Ontario Economic Briefing

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Highlights:

- Net payroll hiring increased by over 4,800 in February compared to 27,000+ in January
- Net new Employment Insurance (EI) beneficiaries increased 3.1 per cent in February
- Strong in-flow of U.S. visitors lifted February's tourism numbers

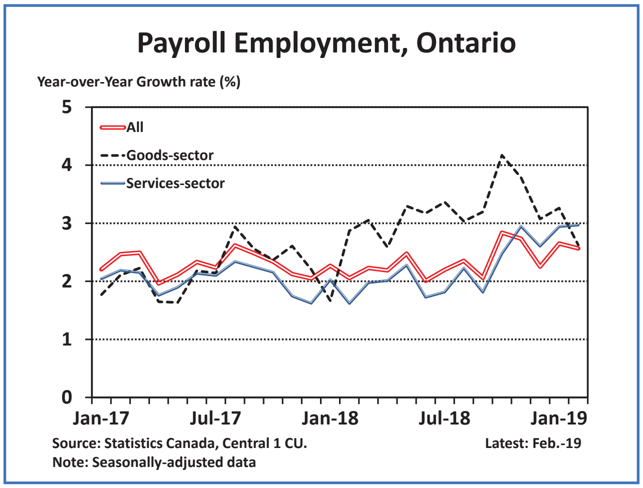
Net payroll hiring increased in February, but weekly earnings growth continued to decline

Total payroll employment increased 0.1 per cent, or 4,885 net new hires in February. While still a net gain month-over-month, it is much less than the 27,737 net new hires posted in January. Hiring increased in the services and goods sectors contributing to the overall gains in February. While hiring in the goods sector rose from the previous month, the services sector accounted for most hiring.

Within the goods sector, construction hiring fell by 0.4 per cent but a 0.5 per cent gain in manufacturing hiring offset the losses in construction completely. Mining and related industries and utilities also contributed to jobs growth in the goods sector moving up by 1.3 per cent and 0.8 per cent respectively.

In the services sector, several significant sectors posted lower net new hiring numbers. Together these segments accounted for nearly a third (32 per cent) of the economy's labour market. Other large segments posted enough net new hires to offset that third's net new hiring losses in February. By segment the following large areas posted job gains or losses:

- Retail and wholesale trade (0.3 per cent growth)
- Transportation and warehousing (0.1 per cent growth)
- Finance and insurance (0.1 per cent growth)
- Professional, scientific, and technical services (0.7 per cent growth)
- Education services (0.1 per cent loss)
- Health care and social assistance (0.02 per cent loss)



- Accommodation and food services (0.03 per cent loss)

Year-over-year payroll employment is 2.6 per cent above last year's pace. The goods sector is 2.6 per cent above last year's pace while the services sector is 3.0 per cent above last year's pace.

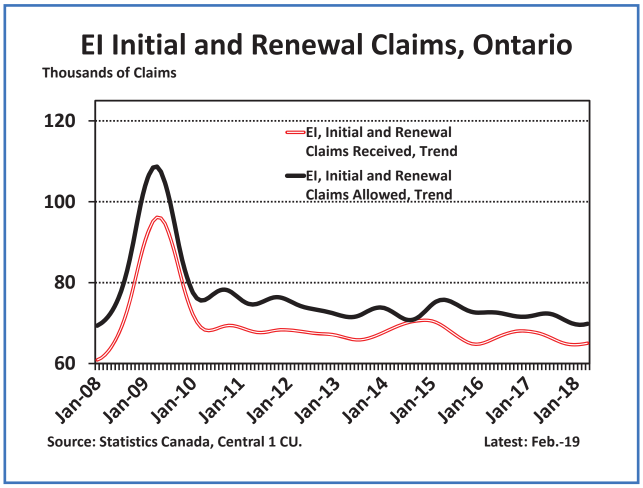
Average weekly earnings growth declined by 0.2 per cent to $1,025.95 in February due to a 1.5 per cent decline in goods sector average weekly earnings to $1,217.77. Service sector average weekly earnings moved up by 0.2 per cent to $984.87. Year-over-year, the fixed-weight index increased, but at a slower rate in February (1.1 per cent) compared to January (3.2 per cent).

With consumer and business confidence lagging as a long-term trend, non-residential and residential demand slowed likely leading to a slowdown in construction hiring. Moreover, February's weather was particularly harsh and anecdotal evidence points to another factor in keeping construction hiring down.

Net new Employment Insurance beneficiaries jumped in nearly all sectors in February

February's Employment Insurance (EI) numbers increased from January due to growth across all age groups, regions and nearly all occupations.

EI beneficiaries increased 3.1 per cent month-over-month, or 3,380 net more beneficiaries (all figures are seasonally-adjusted unless otherwise stated). The increase was broad-based with a 3.4 per cent



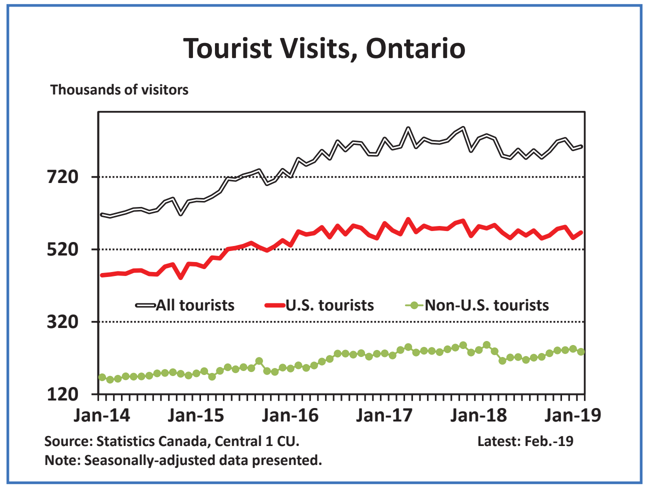
increase or 2,660 net beneficiaries in Census Metropolitan Areas (CMAs), a 3.1 per cent increase or 390 net beneficiaries in Census Agglomerations (CAs) and a 1.9 per cent increase or 350 net beneficiaries rural areas.

EI beneficiaries increased in all occupations except art, culture, recreation and sport, which saw a minute decrease of 10 beneficiaries in February. While all other occupations posted increased beneficiaries, several large sectors posted gains which led to the month-over-month increase in Ontario. Among these occupations were:

- Business, finance and administration occupations (420 net new beneficiaries)
- Occupations in education, law and social, community and government services (590 net new beneficiaries)
- Sales and service occupations (170 net new beneficiaries)
- Trades, transport and equipment operators and related occupations (850 net new beneficiaries)
- Occupations in manufacturing and utilities (570 net new beneficiaries)

EI beneficiaries increased across workers of all age groups in February. The largest gains were in the largest age cohorts: workers aged between 25 and 54 (2,520 net new beneficiaries) and workers aged 55 years and over (540 net new beneficiaries). Workers aged between 15 and 24 increased by 320 net new beneficiaries.

Seasonally-adjusted initial and renewal received claims increased 4.4 per cent in February to 74,900 beneficiaries. February's total is 2.1 per cent lower than the long-term monthly average number of beneficiaries.



Non-U.S. tourist visits fell in February as fewer Chinese visitors made the trek to Ontario

A strong net inflow of 14,837 U.S. tourists in February lifted total tourist visit number by 0.8 per cent and helped offset the 8,176-net drop in tourists from other parts of the world. The strong recoil in tourists from other parts of the world, excluding the U.S., was due to fewer tourists from Asia.

Over the first two months of 2019 total tourist visits to Ontario were down 3.6 per cent due to a 3.7 per cent contraction of U.S. tourists and a 3.2 per cent contraction of other tourists. The year-to-date drop in non-U.S. tourists was due to fewer visitors from Europe, South America, and Oceania. Visitors from Asia—typically a strong source region for Ontario—remained 7.2 per cent above last year's pace due to strong tourist visits in January which offset February's decline.

Harsh winter weather affected U.S. tourist visits by car, but visits by other means more than offset the decline in visits by car. Slower energy price growth may have been a contributing factor for more U.S. visitors coming by airplane. Tourist visits from Asia fell in February due to fewer visits from people from China. With Chinese New Year falling early in February (February 5, 2019), travel increased in late January rather than February.

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