Economics | Current Economic Trends

Ontario Economic Briefing

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Highlights

- Ontario's unemployment rate returned to pre-pandemic level in February
- Hiring increased by an impressive margin of 2.6 per cent m/m
- Supply chain issues affecting transportation equipment manufacturing dampened export growth in Ontario

Ontario's labour market roared back in February

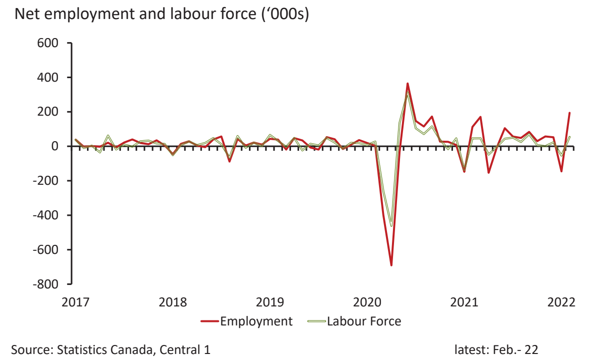
Edgard Navarrete, Regional Economist

Ontario's labour market roared back in February with the average unemployment rate coming in at 5.5 per cent, the same level as before the pandemic in February 2020. Hiring increased impressively, moving up 2.6 per cent m/m or up 194,300 net workers. This impressive rebound is supported by rising employer and consumer confidence as the pandemic seems to be waning and social and economic life can return to as close to normal as possible. Increased work opportunities helped to draw workers back to the labour market with both the labour force and the participation rate moving up.

As expected, after so many starts and stops over the course of this pandemic, employers are taking a cautious approach to this latest reopening in Ontario. Upwards of 71 per cent of all new hires in February were on a part-time basis with the brunt of those hires in services, most likely.

Since February 2020, prior to the pandemic, employment and labour have all fully recovered and surpassed levels at that time. The number of people unemployed remains higher than pre-pandemic levels, up 3.9 per cent, likely a function of new entrants to the labour market over the last two years and people still unable to find work in those hard-hit sectors like client facing services. With the reopening plan picking up steam in Ontario, this number should continue to trend down as greater work opportunities become available.

Hiring in Ontario increased by 2.6 per cent in February, highest margin since September 2020



By sector, both the goods (up 1.5 per cent m/m) and the services sectors (up 2.9 per cent m/m) reported healthy growth. Agriculture and related industries (up 1.1 per cent m/m) and construction (up 3.7 per cent m/m) posted strong growth in the goods sector propelled by strong demand for workers in non-residential projects and increased demand for food from eating and drinking establishments.

In the services sector, all areas except education (down 0.7 per cent), other services (down 2.9 per cent), and public administration (down 1.5 per cent) posted strong m/m gains. Hiring in information, culture and recreation (up 13.4 per cent m/m) and accommodation and food services (up 23.9 per cent m/m) was strongest among all sub-areas not only in services but also goods sector. With consumer and employer confidence rebounding, these client facing sectors are readying for the return of customers to their establishments in large numbers after nearly two years away. Hiring in finance, insurance, real estate, and leasing remained strong (up 2.7 per cent m/m) supported by a still robust housing market. Whereas homeownership was hot for most of the pandemic, recently the rental market has also picked up steam as demand for rental rises again.

Hiring in the private sector was strongest in February as 224,700 net new workers were hired. Public sector hiring increased by 4,100 net new workers while self-employed workers fell by 34,400 net workers.

Compared to pre-pandemic hiring, public sector and private sector hiring are up 95,200 net new workers and 213,400 net new workers respectively. Self-employment is down 111,800 net workers.

For all the good news in this month's job report, the war in Europe is a risk to the recovery here at home and particularly in Ontario. Russia and Ukraine are significant exporters of commodities, particularly foodstuffs like wheat, oil, gas, metals, etc., and sanctions on Russia could mean inflationary pressures would be stoked further for consumers at checkout lines. This may have a dampening effect on consumer behaviour and/or expenditures and lessen the economic rebound.

Ontario merchandise trade falters on supply chain challenges

Bryan Yu, Chief Economist

Canadian merchandise trade posted a disappointing start to 2022 as dollar-volume exports held flat while imports declined sharply. Supply chain factors continued to drag on the production and shipments of motor vehicles and parts, both in-bound and out-bound, aircraft, and other electronics. Convoy protests which blocked a number of key border crossings across the country will likely be observed in February data.

Total Canadian January exports managed a meagre 0.2 per cent increase but gains were entirely driven by higher commodity prices particularly for energy. Excluding energy, exports fell 2.7 per cent. Adjusting for broader export prices, real exports declined 4.6 per cent. Year-over-year growth remained positive at 9.7 per cent, but paled in comparison to a 19.7 per cent in December. Further subsequent gains in energy prices will continue to boost dollar volume exports. International imports to Canada fell 7.4 per cent after three months of gains on broad declines. Motor vehicle supply chain issues curtailed inflows of parts and components, while mining products, clothing and other imports also declined.

Given the key national drivers, it is no surprise that Ontario performance also declined. Total exports came in at $16.38 billion. This was 1.8 per cent below same-month 2021, much lower than the 8.6 per cent increase in December. Central 1 calculates a seven per cent decline from December's six- month high. Broadly, exports have been range-bound through the pandemic held in check by supply constraints. January's pullback owed largely to motor vehicle and parts which fell 17.7 per cent on a year-over-year basis. Similarly, aircraft and transportation exports dropped 58 per cent, while metals and minerals exports also pulled back. There were few bright spots with consumer goods exports up 15.9 per cent and increased from December, while agriculture products accelerated to a 13.8 per cent year-over-year gain from 9.1 per cent.

Ontario imports similarly decelerated to $28.95 billion. While up 4.8 per cent year-over-year, this compared to 15 per cent in January. Seasonally-adjusted we calculate a 11 per cent decline from December.

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