

## Highlights

- Modest increase of 2,500 new jobs in October
- Exports fell by one per cent month-over-month
- Small-to-medium enterprise (SME) confidence shows Ontario working near its potential
- Motor vehicle manufacturing Gross Domestic Product (GDP) growth declined by a large 3.5 per cent margin

## Ontario's hiring in October nearly unchanged from last month

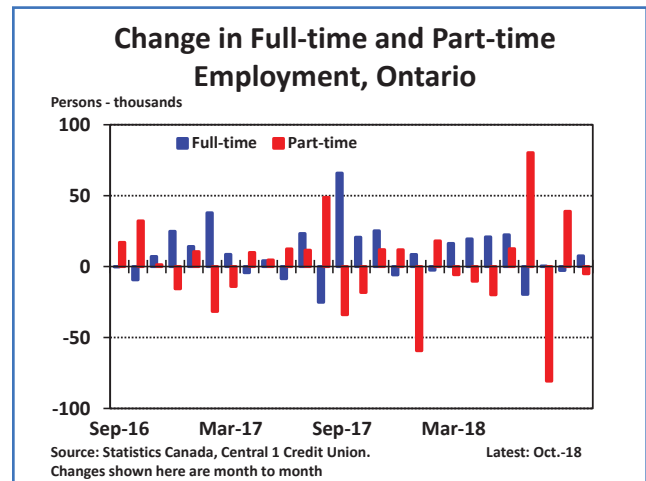
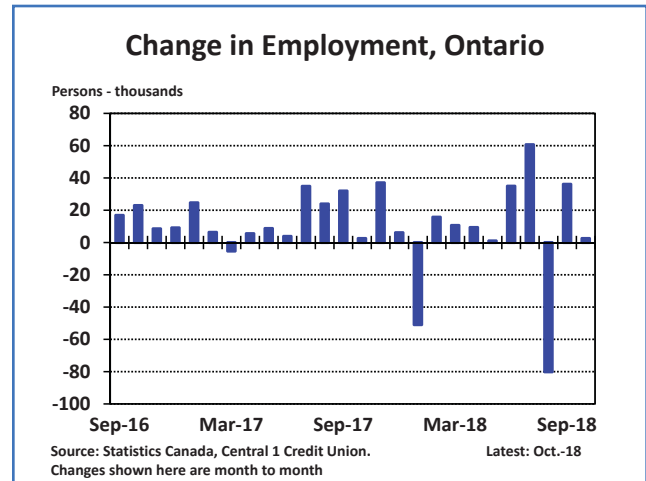
October's employment numbers were nearly unchanged from last month posting a modest increase of 2,500 new jobs at 0.03 per cent growth month-over-month. This was due to the creation of 7,500 full-time jobs that was offset by the loss of 5,000 part-time jobs. With the labour force declining by 0.3 per cent or 20,100 workers month-over month, and employment remaining nearly unchanged—the unemployment rate dropped from 5.9 per cent in September to 5.6 per cent in October.

The gains in jobs this month were from the services sector. Hiring in this sector increased 0.1 per cent month-over-month or 3,300 new jobs that offset the 700 job loss in the goods-producing sector.

The modest job gain in the services sector was due to growth in the following large sectors:

- Wholesale and retail trade (0.6 per cent or 6,300 new hires)
- Health and social services (1.4 per cent or 11,600 new hires)
- Business building (4.2 per cent or 13,500 new hires)

After several months of declines in the goods-producing sector, manufacturing came back strong this month posting an increase in hiring of 1.4 per cent or 10,500 new jobs. Unfortunately, other large sectors shed



significant jobs in the month resulting in less hiring in the sector:

- Construction (3,600 job losses)
- Forestry and mining (4,700 job losses)
- Agriculture (3,400 job losses)

This month's employment numbers are 4.6 per cent higher than average, even with the modest year-over-year growth in employment since 2010.

## Exports fell in September

Seasonally-adjusted exports in Ontario fell an extra one per cent in September following the 6.1 per cent drop in August. Exports have declined three of the four months since the U.S. tariffs on steel and aluminum have been in place. Imports decreased 0.5 per cent month-over-month while exports declined by one per

cent month-over-month, which meant the province's exports declined further.

The decline in exports was broad-based with only the following sectors posting month-over-month dollar volume increases:

- Farm, fishing, and intermediate food products (three per cent increase)
- Energy products (21.3 per cent increase)
- Metal, and, non-metallic mineral products (six per cent increase)
- Basic and industrial chemical, plastic, and rubber products (1.6 per cent increase)
- Special transactions (1.4 per cent increase)

Together the above sectors accounted for 30 per cent of Ontario exports. Their gains were not sufficient to offset losses in other large sectors such as:

- Motor vehicle and parts (five per cent decline)
- Consumer goods (4.7 per cent decline)
- Industrial equipment, machinery, and parts (5.4 per cent decline)

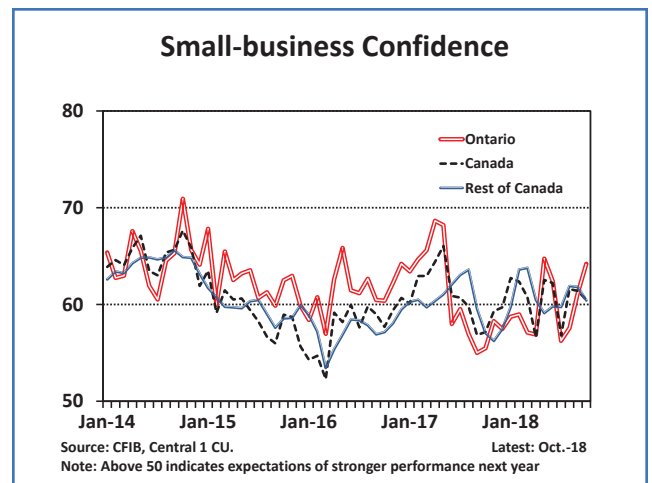
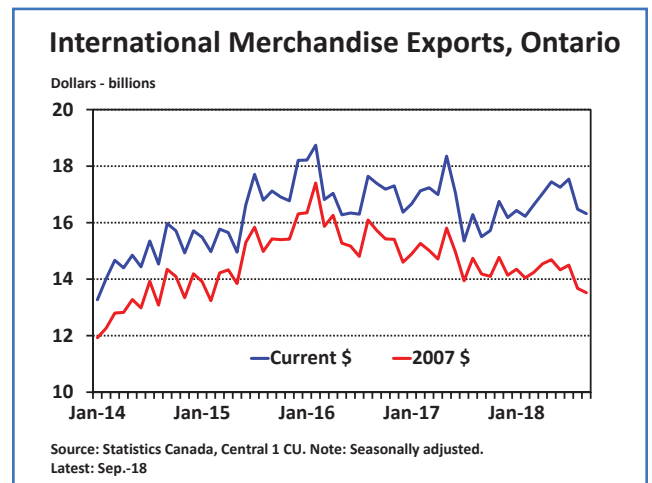
Year-to-date, exports are tracking 0.5 per cent above last year's pace.

Declines in consumer goods and motor vehicle and parts exports weighed on overall exports. Inflationary pressures in the U.S. affected consumer demand of these goods. Energy exports increased due to more sales of refined petroleum products.

### Small-business confidence makes another large jump in October

Small and medium enterprise (SME) confidence in Ontario posted another significant jump in October, moving up three points to an index value of 64.2 points. This is on the heels of 3.6 and 1.3 point increases over the previous two months. With three months of gains, Ontario's index is now knocking on the door of that 65 to 70-point range, which usually signifies an economy that is growing near potential. Nationally, SME confidence fell for the second month in a row due to declining business confidence in six of ten provinces. Currently, Canada's SME confidence stands at 60.5 points down 0.9 points from last month.

Short-term employment plans are stable again this month with 17 per cent of owners looking to hire (a one per cent drop from last month) and 9 per cent looking to cut full-time staff (a drop of two per cent from last month). About 47 per cent of respondents say their



firms are in good shape (an increase of three per cent from last month), while 7 per cent say their businesses are in bad shape (a drop of one per cent from last month).

Many businesses in Ontario are less confident about future business prospects with the new US-Mexico-Canada Agreement (USMCA) that will replace the old North American Free Trade Agreement at the start of the month. Given that Ontario does substantial business with many U.S. states, USMCA will support increased business investment. One risk over the coming months, is the potential for a series of rate hikes by the Bank of Canada that could make borrowing more expensive for businesses.

### Economic uncertainty showed up in September's motor vehicle manufacturing numbers

August's Gross Domestic Product (GDP) increased by a further 0.1 per cent seasonally-adjusted annual rate (SAAR), which follows a 0.2 per cent increase from June to July. Growth was pushed up due to 0.1 per cent increase in services, which offset a negligible decline in goods.

Manufacturing GDP growth dropped 0.6 per cent SAAR in August with motor vehicle and parts manufacturing growth declining a sharp 3.5 per cent SAAR. August's decline in motor vehicle and parts manufacturing was due to decreased activity to motor vehicle manufacturing (1.9 per cent drop) and motor vehicle parts manufacturing (5.0 per cent drop). Motor vehicle body manufacturing increased 0.5 per cent, but this sub-sector accounted for only 5.5 per cent of all the motor vehicle and parts manufacturing in Canada. This could not offset the decline to motor vehicle and parts manufacturing.

Declining new car sales in Canada, modest growth in car sales in the U.S., and continued uncertainty showed up in August's numbers.

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