



Highlights

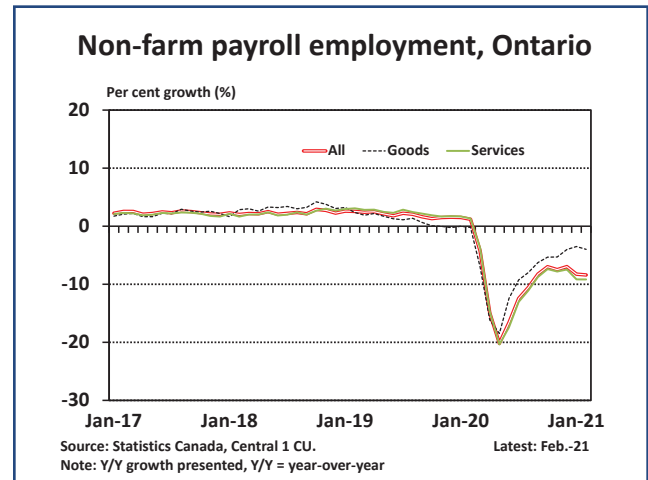
- Continued public health restrictions in parts of Ontario forces employers to shed over 20,000 jobs in February;
- Ontario posts the largest drop in small business confidence in the country in April;
- Small-business confidence drops due to increased public health restrictions;
- Retail sales up 2.3 per cent in February due to increased gasoline prices and vehicle sales.
- Educational services bracing for tougher times ahead

Non-farm payroll employment falls by 20,800 jobs in February.

Non-farm payroll employment continued to slide in February as Ontario shed 20,800 workers (0.3 per cent) as public health restrictions remained in place for the City of Toronto, Peel Region, and North Bay-Parry Sound throughout the month. Employment declined in both the goods sector (down 0.7 per cent) and to a lesser extent the services sector (down 0.1 per cent). Year-to-date, payroll employment is lagging last year's pace by 8.3 per cent with hiring in the goods and services sector down 3.7 per cent and 9.2 per cent, respectively.

Significant shedding of jobs occurred in the following sectors in February:

- Construction (down over 6,100 jobs)
- Manufacturing (down over 1,700 jobs)
- Retail and wholesale trade (down over 3,500 jobs)
- Accommodation and food services (down over 6,300 jobs)
- Educational services (down over 1,400 jobs)
- Administrative and support, waste management and remediation services (down over 6,400 jobs)
- Public administration (down over 2,400 jobs)



The drop in employment in administrative and support services was largely from a lower need for employment services and services to buildings and dwellings.

Average weekly earnings increased 1.1 per cent in February with earnings moving up 0.6 per cent in the goods sector and 1.3 per cent in the services sector.

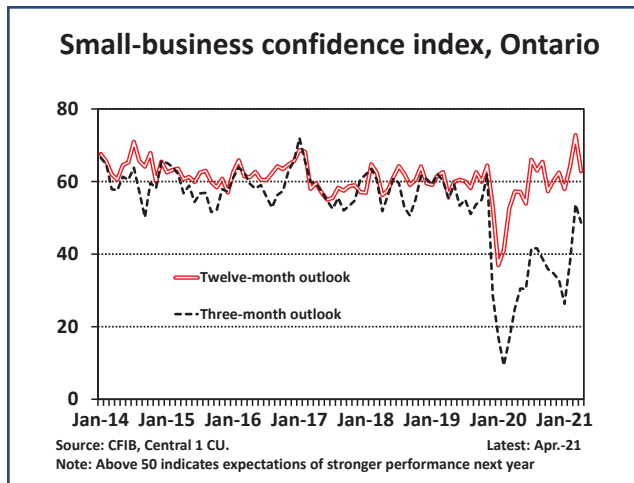
Increased public health restrictions in April dashes small business confidence.

The pandemic roller-coaster ride continued in Ontario with business outlooks tumbling in April after posting very strong gains in March.

According to the Canadian Federation of Independent Business' Business Barometer®, Ontario's short-term and long-term outlooks posted the largest month-over-month drops of all regions in Canada. In April, the short-term index came in at 48.7 points (down 5 points) and the long-term index came in at 62.8 points (down 9.9 points).

Compared to pre-pandemic confidence registered in February 2020, the short-term index remains 13.2 points down while long-term confidence has largely rebounded with the latest reading only 1.5 points below pre-pandemic confidence.

As expected, with the increased public health measures enacted in Ontario since April 8th, 2021 for a minimum of six weeks, short-term business confidence has taken the biggest hit as many non-essential businesses see revenue-making capacity



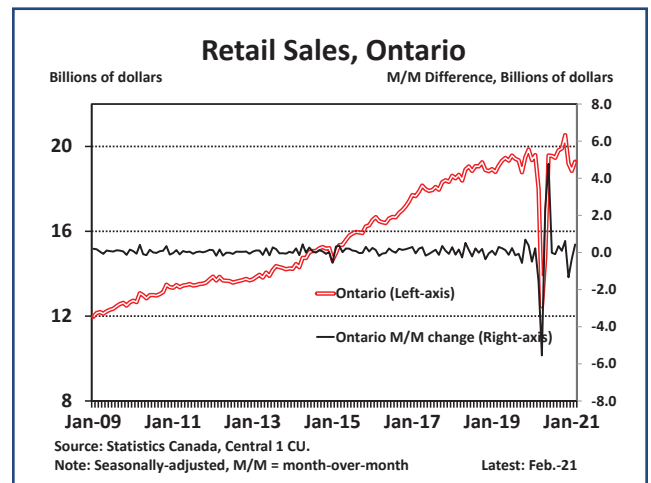
severely restricted. On the long-term horizon small business confidence is not as damaged given the roll out of vaccines and the understanding that Ontario will get through this third wave of infections and by late 2021 business and social activity will largely be back to normal.

By sector, retail trade, health and education services, and information, arts, and recreation services posted weaker long-term outlooks in April compared to March. Again, increased public health restrictions affects largely client-facing non-essential businesses more. With the third wave of infections proving to be quite challenging to contain for the health sector worker burnout and capacity are real concerns and that is starting to show in the data. Educational services are also bracing for tougher times as some schools in Ontario make significant cuts to stay afloat and fewer domestic and foreign students are expected to sit for classes come this summer and in the autumn.

Despite increased public health restrictions average capacity utilization increased to 65 per cent in April up from 63 per cent in March. More manufacturing plants, especially in the transportation equipment sector, coming back on board likely helped raised average capacity utilization rate. 22 per cent of small and medium enterprises are at full capacity utilization in April up from 15 per cent in March.

Over the next three months, 20 per cent of businesses do not expect to increase full-time hiring. This is unchanged from March. 33 per cent of respondents feel that the general health of the economy is bad – down up from 30 per cent in March.

Retail sales increased 2.3 per cent and core retail sales increased 2.9 per cent in February.



Ontario retail sales rose 2.3 per cent in February to \$19.3 billion with core retail sales moving up 2.9 per cent to \$12.8 billion. Compared to pre-pandemic activity in February 2020 retail sales are down 1.6 per cent and over the first two months of the year retail sales are lagging last year's pace by 4.7 per cent.

Continued public health restrictions in the Toronto metro area pushed retail sales down 1.9 per cent in February. Excluding the Toronto metro area retail sales in the rest of Ontario increased 5.1 per cent to \$11.9 billion. Over the first two months of 2021 retail sales in the Toronto metro area are lagging last year's pace by 12.8 per cent while in the rest of the province excluding Toronto retail sales are up 1.7 per cent.

Increased retail sales in February can be attributed to strong growth in areas such as motor vehicle and parts dealers (up 11.1 per cent), gasoline stations (up 11.1 per cent), general merchandise stores (up 2.8 per cent), clothing and clothing accessories stores (up 33.1 per cent), and sporting goods, hobby, book, and music stores (up 63.3 per cent).

The increase in motor vehicle and parts dealers was mostly because of higher sales at new car dealers and automotive parts, accessories, and tire stores, some of which had been shuttered previously due to lockdowns in some regions. Higher gasoline prices contributed to sales gains at gasoline stations. Easing of public health restrictions increased capacity at non-essential shops drew people to come and purchase clothing and sporting goods in preparation for summer.

March retail sales are expected to be robust as the province continued to ease public health restrictions and the public responded by going out and spending in-person. The ramping up of the pandemic's third wave in March and April and the subsequent increased public health restrictions (i.e., lockdown from April 8th, 2021 for six weeks minimum) will weaken retail activity in April and May. As of this writing though over 30 per cent of Ontarians have received at least one COVID-19 vaccine. Hopefully, by early autumn public health restrictions will begin to ease as more people are protected from the virus and retail activity should increase again as consumers will cherish normal life again and will draw down substantial savings accrued during the last year of the pandemic.

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