Ontario Economic Briefing

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Highlights:

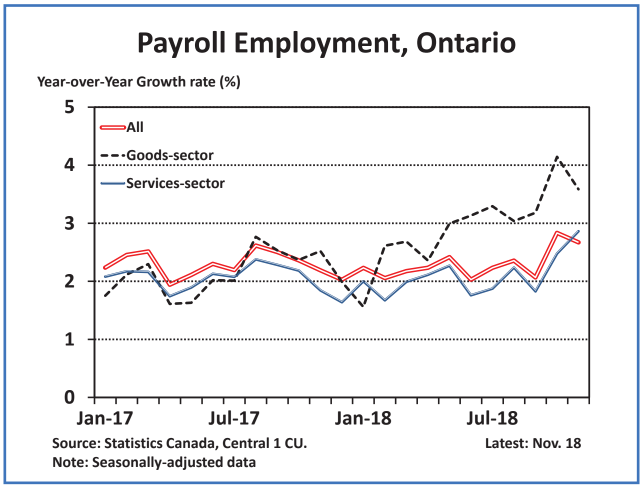
- Payroll employment increased by 29,209 net new workers in November
- Small-business confidence increased 1.3 points to 60.4 in January
- Motor and vehicle parts manufacturing GDP contracted in November by 4.8 per cent

Strong growth in services-sector hiring lifted overall payroll employment in November

Ontario's payroll employment advanced another 0.1 per cent in November from October with nearly all the net new hires coming from the services sector. The goods-sector added 464 and 1,938 net new jobs in utilities and construction respectively, but, hiring contractions to mining, quarrying, oil and gas extraction (636 net jobs shed); forestry, logging and support (87 net jobs shed); and manufacturing (1,636 net jobs shed) nearly erased the gains.

Over the course of 2018, year-over-year payroll employment growth in the goods sector has surpassed growth in the services sector. Moreover, despite some month-over-month volatility in hiring year-over-year hiring growth in the goods-sector has increased in the latter half of 2018. Year-to-date, average monthly employment in the goods-sector was up three per cent in 2018 from 2017. In the services-sector the same metric was 2.1 per cent up from 2017.

While hiring in the goods-sector stalled in November, hiring in the services-sector continued to add net jobs for the second consecutive month. In fact, in November only two sectors in services shed jobs: arts, entertainment and recreation; and accommodation and food services. Several key sectors like retail and wholesale trade; health and social services; education services; and public administration added significant new workers to their payrolls.



Below is a table showing month-over-month job gains and losses by sector and sub-sector.

Average weekly earnings increased 0.3 per cent in November to $1,035.21 due to a 1.2 per cent increase to $1228.70 weekly earnings in the goods-sector. Service-sector earnings remained nearly unchanged moving up only 0.1 per cent to $994.11 weekly earnings. Year-over-year, the fixed-weight index increased by 3.1 per cent—a substantial increase from last month's year-over-year increase of 2.6 per cent.

Fewer sales of machinery, transportation equipment and petroleum and coal manufacturing caused some layoffs indicated in payroll employment numbers this week. To some extent, the decline in transportation equipment manufacturing points to a longer-term

	M/M growth	M/M net jobs
Goods producing industries	0.0%	42
Forestry, logging and support	-2.0%	-87
Mining, quarrying, and oil and gas extraction	-2.3%	-636
Utilities	0.9%	464
Construction	0.5%	1,938
Manufacturing	-0.2%	-1,636
Service producing industries	0.6%	29,167
Trade (Retail and Wholesale)	0.6%	6,961
Transportation and warehousing	0.6%	1,802
Information and cultural industries	0.1%	73
Finance and insurance	0.0%	167
Real estate and rental and leasing	1.7%	1,935
Professional, scientific and technical services	0.8%	3,373
Management of companies and enterprises	5.9%	2,089
Administrative and support, waste management and remediation services	1.5%	5,453
Educational services	0.7%	3,435
Health care and social assistance	0.3%	1,874
Arts, entertainment and recreation	-0.5%	-551
Accommodation and food services	-0.2%	-872
Other services (except public administration)	0.3%	691
Public administration	0.6%	2,737

structural change in demand—but more importantly—November's decline was due to a temporary closure of an auto manufacturing plant in the Windsor Census Metropolitan Area (CMA).

The services-sector continued to grow as household consumption continues to support many services-sectors such as retail trade (retail sales remained 4.1 per cent up year-to-date in November); real estate, rental and leasing; and educational services.

Small-business confidence moves up in January

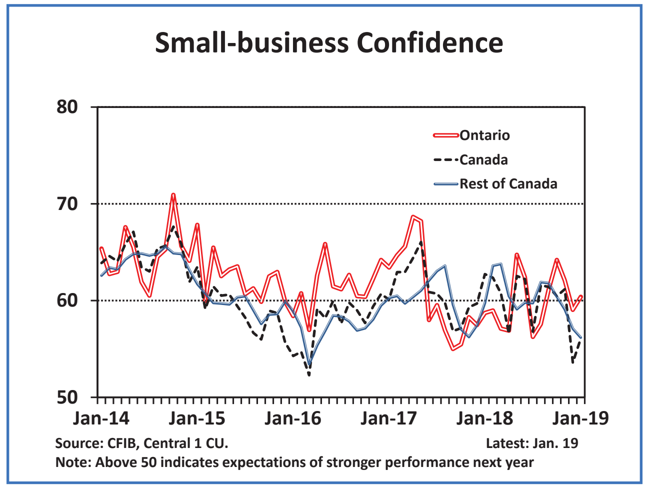
Ontario's small-business confidence index moved up from 59.1 points in December 2018 to 60.4 points in January 2019—nearly in line with the long-term average for January of 60.8 points. After a period trough of 55 points in September 2017, the barometer has been slowly rising despite some recent volatile swings likely due to trade concerns. Despite the barometer trending up, it remains a long way from the historical peak of 70.9 points last reached in October 2014. The gap between January's reading and the long-term monthly average of 61.7 points signals that long-term economic concerns are still weighing on the minds of business owners, affecting their investment decisions.

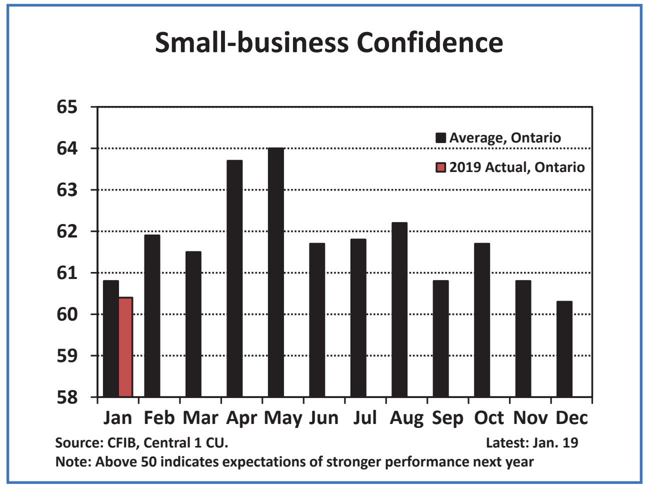
In Ontario, short-term employment plans remained stable with 19 per cent of owners looking to hire and 10 per cent looking to reduce staffing. About 43 per cent of respondents say their firms are in good shape, while 10 per cent say their businesses are in bad shape.

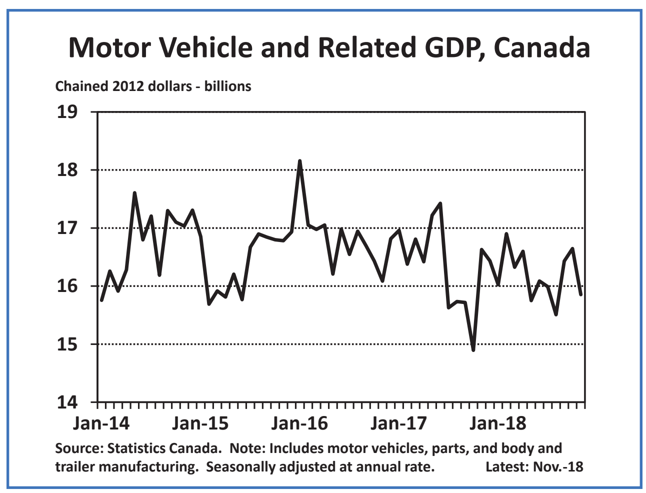
Nationally, the Canadian index has not fared as well as Ontario despite the province's recent volatile up and down swings. January's index for Canada came in at 56.1 points to start 2019 up from 53.6 points in December 2018. Six of the ten provinces posted lower confidence numbers in January. Among them, Alberta, which has posted recession-like confidence index numbers over the last two months.

Motor vehicle and parts GDP remains volatile posting a decline in November

Canadian industry Gross Domestic Product (GDP) remained volatile—observed in the decrease posted in November, an increase posted in October and a decrease posted in September. The latest GDP reading points to a 0.1 per cent decline in total GDP.







Motor vehicle and parts manufacturing fell by a significant 4.8 per cent in November, which helped pull down transportation equipment manufacturing by 2.7 per cent. Manufacturing in general also felt the effects of this contraction to motor vehicle and parts and fell by half a per cent.

Within motor vehicle and parts manufacturing the decline posted in November came about from less activity in motor vehicle manufacturing (5.9 per cent decline) and motor vehicle parts manufacturing (5.6 per cent decline). Motor vehicle body manufacturing increased by a very healthy margin of 9.3 per cent increase. However, this sub-area's increase accounts for around seven per cent of total motor vehicle and parts GDP in 2018, which could not offset the above-mentioned declines.

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