Economics | Current Economic Trends

Ontario Economic Briefing

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central 1 Economics

Highlights

- Exports slid in May on a nearly broad-based recoil of activity.
- Exports to the U.S. and the rest of the world fell 7.8 per cent and 6.9 per cent respectively.
- Non-residential building permit volumes fell in May easily offsetting last month's gains
- Canadian industry GDP declined 0.3 per cent in April.

Exports fell 4.4 per cent in May

Ontario trade volumes continued to slide in May with exports and imports both falling by 4.4 per cent and 2.6 per cent, respectively. Overall exports were weaker not just to the rest of the world excluding the U.S. (down 6.9 per cent) but to the U.S. as well (down 7.8 per cent). Compared to February 2020, just before the start of the pandemic, exports (down 13.5 per cent) and imports (down 1.8 per cent) are still below pre-pandemic levels of activity.

Year-to-date, imports (up 16.9 per cent) and exports (up 14.7 per cent) are up considerably from last year's pace. Much of this is due to the strong pull-back in activity last year when the pandemic first hit and the relative recovery in 2021.

The pullback in exports in May was nearly universal with only two categories posting stronger exports: energy products (up 1.2 per cent) and metal ores and non-metallic minerals (up 10.5 per cent). Major sectors such as motor vehicle and parts (down 14.5 per cent) and consumer goods (down 3.6 per cent) posted strong recoils in exports.

Motor vehicle and parts exports fell in May due to several factors: the ongoing semiconductor chip shortage, exchange rate effects, and increased new auto and parts production staying in Canada rather than sent abroad.

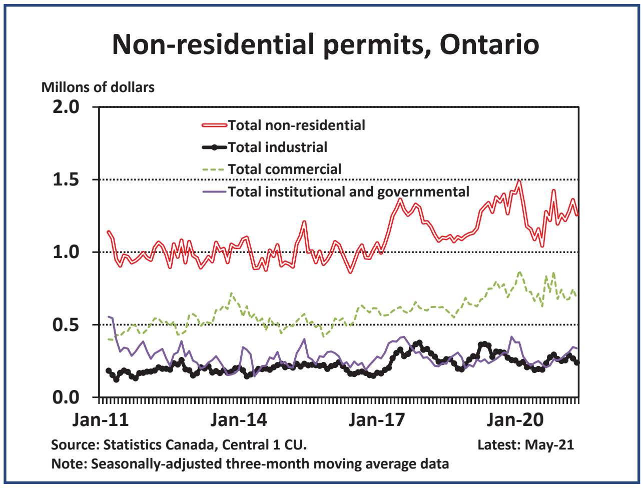
Exports of consumer goods fell on significantly lower exports of prepared and packaged seafood. The fishing season opened earlier this year which helps explain the ebb and flow of seafood exports lately from month to month.

By June, export numbers should begin to turn around as the economy starts another reopening phase following the latest wave of COVID-19 infections. Supply chain shortages should add some dampening force to growth in exports even as restrictions begin to be lifted on economic life.

Non-residential building permits fell in May by 21.5 per cent

Non-residential building permit volumes can be quite erratic from month-to-month during non-shock periods and even more so during a shock such as the current pandemic that has affected all araas of life and commerce. In May, non-residential building permit volumes fell 21.5 per cent to $1.1 billion more than offsetting the 14.7 per cent jump in April. The decline in May was broad based with industrial (down 0.3 per cent), commercial (down 33.9 per cent) and institutional (down 3.0 per cent) building permit volumes all down month-over-month.

Year-to-date, non-residential building permit volumes are still up 2.0 per cent compared to last year on strength from industrial (up 13.2 per cent) and institutional (up 34.4 per cent) permit volumes more than offsetting the drop in commercial building permit volumes (down 11.3 per cent).



In metro areas non-residential building permit volumes fell 24.9 per cent in May as future building intentions fell in ten of 16 metro areas surveyed including some large metro areas such as Toronto (down 29.1 per cent), Ottawa-Gatineau (down 16.2 per cent), Kitchener-Cambridge-Waterloo (down 28.2 per cent), Hamilton (down 55.5 per cent) and Thunder Bay (down 53.1 per cent).

Year-to-date, non-residential building permit volumes in metro areas are lagging last year's pace by 8.2 per cent.

Canadian real GDP growth stalls after 11 consecutive months of growth

Increased public health restrictions in many parts of the country stalled an eleven month stretch of real Canadian Gross Domestic Product (GDP) in Canada in April. Real GDP fell 0.3 per cent at seasonally adjusted at annual rate from largely a drop in output by the services sector. Output in services fell 0.6 per cent in April while the goods sector posted 0.5 per cent growth as largely this sector has been insulated from pandemic era restrictions.

Particularly relevant to Ontario, and given significant pandemic restrictions, the following large sectors posted gains or declines in April:

- Manufacturing (down 1.0 per cent)
- Retail trade (down 5.5 per cent)
- Finance and insurance (down 0.6 per cent)
- Real estate rental and leasing (down 0.7 per cent)
- Public administration (up 0.4 per cent)
- Professional, scientific, and technical services (up 0.1 per cent)

The manufacturing sector continues to face production issues due to supply chain issues particularly in the transportation equipment sector. Retail sales lost much of the recent gains as much of the high contact client facing retail was shut down in various parts of the country such as Ontario starting in April. A sluggish rental market is affecting real estate rental and leasing.

Public administration output increased as the federal government prepared for the upcoming 2021 Census of Population and Census of Agriculture.

With the surge of COVID-19 infections increased need for healthcare and social assistance talent (i.e., nurses, medical technicians, psychologist, therapists) is driving output in this area.

The outlook looks brighter past this wave of infections. Vaccine rollout and citizen uptake will ensure Canadian industry output increases as many parts of the country safely open their economies to greater commerce.

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