



## Highlights

- Non-farm payroll employment in November remains 7.6 per cent below pre-pandemic level.
- Small businesses unable to see a rosy outlook as public health restrictions remain elevated in January.
- Non-residential building permit volumes fell 6.5 per cent in 2020.
- Increased restrictions and economic uncertainty lifted business closures in October by over 12 per cent.
- Canadian economy grew 0.7 per cent in November as a majority of sectors posted growth.

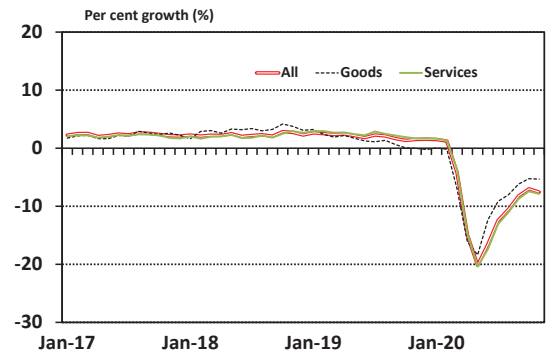
### Increased public health restrictions in November led to non-farm payroll job losses.

Ontario's non-farm payroll employment remains 7.6 per cent below pre-pandemic employment in February in November. Month-over-month employment slid down 0.4 per cent and year-over-year employment is down 7.6 per cent. Overall employment declined in November as services-sector jobs fell 0.2 per cent offsetting the 0.1 per cent gain in goods-sector employment.

By sector, the following areas had strong gains or declines in November over October:

- Utilities shed 414 net workers;
- Construction shed 747 net workers;
- Manufacturing gained 2193 net workers;
- Retail trade gained 991 net workers;
- Transportation and warehousing shed 3949 net workers;
- Real estate and rental and leasing shed 1720 net workers;
- Educational services gained 6555 net workers;
- Health and social assistance gained 3931 net workers;
- Arts, entertainment and recreation shed 2043 net workers; and,
- Accommodation and food services shed 11338 net workers.

### Non-farm payroll employment, Ontario



Source: Statistics Canada, Central 1 CU. Latest: Nov-20  
Note: Y/Y growth presented, Y/Y = year-over-year

Increased public health restrictions in November continued to stall any rebound in many sectors especially areas that need constant client-facing contact for their revenue.

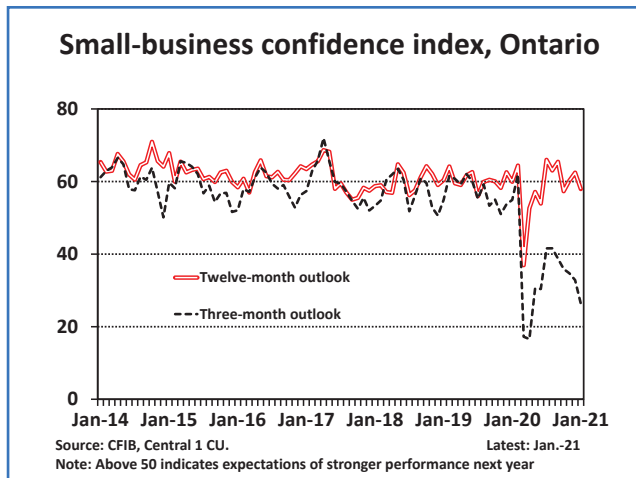
Average weekly earnings increased 0.9 per cent in November largely from gains in earnings in the goods-sector (up 1.5 per cent) and to a lesser extent in the services sector (up 0.6 per cent). Many of the workers that lost their jobs were hourly paid workers, very few salaried workers were laid off which kept wage growth from falling.

The average hourly fixed-weight earnings index moved up 3.2 per cent year-over-year in November –an increase from the 2.4 per cent growth in October.

In late December (December 26) Ontario entered a province wide lock down with ramped up public health restrictions. Job markets should continue to face job losses in December and likely into the first quarter as this second wave of COVID-19 has been more difficult to control than expected.

### Small business confidence tumbles in January

Lockdown measures aimed at protecting the public health continue to batter business confidence in Ontario. The Canadian Federation of Independent Business' long-term (12 month) and short-term (three-month) indexes of small-business confidence both tumbled in January. The short-term index lost an additional 6.5 points in January coming in at 26.3 points and the long-term index lost 4.5 points coming in at 58 points. The month-over-month drop in January is the steepest



drop since last April during the pandemic's first wave of COVID-19. Moreover, the drop to the long-term index is the first drop in a couple of months.

Such is the level of uncertainty faced by small-businesses in Ontario that the second wave is now starting to affect both short-term and long-term outlooks as businesses, especially client-facing ones, start to internalize that the recovery will not be over night and will take many months until enough Ontarians are inoculated. As outlined in the business closure data section in this brief many businesses are closing as the climb out of the hole for them seems more and more daunting.

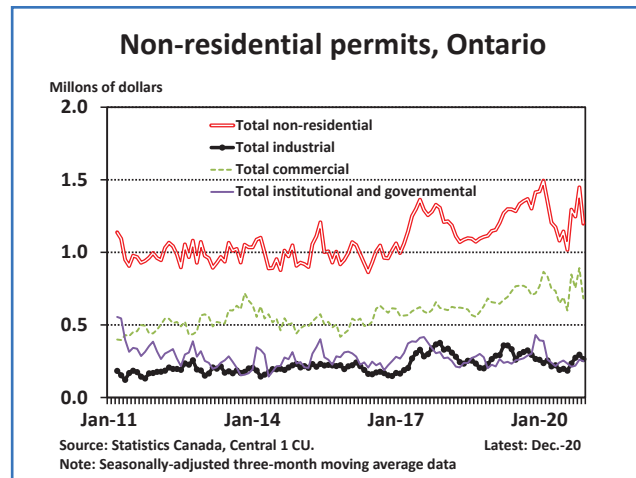
Over the next three months, 36 per cent of employers expect full-time hiring to decrease and 38 per cent of survey takers feel the general economic climate is bad. Both increased substantially from last month.

Average capacity utilization growth has taken a nose-dive to 54 per cent in January after hovering in the 68 to 70 per cent range for several months. Now only ten per cent of businesses surveyed are at full capacity.

Unfortunately, given the current wave of infections the first quarter will prove to be especially difficult for many SMEs in Ontario as public health measures stall revenue streams.

### Non-residential building permit volumes post steep drop in December

Non-residential building intentions declined in December by 30.5 per cent due to a general decline in building intentions for industrial (down 21.8 per cent), commercial (down 38.1 per cent), and institutional (down 13.3 per cent) projects. The decline across the board, for all project types, is the first time this has occurred since April. Increased economic risk for nearly all of 2020 since the pandemic hit may be finally



catching up with investment flows.

With December data now available here is a recap of activity for 2020 compared to last year:

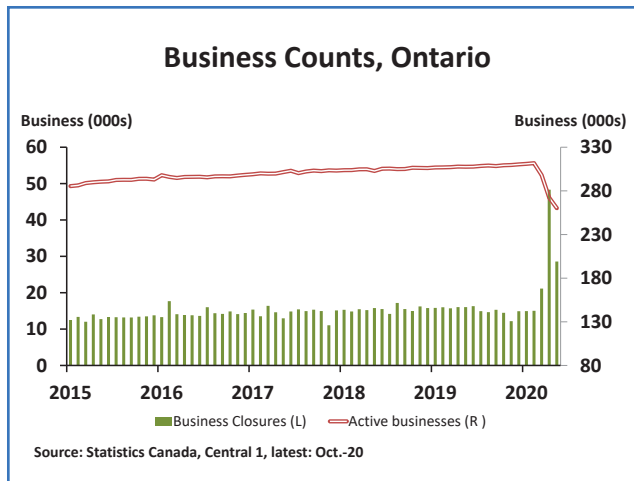
- Total non-residential building permit volumes fell 6.5 per cent;
- Industrial and institutional building permit volumes declined by 21.6 per cent and 19.4 per cent respectively; and,
- Commercial building permit volumes were 5.2 per cent higher in 2020.

Several large commercial investments such as the Project Python with Amazon in Ottawa-Gatineau helped keep commercial building permit volumes higher than 2019.

In metro areas the decline in non-residential building intentions was more severe in December as permits fell 37.8 per cent, the second largest month-over-month activity in 2020. Most of Ontario's metro areas posted lower volumes with five exceptions: Belleville, Hamilton, Kingston, Peterborough, and Thunder Bay.

### Business closures increased in October by largest margin since first wave of COVID-19

After declining for four consecutive months from May to August business closures in Ontario have increased over September (up 9.1 per cent) and now October (up 12.2 per cent) according to new data released by Statistics Canada. This is the largest jump in business closures since the first wave of COVID-19. A stronger than expected second wave of COVID-19 in the Autumn has led to increased restrictions on businesses with some having to largely close only offering some goods and services.



Business openings are also trending in the wrong direction. Over the last three months since August business openings have declined by an average of 7.2 per cent. In October, business openings declined by five per cent. Again, increased public health restrictions detrimental to commerce and substantial economic risk and uncertainty has made investors and entrepreneurs skittish about opening a business at this time.

Active businesses in Ontario increased 1.1 per cent in October much slower than the two per cent growth posted in September. Moreover, since February, 26 108 fewer businesses are active in Ontario evidence of the attrition on largely small and medium enterprises (SMEs) in Ontario.

By sector, of the 26 108 fewer active businesses since February over 65 per cent of the losses are in the following sectors:

- Construction (down 2810 businesses)
- Retail Trade (down 2499 businesses)
- Transportation and warehousing (down 1949)
- Professional, scientific, and technical services (down 1582 businesses)
- Accommodation and food services (down 2722 businesses)
- Other services (down 1763 businesses)
- Tourism (down 3791 businesses)

Most of the big losses are obviously in areas with constant client facing exposures and therefore targets for increased public health restrictions to try and stem the spread of the virus until vaccines can lessen risk.

In metro areas active businesses increased by 0.6 per cent in October a much slower rate of growth compared to September (up 1.2 per cent). Growth in

active businesses was strongest in the following metro areas in October:

- Ottawa-Gatineau (up 1.3 per cent)
- Hamilton (up 1.1 per cent)
- Oshawa (up 1.1 per cent)
- St. Catharines-Niagara (up 1.0 per cent)
- Barrie (up 1.1 per cent)

## Canadian real GDP increased 0.7 per cent in November

Real Canadian gross domestic product (GDP) continued to increase in November, the seventh consecutive month of growth, moving up 0.7 per cent adding to the 0.4 per cent growth in October. Compared to pre-pandemic activity in February real GDP remains 3.5 per cent below that level even with these last seven months of growth.

Both goods-producing (up 1.2 per cent) and services-producing (up 0.5 per cent) industries were up, as 70 per cent of industrial sectors posted gains in November.

Following a 0.5 per cent contraction in October, the manufacturing sector grew 1.7 per cent in November as both durable and non-durable manufacturing increased.

Durable manufacturing rose two per cent, led by fabricated metal products (up 7.1 per cent), machinery manufacturing (up 3.8 per cent) and non-metallic mineral product manufacturing (up 5.6 per cent). Transportation equipment, down for the second consecutive month, decreased 1.3 per cent.

Non-durable manufacturing increased 1.3 per cent in November as all subsectors, except for chemical manufacturing (down 0.8 per cent), increased. Most of the growth in November came from a few sectors such as, paper manufacturing (up three per cent), beverage and tobacco manufacturing (up 2.7 per cent), and plastics and rubber products manufacturing (up 4.1 per cent).

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