



Highlights

- International inflows contributed to the population growth in Ontario
- Payroll employment edges up modestly in July, wage growth comes in at 4.1 per cent year-over-year
- Both short-term and long-term business confidence dropped in Ontario as concerns over insufficient domestic demand mounted

Ontario reported strong population growth in Q2

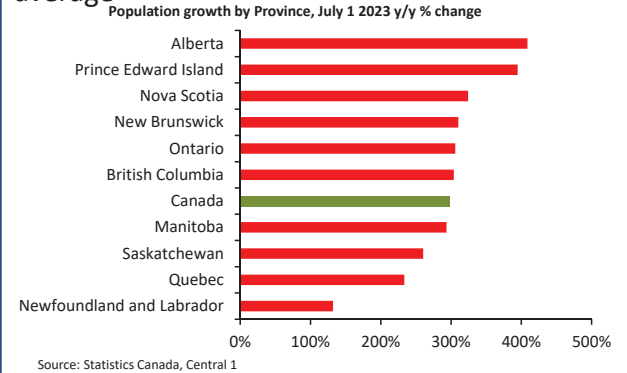
Bryan Yu, Chief Economist

Ontario is experiencing a population surge! In the second quarter, it grew by 151,300, reaching 15.6 million by July 1. Over the past four quarters, the province gained 463,000 people (3.0 per cent) — the strongest increase since the 1950s and two to three times the typical yearly growth. This is equivalent to the size of a small metro area. That said, this did not lead the country with Alberta and Prince Edward Island seeing their population growth by nearly four per cent.

The surge in population owed to international inflows with both high levels of permanent residents and growth in non-permanent resident flows. Net immigration, excluding temporary or non-permanent residents, remained steady at 53,125 persons for the quarter, consistent with the first quarter. This boosted the four-quarter growth to 185,000 persons. This was however dwarfed by the number of newcomers deemed non-permanent which largely include those with work and study permits (or combined). Growth in net non-permanent residents jumped by 106,000 people in the latest quarter and by 305,000 over the latest four quarters. Over the past year, the number of non-permanent residents rose by 45 per cent, driven largely by work permit holders which rose 63 per cent or 162,070 persons, with study permit holders up 27 per cent or 60,190 persons, while those with work and study permits rose 48 per cent.

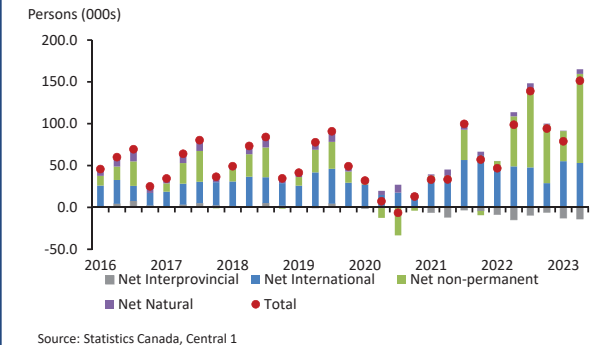
The increase in newcomers has been helpful to support consumption and a source of needed labour supply, but also a source of a rapid deterioration in housing affordability for both home ownership and rental markets.

Ontario population growth aligns with national average



Ontario population propelled higher by temporary workers

Ontario Quarterly Population Growth



This is unlikely to change because the federal government aims to maintain an annual inflow of permanent residents between 450,000 and 500,000 people. This means that immigration will continue to be at a high level. With public opinion casting an increasingly critical eye on immigration, it is possible that policy measures could limit non-permanent flows going forward.

There is a noticeable increase in the number of Ontario residents moving to other provinces. In the most recent quarter, there was a net outflow of 13,850 Ontario residents, and over the past year, this amounted to 41,930 people. This outflow has gained momentum during the pandemic, in contrast to the net gains observed from 2017 to 2019. Residents are voting with their feet in response to deterioration in affordability particularly to regions like Alberta and the Atlantic.

At least some residents are already voting with their feet, shuffling over the Rockies in search of higher pay and lower shelter costs. Net interprovincial remained negative for a fourth consecutive quarter (-300), albeit moderating from recent declines. Over the last four quarters, B.C. lost 8,300 people to other provinces, specifically Alberta, following a 26,000 person increase during the same period in 2022. In the absence of affordable homeownership and rental housing opportunities, this trend is likely to continue.

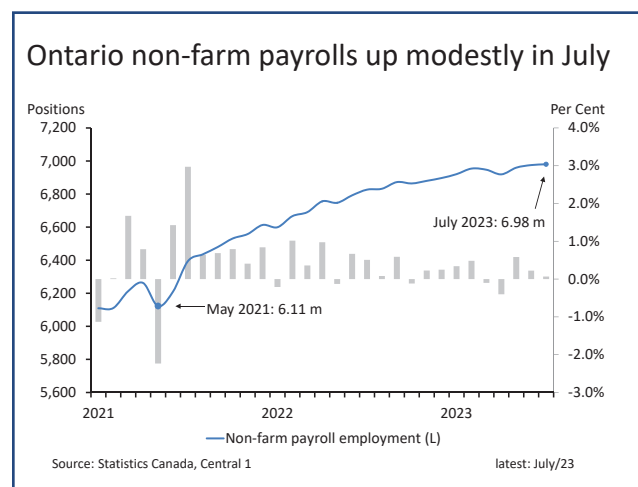
Ontario employment number grew slightly in July

Eloho Ennah, Economic Analyst

In July, Ontario employers recorded a minor increase in payrolls. The latest Survey of Employers, Payroll and Hours (SEPH) shows that payroll enrollment, which is the number of employees receiving pay and benefits from their employer, rose by 0.1 per cent in July, following an increase of 0.2 per cent in the prior month. This increase translates to an increase of 4,777 positions during the month, bringing the province's total job count to 6.98 million positions. In addition, the July results from the Labour Force Survey indicated no change in Ontario's employment in July. The employment growth trend in Ontario has remained mostly positive. However, hiring in the province continues to moderate as monetary policy tightening works through the economy. As the labour market cools in response to elevated interest rates, the unemployment rate is expected to rise further in the coming months.

The seasonally adjusted job vacancy rate continued to fall in July and came in at 3.5 per cent, which also represents 242,640 unfilled positions, down from 3.9 per cent in June. This was the second consecutive month the job vacancy rate declined. With labour demand weakening and reverting to pre-pandemic levels, job vacancies are following suit.

A scan of the sectors showed a 0.4 per cent decline in employment in the goods sector while employment in the services sector increased slightly by 0.1 per cent. The largest drag on employment in the goods sector was manufacturing, reporting a 0.5 per cent reduction in employment or 6,684 positions in July. The construction industry also saw employment decline by 0.5 per cent (1,933 positions). Employment in both the utilities industry and mining, quarrying, and oil and gas extraction industry rose by 0.3 per cent (142 positions) and 0.4 per cent (124 positions) respectively. Employment in the forestry, logging and support sub-sector was unchanged.



On the services side, education services saw employment rise by 1.2 per cent (6,469 positions) while health care and social assistance employment grew by 0.7 per cent (5,622 positions) in July. Finance and insurance services saw employment increase 0.5 per cent (2,055 positions) and public administration rose by 0.6 per cent (2,791 positions). An increase of 1.5 per cent (1,773 positions) was also recorded in arts, entertainment, and recreation. In contrast, employment in transportation and warehousing fell by 1.2 per cent (3,571 positions) while accommodation and food services reported a decline of 0.5 per cent (2,192 positions). Employment in professional, scientific, and technical services sub-sector also lessened by 0.4 per cent (2,305 positions).

On the wage front, average weekly earnings were up 4.1 per cent year-over-year to \$1,242.82, although modestly lower than the 4.2 per cent gain in June. Month-over-month, average weekly earnings rose 1.2 per cent.

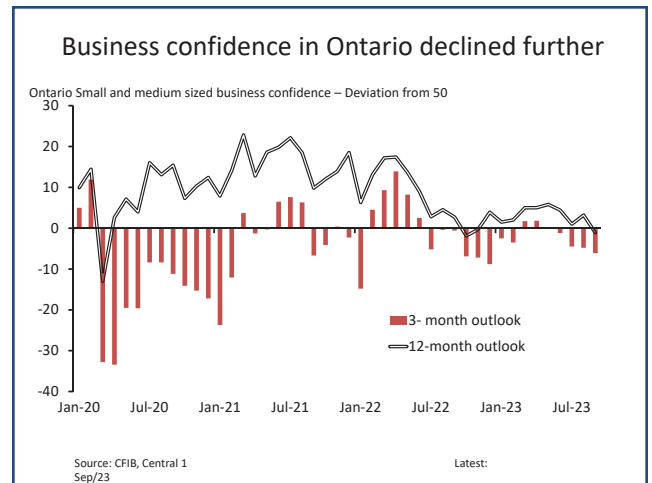
Ontario business confidence fell further in September

Ivy Ruan, Economic Analyst

The Business Barometer survey released this week by the Canadian Federation of Independent Business showed more pessimism amongst Ontario small and medium scale enterprises (SME). The long-term index fell to 48.9 points from the 53.6 points recorded in August, while the short-term three month index was down to 43.9 points from 45.6 points from the previous month. Both short-term and long-term indices were below the index's neutral benchmark of 50 points, suggesting negative views of SMEs in Ontario towards future. Ontario became the lowest confident province in short-term forward expectations aside among provinces.

Regarding general business indicators, small businesses in Ontario reported their major cost constraints to be fuel/energy cost amongst other expenses. Insufficient domestic demand topped the lists of limitations on sales or production growth for Ontario small businesses. Meanwhile, 31 per cent of the provincial small businesses regard themselves to be in good business health, while 25 per cent report otherwise. Moving gradually into the fall, 14 per cent of respondents reported plans to expand full-time staff and 16 per cent of the businesses expected to see lower employment levels in the next three or four months.

On the national scale, long-term optimism tumbled by six points in September to 48.7 points, the lowest level since the pandemic. Meanwhile, short-term forecast also dropped two points to 45.5 points, the lowest reading in 2023. In September, fewer small businesses described their business situations as positive, with only 31.4 per cent reporting a “good” situation and 46.5 per cent indicating a “satisfactory” situation, compared to the previous month. Within the business sectors, the retail sector reported one of the largest drops in confidence, with a decrease of 38.4 points in the short term and 42.3 points in the long term. Retail owners expected to experience more headwinds for the coming holiday shopping season as consumers might be forced to spend less enthusiastically under economic pressure.



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