

Highlights

- Soft details underlie steady Ontario labour market performance in December
- Annual employment growth in 2018 highest among provinces
- Small business confidence slips in December

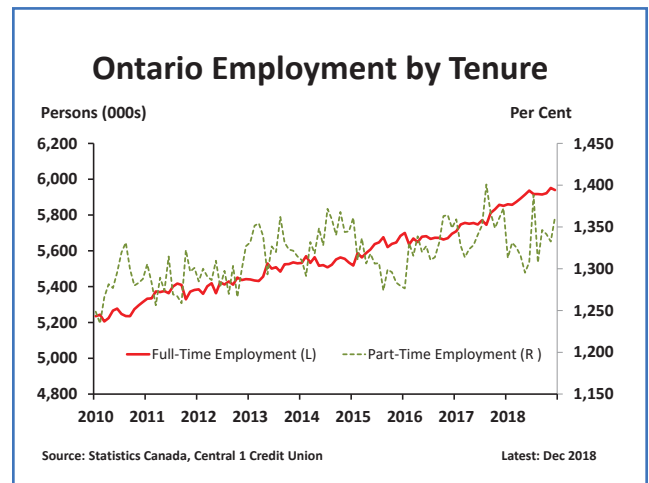
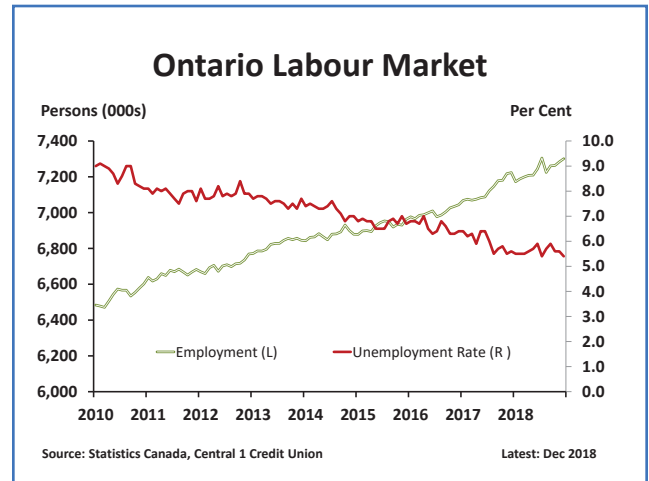
Steady labour market performance in December caps off solid 2018 for Ontario

Ontario's labour market remained steady to end off 2018 as employment edged up while the unemployment rate retreated to a record low. According to the latest Labour Force Survey (LFS) data, Ontario added to upward employment momentum seen through 2018. Employment gains of 17,600 persons or 0.2 per cent from November pushed year-over-year growth to 1.1 per cent. Total employment reached a seasonally-adjusted 7.3 million persons. The unemployment rate fell from 5.6 per cent to a tight 5.4 per cent.

Toronto Census Metropolitan Area employment growth underperformed with a gain of 0.1 per cent from November and 0.2 per cent year-over-year.

While provincial headline numbers were passable, the details were softer. Part-time employment growth of 29,300 persons or 2.2 per cent made up for a drop of 11,600 full-time employees. Full-time employment continues to lead year-over-year gains (up 1.5 per cent). Meanwhile, more than half of the net hiring came from self-employed labour. Growth in average hourly wages fell to 1.9 per cent year-over-year from more than three per cent in the third quarter of 2018. Added together, job quality may have taken a small step back in December. A low unemployment rate and mild expansion in the economy should contribute to upward wage pressure this year. However, strong population growth and room for the labour force participation rate to rise will mitigate pressure through expansion in the labour force.

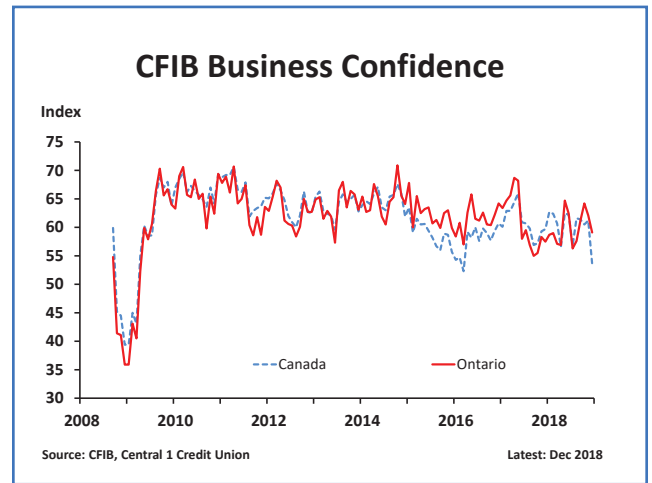
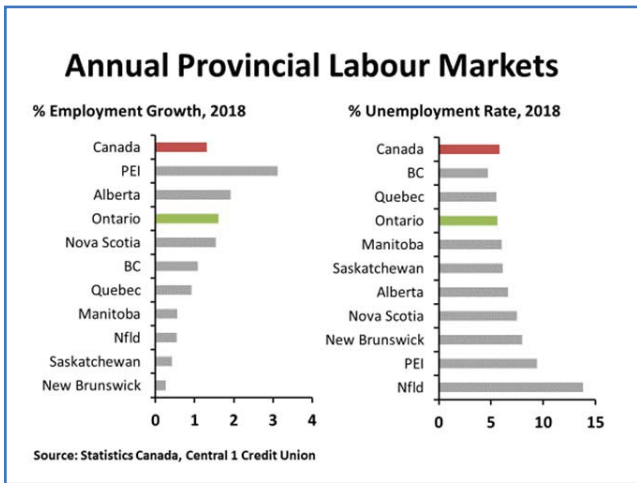
At the industry level, there were several significant monthly changes to employment. On the upside, manufacturing employment picked up by 9,300 persons or 1.2 per cent from November but was down two per cent year-over-year. Transportation and warehousing employment surged 14,500 persons or 3.7 per cent, with an increase of 14 per cent year-over-



year. Healthcare and social assistance rose 13,100 persons or 1.5 per cent from November. In contrast, losses came in wholesale and retail trade, which fell 10,500 persons or one per cent from November, while public administration fell by 9,600 persons or 2.6 per cent.

On an average annual basis, Ontario employment came in at 1.6 per cent in 2018, which was slightly below 2017's gain of 1.8 per cent. This marked the second highest increase among provinces and was second to Prince Edward Island's 3.1 per cent gain. Full-time employment growth accelerated to 2.3 per cent from 1.9 per cent in 2017, while part-time employment contracted 1.2 per cent during the year. The provincial unemployment rate fell to 5.6 per cent from six per cent and was below the national average of 5.8 per cent.

Among Ontario's economic regions, stronger employment growth was observed in the Stratford-Bruce Peninsula (up 4.6 per cent), Toronto (up 2.3 per cent) and Ottawa (up 2.1 per cent). Regions that



recorded lower than average employment in 2018 were Muskoka-Kawarthas (down 1.3 per cent) and Kingston-Pembroke (down 0.9 per cent).

The average unemployment rate was lowest in Kitchener-Waterloo-Barrie at 4.7 per cent and Stratford-Bruce Peninsula at 3.7 per cent. Higher unemployment rates were observed in Toronto, Muskoka-Kawarthas and the Northeast—all at 6.1 per cent.

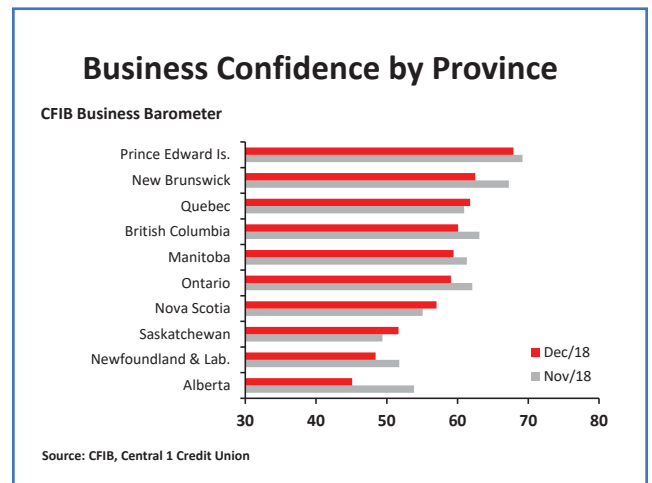
On an industry-basis, the strongest contributors to 2018 employment growth included transportation and warehousing (up 11 per cent), educational services (up 4.8 per cent), accommodations and food services (up 3.1 per cent), construction (up 2.5 per cent) and utilities (up 20 per cent). These sectors made up 85 per cent of net growth during the year.

Ontario small-business confidence slips with the national pattern in December

According to the latest Canadian Federation of Independent Business (CFIB) Business Barometer, small and medium-sized business sentiment cratered in December. The index sank 7.6 points to 53.6 points—marking the lowest level since March 2016 and the sharpest one-month decline since the height of the Great Financial Crisis in October 2008.

The index is measured on a scale of 0 to 100 points. Levels above 50 indicate that on net more businesses expected stronger business conditions over the next year than the ones expecting worse conditions. An index range of 65 to 70 points is typically associated with economic growth near potential.

The latest setback to confidence largely reflects a sharp deterioration in Alberta, which saw its index value crash by 8.7 points below the 50-point threshold to 45.1 points. Lower sentiment was likely triggered by the steep decline in the export price of Canadian oil, which caused another crisis in the oil patch and



reverberated through the supply chain and across provincial borders. The provincial government's early December announcement of required production cuts has shored up prices but will also be a drag on real economic activity. Confidence readings fell in seven of the ten provinces in December, with full-time hiring plans eroding.

Ontario's index slipped three points to 59.1 points in December, but largely remains range-bound with levels observed through 2018. This aligns with a modest economic growth environment, which we estimate rang in at 2.1 per cent for the year. Full-time hiring intentions were improved from November, with 20 per cent of employers looking to expand over the next three months while 15 per cent of employers were looking to cut jobs. This 5-point gap was slightly stronger than November. The number of businesses noting a good state of business remained firm at 43 per cent, albeit slightly lower than prior months. Labour and skills availability remained a key constraint to production growth.

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