

Highlights

- Part-time hiring drives jobs growth
- Tariffs pulled down exports sharply in August
- Small-business confidence posts strong gains
- Fewer new truck and passenger vehicle sales in July

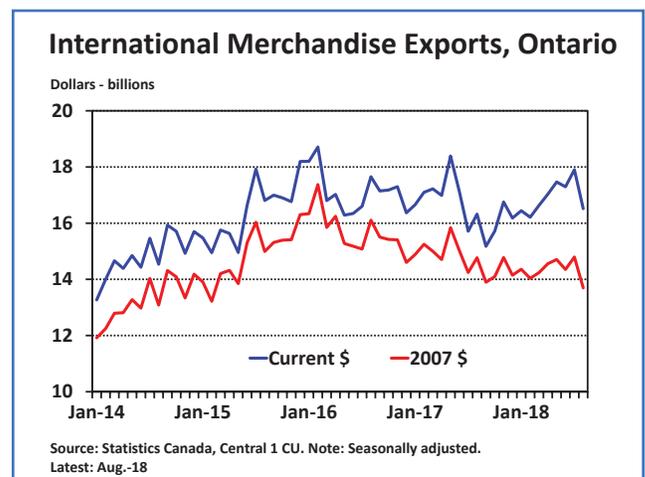
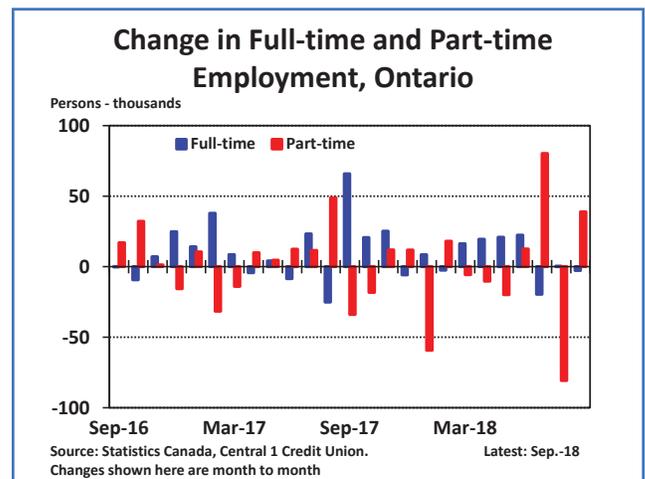
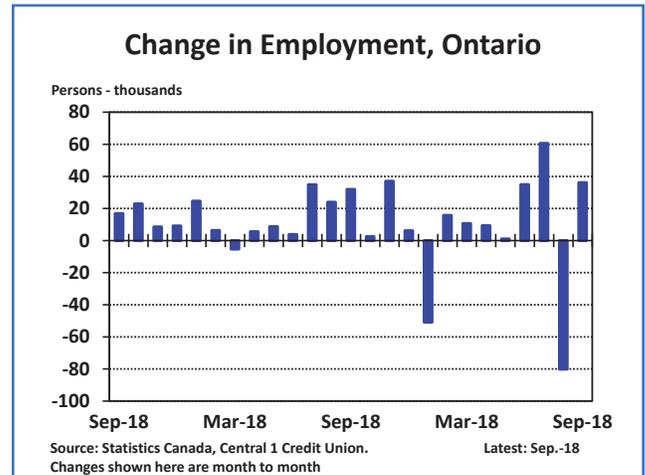
Hiring increased in September but was all part-time jobs growth

After shedding over 80,000 jobs last month, employment in September increased by 36,100 net new hires. Unfortunately, were it not for the 38,900-net part-time new hires which overshadowed the shedding of 2,700 full-time jobs, employment would have shrunk again in September. With more people looking for work than those being hired, the unemployment rate inched up from 5.7 to 5.9 per cent this month. Ontario's unemployment rate remains well below the long-term average of 7.4 per cent and has not surpassed six per cent in 2018. Moreover, the level of part-time employment observed in September 2018 is consistent with typical seasonal patterns.

Both the goods and services sectors increased hiring in September by 0.9 and 0.4 per cent respectively. Key sectors with job gains in the month included:

- Construction (2.6 per cent growth or 13,700 net new hires)
- Educational services (2.7 per cent growth or 14,200 net new hires)
- Finance, insurance, and real estate (1.7 per cent growth or 9,700 net new hires)
- Wholesale and retail trade (0.8 per cent or 8,400 net new hires)

These survey results were conducted before the recent and sudden trade agreement signing at the start of October and the numbers reflect the uncertainty in the economy. Business owners were apprehensive to hire full-time workers and therefore they chose to hire more part-time workers to hedge against any downside risks in terms of demand for their goods and services.



Exports fell sharply in August

August marked the third month in which tariffs were applied to exports of steel and aluminum products to the U.S., and Ontario exports felt it. In August, exports fell by 7.8 per cent (all numbers in this section seasonally-adjusted) to \$16.5 billion. Since the U.S.

imposed these tariffs, Ontario exports have fallen month-over-month twice out of the last three months since these new regulations have been in place.

Metal and non-metallic mineral products fell 15.5 per cent month-over-month, and motor vehicles and parts fell 3.1 per cent month-over-month. Together these two sections make up over half of all exports from Ontario. Their decline, due to the new tariffs, went a long way towards pushing total exports down in the month. In August, the following were the only sectors to post export gains:

- Metal ores and non-metallic minerals (11 per cent gains)
- Electronic and electrical equipment and parts (6.2 per cent gains)
- Consumer goods (3.6 per cent gains)

Year-to-date, exports are now tracking only a hair off last year's pace (0.1 per cent lower).

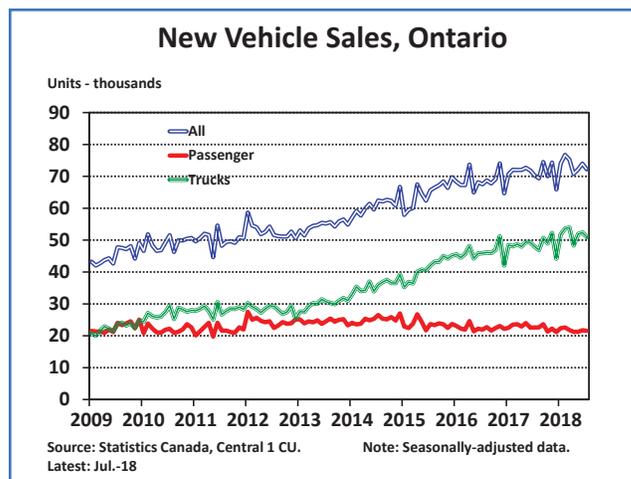
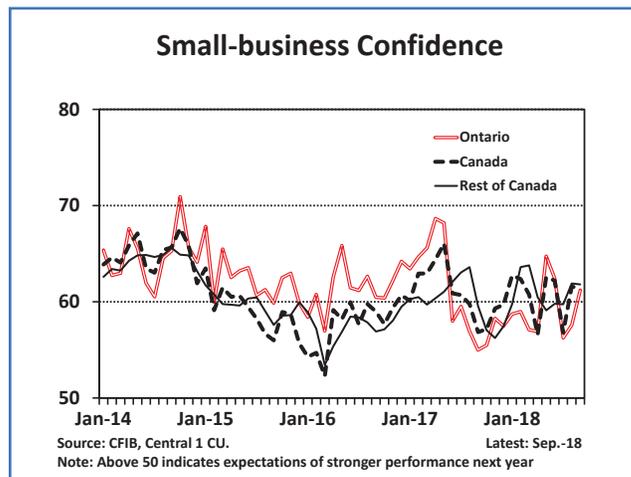
The tariffs on steel and aluminum could be raising the prices paid for certain Canadian goods by American consumers, and they are therefore being substituted for locally produced goods. This after all is the intended effects of these tariffs. As a result, exports of passenger cars and light trucks fell and pulled down motor vehicles and parts exports, as well as lower exports of unwrought precious metals and metal alloys caused metal and non-metallic mineral product exports to fall.

Small-business confidence posted strongest month-over-month gains in September

Small and medium enterprise (SME) confidence jumped significantly in September, almost coming in line with the national average. Ontario's SME confidence jumped 3.6 points, the highest increase of all provinces, with the month-over-month increase in September pushing the index to 61.2 only 0.2 points below the national average.

Typically, an index value above 50 points means owners are expecting their business' performance to be stronger in the next year and outnumber those expecting weaker performance. Moreover, an index between 65 and 70 points signals an economy working at potential. Currently, Ontario is a bit away from that but over the last two months it is encouraging to see the index value continue to climb and surpass 60 points.

Short-term employment plans, over the next three months, were steady with 18 per cent of owners



looking to hire and 11 per cent looking to lay off. About 44 per cent of respondents say their firms are in good shape, while 8 per cent say their businesses are in bad shape.

Year-over-year, Ontario's index climbed an impressive 6.2 points in September. This marked two consecutive months of year-over-year gains.

Since July's significant drop in confidence, Ontario small-businesses have slowly regained their footing. Perhaps the Comprehensive European Union Trade Agreement (CETA) is helping to keep confidence buoyant. At the time of this survey, a NAFTA deal was not expected to come so soon, and the possibility of punishing auto-related tariffs weighed on confidence. On balance though, confidence was largely moving up.

New car sales fell 2.4 per cent in July

Seasonally-adjusted new vehicle sales declined in Ontario by 2.4 per cent in July, following two consecutive months of increased sales supported by increased truck sales. The decline in July is broad-based with fewer passenger vehicles and trucks leaving new car lots.

The average price of a new vehicle increased modestly in July to \$42,372 up 1.1 per cent from June. The modest gain was caused by a 4.3 per cent drop in the average price of a passenger vehicle (to \$32,427) that off-set the 2.9 per cent increase to the average price tag of a new truck (to \$46,153).

Regardless of the softness in the new car market in July, over the first seven months of 2018 new vehicle sales are still tracking higher than last year (2.7 per cent higher), due to higher truck sales (6.8 per cent higher) that overshadowed the decline in passenger vehicles (5.6 per cent drop). Ontario's love affair with trucks continues as truck sales in 2018 are higher than the same corresponding month in 2017.

Year-to-date average new vehicle prices are 5.9 per cent higher than last year, thanks to a 3.9 per cent increase in the passenger vehicle average price and a 5.9 per cent increase in the average price of trucks.

Concerns about the future of the economy may be keeping Ontarians from purchasing a new car or truck. Some may be looking instead to repair their current vehicle, as evidenced by last week's report on vehicle parts manufacturing Gross Domestic Product (GDP) growth, rather than buy a new one.

Edgard Navarrete

Regional Economist

Central 1 Credit Union

enavarrete@central1.com / P 905 282 8501

www.central1.com

