



## Highlights

- Rising case counts and halting of further economic opening plans dampened small-business confidence in August
- Ontario's employment payroll grew significantly in June as public health restrictions lifted

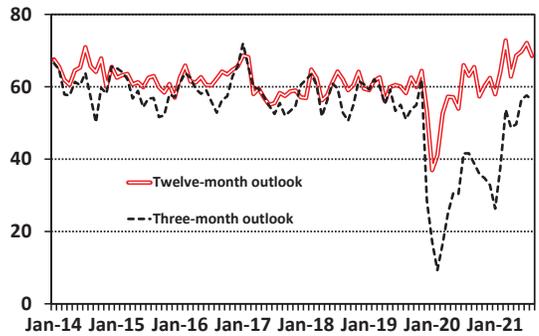
## Small-business confidence recoiled in August after three consecutive months of healthy increases

Both long-term (twelve-month outlook) and short-term (three-month outlook) small-business confidence in Ontario recoiled in August, ending three consecutive months of upward mobility. According to the Canadian Federation of Independent Business' (CFIB) monthly business barometer index the long-term index came in at 68.5 points in August (down from 72.1 in July) and the short-term index came in at 56.3 points in August (down from 57.6 points in July). In August, the province halted any further opening of the economy and lifting of remaining public health restrictions as viral infections began to creep back up again, likely dampening the outlook for some business owners particularly those in hard-hit client-facing services.

Both indexes are measured on a scale between 0 and 100 points, an index value above 50 points still means owners expecting their business performance to be stronger in the next year outnumber those expecting weaker performance despite the recent recoil.

Compared to pre-pandemic confidence registered in February 2020, the short-term index remains 5.6 points down in August while current long-term confidence continues to outpace confidence from pre-pandemic activity. The long-term outlook remained 4.1 points higher in August 2021 compared to February 2020. Increased short-term uncertainty with the Fall and Winter soon arriving and rising case counts are clouding short-term outlooks.

### Small-business confidence index, Ontario



Source: CFIB, Central 1 CU. Latest: Aug.-21  
Note: Above 50 indicates expectations of stronger performance next year

In August average capacity utilization moved up to 73 per cent, up from 66 per cent in July. Despite increased uncertainty in August the average capacity utilization reported is the highest yet of all pandemic-era readings. Twenty-three per cent of all businesses are fully open and running in August up from 21 per cent in July. Apart from the remaining capacity restrictions imposed by public health, the other factor keeping businesses from increasing average capacity utilization is skilled labour shortages.

Over the next three months, 13 per cent of businesses do not expect to increase full-time hiring (down from 17 per cent in July) while 18 per cent of respondents feel that the general health of the economy is bad – down from 28 per cent in July.

Current rising of cases in Ontario are creating a sense of déjà vu for many small-business owners especially as we head into the Fall and Winter seasons. Despite very high uptake of vaccines in Ontario, which will likely insulate the economy better than in previous waves of infections during this pandemic, uncertainty is elevated after a relatively calm period over the previous three months. The spectre of another potential wave of infections and what that will mean for economic activity is weighing on the minds of many small-business owners.

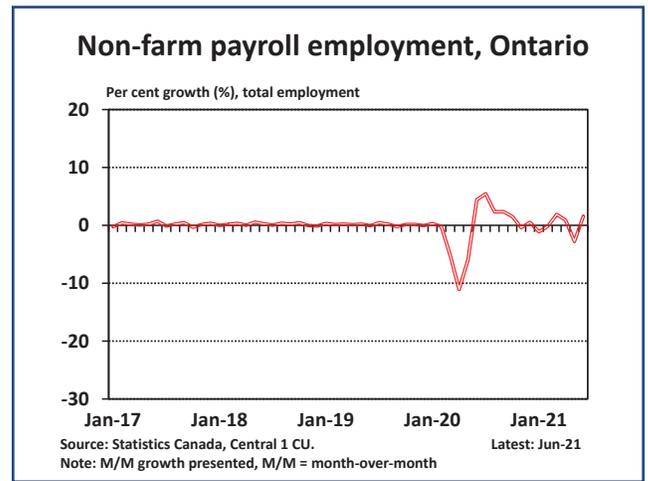
## Non-farm payrolls rebound in June as economy opens up

In June, public health measures implemented against the third wave of the COVID-19 pandemic were significantly eased across provinces including Ontario. In the latest reading, Ontario reported the second highest growth in payroll employment (1.6 per cent, 95,500 positions) according to Statistics Canada's Survey of Employment, Payroll and Hours (SEPH) as total payroll counts reached 6.2 million.

Looking ahead, higher payroll counts are expected in the July SEPH update as the Labour Force Survey has foreshadowed already. As public health measures continued to relax benefiting hard-hit services, hiring continued an upward trend in the summer.

On an industry basis, many of the hardest hit sectors, particularly in services, saw great improvement in payroll counts. Retail trade sector had the greatest increase, up by 23.65 per cent or 15,855 positions. Arts/entertainment/recreation sector reported 13.8 per cent gain and accommodation/foodservices sector had 8.6 per cent increase. The demand for services in these sectors is expected to extend in the coming months because of the warm weather, summer break and pent up "revenge" spending by consumers now that more regulations have been lifted.

While payroll counts in most of the industries were still well below the pre-pandemic level, hiring in the professional/scientific/technical services sector remained strong reporting 1.7 per cent or 7,504 positions increase in June. Total payroll counts reached 449,306 positions in the professional/scientific/technical services sector following consecutive increase since last May. Overall payroll counts in service producing industries were still lagging pre-pandemic levels. June employment counts were 7.9 per cent below February 2020 levels, however the monthly growth offset half of the losses incurred last month due to the third wave.



Average weekly earnings decreased slightly by 2.2 per cent to \$1,154 from May to June, partly because the employment gains were concentrated in lower-paying service sectors. Nonetheless, the average weekly earnings were higher than pre-pandemic levels. The reason behind the average weekly wage difference could be due to increased multi-job holders, who were given the flexibility in the remote working environment, or the changes in employment distribution by industry sector.

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