

The latest indicators of Ontario's economy continue to reveal a sharp slowdown in the recovery from last year's recession. Employment, building permits and business confidence are all down.

### Employment Drops in September As School Enrollment Rises

Total **employment** in Ontario declined in September as younger workers returned to school. The number of people working fell by an estimated 22,900 (0.3%) compared with August. Employment in Ontario has declined since June following steady gains through the first half of this year.

Ontario's unemployment rate held steady at 8.8% of the labour force as fewer people looked for work. The total labour force declined by an estimated 19,600 persons (0.3%), mostly younger workers of both sexes aged 15 to 24 years. The unemployment rate among younger workers increased 0.8% to 17.9% as employment fell by 43,900 persons (4.8%) while the labour force declined by 43,700 (4.0%). These estimates are seasonally adjusted, revealing that weak labour market conditions have resulted in an unusually high rate of enrollment in schools this year.

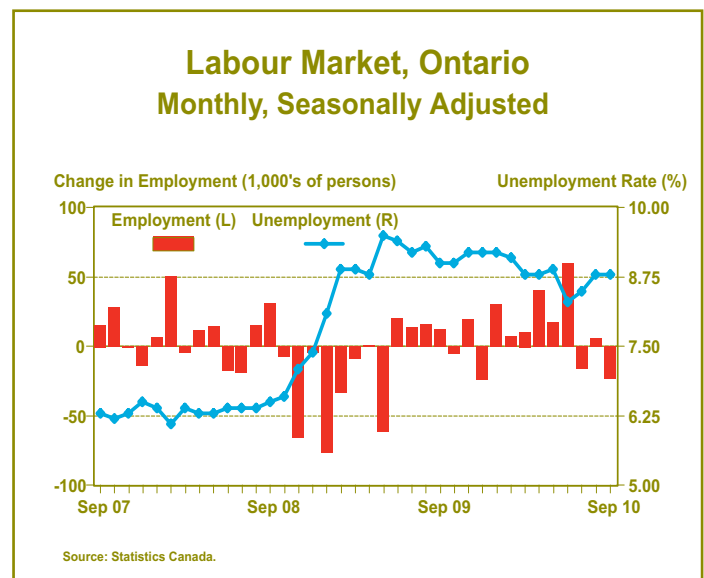
Lower employment among younger workers was partly offset by a 28,000 (0.9%) increase in employed adult men aged 25 years and over. The unemployment rate of this group declined 0.3% to 7.6% of the labour force. The unemployment rate among women aged 25 years and over increased 0.3% to 7.0% as employment inched down.

The total number of private sector employees dropped by an estimated 37,500 persons (0.9%) in September. This was partly offset by an increase in public sector employees of 15,200 (1.2%), while total self employment was little changed.

Industry-wide, employment decreased in September in retail/wholesale trade, professional/technical services and accommodation/food services. This was partly offset by job gains in finance/insurance/real estate services.

Metropolitan Toronto's labour market contracted sharply in September. The labour force fell by an estimated 41,000 persons (1.2%) while employment declined by 33,600 persons (1.1%). Over the last three months, employment growth has been concentrated in metro Toronto while most other regions in Ontario have seen employment decline.

Central 1 Credit Union forecasts the average level of employment in Ontario will rise 1.7% this year, following a 2.4% decline in 2009. The provincial unemployment rate will average 8.7% in 2010 compared with 9% last year. More favourable economic conditions next year will lead to 1.9% growth in employment and an 8.4% unemployment rate.



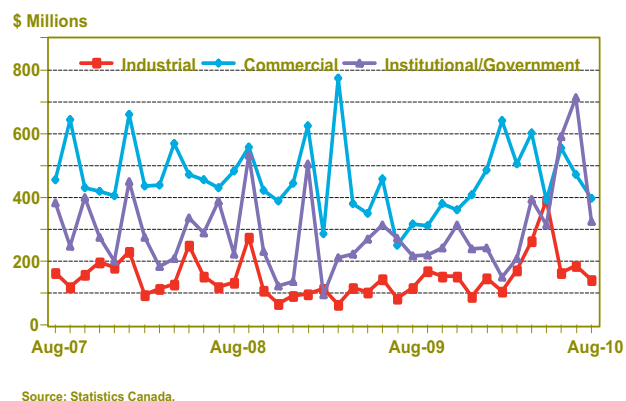
## Building Permits Drop Overall in August

The dollar value of **building permits** issued by local governments in Ontario dropped in August on weaker non-residential building intentions. Permits totaled \$2.1 billion, down 19% from July. Non-residential building permits fell 37% from July, while residential permits inched up 3%. Resale housing markets have slowed considerably over the last nine months and new housing construction tends to follow that market.

Weakness in non-residential building permits was led by government/institutional projects as temporary fiscal stimulus spending winds down. Government/institutional permits totaled \$324 million in August, down 55% from July. Recent weakness in consumer spending and business investment drove down private sector building intentions as well. Commercial building permits dropped 16% from July while industrial permits fell 24%.

The outlook for building construction is slightly negative in the near-term. Central 1 Credit Union forecasts non-residential building permits will continue to wane through early 2011 as government deficits are reigned in. Residential building permits are forecast to trend lower through early 2011 as the investment demand for housing continues to ebb.

## Non-Residential Building Permits Ontario, Monthly, Seasonally Adjusted



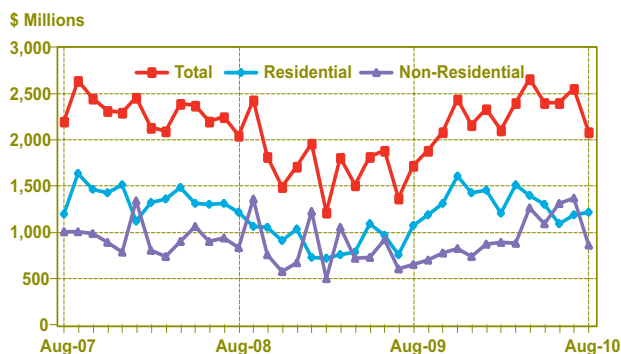
## Business Confidence in Ontario Drops Sharply

Another indication that **economic growth** has slowed sharply in Ontario came from the latest **Business Barometer Index (BBI)** of the Canadian Federation of Independent Business (CFIB). The BBI, which measures confidence among Ontario's small and mid-sized business owners, dropped 6.5 points in September from August to a problematic level of 59.6. That is the lowest level since June 2009 when the economy was still in recession.

Measured on a scale from 0 to 100, an index level above 50 means owners expecting their business performance to be stronger in the near term outnumber those expecting weaker performance. The BBI is a strong leading indicator of real GDP growth in Ontario. The latest reading suggests Ontario's real GDP grew by a slight 0.3% in the third quarter, seasonally adjusted (1.2% annualized). That is well below average growth of 0.45% per quarter so far this century and is down sharply from average growth of 1.0% per quarter since the latest recession ended.

Among leading indicators, approximately 56% of business owners surveyed in September reported normal levels of unfilled customer orders and staff overtime. However, roughly 33% reported below normal levels while only about 10% reported above normal levels. The near-term outlook for employment

## Building Permits by Structure Type Ontario, Monthly, Seasonally Adjusted

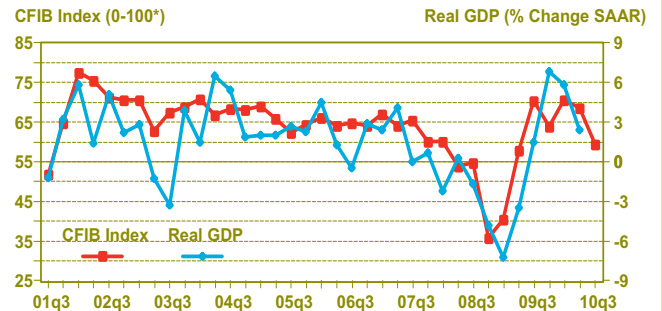


is negative. An estimated 71% of owners plan no change in full-time employment in the next three months, while 19% plan a decrease versus only 10% planning an increase.

It is normal to have a growth slowdown following an initial recovery from recession. The early recovery phase is boosted by pent up demand and inventory rebuilding. Once these are realized a short term lull in growth often occurs. The introduction of the HST dampened third quarter growth as well. Central 1 Credit Union forecasts real GDP growth in Ontario of 3.1% in 2010 and 2.5% in 2011, following a drop of 3.0% in 2009.

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### CFIB Business Barometer and GDP Ontario, Quarterly



\* E.g. Index of 50 = equal balance of stronger and weaker business expectations.

Source: CFIB and Ontario Ministry of Finance.