

Highlights:

- Non-farm payroll hiring up 2.1 per cent in August but set to fall during winter months;
- Ontario's small business confidence down 8.1 points to 57.3 - the second highest drop in Canada's provinces, following New Brunswick (down 8.4 points);
- Business closures fell 27.6 per cent in July but many businesses unlikely to survive until spring 2021;
- Canadian real GDP increased for the fourth straight month propelled by growth in most areas

Even though hiring increased in August average weekly earnings growth declined

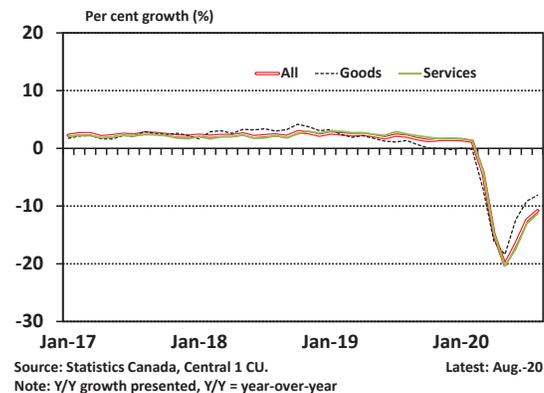
Hiring and rehiring increased in August but wages in many large sectors recoiled. Hiring in all sectors moved up 2.1 per cent in August, including a rise of 2.1 per cent in services and 1.4 per cent in goods.

The combination of increased hiring and negative average weekly earnings growth in large sectors signals the uncertainty of many business owners. Employers in some at risk sectors (especially in services) are attempting to keep costs down by giving their employees either fewer hours per week, less pay, or in some cases both.

Hiring was up in the three large goods sectors: mining (up 2.4 per cent or 635 net workers), construction (up 0.7 per cent or 2,307 net workers), and manufacturing (up 1.9 per cent or 12,058 net workers). These hiring gains offset losses in forestry and utilities. Strong demand for skilled trades to chip away at residential and non-residential construction projects lifted hiring in construction. Manufacturing benefitted from increased new car demand and food production. With more people cooking at home production that would have gone to restaurants is now shifting to households.

Non-farm payroll hiring in services was lifted by retail trade (up 1.0 per cent or 6,716 net workers), education (up 3.7 per cent or 17,113 net workers), health care and social services (up 1.5 per cent or 10,595 net workers),

Non-farm payroll employment, Ontario



and accommodation and food services (up 11.6 per cent or 34,992 net workers). With patios still open in August many bars and restaurants benefitted from the increased consumer demand and hired or recalled staff. With the imminent start of the school year, private and public educational institutions likely increased hiring in educational services given the significant demand need for online learning and/or supplementary tutoring support.

Overall average weekly earnings declined 0.2 per cent in August offset largely by a 0.2 drop in average weekly earnings in services that could not be made up by the boost in wages of 0.1 per cent in the goods sector. In services, average weekly earnings fell in overall trade (down 1.7 per cent), education (down 4.6 per cent), and accommodation and food services (down 6.8 per cent). Wages in health care and social assistance moved up 1.9 per cent likely due to increased demand for people in hospitals and long-term care homes. The average hourly fixed-weight earnings index moved up 5.2 per cent year-over-year in August – an increase from 4.6 per cent growth in July.

Looking forward, non-farm payroll hiring and average weekly earnings will likely decline in the fall and winter as the surge in viral infections has led some large urban areas to force businesses to shutter for at least 28 days to stem the growth in cases. Central 1 economics expects employment growth to decline in Ontario by 5.2 per cent in 2020¹.

¹ https://www.central1.com/wp-content/uploads/2020/10/ECON_EA_ONT_202004.pdf

A strong surge in COVID-19 infections pulled down small-business confidence dramatically in October

As COVID-19 caseloads increased substantially in certain Ontario hotspots in October and regions reverted to modified stage 2 closures, small business confidence went the opposite direction. The Canadian Federation of Independent Business' (CFIB) 12-month outlook business barometer fell 8.1 points in October from September to 57.3 points. Ontario's small-business confidence posted the second worst drop in the month. CFIB's three-month outlook index came even weaker in October at 35.9 points and has not moved past 50 points since the start of this pandemic. Any values greater than 50 points suggests the economy will grow in the next three or 12 months depending on which index is being looked at. It seems many small businesses, particularly in those hard-hit service sector businesses, understand that with the fall and winter seasons coming and the spread of the virus intensifying the next few months will be very challenging. As noted in the business closure data section below many of these businesses may be unable to hold on until spring arrives.

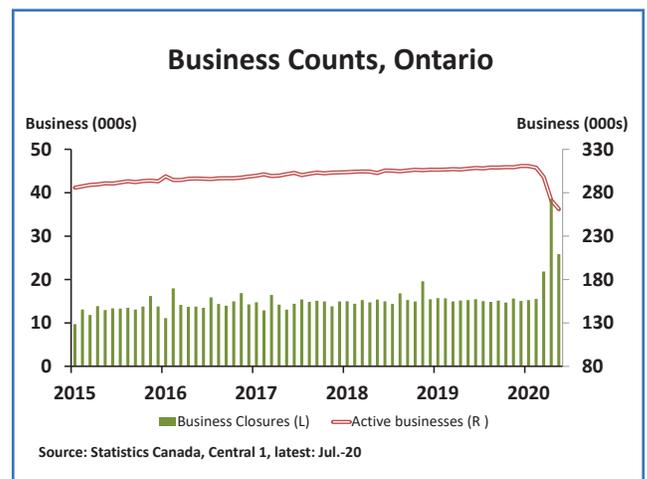
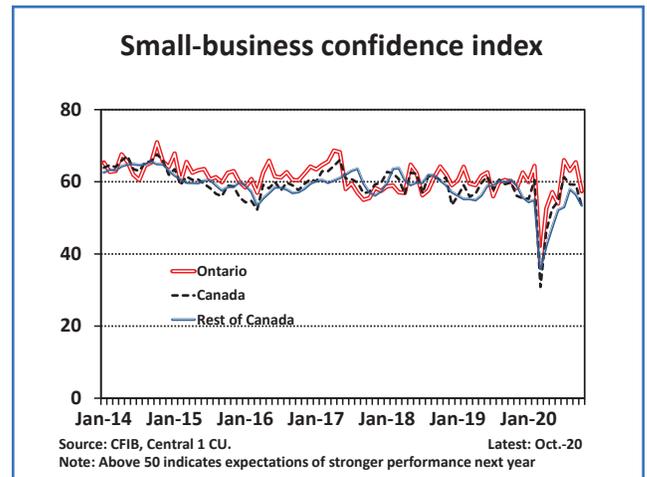
Over the next three months, 26 per cent of employers expect full-time hiring to decrease and 29 per cent of respondents feel the general state of business in the province is bad. Both measures continued to slide, adding to the drop in September's survey, providing proof of the muted recovery businesses are anticipating from here until 2021. For context, Central 1 economics forecasts a 6.0 per cent drop to real GDP growth in 2020.

Average capacity utilization moved back up to 70 per cent in October after coming in at 68 per cent in September. Twenty-one per cent of businesses surveyed are back up to full output, an increase of three per cent from September. The percentage number of businesses surveyed at full output has been ranging between 18 per cent to 22 per cent over the last three months.

The vaccine cannot come soon enough for many businesses. Until people feel confident being out and about like before the pandemic many businesses will only be on survival mode.

Conditions continued to improve for Ontario businesses in July

According to the latest Business closures data from Statistics Canada closures declined in July 27.6



per cent. This marked the third straight month that business closures have moved down. Compared to the long-term monthly average business closures remained 1.8 per cent above trend. Year-over-year business closures are nearly unchanged moving up only 0.5 per cent.

Business openings fell in July by 0.9 per cent (22,074 businesses) putting an end to three months of business openings growth. Year-over-year business openings are 35.4 per cent above year ago totals and relative to the long-term trend business openings are 44.8 per cent ahead of trend.

Total active business increased a further 2.0 per cent in July adding to the 0.4 per cent growth posted in June. Year-over-year active businesses are down 13.2 per cent. In metro areas, active businesses rose in July by a stronger clip of 2.3 per cent supported by growth in several large metro areas such as Toronto (up 2.4 per cent), Ottawa-Gatineau (up 2.1 per cent), Hamilton (up 3.1 per cent), and Kitchener-Cambridge-Waterloo (up 2.3 per cent). Active business increased in all metro areas of Ontario in July by an average month-over-month rate of 1.8 per cent.

Restart measures and the summer months have allowed many businesses to reopen and start bringing in some revenue very likely helping to keep many businesses afloat. With the Fall and Winter seasons approaching businesses will likely face added strain as fewer people go out. Certain hot spots in Ontario returned to modified stage two closures in October which will add to some business failures going forward.

Canadian real GDP increased 1.2 per cent in August

Real seasonally adjusted at annual rate (SAAR) GDP grew for the fourth consecutive month in August moving up 1.2 per cent adding to the 3.1 per cent growth posted in July. Growth has continued to chip away at the steep drops in output during the start of the pandemic but in spite of robust growth over the last four months overall activity was still about 5.0 per cent below pre-pandemic levels from February.

Both goods-producing (up 0.5 per cent) and services-producing (up 1.5 per cent) industries were up as 15 of 20 industrial sectors posted increases and two were essentially unchanged in August.

Manufacturing continued to rebound moving up 1.2 per cent in August with transportation equipment manufacturing adding 1.6 per cent of growth to this sector. Gains in manufacturing came from durable goods which offset some weakness in non-durable goods manufacturing. Motor vehicles and parts manufacturing declined 0.5 per cent with growth in motor vehicle manufacturing (up 9.9 per cent) unable to offset significant drops in output to motor vehicle body and trailer manufacturing (down 2.9 per cent) and motor vehicle parts manufacturing (down 7.8 per cent).

September's statistics will likely show additional growth but October's statistics will show the impact of the ongoing second wave of COVID-19 and will reflect the downward force on national output in many areas as a result of central Canada (Ontario and Quebec) currently facing major issues containing the virus.

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