranked as a top critical factor to an organization's success.

Most issues identified throughout the OER, such as waning confidence in Ontario's economic outlook, inadequate infrastructure and broadband networks, and difficulty hiring, are disproportionately felt in certain regions. This is echoed in the economic outlook data, which suggests the regional imbalances in economic performance are likely to persist in 2020. While each community faces its own opportunities and challenges, as long as major regional inequities persist, they will continue to be a drag on Ontario's competitiveness and overall economic growth.

The SBFI delves deeper into the competitiveness of small businesses, which represent 98 percent of all businesses and 30 percent of GDP. Our analysis finds Ontario's business environment to be perceived as unfriendly overall for small business, but not all the metrics are negative and many barriers to friendliness within the government's control are being addressed. The province is viewed as helpful in starting a business, obtaining and complying with licensing requirements, and providing training and networking programs. In each of these areas, the Ontario government gets a passing grade from businesses. In other categories, such as the regulatory environment, ease of hiring, and user-friendliness of government websites, there is room to improve Ontario's competitiveness.

The OCC remains committed to working with the provincial government to address barriers and find solutions to help small businesses and regional economies prosper. Insights from the SBFI can be leveraged to further that aim. Importantly, the results reveal that small businesses are ready to embrace digital government, with only 17 percent of respondents not using government websites. By investing in digital offerings, streamlining regulations, modernizing compliance systems, and improving customer service, the climate will be improved for small businesses, which will especially help rural and remote communities compete in the modern economy.

The Ontario Economic Summit: Competitiveness in Focus

The Ontario Economic Summit (OES) is the OCC's annual forum convening leaders from academia, government, industry, and non-profit associations during a three-day conference to exchange innovative ideas and explore issues that will shape Ontario's future growth and role in the global economy. Last year's OES focused specifically on the issue of Ontario's competitiveness.

Amidst a rapidly shifting global business environment, entrepreneurs, business leaders, and public policy officials explored how Ontario can navigate the technological, political, and demographic changes it will confront over the next decade and beyond. Throughout these discussions, two areas of consensus emerged which may help inform the discussion around Ontario's long-term competitiveness: fostering regional economic development and building Ontario's competitive advantages. These are explored in further detail below.

Fostering Regional Economic Development

Regional economic growth was identified as being inextricably linked to Ontario's overall competitiveness. The diversity of our regions contributes greatly to the strength of Ontario's overall economy, but more needs to be done to foster economic growth in communities across the province.

OES speakers underscored the importance of adopting a more strategic, less one-size-fits-all approach to regional economic development, noting the most cost-effective way to drive growth is to cultivate ecosystems of talent, trade, and infrastructure. This notion is also reflected in the findings of the 2020 BCS and in our recent report, *The Great Mosaic: Reviving Ontario's Regional Economies*. Participants added that building regional capacity for innovation is fundamental to productivity and growth. This means improving commercialization and technology adoption, strengthening regional innovation centres, expanding broadband internet access, and facilitating cluster development.

Building Ontario's Competitive Advantages

Speakers throughout the OES readily acknowledged Ontario is well positioned to succeed in the twenty-first century. The province is home to Canada's financial capital, a burgeoning technology sector, a world class education system, and a diverse economy which attracts valuable talent from abroad. Sectors such as cannabis, life sciences, robotics, and artificial intelligence are all on the rise and will necessitate evolving policy and regulatory regimes to foster their continued growth. Meanwhile, more traditional industries such as agriculture and manufacturing will face continued pressure from rising input costs, falling capital investment, and global competition with lower-cost jurisdictions. Not surprisingly, this year's BCS finds notable sector-based variation in both business confidence and priorities.

As businesses become increasingly reliant on data-driven decision-making, Ontario's long-term competitiveness will require multi-stakeholder leadership in data governance and data technologies such as artificial intelligence. A number of participants highlighted how financial centres in modern economies are quickly recognizing the business case for sustainability and investing in companies with environmental, social, and governance (ESG) mandates. As Canada's Expert Panel on Sustainable Finance noted in its final report, our sustainable finance market is growing, but not as quickly as our peers, presenting an opportunity for Ontario to improve commercial competitiveness by thinking about sustainable finance as an advantage rather than a fringe concept.

Looking Forward

While the OER outlines vulnerabilities within the Ontario economy, it highlights opportunities as well. The OCC has long been dedicated to advancing pragmatic recommendations through our policy and advocacy work and this year will be no different. In 2020, our Workforce Development Council will continue to work with stakeholders and government leaders to address the immediate and long-term needs of Ontario's evolving labour market, many of which are discussed throughout this report. The OCC is also working to take concrete steps to address Ontario's skills mismatch by developing programs that connect job seekers with employers. Energy policy – in Ontario and globally – is at a pivotal moment. Governments and businesses must content with challenges to the sustainability and affordability of energy. As Ontario moves forward with its energy planning, the OCC's newly launched Ontario Energy Council will aim to inform the debate surrounding Ontario's energy planning, supply, and affordability. Ontario's ailing and inadequate infrastructure has manifested in a competitiveness issue for the province. The OCC's Infrastructure Council recognizes that infrastructure are top priorities for our members; the Council will work to encourage investment in the kind of infrastructure that contributes to the "industrial commons" such as expanding broadband internet access, upgrading rural transportation systems, and prioritizing the construction and maintenance of trade-enabling assets.

Looking at the OCC's research agenda, cybersecurity, privacy, and data governance, as well as a series of briefs exploring trends in sustainable innovation, will inform the debate surrounding Ontario's competitiveness in the twenty-first century. Meanwhile, the effects of climate change and extreme weather events on Ontario's aging and inadequate infrastructure have become more pronounced, resulting in economic vulnerabilities for the province. As Ontario becomes a riskier place to insure, the OCC will explore what this means for the business community and the competitiveness of our province going forward.

We cannot expect government and business leaders to control external factors, such as increased fragility in the global economy, but there is a great deal that can, and should, be done within our purview. This includes reducing barriers to starting a business, simplifying the regulatory environment, and investing in Ontario's infrastructure, and human capital. Finally, the OCC will continue to apply a regional lens to its policy and advocacy work, recognizing that Ontario's long-term competitiveness will depend on the strength of each of its communities.

The OER will be available in communities across Ontario through our network of local chambers of commerce and boards of trade. The data contained within these pages can act as a reference, a benchmark, and a catalyst for further debate and policy change. Together, the OCC and the Ontario Chamber Network will continue to inform the provincial policy landscape and encourage decision-making that makes our economy stronger for all Ontarians.

JOIN THE OCC

Not a Member of the OCC? Get Engaged!

From innovative SMEs to established multi-national corporations and industry associations, the OCC is committed to working with our members to improve business competitiveness across all sectors. The OCC works hard to drive an effective advocacy agenda for business and to ensure that our members are kept up-to-date on issues that matter.

Through your engagement with the OCC, you will:

- Advance your policy priorities;
- Strengthen your relationship with government;
- Network with business leaders;
- Engage with 135 communities across the province; and
- Contribute to the growth of Ontario's economy.

For more information on how you can be a part of the most influential and credible business network in the province, please contact:

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