Ontario Economic Briefing

Volume 24 • Issue 39• Week of September 24-28 2018 | ISSN: 1981-355

Highlights

- Tourist visits declined 2.8 per cent in July over June
- Payroll employment increased in July but average weekly earnings declined
- Motor vehicle parts manufacturing increased significantly in July

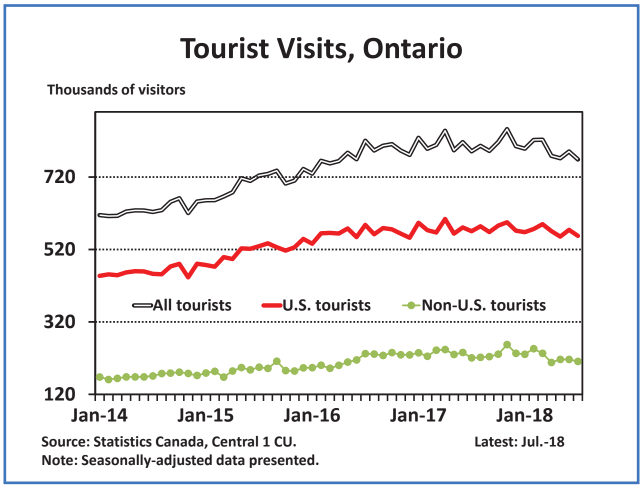
Tourist visits moderated in July following the previous month's strong increase

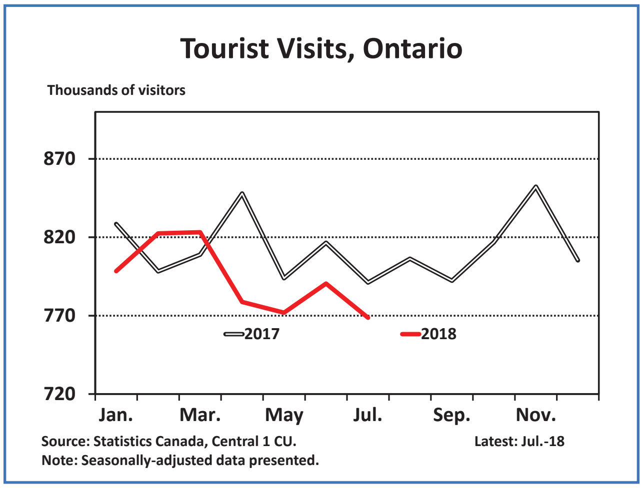
In July tourist visits to Ontario declined by 2.8 per cent to 768,670 visitors (all figures in this section are seasonally-adjusted). The decline in July more than erased last month's gains with fewer visitors from the U.S. (2.9 per cent drop or 16,380 fewer visitors) and the rest of the world (2.5 per cent drop to 5,452 fewer visitors).

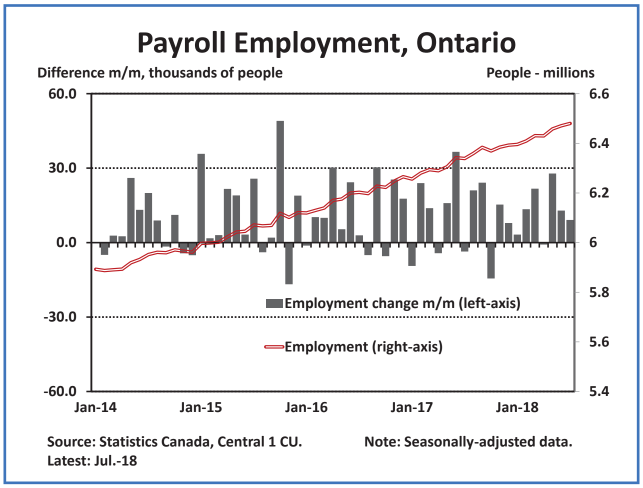
Overseas visitor declines were driven by a decline from Asia, a major source of tourists for Ontario, aside from the U.S. In the month, visitors from Asia declined 6.9 per cent (down 5,594 visitors). Other parts of the world also contributed to the decline in tourist visits in July, with tourists from parts of the world other than the U.S., Asia, or Europe declining by four per cent or 2,088 visitors. Europeans were the only group of tourists to Ontario that posted a month-over-month gain in July, increasing by 2.7 per cent or 2,402 visitors.

Year-to-date, total tourist visits to Ontario are tracking 2.3 per cent lower than last year with U.S. tourist visits down 1.5 per cent and other tourists (excluding the U.S.) down by 4.3 per cent.

Fuel prices continued to trend up and part, if not all, of that appreciation in price is passed onto the tourist through higher airfare prices or gasoline prices at the pump. Therefore, fewer tourists decided to take long-distance holidays and instead visit the province in July.







Strong growth in goods-sector helps lift payroll employment in July

Payroll employment increased in July for the third straight month but at a decelerating rate. In July over June, employers increased their payrolls by 0.1 per cent. Performance by industry was mixed. Several sectors contracted in the month while other large sectors expanded to off-set those declines.

Manufacturing and utilities payrolls expanded significantly in July to off-set declining payrolls in forestry, mining, and construction and lift total goods-sector employment. Employment growth in this sector accounted for over 52 per cent of the gains this month, with the remainder coming from services.

The tariffs on metals are affecting mining while moderating new housing demand and, to some extent, moderating business investment is affecting construction. Manufacturing has had an up and down year, but recent growth in rail transportation manufacturing is helping the industry grow.

In services the following sectors posted robust gains in employment to contribute to this month's growth:

- Education (4,250 net new hires)
- Health care and social assistance (2,356 net new hires)
- Arts, entertainment and recreation (1,956 net new hires)
- Accommodation and food services (1,046 net new hires)

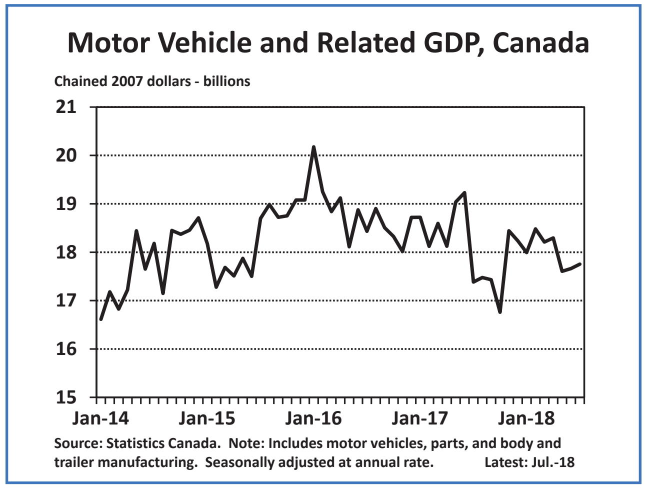
Demand for summer school instructors, and domestic and foreign consumption in tourism in June boosted employment in the above areas.

An aging population in need of continued care contributed to the growth in employment in health care and social assistance. Areas that increased in this sector included ambulatory care services and social assistance sub-sectors (i.e., counsellors and other services).

Despite the increased hiring in the month, average weekly earnings declined by 0.5 per cent to $1,012.78, mainly due to a 0.5 per cent moderation to service-sector wages that could not be off-set by the 0.2 per cent increase to goods-sector wages. Summer months bring many temporary workers into the labour force. Increased choice for employers, especially in the services industry, puts downward pressure on wages. Year-over-year, the fixed-weight index increased by 1.3 per cent and now tracks below the monthly average of 2.1 per cent over the first seven months of 2018. Moreover, after a strong start to the year, wage growth year-over-year has been trending down. Some of the current and future uncertainty surrounding the economy's path may be affecting wage growth.

Motor vehicle and parts manufacturing increased in July

July's Canadian industry Gross Domestic Product (GDP) increased by 0.2 per cent seasonally-adjusted annual rate (SAAR). Growth was pushed up due to growth in both services and goods sectors.



Manufacturing GDP growth moved up a robust 1.2 per cent SAAR in July with motor vehicle and parts manufacturing growth moving up by 0.5 per cent SAAR. Growth in this area was boosted by strong motor vehicle parts manufacturing (2.5 per cent growth) that off-set declines to motor vehicle manufacturing (0.6 per cent down) and motor vehicle body manufacturing (9.2 per cent down).

With uncertainty in the air, consumers may be holding back from committing to big purchases such as new cars and instead are repairing their current cars.

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