Ontario Economic Briefing

Volume 24 • Issue 36• Week of September 3-7 2018 | ISSN: 1981-355

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Highlights

- Unemployment rate edged up in August to 5.7 per cent
- Tariffs affected metal exports in July
- Fewer permits issued in July for commercial and institutional projects weighed on the total

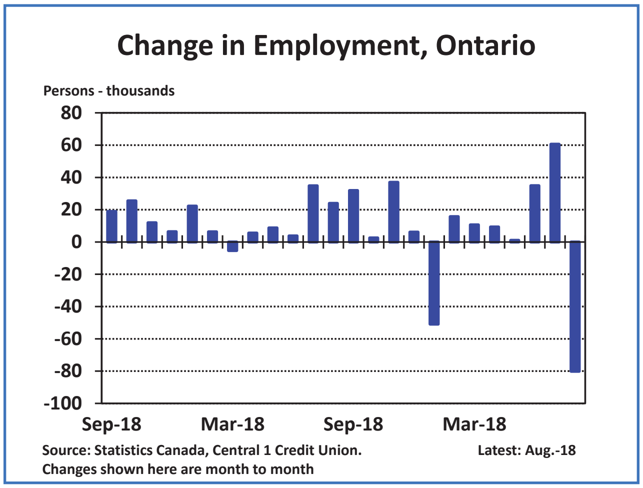
Part-time job gains reported last month erased in August

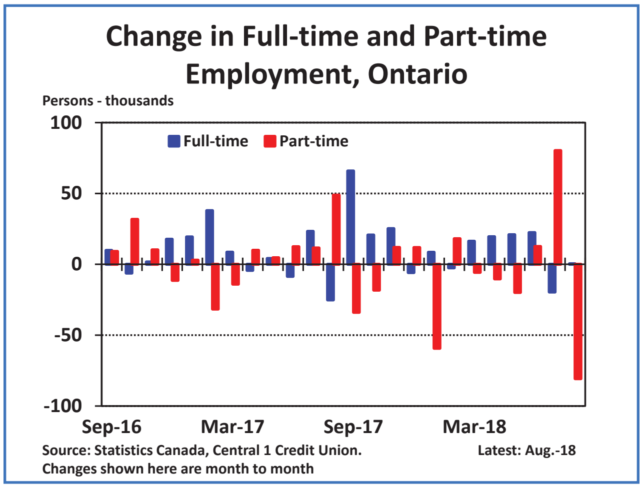
The robust job gains reported in July, powered by brisk part-time hiring activity, were totally erased in August as all those jobs were shed. Full-time employment remained relatively unchanged - increasing a fraction month-over-month by 400 jobs - but the gains to full-time employment could not overshadow the loss of 80,700 part-time jobs. The shedding of jobs also affected the labour force, which declined by 57,700 workers in August. A stronger contraction in employment compared to the contraction in the labour force pushed the unemployment rate up to 5.7 per cent up from 5.4 per cent in July.

Both the goods and services sectors declined in August over July with each sector losing 8,600 and 71,500 jobs respectively. With significant job losses like these there were very few bright spots. Only the following sectors posted jobs gains:

- Agriculture (300 new jobs created)
- Utilities (1,200 new jobs created)
- Business building services (3,400 new jobs created)
- Other services (3,700 new jobs created)

In general, monthly changes in part-time employment can be the result of several factors, including movement between part-time and full-time work, movement of younger and older workers in and out of the labour force, changes to employment in industries where





part-time work is more common, and slight deviations from typical seasonal patterns.

With the return of students to school many of the part-time job losses could be related to students leaving these jobs to get ready for the new school year.

Last month's export declines a blip as this month's volumes increased

The adverse effects of recently imposed tariffs on steel and aluminum showed up in the data in July, but not enough to pull down exports. Overall, month-over-month export volumes increased five per cent to $18.1 billion.

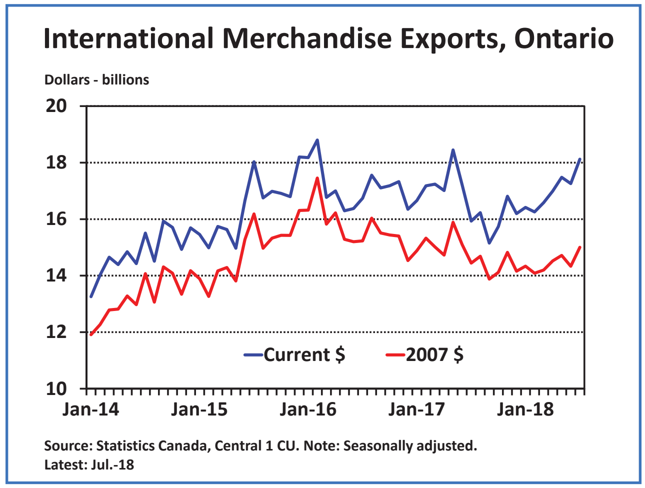
Metal ores and non-metallic minerals, and metal and non-metallic mineral products, which make up about 17 per cent of all export dollar volumes, both posted export dollar volume declines of 17 and 0.7 per cent respectively. Moreover, aside from aircraft and other transportation equipment and parts which fell by 5.3

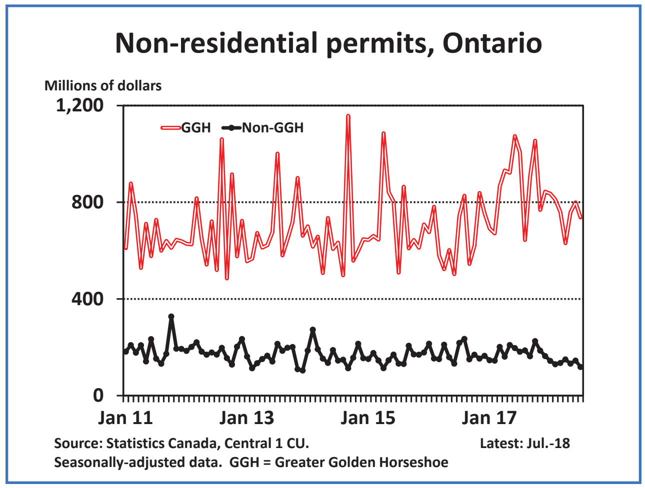
per cent month-over-month, all other sectors posted sufficient gains in the month to off-set the declines. Among Ontario's large export sectors, the following posted month-over-month gains:

- Motor vehicles and parts (0.9 per cent)
- Industrial machinery, equipment and parts (7.2 per cent)
- Consumer goods (6.2 per cent)
- Electronic and electrical equipment and parts (1.2 per cent)
- Forestry products and building and packaging materials (2.6 per cent)

With seven months of data Ontario's exports are relatively unchanged from last year. Compared to the same period last year this year's export dollar volumes are 0.5 per cent off last year's pace. The gains in exports in July helped to keep the gap small.

The tariffs on steel and related exports will continue to weigh on exports. Consumer demand in the U.S. remains robust. Right now, strong new housing demand in the U.S., business investments, and consumer appetite are keeping Ontario exports afloat; steel and aluminum tariffs notwithstanding. Yet the question is for how long, if a new North American Free Trade Agreement (NAFTA) accord is not finalized between the U.S., Canada, and Mexico? Regardless of some of the bad press in August on the state of bilateral trade negotiations between the U.S. and Canada, we remain optimistic that a new trade deal will be signed, and it will be business as usual; the North American markets are too intertwined and vital to the continued prosperity of all three nations.





Non-residential building permit volumes declined in July

Non-residential building permit volumes declined by 9.4 per cent in July to $856 million after posting two consecutive months of gains. July's overall drop came from lower permit volumes of commercial (four per cent, to $555.8 million) and institutional projects (54.6 per cent, to $101.4 million), which together, were 77 per cent of all non-residential permit volumes in Ontario. In July over June only industrial permit volumes posted an increase moving up by 39.1 per cent month-over-month to $198.8 million.

Year-to-date, non-residential permit volumes in the province were 15.1 per cent off last year's pace and settled in July at $6.3 billion. Unlike the month-over-month data above the year-to-date decline from the same period last year, this is all due to fewer permits issued for industrial and institutional projects. Commercial project permit volumes remained 3.2 per cent above last year's pace with seven months in the books.

Ontario's moderation in non-residential building permits is broad-based with fewer month-over-month permit volumes in areas within the Greater Golden horseshoe (7.8 per cent decline) and markets outside this region (18.3 per cent decline). Year-to-date, like the province, non-residential building permit volumes are significantly off last year's pace in both Greater Golden Horseshoe markets and markets outside this region coming in 13.5 and 23.1 per cent respectively lower.

A big reason for the drop to month-over-month permit volumes was due to a strong moderation in activity in the Toronto Census Metropolitan Area (CMA), which accounted for almost two-thirds of all permit volumes, that weighed on the overall total. Yet, not all major markets posted volume declines. The following markets posted month-over-month gains in July:

- Greater Sudbury (15.6 per cent gain)
- Guelph (40.9 per cent gain)
- Hamilton (11.4 per cent gain)
- Kingston (23 per cent gain)
- Kitchener-Cambridge-Waterloo (39.3 per cent gain)
- Ottawa-Gatineau (17.3 per cent gain)
- Peterborough (22.6 per cent gain)
- St. Catharines-Niagara (14.5 per cent gain)
- Thunder Bay (3.5 per cent gain)

Institutional investments are declining likely due to the new government in Ontario, which has frozen many projects and initiatives until they do a detailed audit of the province's treasury. Several major industrial projects are now underway or will soon commence. Among those large projects are the following:

- The Bruce Power Plant Refurbishment – project will likely break ground by 2020 at the latest
- The Darlington Nuclear Refurbishment – the first outage took place in October of 2016, with the first reactor scheduled to be down for 40 months. The overall project is scheduled for 112 months.
- Wataynikaneyap Transmission Project – Construction is planned to start in early 2018 Potential remote electrification is anticipated in 2022, with build-out to 2024
- Hanlan Watermain Project – the entire project is scheduled for completion in 2019
- Woodward Wastewater Treatment Plant – the entire project is scheduled for completion by the end of 2022

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