

### Highlights:

- Non-farm payroll employment up 5.3 per cent in July
- Average weekly earnings increased 0.9 per cent in July due to stronger wage growth in services
- Small business confidence grew again in September, but the future remains uncertain for many

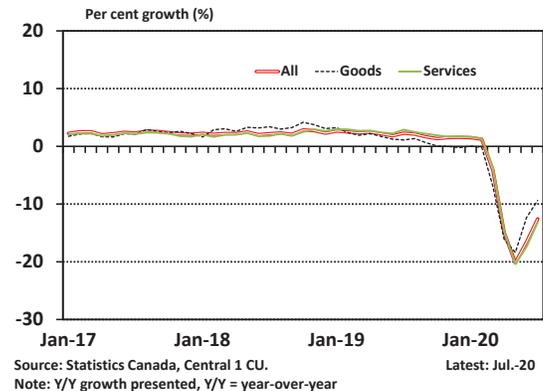
### Services sector rebound continued in July

July's Survey of Employment, Payrolls and Hours (SEPH) data for Ontario shows that the gradual reopening resulted in hiring continuing to turn around. Employment rose 5.3 per cent (over 291,000 net jobs). Most of the rehiring occurred in the services sector which accounted for close to 88 per cent of those net jobs. Service sector jobs increased 5.7 per cent in July and goods sector jobs increased 3.5 per cent. Moreover, Ontario posted the third strongest hiring recovery in July behind only Quebec and Manitoba.

Construction (up 3.7 per cent) and manufacturing (up 3.7 per cent) made up most of the net hiring growth in July in the goods sector. Continued growth in residential and some non-residential construction led to the need to bring back more labour. The manufacturing sector continues to bring plants back online with the auto sector a strong contributor to the rebound in this area.

In the services sector, areas such as retail sales (up 8.6 per cent), health and social assistance (up 6.1 per cent), educational services (up 6.7 per cent), accommodation and food services (up 24.6 per cent), and arts, entertainment, and recreation (up 16.6 per cent) contributed significantly to net rehiring growth in services. Hotels continue to struggle from a forgone tourist season but with the reopening of restaurants many Ontarians took advantage after being housebound for a couple of months to have a meal or a drink on a local patio. The need to protect vulnerable populations especially in hospitals and long-term care homes has supported strong hiring in health and social services. Also, rehiring at doctor and dental offices may have helped boosted net hiring growth

### Non-farm payroll employment, Ontario



in this sector. With school still unopened at the time this data was collected, many school boards started to get ready for September hiring many teachers and teachers' aides. Some parents also took advantage of having their children at home and hired tutors or enrolled their kids in virtual learning camps over the summer and the increased demand supported hiring in private educational institutions also.

Average weekly earnings increased 0.9 per cent in July due to stronger wage growth in services (up one per cent). Goods sector hiring moved up 0.4 per cent. The rebound in July was led by compositional shifts in the services sector. More hiring in salaried or higher paid services skewed the average upward. The average hourly fixed-weight earnings index moved up 5.5 per cent year-over-year in July – a significant jump from the 1.7 per cent growth posted in June.

Net hiring growth is expected in the data for August, as was the case for the Labour Force Survey, as the restart continues. Beyond the Summer the prospects of a second wave of COVID-19 infections is starting to affect consumer and business outlooks. Hiring should temper and perhaps many of the jobs lost from March to April will not return as businesses and consumers take a more cautious approach to discretionary spending.

### Small business confidence now slightly higher than before pandemic

The Canadian Federation of Independent Business' small business confidence Index, which is based on a 12-month forward expectation for business performance, moved up 2.4 points in September to 65.4

points and is now slightly higher than the 64.4 points posted in February. With uncertainty still high jumps in confidence could be very muted for the rest of the year as some industries will face stronger headwinds than others and pull down the overall index. Year-over-year, the small business confidence is 4.9 points higher than last year.

Even with Ontario trying to help businesses as much as possible on the restart many areas continue to suffer with fewer sales and weaker revenues. Sectors heavily involved in exports, client-facing services, or business investments continue to face headwinds. Areas such as natural resources, professional business services, retail sales, and hospitality services.

Over the next three months, 27 per cent of employers expect full-time hiring to decrease and 30 per cent of respondents feel the general state of business in the province is bad. Both measures increased slightly for the first time after a couple of months of declines providing some proof of the murky waters ahead for many businesses that remain active.

Average capacity utilization fell in September to 68 per cent down from 70 per cent in August. In September, 18 per cent of businesses are up and running at full capacity a fall from the 22 per cent posted in August.

It is becoming increasingly possible that Ontario will face a second wave of COVID-19 infections and this second wave could be much stronger than the one faced in the late Winter and early Spring according to some public health experts. Businesses may be pricing that into their expectations and downgrading investment decisions to have some liquidity to try and survive these next few uncertain months.

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