Ontario Economic Briefing

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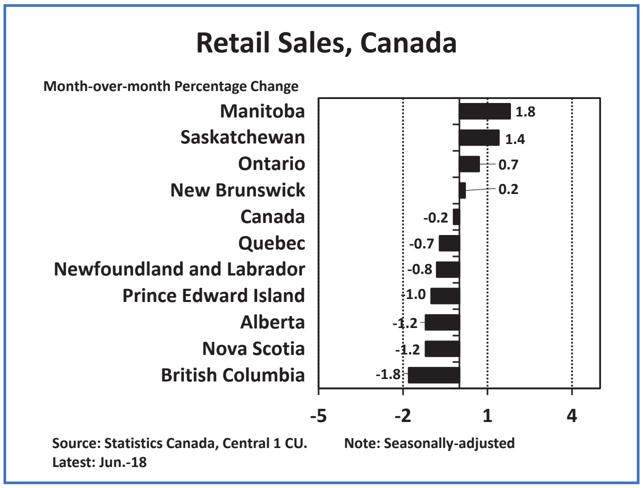
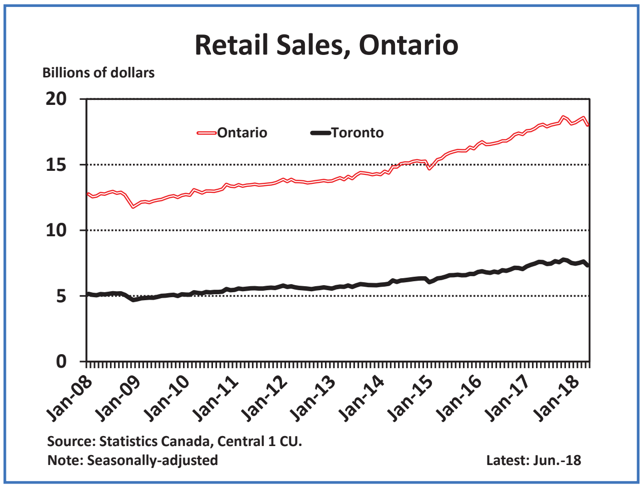
Highlights

- Fewer auto-related sales kept retail sales volume growth modest in June
- A robust drop of regular EI claims in Ontario's urban centres off-set jump in rural areas





Retail sales increased modestly in June following robust growth last month

Following May's robust retail sales volume, June's growth was quite modest by comparison. Ontario retail sales increased by 0.7 per cent to $18.9 billion over May, all figures seasonally-adjusted. Nationally, sales contracted by 0.2 per cent in June over May due to fewer retail sales in most provinces. Only four provinces, Ontario included, posted month-over-month (m/m) retail sales gains.

Ontario's consumers are spending on non-durables, as evidenced by food and beverage and clothing stores maintaining monthly retail sales in the black, while expenditures in most other categories fell. Particularly, large segments such as motor vehicle and parts (0.5 per cent down m/m), gasoline station sales (3.4 per cent down m/m), home furniture and furnishings (2.1 per cent down m/m), and, electronics and appliances (0.5 per cent down m/m). With an aging population, health related retail expenditures remained solid, posting a 2.7 per cent growth m/m.

Given some of the uncertainty in the air regarding the economy, people are now shying away from bigger ticket purchases. For example, as more people remain on the sidelines unable to obtain the credit they desire to purchase a home, fewer consumers are making purchases related to homeownership such as furniture and appliances. Moreover, with very strong year-over-year gasoline price growth, consumers are keeping their cars parked and taking transit or not replacing their old cars as quickly as before.

Ontario's year-to-date retail sales volumes are up 4.1 per cent to $106.5 billion. With half the year completed, monthly retail sales volumes in 2018 continue to outperform sales volumes for all corresponding months last year. Apart from nearly unchanged sales in April, year-over-year sales growth for all other months has ranged from 3.6 to 5.4 per cent higher. Year-to-date, the only category that is lower than last year is home furniture and furnishings, which stands currently 2.4 per cent off last year's pace.

Consumer spending has been robust and with increasing debt loads, this spending has increased rather than slowed down year-over-year. Based on data from Equifax via Canada Mortgage and Housing Corporation, total monthly obligations in the Toronto Census Metropolitan Area, a region that largely influences retail sales volumes in the province, increased 5.9 per cent to $2,960 in the first quarter of 2018, compared to the same period last year. The largest areas of growth to the monthly obligations came from mortgage payments (up 6.4 per cent to $1,662) and home equity lines of credit (up 12.9 per cent to $518). It is a possibility that some households that purchased a home are saving less money due to higher homeownership costs (i.e., mortgage payments, utilities, property taxes, repairs), but do not want to completely stop their consumer spending and are dipping into the equity of the home to finance these expenditures.

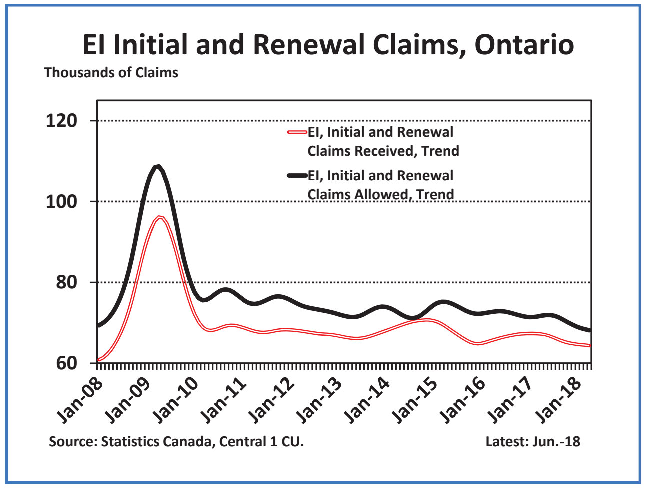
Toronto CMA's retail sales volumes increased two per cent in June to $7.7 billion, and year-to-date by 1.4 per cent to $43.5 billion (or 41 per cent of the province's total).

A strong drop in regular EI benefit recipients in sales-related occupations pushed total claims down

Job creation in June helped decrease the number of Ontarians receiving Employment Insurance (EI) regular benefits, as many of those that were actively looking while receiving these benefits were able to find work and leave the program. Ontario's economy created 34,900 new jobs in June month-over-month (m/m), with over 56 per cent of those new job postings occurring in full-time employment. In June, Ontario had 119,490 residents on its EI rolls, a net decline of 290 residents. In Ontario's Census Metropolitan Areas (CMAs), 810 fewer Ontarians received EI benefits. Unfortunately, in Ontario's less dense regions (Census Agglomerations and rural areas), EI claims swelled by 520.

By CMA, significant declines in claimants occurred in Toronto (550 fewer recipients m/m), Oshawa (220 fewer recipients m/m), Barrie (80 fewer recipients m/m), and Kitchener-Cambridge-Waterloo (70 fewer recipients m/m).

The net decline in EI regular benefit recipients in June was broad-based with many occupations reporting fewer recipients, primarily among them those workers in the sales and services occupations. Claims in this category declined by 1,060 recipients. On the other side of the spectrum, those in the trades, transport and equipment operators and related occupations reported significantly higher recipients in June. Total recipients in this group increased to 36,490 people (a m/m increase of 1,600 recipients). Given concerns about the future of the economy, residential and non-residential investments have moderated and thus put downward pressure on hiring of tradesmen and related occupations. Another area that posted a robust increase in recipients in the month was natural resources, agriculture and related production occupations. Their registered recipients increased to 5,590 people (a m/m increase of 150). Decreased demand for metals is putting downward pressure on hiring in this sector.



Finally, seasonally-adjusted initial and renewal-received claims moved up 2.6 per cent to 72,630. This month's tally is nearly on par with the monthly long-term average from January 1997, with June 2018 only being a hair higher at 0.7 per cent.

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