Economics | Current Economic Trends

Ontario Economic Briefing

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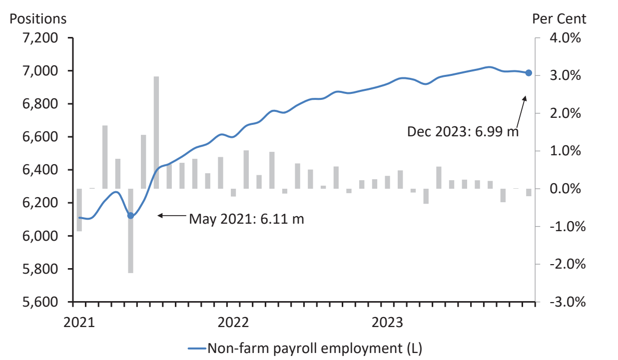
Highlights

- Economy growth up in November
- Ontario non-farm payroll declined in December
- Long- and short-term small business confidence indexes posted higher results in February

Ontario non-farm payrolls edged down in December



Source: Statistics Canada, Central 1 latest: Dec/23

Overall manufacturing up, chemical manufacturing ramps up production

Alan Chow, Business Economist

In December, Canada's real industry gross domestic product (GDP) remained unchanged in after two months of growth. Goods producing sectors contracted slightly, down 0.2 per cent from the previous month, while service-producing sectors stayed essentially unchanged. Advanced estimates for January indicate that GDP rose by 0.4 per cent led by Quebec's public-sector gains.

Looking at the sectors that are largest in Ontario, manufacturing saw a monthly decline of 0.4 per cent. Chemical manufacturing saw a monthly increase of 1.3 per cent, its third month of growth. Plastics and rubber products manufacturing declined 4.1 per cent. December output was the second lowest monthly output for 2023. Machinery manufacturing increased by 1.2 per cent in December, marking the second month of output growth. December was also the highest monthly output for this sector in 2023. Transportation equipment manufacturing also saw a monthly decline of 3.1 per cent with weakness in motor vehicle parts manufacturing and motor vehicle manufacturing. December's output was also the second weakest month for the year.

In December, the finance and insurance sectors experienced a 0.8 per cent increase in output to reach their highest monthly output for the year. The main subsector contributing to the increase was credit intermediation, while the insurance carrier subsector remained unchanged for the month.

Ontario vacancies rates edged down following last month's increase

Ivy Ruan, Economic Analyst

In December, Ontario employers experienced a decline in non-farm payrolls following a modest increase in November. From the latest Survey of Employers, Payroll and Hours (SEPH), December saw a seasonally-adjusted decline of 10,909 positions or 0.2 per cent, bringing the numbers lower than the level in July and reversing summer increases. Both goods producing industries and service producing industries reported fewer positions. Goods producing industries saw a 0.1 per cent reduction, while service producing industries reported 0.2 per cent fewer positions. The seasonally-adjusted job vacancy rate in Ontario dropped to 3.3 per cent from 3.4 per cent in November. This represents 224,225 unfilled positions.

Most of the payroll decline in goods producing industries was concentrated in the utilities sectors, which reported a decrease of 1.8 per cent or 920 fewer positions. Amongst the service producing industries, fewer positions were reported in half of the sectors. Leading the way was a 1.2 per cent decrease, with 12,757 fewer positions reported in the trade sector. Followed by a 0.7 per cent decrease, or 3,966 fewer positions in educational services. Slightly offsetting this were more positions reported in administrative and support, waste management and remediation services (0.5 per cent or 1,956 positions) and health care and social assistance (0.5 per cent or 4,342 positions).

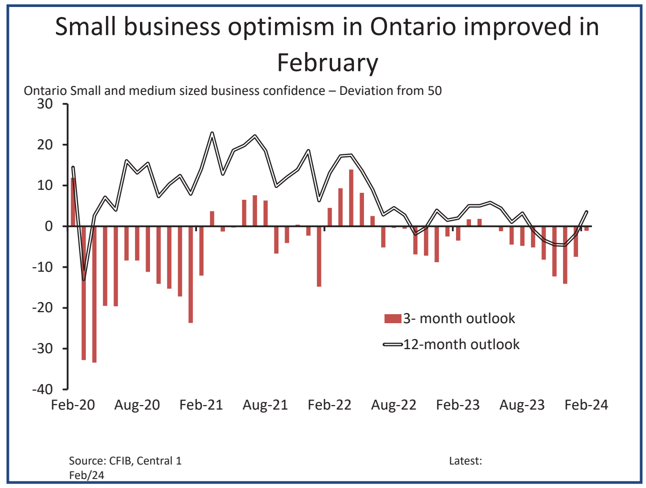
On the wage front, seasonally-adjusted average weekly earnings in Ontario edged down 0.2 per cent to $1,238 compared to November, when average weekly earnings posted a 4.5 per cent jump. On a year-over-year basis, December's average earnings in Ontario were 4.3 per cent higher than last December.

Ontario small business expectations show further improvement in February

Eloho Ennah, Economic Analyst

Ontario small and medium scale enterprises (SMEs) reported marginally stronger outlooks for their businesses in February, according to the Canadian Federation of Independent Business' February Business Barometer survey. The long-term index increased to 53.5 points from 48.1 points in the previous month, now above the index's neutral benchmark of 50 points. The short-term three-month index also increased to 48.9 points from 42.5 points in January and was the highest reading since September 2023. However, index levels remained consistent with weak economic conditions. In February, expectations of small firm owners in Ontario fared better than some provinces in the country. However, business optimism is being dampened by a slowing economy and uncertainty surrounding future economic performance. Optimism may increase further with the materialization of rate cuts later in the year.

According to the survey, fewer small businesses plan to reduce their full-time staff compared to January. Meanwhile, 31 per cent of Ontario SMEs considered themselves to be in a good state of business health, up from 29 per cent in the previous month. Insufficient demand, shortages of skilled and unskilled labour and limited working capital remain the biggest challenges with expanding production and sales growth. Limited physical space and time constraints were also factors limiting sales and production growth. Insurance, Tax, and wage costs were the major input cost constraint while fuel, borrowing and occupancy costs were part of the cost constraints reported by SMEs.



On the national front, business optimism across SMEs strengthened in February with both short- and long-term indexes rising above the 50-point benchmark. The short-term index rose 8.2 points to 51.1 points, while the long-term index increased by 6.1 points to 54.9 points, the highest readings since May 2023. Although business expectations improved, they are still tempered by concerns about slowing demand and discouraging borrowing conditions. Close to half of SMEs stated insufficient domestic or foreign demand as a main limitation on sales or production growth, reaching levels as high as those seen at the start of the pandemic. Average price plans were unchanged at 2.8 per cent while average wage plans decelerated from 2.8 per cent to 2.5 per cent.

For more information, contact economics@central1.com.