# Ontario Economic Briefing

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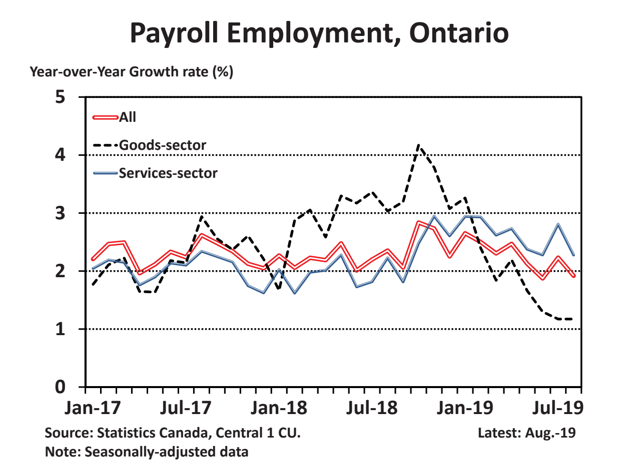
**Highlights:**

- Non-farm payroll hiring expanded by over 8,700 net new hires in August
- Small-business confidence in 2019 still lags long-term average monthly confidence
- Transportation equipment manufacturing increased in August mainly due to stronger aerospace production, motor vehicle and parts manufacturing production contracted




## Hiring growth in both goods and services sectors lift overall payroll hiring by over 8,700 net new hires

Payroll employment growth continued to increase in August moving up an additional 0.1 per cent or 8,700 plus net new hires adding to the over 30,000 net new hires that occurred in July. The services sector remained supportive of employment growth in August with employment moving up 0.1 per cent. The goods sector, which has had a turbulent 2019, also contributed to hiring moving up 0.2 per cent.

Overall hiring lifted with goods sector construction (over 1,300 net new workers), manufacturing (over 500 net new workers), and, mining, quarrying, and oil and gas extraction (over 300 net new workers). In the services sector, trade shed over 3,000 net jobs, but these losses were more than made up by gains in health and social services (over 2,000 net new workers), education (over 2,000 net new workers), professional, scientific, and technical services (over 1,300 net new hires), and transportation and warehousing (over 2,900 net new hires).

Year-to-date, non-farm payroll employment is up 2.3 per cent from last year's pace with the services and goods producing sectors up 1.3 per cent and 2.6 per cent above last year's pace.

Average weekly earnings increased by 0.9 per cent in August due to growth in both the goods sector (1.7 per cent) and the services sector (0.7 per cent). Year-over-year, the fixed-weight index grew by 4.9 per cent in August, much faster than the 4.4 per cent posted in July.

Persistent skilled labour shortages have kept wages elevated. Employers hope the elevated wages will attract much-needed talent in key technical fields such as professional, scientific, and technical services, health care and social assistance, and advanced manufacturing. As noted in the section below, a key long-term concern for businesses is the need for more talent to allow them to grow their businesses, the current uncertain economic climate notwithstanding.

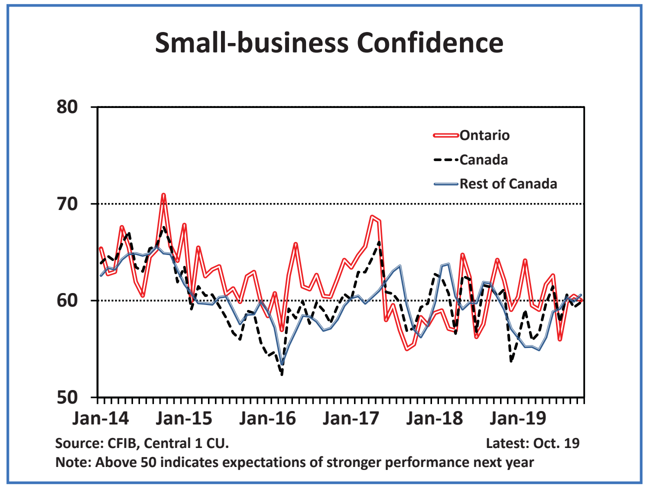
## Ontario's small-business confidence was nearly unchanged in October

After two consecutive months of increased small business confidence in Ontario progress stalled in October. The latest reading from the Canadian Federation of Independent Business' Business Barometer reports that Ontario's confidence was nearly unmoved in October over September falling very slightly (0.4 percentage points) to 60 points. Currently, Ontario's index is nearly neck-and-neck with the national reading of 59.8 points. Even with stagnant growth in confidence month-over-month a reading above 50 points suggests expansionary expectations in the months to come which outweigh contractionary expectations.

Over 2019, Ontario's business confidence readings continue to lag the long-term monthly average eight of the first ten months of the year.

Employment plans are in neutral with the lion's share of employers surveyed charting steady staffing numbers and equal shares of business owners looking to hire as to layoff (12 per cent). About 47 per cent of respondents said their firms are in good shape, while 11 per cent reported their businesses in bad shape, unchanged from September readings.

With the current economic uncertainty notwithstanding, the biggest barrier to growth for Ontario small and medium businesses remains skilled-labour shortages and sufficient domestic demand. Despite strong wage growth many businesses are still unable to fill key roles. Concerns about the future are dampening consumer spending which is a key reason for the lack of domestic demand.




## Year-to-date, motor vehicle and parts manufacturing remain 1.2 per cent of last year's pace

Canadian seasonally adjusted at annual rate (SAAR) gross domestic product (GDP) moved up in August by 0.14 per cent mostly due to growth in the services-sector which contributed over 60 per cent of the growth in August. The goods-sector increased by 0.2 per cent month-over-month and the services sector increased by 0.1 per cent.

In August, motor vehicle and parts manufacturing production declined by 0.4 per cent due to less motor vehicle manufacturing (down 1.5 per cent month-over-month) and motor vehicle parts manufacturing (0.7 per cent month-over-month). Motor vehicle body manufacturing production increased substantially (8.9 per cent month-over-month) but growth in this sector was unable to offset losses in the other two areas.

Despite stronger year-over-year activity over the last four months in motor vehicle and parts manufacturing in 2019, when compared to the same period last year shows significantly weaker year-over-year activity and this continues to pull down the sector. Over the first eight months of 2019 motor vehicle and parts manufacturing is 1.2 per cent off last year's pace.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