

Highlights:

- Non-farm payroll employment falls drastically in April
- Small-business confidence slides slightly in June
- Tourism plummets in April - down 87 per cent from March.

Non-farm employment falls drastically in April

Non-farm payroll employment fell dramatically (down 10.7 per cent) in April, adding to the 5.2 per cent fall in hiring from March. This comes as no surprise as travel restrictions, stay-at-home directives and many non-essential businesses were shuttered.

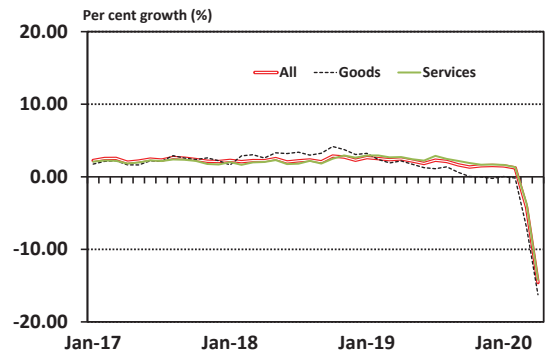
Public facing employees in the services sector who are paid hourly continued to face the greatest brunt of the shutdowns. In April, employment in the services sector fell an additional 10.9 per cent. The goods sector was not unscathed from shedding of jobs losing 9.9 per cent of its workers. Of the close to 688,000 net jobs shed in April the services sector accounted for 82.2 per cent of all jobs lost.

Export-heavy sectors such as manufacturing also posted significant job losses. In Ontario, much of these losses were in transportation equipment manufacturing which saw demand dwindle and plants close. Manufacturing reported an 8.6 per cent drop in employment in April and accounted for nearly half of the job losses in the goods sector.

Construction also posted heavy job losses, with a loss of 14.1 per cent of non-farm payroll employment as a result of a standstill in residential and non-residential building.

With international borders tightly shut and planes grounded, accommodation and food services continued to suffer the greatest job losses in the services sector as tourists stayed put and canceled travel plans where possible. Canadians also stayed put and tightened their belts to brace for the economic shock

Non-farm payroll employment, Ontario



Source: Statistics Canada, Central 1 CU.

Note: Y/Y growth presented, Y/Y = year-over-year

Latest: Apr.-20

to come. In April, accommodation and food services payrolls shrank by 38.6 per cent. Other areas with significant exposure to non-essential spending that shed a large part of jobs included:

- Trade (down 11.4 per cent)
- Arts, entertainment, and recreation (down 33.2 per cent)
- Real estate, rental, and leasing (down 10.5 per cent)

Educational services lost significant jobs as classes moved online to protect the public health. In April, this sector shed 4.8 per cent of its payrolls.

Over the first four months of 2020, payroll hiring is four per cent off last year's pace. Services and Goods sectors are 3.7 per cent and 5.9 per cent respectively off last year's pace.

Average weekly earnings increased in April by six per cent largely due to many lower-paid sectors shedding a substantially large part of jobs. The average hourly fixed-weight earnings index remained unchanged at 3.9 per cent growth year-over-year in April, which was the same as in March.

With the Labour Force Survey and other metrics now available, one can expect the robust shedding of jobs coming from the non-farm payroll survey to hit a trough in May, from which point a gradual but uncertain recovery will begin. The extent of the economy's recovery hinges on consumer confidence and for no further waves of COVID-19 to materialize, which could undo any hard-earned gains and bring the economy back into lockdown. Despite a gradual recovery in the

second half of 2020, Central 1 economics expects unemployment to balloon past 10 per cent in 2020 to at least 10.1 per cent.

Small-business confidence slides slightly

The small-business confidence index in Ontario took a bit of a tumble in June, sliding down to 54 points from 57.1 points at the end of May even though more businesses were able to open their doors after several months of hibernation.

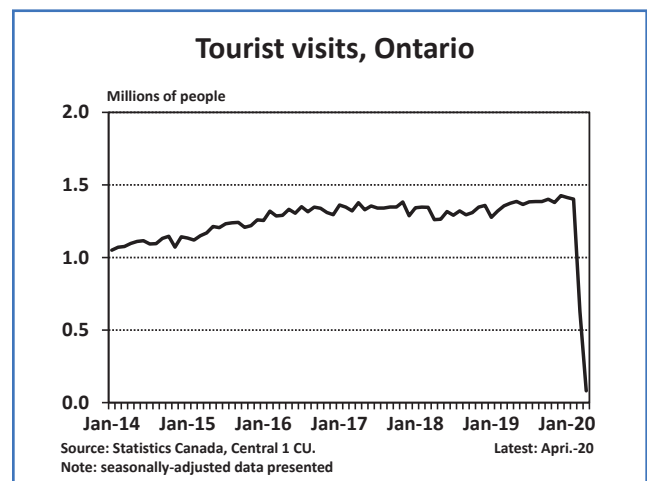
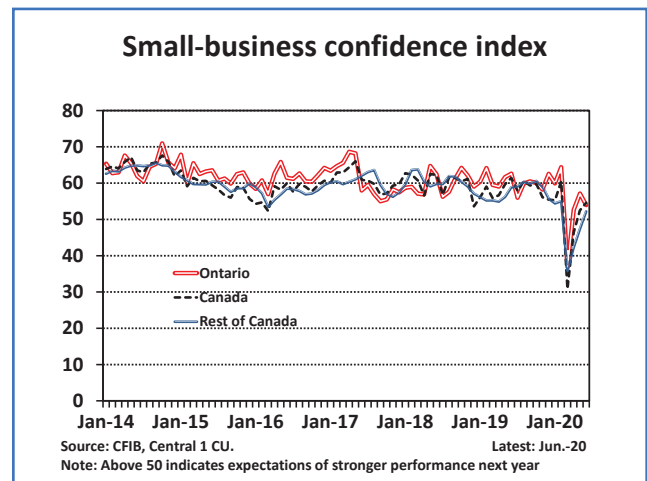
Over the next three months, 36 per cent of employers expect full-time hiring to decrease (down from 39 per cent at the end of May) and 44 per cent of respondents feel the general state of business in the province is bad (down from 53 per cent in late May).

Average capacity utilization increased to 53.1 per cent from last month's reading (up 6.8 per cent) but it remained well below what is needed for small businesses to consistently turn a profit. Diminished capacity as stipulated by public health authorities to prevent spread of the virus is dampening capacity utilization. Eleven per cent of businesses are up to full capacity utilization in Ontario while 33 per cent of businesses surveyed reported 34 per cent capacity utilization or lower down significantly from figures reported just weeks ago in late May.

After several months of financial bleeding and no profits coming in small businesses are eager to open their doors to customers and start turning profits to save their businesses from possible default. Yet, the virus sets the timeline of the economy's complete opening and to protect public health business capacities have to be dampened in the near term until the virus is fully suppressed and/or a viable treatment or vaccine appears and is fully distributed in Ontario. Moreover, many customers do not feel fully confident to head out and spend like they used to because of the ever-present fear of the virus in public spaces and their own personal balance sheets not allowing them to overextend themselves on non-essential purchases. All these factors are likely weighing on small-business owners' minds and are the reason for the slide in business confidence this month.

Tourism plummets under a full month of border closures

Tourist visits to Ontario plummeted by 87 per cent to 81,603 people in April over March as international borders remained closed and only essential travel into Canada was allowed. Nationally, tourist visits fell 82.1 per cent to 228,452 people, in the rest of Canada



excluding Ontario, tourist visits fell 77.3 per cent to 146,849 people. Year-to-date, tourism in Ontario is lagging last year's pace by 33.8 per cent.

Foreign travel will continue to face a heavy burden in 2020 and likely for several years to come as personal finances remain battered from such economic uncertainty affecting jobs and wages. Moreover, with the COVID-19 virus not yet suppressed globally and an effective treatment or vaccine not yet available, many people may not feel confident enough to take a flight overseas and risk infection even if they have been left relatively unscathed from the economic fallout of this pandemic. For context, the recovery for the travel industry – in particular, airlines after the attacks of September 11, 2001 – was about four years. This COVID-19 shock has been deeper and farther-reaching in scope therefore, at minimum, four years seems to be a benchmark for the travel sector's recovery to return to pre-pandemic levels of activity and/or revenues.

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