



Highlights

- Ontario non-farm payroll hiring down 6.9 per cent from February 2020 levels; services sector accounts for 86 per cent of all job losses
- Non-farm payroll hiring rebounded in December
- Small business confidence moves up in February
- Business closures in November stabilized but risks remain high

Non-farm payroll hiring increased by 0.4 per cent in December

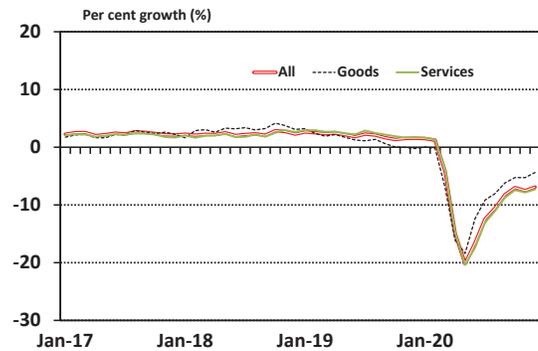
After declining by 0.4 per cent in November, non-farm payroll employment rebounded in December, moving up 0.6 per cent from nearly equal hiring growth in the goods sector (up 0.52 per cent) and services sector (up 0.54 per cent). Relative to pre-pandemic non-farm employment in February 2020, Ontario hiring is still down 6.9 per cent or 461,303 net jobs with job losses in the services sector accounting for 86.2 per cent of total net job losses.

The economic recovery will continue especially now with increased vaccine supply and administration, but the recovery will not be immediate. A gradual recovery is expected especially for many hard-hit sectors in services.

By sector, the following areas had strong gains or declines month-over-month:

- Construction gained 4,267 net workers;
- Manufacturing gained 427 net workers;
- Transportation and warehousing gained 3,972 net workers;
- Real estate and rental and leasing gained 493 net workers;
- Educational services gained 8,423 net workers;
- Health and social assistance gained 10,453 net workers;

Non-farm payroll employment, Ontario



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

- Retail trade shed 3,638 net workers;
- Arts, entertainment, and recreation shed 1,131 net workers; and,
- Accommodation and food services shed 13,091 net workers.

Average weekly earnings fell 0.3 per cent month-over-month. Earnings for goods sector jobs fell 0.6 per cent and earnings in the services sector fell 0.3 per cent. The average hourly fixed-weight earnings index moved up 2.4 per cent year-over-year, a tad slower than the 2.9 per cent reported in November.

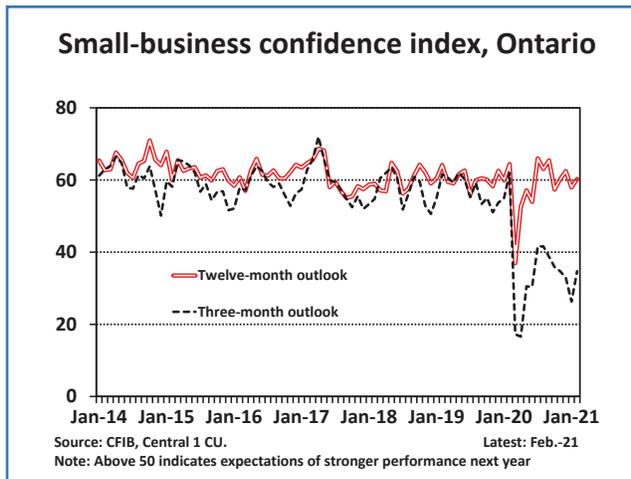
It is possible that earnings fell in December as employers kept workers on the payroll but with the compromise to cut wages to try and minimize losses and make it through to the other side of this pandemic.

Downward risks remain high and recovery of the labour market and wages depends on herd immunity through the successful deployment of vaccines and COVID-19 variants being kept under control. The light at the end of the tunnel is closer but the path to reach it may be winding rather than straight.

Small-business confidence moves up in February

Canadian consumer confidence is rebounding as evidenced by the latest Nanos-Bloomberg consumer confidence index report ¹ which bodes well for activity for small and medium enterprises.

¹ <https://www.nanos.co/wp-content/uploads/2021/01/2021-01-08-Bloomberg-Weekly-Report-with-Tabs.pdf>



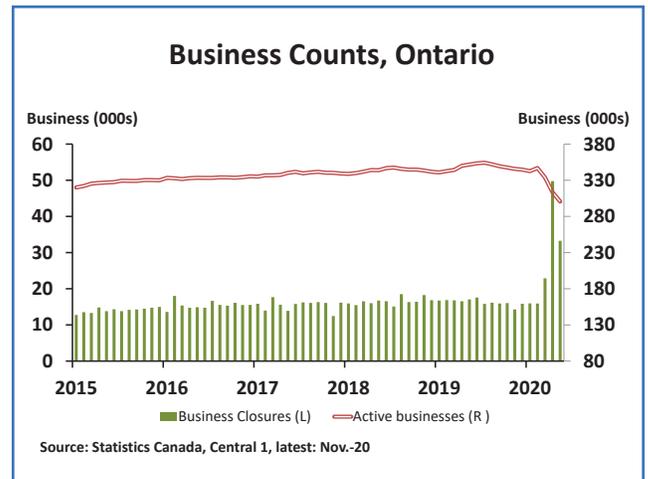
In February, the small business confidence readings for both the short-term (three-month outlook) and long-term outlook (one year outlook) are trending up significantly. The short-term index came in at 37.9 points (up 11.6 points from January) and the long-term index came in at 64.1 points (up 6.2 points from January). A reading above 50 points suggests an expectation of stronger performance on the horizon. Current growth notwithstanding, the short-term outlook is still baking in some difficulties. Lockdowns and public health restrictions are keeping many sectors from achieving full capacity and output in the short-term which is tempering some of the excitement about life returning to normal soon. Client facing service businesses continue to get hit hard.

Average capacity utilization growth has stagnated. In February, this metric came in at 55 per cent – nearly equal to last month (54 per cent). Some good news: in February 12 per cent of small and medium enterprises surveyed were at full capacity – up from 10 per cent last month. Over half, (55 per cent) of businesses surveyed were at or below 60 per cent capacity utilization.

Over the next three months, 27 per cent of businesses do not expect to increase full-time hiring. Nearly four in 10 respondents (37 per cent) feel that the general health of the economy is in bad shape.

Business closures stabilized in November

After a robust jump in business closures in October (up 19.4 per cent month-over-month, likely due to increased public health restrictions), business closures were nearly flat in November (up 0.1 per cent month-over-month). Increased restrictions touched mostly non-essential businesses and client-facing services. The businesses that remained active in November were those that were best able to pivot, as has been the case during this pandemic. In November, active



businesses in Ontario increased slightly (up 0.1 per cent month-over-month) to approximately 323,474 businesses. November's estimate marks six consecutive months of active business growth.

With increased restrictions making running an existing business difficult, let alone opening a new one, business openings continued to suffer. Business openings fell an additional 6.1 per cent in November up from 4.7 per cent growth in closures in October. Over the last four months, business closures have increased by an average of 6.2 per cent per month. Even with the hope of vaccines unlocking the economy and society in the horizon, many businesses (current and prospective) are facing difficulties now.

Relative to pre-pandemic, in February 2020, there remains 23,366 fewer active businesses in Ontario. During the same period, an additional 2,253 business have closed. On a positive note, an additional 3,641 businesses have opened.

With greater use of e-commerce, the need for warehouses, transportation services have attracted entrepreneurs to open businesses.

By sector, of the 23,366 fewer active businesses since February over 61 per cent of the losses are in the following sectors:

- Construction (down 2,165 businesses)
- Retail Trade (down 2,199 businesses)
- Transportation and warehousing (down 1,726 businesses)
- Real estate and rental and leasing (down 1,470 businesses)
- Administrative and support, waste management and remediation services (down 1,225 businesses)

- Accommodation and food services (down 2,351 businesses)
- Tourism (down 3,176 businesses)

In metro areas, active businesses increased 0.1 per cent in November. Among the largest metro areas active businesses fell in Ottawa-Gatineau (down 0.3 per cent) and Kitchener-Cambridge-Waterloo (down 0.5 per cent). Active business growth remained unchanged in Hamilton. Modest increases were posted in the following metro areas:

- London (up 0.1 per cent)
- Oshawa (up 0.2 per cent)
- St. Catharines-Niagara (up 0.5 per cent)
- Toronto (up 0.2 per cent)

With a province-wide lockdown after Boxing Day (December 26) the risks for increased business closures over the next few months is high. The appearance of greater COVID-19 variants in Ontario particularly in the Greater Hamilton and Toronto Area (GHTA) may call for a ramp up of public health restrictions and even further lockdowns after restrictions were starting to ease in February with daily case counts trending down. Not until vaccines are in the arms of most Ontarians and some level of herd immunity is reached will this public health restrictions roller coaster end. This will likely not be the case until late 2021 or early 2022. Until then risks to businesses, especially those in services, remain high.

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