

Highlights:

- Ontario real GDP growth came in at 2.2 per cent in 2018, slightly lower than the 2.8 per cent growth of 2017
- Small business confidence remained flat, an uncertain future has kept businesses in a holding pattern
- All sub-areas of motor vehicle manufacturing posted losses in February

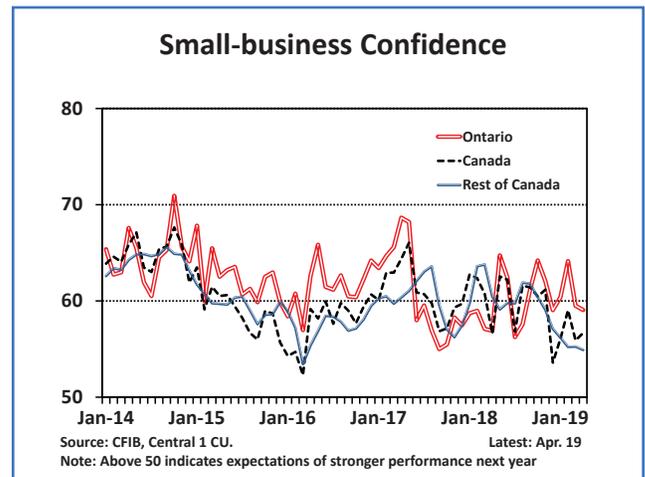
Certain large sectors faced challenges in 2018 that slowed down economic growth in Ontario compared to 2017

Real Gross Domestic Product (GDP) dollar volumes were released for 2018 by Statistics Canada this week. On an industry-basis, Ontario's economy expanded by 2.2 per cent in 2018—slightly slower than the 2.8 per cent rate of growth reported in 2017.

The goods-sector grew by a lower rate (1.3 per cent down from 2.4 per cent in 2017) compared to the services-sector (2.4 per cent down from 2.9 per cent in 2017). Increased economic uncertainty through trade diminished business and consumer confidence especially in the second half of 2018 which affected both sectors.

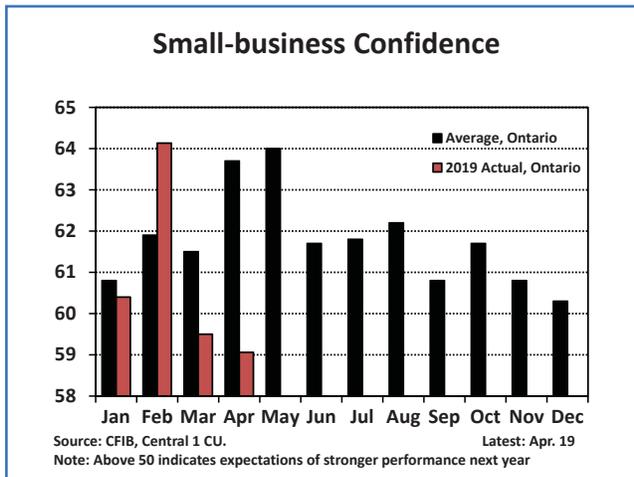
By sub-sector large areas such as construction, manufacturing, trade (retail and wholesale), finance, insurance, real estate and leasing posted economic growth. That said, it was much less than the growth reported in 2017 given less residential and non-residential investments, less consumer demand, increased energy prices affecting the cost of goods transportation and new mortgage lending rules pricing out potential home buyers. Manufacturing was affected through trade issues, less new auto demand and indirectly through metal tariffs from the U.S. raising the cost of finished manufactured metal-based goods to foreign consumers.

Educational services, health and social assistance and public administration grew faster than last year as strong population growth resulted in increased demand from these sectors, adding to provincial growth



Below is a table with real GDP volume growth by sector and the change in growth from last year.

	2018 Growth	2017 Growth
All industries	2.2%	2.8%
Agriculture, forestry, fishing and hunting	6.9%	2.8%
Mining, quarrying, and oil and gas extraction	-2.9%	-4.5%
Utilities	2.2%	0.2%
Construction	0.2%	4.7%
Manufacturing	1.7%	2.0%
Wholesale trade	2.9%	6.0%
Retail trade	2.0%	7.2%
Retail trade (except cannabis)	2.0%	7.3%
Retail trade (except unlicensed cannabis)	2.0%	7.3%
Transportation and warehousing	3.9%	3.4%
Information and cultural industries	-0.6%	2.6%
Finance and insurance	2.4%	3.6%
Real estate and rental and leasing	1.1%	1.8%
Professional, scientific and technical services	4.9%	3.3%
Management of companies and enterprises	-5.5%	-5.5%
Administrative and support, waste management and remediation services	2.8%	0.7%
Educational services	3.0%	1.1%
Health care and social assistance	3.1%	2.2%
Arts, entertainment and recreation	2.7%	3.2%
Accommodation and food services	1.9%	3.9%
Other services (except public administration)	1.1%	-0.0%
Public administration	2.8%	2.2%



Ontario's small business confidence remained nearly unchanged in April

Ontario's small business confidence remained flat, losing 0.4 points to 59.1 points in April. When the economy is at full capacity, healthy index values should be above 65 points. The fact that Ontario's index has remained flat, and considerably below this threshold, speaks to the erosion of business confidence in the province given the turbulent world economic is felt directly through trade concerns in Ontario. Business confidence will likely remain lukewarm for the first half of 2019.

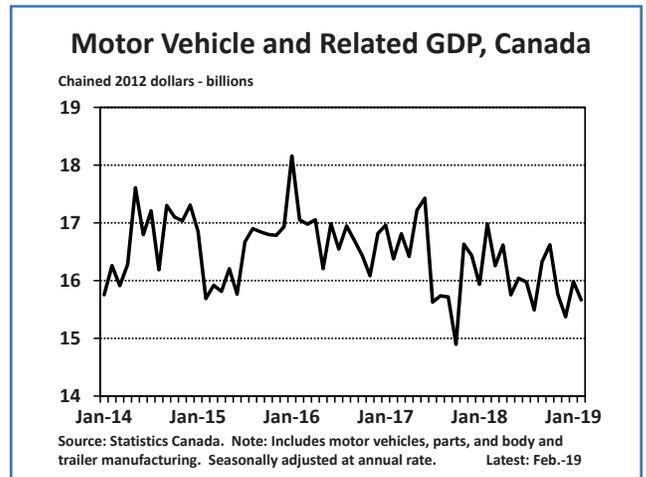
Short-term employment plans gained seasonal strength, with 21 per cent of owners looking to hire (up from 16 per cent in March) and 12 per cent expecting to cut jobs (up from 10 per cent in March). The general-state-of-business health indicator has seen a weaker performance this month. About 43 per cent of respondents said their firms are in good shape (down from 47 per cent in March), while 9 per cent said their businesses are in bad shape (unchanged from March survey).

Nationally, the barometer increased to 56.7 points (increase of 0.8 points). Strong business confidence gains in Prince Edward Island and Alberta offset declines in other provinces.

Transportation equipment manufacturing fell in February erasing January's gains

Canadian industry GDP declined 0.1 per cent month-over-month with declines from both the goods and services-sectors.

Manufacturing GDP, which is important to Ontario, reversed its trend in February falling 0.4 per cent after reporting a gain in January. All areas of transportation equipment manufacturing fell in February with deeper



declines to motor vehicle manufacturing (down 1.5 per cent in February), motor vehicle body manufacturing (down 6.3 per cent in February) and motor vehicle parts manufacturing (down 1.8 per cent in February).

With an uncertain economic future, consumers continued to hold back on big-ticket purchases such as new automobiles and related products. Exports also fell on weaker consumer and business confidence. The announced GM Oshawa plant closure and reduction of work at Windsor's Fiat Chrysler Automobiles plant will be felt in the latter half of 2019 further eroding production in this sector.

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