



Highlights

- Short-term business optimism reported another jump in April, but long-term outlook was flat compared to last month
- Average capacity utilization rate recovered in Ontario
- SEPH hiring up 0.9 per cent m/m in February
- Strong service sector hiring accounts for nearly 94 per cent of all new hiring
- Motor vehicle production gains traction in February

SME short-term confidence continued to improve in Ontario

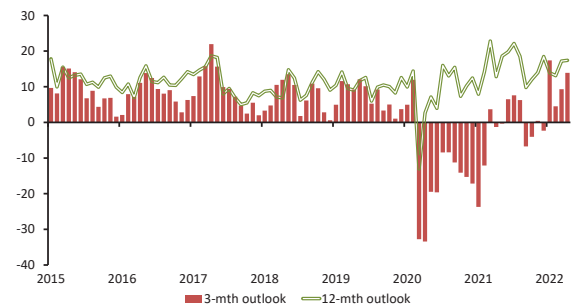
Ivy Ruan, Economics Research Associate

Consistent with the national trend, small business confidence in Ontario reported a healthy gain of 4.6 points in short-term perspective (next 3 months), but a mild change in long-term expectations (next 12 months) at 0.2 points in April. Short-term optimism continued to recover as loosening of public health measures continued. Despite the fact that long-term business outlook flattened due to ongoing inflationary pressures, persistent supply chain disruptions and tightening labour market, it was still at a level that suggests strong optimism on the future.

The index is measured on a scale of zero to 100 and any reading over 50 points means the majority of SMEs are expecting their business' performance to be stronger in the coming year. Both short-term index (63.9 points) and long-term index (67.4 points) in Ontario were near 65.0 points in April, indicating that the provincial economy is growing at its potential. Nationally, businesses operating in hospitality sector reported the highest boost of short-term expectation (16 points) in April. Other sectors showing an upward trend in optimism were also the ones which have been significantly affected by the pandemic (information and recreation, and personal services).

Ontario small business confidence continued to improve in short term but flattened in long-term outlook

Ontario CFIB Business Barometer, Deviation from 50



Source: CFIB, Central 1

Latest: Apr-22

In April, Ontario's average capacity utilization rate reached 74 per cent, back to the level before the spread of Omicron started in December last year. That said, there's still room for improvement on operation and utilization rates.

Strong service-sector hiring lifts non-farm payroll employment in February

Edgard Navarrete, Regional Economist

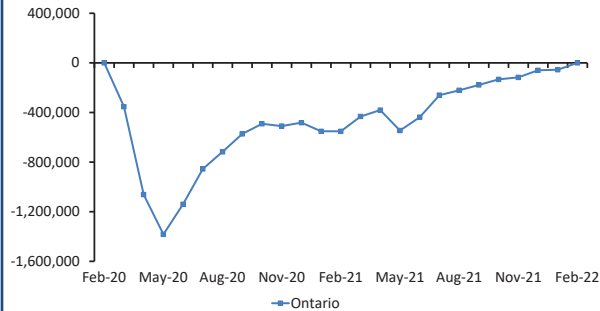
Statistics Canada released February 2022 numbers from its Survey of Employment, Payrolls and Hours (SEPH) this week and the number of employees receiving pay or benefits from an employer rose in Ontario by 0.9 per cent m/m or nearly 55,900 net new employers on payroll.

As expected, with the claw back of public health restrictions, client-facing service businesses were once again able to begin the rebuilding process and hire. The services sector accounted for most of the hiring in February, close to 94 per cent, with the goods sector accounting for the remainder. Moreover, the net gain in service-sector hiring in February was the largest m/m net change since July 2021.

Compared to pre-pandemic times, non-farm payroll hiring remains just over 1,700 net workers below with hiring in the goods sector surpassing pre-pandemic hiring by nearly 11,000 net new workers, while hiring in the services sector, despite recent gains, remained nearly 13,000 below what it was prior to the start of this pandemic.

Claw back of the most recent public health restrictions allowing job market to rebound

Total non-farm payroll hiring monthly difference from February 2020



Source: Statistics Canada, Central 1

Latest: Feb-22

More recently, many former workers in the services sector left and retrained for roles in other sectors. Despite wage hikes, it is very hard for employers to find qualified and willing workers. Moreover, an aging workforce with increased retirements during the pandemic and still fewer immigrants than usual to take their place is also affecting rehiring plans of employers in certain service-sector areas.

Year-over-year total non-farm payroll employment remained 9.0 per cent ahead of last year's pace with hiring in services and goods up 9.7 per cent and 5.1 per cent respectively.

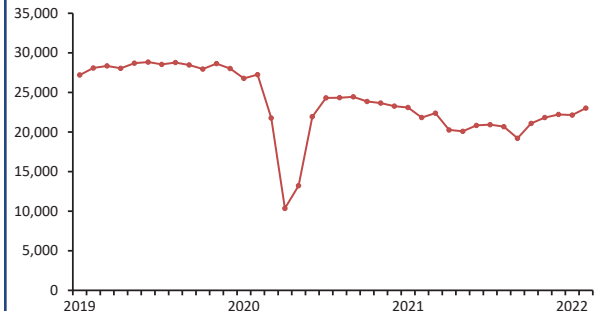
Among large sectors, hiring increased in manufacturing (up 0.5 per cent m/m), construction (up 0.1 per cent m/m), retail and wholesale trade (up 0.4 per cent m/m), education (up 1.4 per cent m/m), and health care and social services (up 0.9 per cent m/m). Hiring fell in utilities (down 1.1 per cent m/m) and real estate and rental and leasing (down 0.1 per cent m/m).

Average weekly earnings are up 0.3 per cent m/m in February to \$ 1,179.65. Skilled labour shortages in the goods sector increased average weekly earnings by 2.9 per cent m/m offsetting a 0.2 per cent m/m drop in the average weekly earnings of service-sector workers. Part of the slight drop in wages paid in services is the increased hiring of part-time workers by employers as they take a cautious approach to the latest economic reopening of the province.

Fixed-weight index average weekly earnings decreased 0.8 per cent m/m but increased an additional 3.1 per cent y/y.

Vehicle factories lift transportation equipment manufacturing

Canada GDP by Industry, Transportation equipment manufacturing



Source: Statistics Canada, Central 1

Latest: Feb-22

Canadian GDP growth shines in February, auto production regains traction

Bryan Yu, Chief Economist

[Canada's economy accelerated in February](#) as Omicron-hit sectors bounced back with easing health measures and growth remained positive through the broader economy. Industry Gross Domestic Product (GDP) rose 1.1 per cent after nudging up only 0.1 per cent in January. GDP rose 4.5 per cent y/y. Preliminary March estimates point to a half-point increase aligning with expectations that growth has firmed heading into Q2 with broader re-openings, relaxed international travel restrictions and resumption of large-scale events.

While provincial GDP is unavailable, Ontario likely drove February's rebound, given more severe restrictions in January that reduced operations and capacity for several high-touch sectors. Ontario Labour Force Survey employment contracted 1.9 per cent in January but more than recovered with a 2.6 per cent increase in March. Nationally, accommodation/food services output expanded 15.1 per cent, with arts/entertainment/recreation up 8.4 per cent.

Ontario is relatively more exposed to the manufacturing sector which was unchanged nationally from January. However, transportation equipment manufacturing, which is heavily concentrated in the province, rose nearly four per cent as activity bounced back after being interrupted in January as convoy protests at key border crossings amplified supply chain challenges. Motor vehicle and parts manufacturing jumped 8.8 per cent but are still 20 per cent below pre-pandemic levels.

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