Economics | Current Economic Trends

Ontario Economic Briefing

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Highlights

- Economy growth robust in January
- Long- and short-term business outlook kept rising in Ontario in March as small business owners' optimism grew
- Ontario non-farm payroll rose in January

Manufacturing up, motor vehicle manufacturing resumes

Alan Chow, Business Economist

Canada's real industry gross domestic product (GDP) was up a robust 0.6 per cent in January following a small contraction in December. Goods producing sectors saw a small increase of about 0.2 per cent from the previous month while service producing sectors saw even stronger growth, up 0.7 per cent. Advanced estimates for February are indicating GDP rose by 0.4 per cent.

Manufacturing saw a monthly increase of 0.9 per cent. Chemical manufacturing saw a monthly increase of 2.4 per cent, its fourth month in a row of growth. Plastics and rubber products manufacturing bounced back with a 3.3 per cent increase, which erased the decline seen in December. Machinery manufacturing was up 1.9 per cent in January, taking it to its third highest monthly output in 12 months. Transportation equipment manufacturing also saw a monthly increase of 3.0 per cent with strength in all subsectors except for motor vehicle body and trailer manufacturing, which declined 1.8 per cent. Motor vehicle manufacturing increased 4.9 per cent thanks to production resumption in some assembly plants that had partially shutdown for retooling.

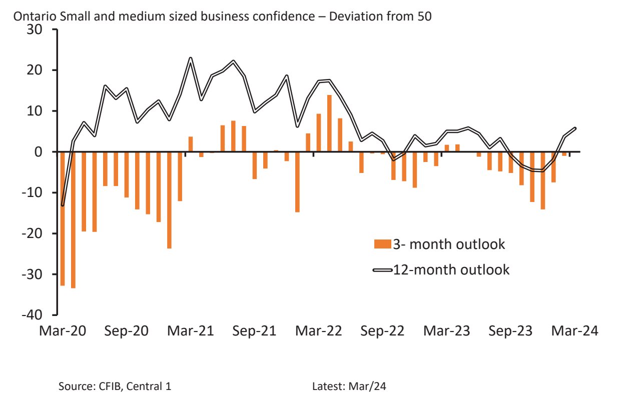
The fi nance and insurance sector showed no month-over-month growth in January, remaining fl at. The 0.2 per cent increase in credit intermediation and monetary authorities was off set by the 0.3 per cent decline in fi nancial investment services.

Ontario small business expectations advanced in March

Eloho Ennah, Economic Analyst

Ontario small and medium scale enterprises (SMEs) reported modestly higher business outlooks in March according to the most recent Canadian Federation of Independent Business' February Business Barometer survey. The long-term index rose 2 points from 55.7 points, while the short-term three-month index also increased to 50.0 points from 49 points in February, now reaching the 50-point mark. While there was an improvement in the business outlook compared previous months, optimism is still relatively low. That said, slowing economic conditions, high interest rates, uncertainty around future rate cuts and CEBA loan repayments are taking a toll on businesses.

Small business optimism in Ontario rose in March



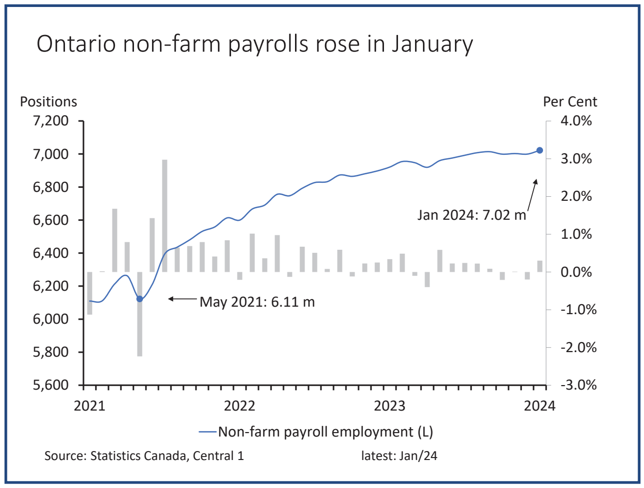
According to the survey, fewer small businesses plan to reduce their full-time staff compared to the previous month. Additionally, 31 per cent of Ontario SMEs considered themselves to be in good state of business health, up marginally from the preceding month. A lower number of business owners also deem their businesses to be in a bad state. Insufficient demand, shortages of skilled and unskilled labour and limited working capital remain the largest limitation to expanding production and sales growth. Limited physical space and time constraints were also factors hindering sales and production growth. Tax, insurance, and wage costs were reported as the primary input cost constraints by SMEs. While fuel, borrowing and electricity costs were also identified as significant cost constraints.

Short-term business optimism among SMEs in Canada grew slightly in March, but there was a dampening of long-term outlook. The short-term index rose 1.4 points to 52.6 points, while the long-term index declined by 2.5 points to 52.7 points. Although the indexes have improved in recent months, both are still below historical averages. The survey found a growing trend among businesses reporting low domestic and foreign demand as a major constraint on production and sales growth. Additionally, the number of businesses affected by discouraging borrowing conditions doubled over the twelve-month period. Average wage plans were unchanged at 2.6 per cent while average price increase plans fell to 2.7 per cent.

Service producing sectors led the growth of non-payrolls in Ontario

Ivy Ruan, Economic Analyst

Ontario employers reported growth in non-farm payrolls in January following a modest decrease in December. From the latest Survey of Employers, Payroll and Hours (SEPH), January reported a seasonally-adjusted increase of 22,585 positions or 0.3 per cent. Both goods producing industries and service producing industries reported more positions, with goods producing industries reporting a 0.2 per cent expansion while service producing industries reported 0.4 per cent more positions. The seasonally-adjusted job vacancy rate in Ontario dropped to 3.1 per cent from 3.2 per cent in December and represents 213,955 unfi lled positions.



Most of the payroll decline in goods producing industries was concentrated in manufacturing industries, which reported 0.3 per cent or 2,066 more positions. Amongst the service producing industries, more positions were reported in half of the sectors. Larger service producing sectors such as trade, health care and social assistance and finance and insurance all reported over 4,000 payroll positions in January. Slightly offsetting this trend, there were fewer positions reported in educational services, with a decrease of 0.3 per cent or 1,692 positions.

On the wage front, seasonally-adjusted average weekly earnings in Ontario rose 0.7 per cent to $1,254.1 compared to December, when average weekly earnings edged down. On a year-over-year basis, January's average earnings in Ontario were 3.6 per cent higher than last January.

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