



Highlights

- Net hiring increased by only 1,900 new jobs in May
- Average unemployment rate held steady at 5.5 per cent despite labour force growth outstripping anemic hiring growth
- Ontario merchandise imports and exports grew slowly in April, with imports rising 21.1 per cent y/y and exports increasing 23.8 per cent y/y

Goods-sector hiring falls significantly in May

Edgard Navarrete, Regional Economist

In May, Ontario's economy created 1,900 net new jobs, the lowest m/m jump in net hiring since December 2020. Moreover, since peaking in February 2022, m/m net employment growth has been decelerating. The small net change in jobs created came from a shift between part-time and full-time workers as full-time hires increased by 13,300 net workers while part-time hires fell by 11,400 net workers. Over the last two months, gains between full-time and part-time workers have been erratic and could signal employer sentiments changing to adapt quickly to the current market conditions, or it could be a case of some statistical noise in the data, given sampling.

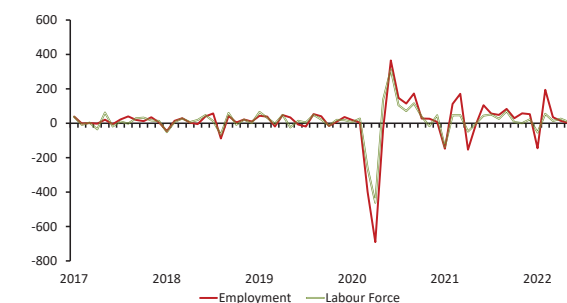
The participation rate held steady in May at 65.5 per cent, unchanged from April.

While net hiring was quite anemic in May, the labour force increased by a robust 8,000 net new entrants in comparison helping to inch the unemployment rate up from 5.4 per cent in April to 5.5 per cent in May. Currently, the average unemployment rate is on par with the pre-pandemic level from February 2020.

In May, while the public sector expanded by 55,800 net new workers and self-employed activity increased by 24,800 net new workers, the private sector shed 78,700 net workers. The jump this month in self-employment could be a symptom of a worsening cost of living. As some of these employees could be moonlighting as gig workers during their free time to increase their current part-time or full-time earnings.

Unemployment rate back to pre-pandemic level

Net employment and labour force ('000s)



It is worth keeping an eye on private sector hiring as it could be an indicator of employer confidence in the face of substantial uncertainty at the moment.

Despite the changes in May, the public and private sectors have gained 147,000 and 181,600 net workers respectively, while self-employed counts have fallen 80,500 compared to pre-pandemic levels.

In May, the goods sector shed a significant number of jobs (down 47,400 net workers), while the services sector increased hiring by 49,300 net workers. Construction (down 25,100 net workers) and manufacturing (down 15,500 net workers) accounted for most of the losses in the goods sector. Ongoing issues such as skilled-labour shortages, weakening investments in residential projects and supply chain issues with materials are all slowing down production in these areas and forcing employers' hand to let some employees go until the situation stabilizes again.

By contrast, the services sector had a good month with only a few areas shedding jobs, including transportation and warehousing (down 2,300 net workers), finance, insurance and real estate (down 4,700 net workers), and health care and social assistance (down 4,000 net workers). Public administration gained 7,200 net workers, most likely due to the province preparing for June's general election. With increased borrowing costs, the housing market has slowed considerably from the fervor seen in 2021 and is starting to adversely affect hiring in finance, insurance and real estate. Increased energy costs are also causing some employers in the transportation and warehousing sector to streamline operations, possibly as gasoline prices keep rising.

Some client-facing sectors that have been hard hit during the pandemic increased hiring as consumers gradually return to, or closer to normal life. Hiring in accommodation and food services (up 11,700 net jobs), information, culture, and recreation (up 5,600 net jobs), and wholesale and retail trade (up 16,300 net jobs) all increased substantially.

Uncertainty remains significant for the job market as increased cost of living could compel households to cut non-essential expenditures further. Weaker consumer demand could affect hiring, particularly in areas that are quite sensitive to consumer spending. While a recession is not a given, risks remain non-zero.

Ontario's international trade slowed down in April

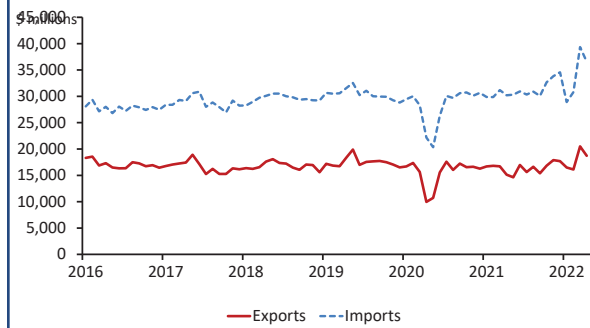
Ivy Ruan, Economics Research Associate

Ontario exports reached \$18.7 billion in April, up 23.8 per cent year-over-year, following last month's 13.6 per cent gain in export volumes. On a seasonally-adjusted basis, April export sales were 6.2 per cent higher than last month.

Strong recovery in the motor vehicle and parts sector (59.1 per cent y/y) continued to lead growth in overall exports, following March's uptick. Meanwhile, metallic and non-metallic mineral products were another key driver lifting Ontario's provincial export sales, reporting a 21.9 per cent increase compared to March 2021. Export growth for consumer goods slowed down (8.8 per cent) following last month's strong gain. 10 out of 12 industrial sectors reported year-over-year export gains. On a seasonally-adjusted basis, consumer goods (6.7 per cent) and forestry sales (6.1 per cent) reported the largest percentage declines from last month.

Ontario continued to report steady import expansion from last year. April's total imports came in at \$36.6 billion in Ontario, up 21.1 per cent compared to last year. Consumer goods and motor vehicle and parts continued to lead the growth in imports, reporting a 20.2 per cent and 26.9 per cent year-over-year increase respectively. All industrial sectors imported more in dollar-volume term compared to April 2022. On a seasonally-adjusted basis, Ontario's April total import volume reported 2.8 per cent monthly gain, following last month's 7.9 per cent increase. Most industrial sectors saw slower monthly import growth (seasonally adjusted), yet there were 15.9 per cent more imports in energy products than March.

Ontario's international trade slowed down in April



Source: Statistics Canada, Central 1 *seasonally- adjusted by C1

Latest: Apr-22

Strong import activities offset the gains in export sales in Ontario, widening the provincial trade deficit to \$17.8 billion in April, 18.5 per cent higher than April 2021. That said, Consumer Price Index (CPI) reported a 6.8 per cent y/y increase in April. The upward movements in dollar-volume terms were therefore partially the consequence of higher prices.

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