

Highlights:

- Prices increased by 1.5 per cent in January down from 2.3 per cent in December
- Payroll employment declined in December 2018, while payroll hiring increased by 2.3 per cent in 2018 over 2017
- Small-business confidence increased substantially in February from January's reading
- Motor vehicle and parts manufacturing fell by 1.9 per cent

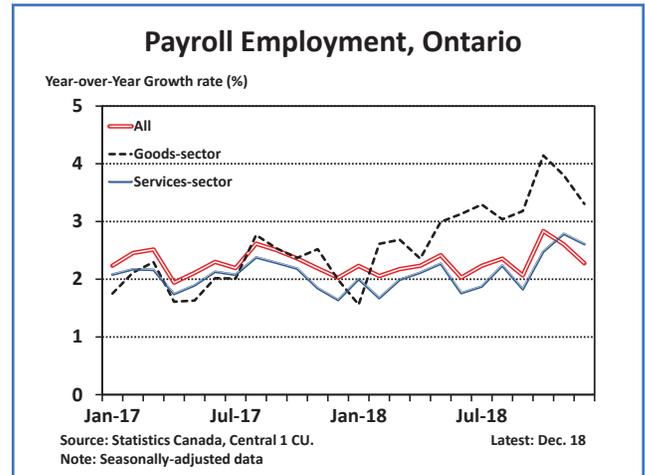
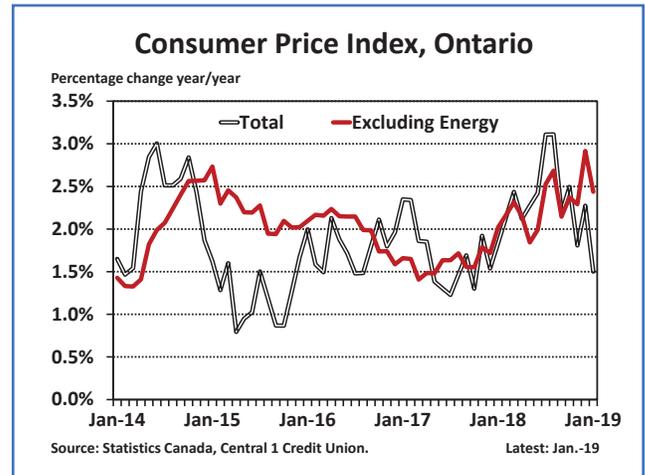
Price growth slows down in January

Headline inflation came in tamer in January at 1.5 per cent growth from 2.3 per cent in December (all figures year-over-year growth rates unless otherwise stated). The modest price growth in January was due to declining prices in durable and non-durable goods that each dropped by 0.2 per cent and 1.0 per cent respectively. Prices of services moved up by 2.9 per cent. Energy prices continued to moderate coming down 10.4 per cent in January which helped pull down overall inflation. While water (up 2.3 per cent) and electricity (up 1.4 per cent) moved up, gasoline (18.8 per cent down) and natural gas (down 3.2 per cent) moved down substantially.

Food costs increased by 3.6 per cent due to increased prices for food purchased from stores and restaurants while shelter costs increased by 2.3 per cent. Severe weather affected the efficient transportation of food products from producers to supermarkets and restaurants while mortgage rates and increased utilities costs added to shelter expenses.

Certain services such as public transportation (up 3.7 per cent), health and personal care (up 0.8 per cent); and recreation, education and reading services (up 1.5 per cent) contributed to pulling prices for services higher.

As stated above, gasoline prices fell in January. The average price of regular fuel at self-serve gas stations declined significantly in Ottawa-Gatineau (22.4 per cent drop to 96.5 cents per litre) and Toronto (17.8 per cent drop to 102.4 cents per litre). In Thunder Bay, gasoline prices declined by 4.6 per cent to 118.2 cents per litre.



Prices continued to climb in Ontario's metro markets. Overall, Toronto and Ottawa-Gatineau prices increased 1.8 and 1.7 per cent respectively, while Thunder Bay prices increased 1.2 per cent.

Payroll employment declined in December from broad-based job shedding

Ontario payroll employment in December erased November's gains in hiring. Total employment retracted 0.2 per cent or 12,811 net shed jobs. Both the services and goods-sectors shed jobs., with the goods-sector shedding 2,339 net jobs and services-sector shedding 11,527 net jobs. December's shedding of jobs in both sectors marked the first time in 2018 that this occurred.

By sector, December's shedding of jobs was nearly universal with only a few sectors posting month-over-month payroll hiring gains. The larger sectors shed jobs included:

- Construction (4,498 net jobs shed)
- Retail and Wholesale Trade (3,563 net jobs shed)
- Real Estate, Rental, and Leasing (1,416 net jobs shed)
- Administrative and support, waste management and remediation services (6,449 net jobs shed)
- Education (2,052 net jobs shed)
- Transportation and warehousing (960 net jobs shed)

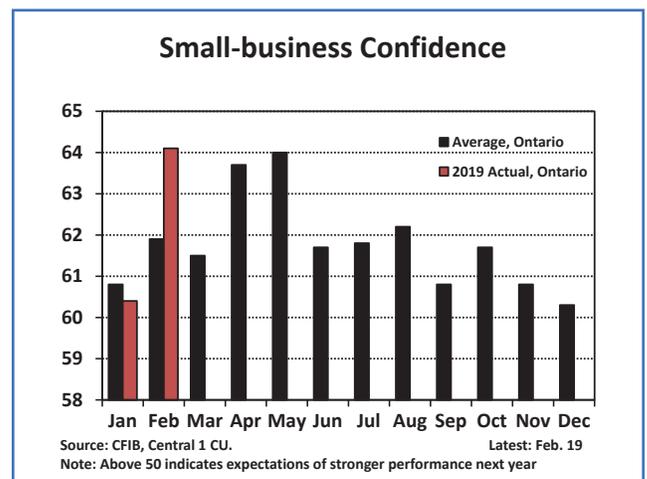
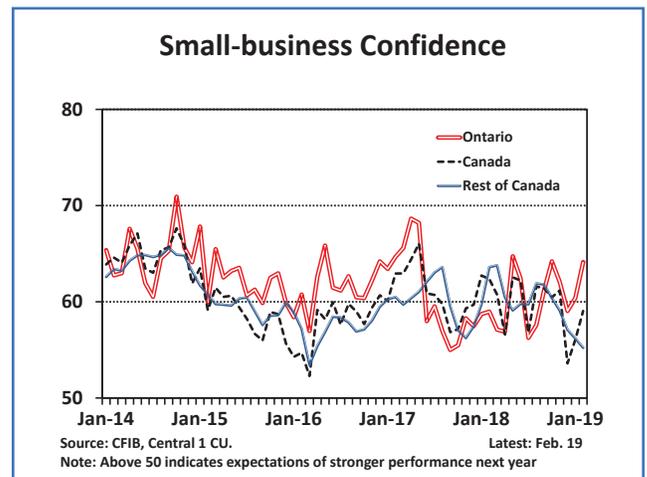
Despite some month-over-month fluctuations, payroll hiring in 2018 increased by 2.3 per cent over 2017. The increase is due to 3.0 per cent hiring growth in goods-sector and 2.1 per cent hiring growth in services-sector.

Average weekly earnings remained unchanged in December at \$1,034, as a 0.5 per cent increase in earnings in the goods-sector offset a 0.3 per cent decline earnings in the services-sector. Year-over-year, the fixed-weight index increased by 3.6 per cent—a substantial increase from last month’s year-over-year increase of 2.7 per cent.

Small-business confidence continued to move up in February

Ontario’s small-business confidence index continued to move up in February finishing the month at 64.1. The result is a substantial increase from January’s reading of 60.4 points and well above the long-term average for February, which sits at 61.9 points. Year-over-year, Ontario’s small-business confidence in February is up a robust 5.2 points from the same period last year. Small-businesses are starting 2019 on stronger footing expectations-wise compared to 2018, despite some lingering uncertainty in the economy causing households to restrain consumption. The uncertainty relates to how the U.S.-China trade spat will be resolved—a negative resolution could have significant effects for trading partners, including Canada.

Short-term employment plans improved with 22 per cent of owners looking to hire (up three points from last month) and 8 per cent looking to reduce staffing (down two points from last month). About 46 per cent of respondents said their firms are in good shape (up three points from last month) while 8 per cent said their businesses are in bad shape (down two points from last month).



Nationally, the barometer increased slightly to 59 points (increase of three points) but it remains weighed down by sluggish confidence in other provinces like Alberta and Newfoundland and Labrador.

Motor vehicle and parts manufacturing fell again in December following November decline

After a period of volatility between August and October 2018, Canadian industry Gross Domestic Product (GDP) has now posted two consecutive months of month-over-month decline. December’s and November’s readings came in 0.1 per cent lower (all figures in this section are growth rates of seasonally-adjusted at annual rate figures unless otherwise stated). A significant decline of 0.7 per cent in the goods-producing sector in December pulled down overall GDP growth. Despite the services-sector posting 0.2 per cent growth in December—it was not enough to offset the decline in the goods-producing sector.

The manufacturing sector continued to moderate in December posting a 0.7 per cent decline to GDP on

top of last month's 0.4 per cent decline. Within the manufacturing sector, motor vehicle and parts manufacturing posted a 1.9 per cent drop in activity. The drop can be attributed to a broad-based contraction in motor vehicle manufacturing (down 0.9 per cent), motor vehicle body manufacturing (down 8.4 per cent) and motor vehicle parts manufacturing (down 1.8 per cent).

Edgard Navarrete

Regional Economist

Central 1 Credit Union

enavarrete@central1.com / P 905 282 8501

www.central1.com

