



## Highlights

- Real GDP increases in May
- Ontario business confidence fell again in July
- Increase in positions seen across service-producing industries

## Goods manufacturing slows but automobile growth recovers

*Alan Chow, Business Economist*

Real gross domestic product (GDP) continued its upward trajectory in May. On a month-over-month seasonally adjusted basis, real GDP was up 0.3 per cent after growing 0.1 per cent in April. May growth was largely driven by the service-producing industries, which were up 0.5 per cent while goods producing industries partially offset the increase with a 0.3 per cent decrease during the same time period. Advance estimates for the month of June have GDP growth slowing slightly but still positive at 0.2 per cent.

The finance and insurance sector saw GDP up 0.3 per cent for the month of May. However, year-over-year increase was only 0.2 per cent. Two of the three subsectors did expected growth: credit intermediation saw a 0.4 per cent monthly increase and 0.5 per cent year-over-year increase while insurance carriers saw a 0.3 per cent monthly increase and 1.2 per cent year-over-year growth. Offsetting these gains was a 0.1 per cent monthly decrease in financial investment services and a 2.5 per cent year-over-year decrease.

Despite the overall decline of the goods-producing sectors, manufacturing was able to see an increase of 1.6 per cent for the month of May along with a year-over-year increase of 1.9 per cent. Transportation equipment manufacturing was up 2.2 per cent for the month and up 15.0 per cent for the year. Supply chain issues are beginning to resolve and as a result production has increased, leading to an ease in prices. Chemical manufacturing was also up 5.7 per cent for the month but only 5.6 per cent for the year.

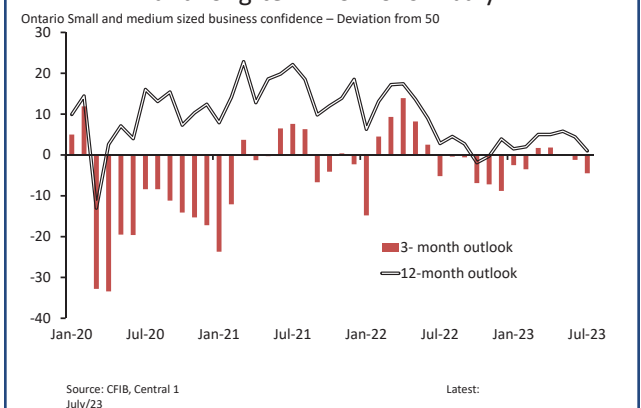
## Ontario business long-term and short-term business optimism continued to fall

*Ivy Ruan, Economic Analyst*

Confidence amongst Ontario small and medium scale enterprises (SME) continued to trend lower through July, according to the Business Barometer survey released this week by the Canadian Federation of Independent Business. The long-term index dropped to 51.0 points, a number still above the index's neutral benchmark of 50 points but remains soft. The short-term three-month index was down to 45.5 points from 49.0 points in the previous month. The results are pointing to lower forward expectation of small business owners in Ontario as they consider further interest rate hikes from the Bank of Canada.

With regards to general business indicators, only 17 per cent of small businesses in Ontario planned to expand full-time staff, slightly up from June but still below 20 per cent. Only 31 per cent of Ontario SMEs considered themselves to be in a good state of business health. The lack of skilled labour was the major issue that stood out, among other limitations on sales or production growth. Wage costs continued to be the greatest input cost constraint amongst SMEs while energy and tax costs were also on the top of the list of costs constraints.

Business confidence in Ontario declines in both short- and long-term horizons in July



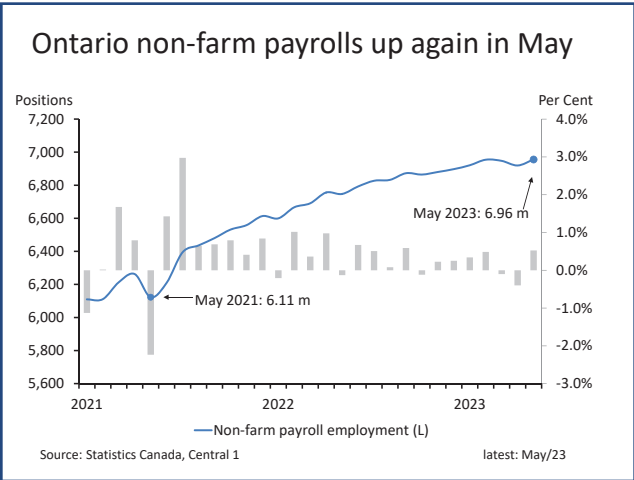
On the national level, Canadian small business optimism index changed slightly in July. The 12-month index reported in at 54.2 and the three-month index was almost unchanged at 49.0. Both indices were still below their historical average levels. The long-term optimism improved in some sectors in July, with notable growth seen in retail, finance, insurance, and real estate sectors. Meanwhile, short-term expectations among industries varied. Canadian SMEs in agriculture and natural resources reported large declines in their forward expectations for both short-term and long-term. Their short-term optimism indices fell below 40 in July, suggesting that business owners expect weaker performance in the coming months.

**Ontario reported higher payroll in May**

*Alan Chow, Business Economist*

Ontario employers increased their payrolls in May, reversing the losses seen in March and April and exceeding the number seen in February. From the latest Survey of Employers, Payroll and Hours (SEPH), May reported a seasonally-adjusted 0.5 per cent (36,312 positions) monthly increase, bringing the total employment reading in Ontario to 6.95 million positions. In contrast, the estimates from the Labour Force Survey (LFS) reported a decline in Ontario employment of 23,900 persons (0.3 per cent) during the same month. In Ontario, the seasonally adjusted job vacancy rate moved lower to 3.8 per cent in May, representing 264,090 unfilled positions and representing the lowest vacancy rate since May 2021.

April’s job increases reported by SEPH were all in service-producing sectors. Public administration saw the biggest increase, with 10.3 per cent (44,632 positions). This was due to the end of the Public Service Alliance of Canada strike action. Trade saw a 0.1 per cent (1,138 positions) increase while real estate and rental leasing saw a 1.0 per cent (1,249 positions) increase.



On the other hand, administrative and support, waste management and remediation services saw a 1.7 per cent (6,890 positions) decrease along with information and cultural industries, which saw a 1.0 per cent (1,674 positions) decrease. The goods-producing sector saw a 0.3 per cent (3,676 positions) broad based decline with the construction sector leading the way down 0.5 per cent or 2,133 positions.

On the wage front, seasonally adjusted average weekly earnings jumped 3.2 per cent to \$1,232.03 on year-over-year, up from last month’s revised year-over-year increase of 2.9 per cent. Month-over-month average weekly earnings were also up 0.1 per cent.

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