



## Highlights

- Small business confidence continued to climb as the province begins to reopen yet again.
- Retail sales volumes fell 13.4 per cent in April, the largest month-over-month decline since the onset of the pandemic.
- Increased public health restrictions in April not yet captured in the data from the Survey of Employment, Payrolls, and Hours (SEPH).
- At the start of the second quarter, Ontario's population expanded largely due to international movements of people gradually increasing.

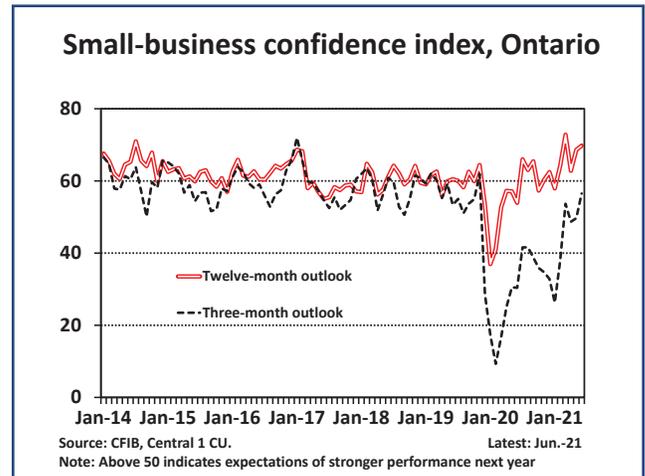
## Small business confidence continues to rebound in Ontario.

Small business confidence over the short (three-month) and long-term (12 month) gained momentum in June. Ontario started step one of its reopening plan as the vaccine rollout and citizen uptake has continued to increase and public health risks are falling. The short-term index came in at 56.5 points in June (up 6.8 points from May) and the long-term index came in at 69.8 points (up 1.2 points from May).

Measured on a scale between 0 and 100 points, an index value above 50 points means owners expecting their business' performance to be stronger in the next year outnumber those expecting weaker performance.

Compared to pre-pandemic confidence registered in February 2020, the short-term index remains 5.4 points down in June (compared to over 12 points down in May) while long-term confidence has rebounded and currently stands 5.4 points (compared to 4.2 points up in May) above pre-pandemic levels.

Ontario's step one of its reopening plan is helping average capacity utilization in the province. In June, the average moved up to 63 per cent up from 61 per cent in May. With much of the high-contact services sector still sitting idle or functioning at minimum average capacity, utilization remains below trend. In June, 23 per cent of businesses are fully up and running up from 18 per cent in May.



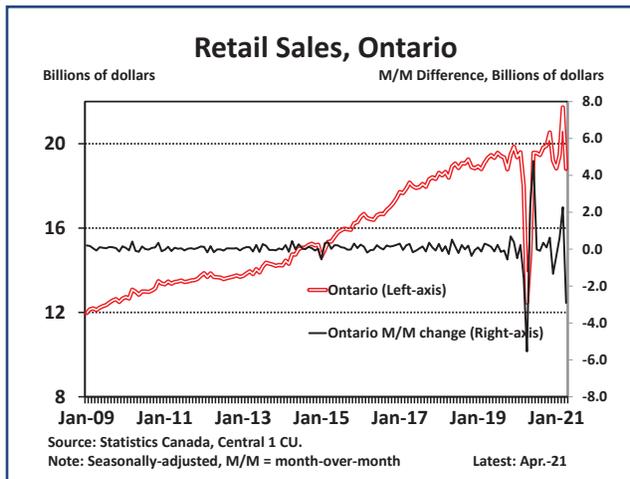
Over the next three months, 16 per cent of businesses do not expect to increase full-time hiring (down from 19 per cent in May) while 30 per cent of respondents feel that the general health of the economy is bad – down four per cent from May.

## Another round of increased public health restrictions pulls retail sales down in April.

Ontario increased public health restrictions in early April to slow down COVID-19 infections and retail sales volumes suffered due to this new policy. In April, Ontario retail sales volumes fell 13.4 per cent month-over-month to \$18.8 billion; the largest decline since the onset of the pandemic. Core retail sales – excluding gasoline station and motor vehicle and parts dealerships sales – fell 14.6 per cent to \$12.2 billion. Sales in the Toronto metro area fell 8.7 per cent month-over-month to \$7.4 billion and retail sales in the rest of Ontario, excluding the Toronto metro area, fell 16.3 per cent month-over-month to \$11.4 billion.

Year-to-date retail sales volumes in Ontario are still ahead of last year's pace by 14.7 per cent due to base year effects.. Core retail sales are ahead of last year's pace by 9.2 per cent. Sales in the Toronto metro area are pacing 6.2 per cent ahead of last year's pace and in the rest of Ontario, excluding the Toronto metro area, sales are up 21.1 per cent.

In April, nearly all sectors surveyed posted much weaker retail sales with only food and beverage stores posting a 5.3 per cent month-over-month gain. Major sectors such as motor vehicle and parts dealers (down

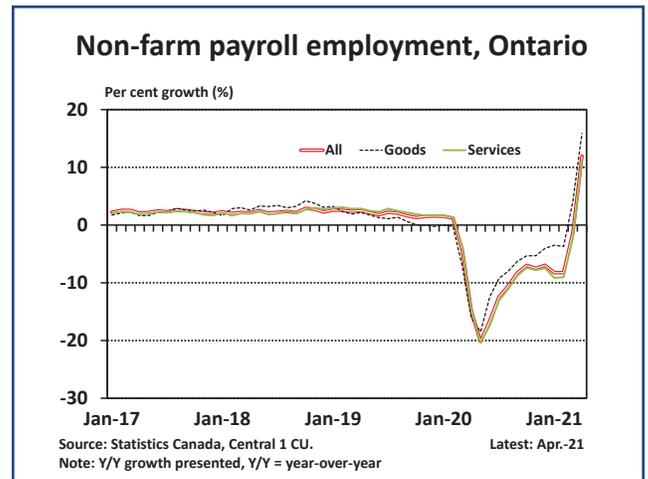


6.6 per cent), health and personal care stores (down 7.4 per cent), gasoline stations (down 8.9 per cent) and general merchandise stores (down 25.2 per cent) all contributed to the decline in sales in the month.

Production issues at auto producing plants affected sales at motor vehicle and parts dealerships. Increased public health restrictions affected high customer contact sectors with many found in the health and personal care stores, dampening sales significantly. Gasoline prices increased on production restraints by oil exporting nations. With public health restrictions fewer Ontarians had need to use gasoline in the month. Food and beverage store sales stayed up as businesses continued to benefit from food delivery services despite increased public health restrictions in addition to increased costs for certain staples such as meats and fruits and vegetables faced by consumers at supermarkets.

### Payroll employment increased in Ontario by one per cent in April.

As the third wave of COVID-19 infections continued to increase in Ontario, the province implemented a stay-at-home order in early April with increased public health restrictions aimed at slowing down the infection rate to allow increased vaccinations to bear fruit. Despite the public health restrictions, payroll employment numbers remained positive in April as topline payroll employment increased one per cent. This follows a robust 1.9 per cent increase in April – the largest month-over-month gain since last autumn. Compared to pre-pandemic in February 2020 topline payroll employment in Ontario remained 5.6 per cent lower or just over 373,000 net jobs down.



The gain in payroll employment in April, despite increased public health restrictions, comes from the fact that some employees who were laid off were likely given notice by employers and received one or two pay periods when the Survey of Employment, Payrolls, and Hours (SEPH) occurred and will not be captured as job losses until May's data is released.

Payroll employment increased in both services (up 1.0 per cent) and the goods sectors (up 0.6 per cent). By sub-sector, employment increased in large areas such as construction (up 2.1 per cent), retail trade (up 1.1 per cent), health care and social assistance (up 2.1 per cent), and accommodation and food services (up 1.5 per cent). Large sub-sectors such as manufacturing (down 0.3 per cent), education (down 0.7 per cent), and other services (down 0.7 per cent) shed workers.

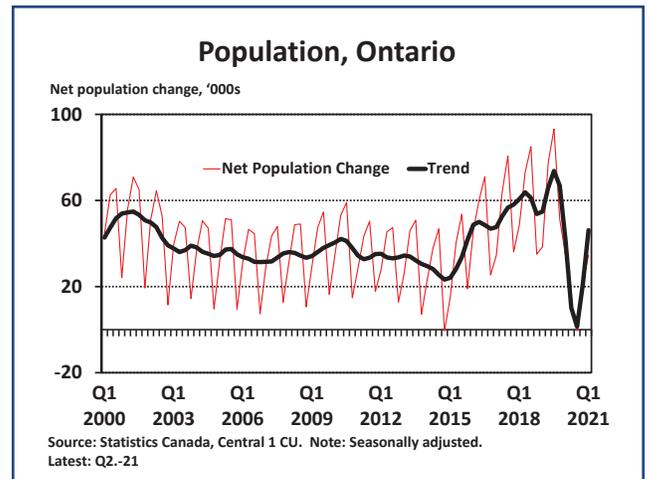
The residential and non-residential construction boom continues to drive employment needs in construction while the ongoing pandemic pushes hospitals to increase capacity to deal with nearly full bed capacity and clinics. Ongoing supply chain issues for auto producers has meant some plants have had to decrease their workforce or close all together until production can pick up again. Some new or returning employees in retail trade hired in March—prior to the tightened measures for retail—may have been included in payroll employment for the first time in April when they received their first pay cheque a few weeks after being hired or returning to work. The continuation of online learning is likely continuing to cause attrition in hiring in the educational services as fewer teachers, tutors, and other education specialists are needed.

Average weekly earnings increased in April by 0.4 per cent. Service sector average weekly earnings increased 0.7 per cent and goods sector earnings moved up 0.3 per cent. Earnings increases to both sectors were driven by salaried workers in higher paid occupations.

## Ontario's population growth at the end of the first quarter came in 4.6 per cent above average.

Statistics Canada released this week second quarter population estimates. The latest reading of population changes in Ontario points to a gradual recovery commencing. At the start of the second quarter over the first quarter, population increased by 34,567 (or 0.2 per cent quarter over quarter) new residents to 14,789,778. From 2000 to 2021 the average second quarter net change in population was 33,035 new residents. The current pace of net population change is 4.6 per cent above trend.

With interprovincial borders closed and a general weak economy nationwide due to the ongoing COVID-19 pandemic net interprovincial movements to Ontario fell by 5,629 net new residents by the start of the second quarter. This marked the second consecutive month that interprovincial movements have been negative. Of the 34,567 net new residents at the start of the second quarter most of the growth came from international immigrants (30,562 net new residents) and non-permanent residents (8,222 net new residents). Natural increase, the difference between births and deaths, added an additional 1,412 net new residents. Despite the gains through natural increase compared to the previous quarter, this segment fell 64.9 per cent quarter-over-quarter while immigration and non-permanent residents increased by 99.0 per cent and 208.7 per cent quarter-over-quarter, respectively.



Growth to international movements through immigration and non-permanent residents is evidence that seasonal workers, international students, and immigrants are gradually returning especially as consular offices abroad are slowly able to chip away at the backlog of visa and permanent residence applications caused by the pandemic.

Population growth for the rest of the year should continue to trickle as international movements remain largely constrained. Population growth is not expected to fully recover until 2022 as Canada's borders open to the world with likely conditions (i.e., vaccination passports).

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