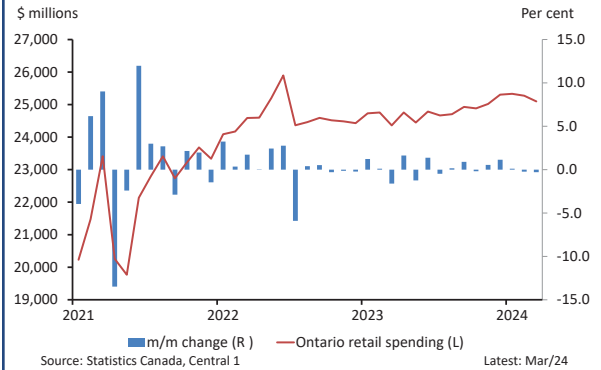




Highlights

- Retail spending in Ontario and Canada were down in March
- Ontario non-farm payroll rose in March
- Long- and short-term business optimism up in Ontario

Ontario retail sales slowed further in March



Ontario retail sales slowed further in March

Ivy Ruan, Economic Analyst

Consumer demand wilted through the first quarter as retail spending in Canada declined for a third month in a row in March. Seasonally adjusted sales fell 0.2 per cent from February with real spending down 0.4 per cent. First quarter spending declined 0.2 per cent from Q4, although real spending nudged higher by 0.3 per cent.

In March, seven out of the nine subsectors saw lower sales. A notable decline was seen in furniture, home furnishings, electronics and appliances retailers, which was down 1.3 per cent. For the fourth consecutive month, lower retail sales were also reported from clothing stores, which fell 1.7 per cent. Food and beverage retailers also saw a 0.6 per cent decrease in sales for March. On the other hand, higher retail sales were reported at motor vehicle and parts dealers, up 0.8 per cent. This is the second consecutive month of increasing sales in this category.

In Ontario, seasonally adjusted retail sales fell 0.3 per cent in March 2024 from February, marking a second consecutive monthly decline. Year over year, seasonally adjusted March retail sales were up 3.0 per cent in Ontario whereas national sales were up 1.9 per cent. Year to date unadjusted retail sales in Ontario were down 12.6 per cent totaling \$66.0 billion.

Three out of the nine subsectors in Ontario reported higher year over year sales in March. Motor vehicle and parts dealers reported a surge in monthly sales (16.6 per cent) in March to unadjusted \$6.5 billion, yet still 4.0 per cent below the level from last March. General merchandise retailers had sales 6.7 per cent higher than the level from the same month last year, thanks to the 12.0 per cent jump in monthly growth. The unadjusted sales at food and beverage retailers were 3.6 per cent higher than last March and reached \$4.6 billion in March.

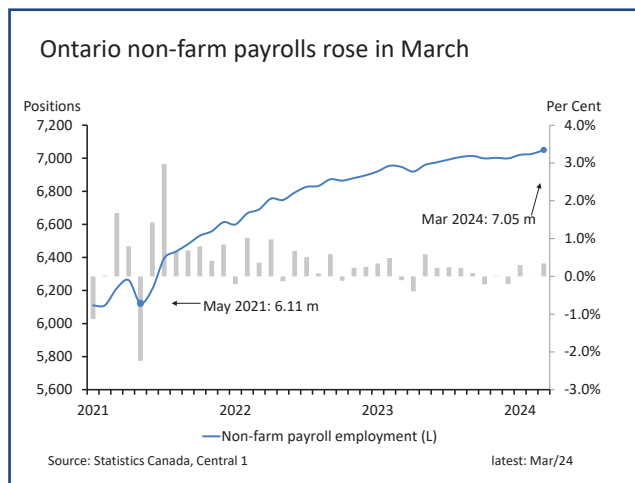
Regionally, the Toronto metro area saw seasonally adjusted retail sales rose 1.5 per cent on a month-over-month basis in March 2024 but saw a year over year unadjusted monthly sales decrease of 0.9 per cent. Year to date unadjusted sales were also up 1.8 per cent at \$30.0 billion. Ottawa also saw unadjusted monthly sales increase 0.6 per cent year over year, with year to date sales up 6.9 per cent, reaching \$5.7 billion.

Preliminary national figures for April point to a bounce back in sales. However, we expect the trend will remain range-bound given financial stress caused by elevated interest rates and the impact of mortgage renewals on household spending.

Both goods and services producing sectors saw gains in non-farm payroll

Ivy Ruan, Economic Analyst

Ontario employers reported a gain in non-farm payrolls in March following a dip in February. From the latest Survey of Employers, Payroll and Hours (SEPH), job counts grew by 23,799 positions or 0.3 per cent, bringing the total number of payrolls to 7.05 million positions in Ontario. Both goods producing industries and service producing industries reported more positions, with goods producing industries reporting a 0.2 per cent expansion and service producing industries reported 0.3 per cent more positions. The seasonally adjusted job vacancy rate in Ontario dropped to 3.2 per cent from 3.4 per cent in February, representing 218,900 unfilled positions. The job vacancy rate has returned to a normalized level and remained steady since mid-2023. The Labour Force Survey (LFS) also indicated positive hiring momentum in March, showing a 0.3 percent month-over-month increase and a 0.6 percent expansion in the labor force. Over longer periods, employment trends generally align between the SEPH and LFS results. However, it's important to note that while multiple job holders are counted only once in the LFS, they appear as multiple entries in payroll records.



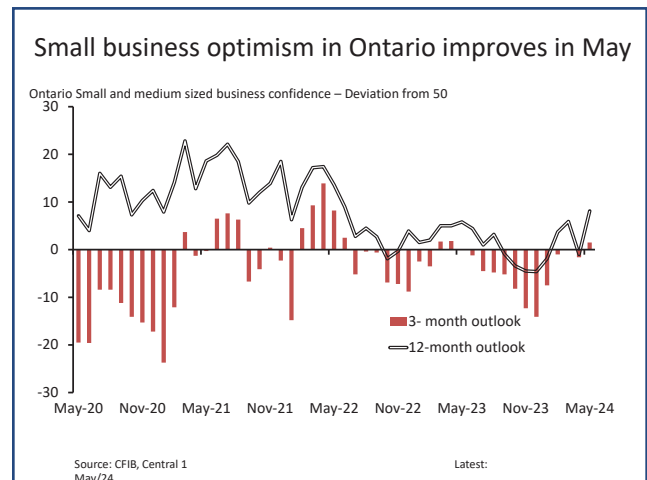
The goods producing industry saw broad and modest increases of job count among sectors except the constructions sector, which had a decrease of 1,862 positions in payroll. Among the service producing industries, growths in the number of payrolls were concentrated in a few sectors. Larger service producing sectors such as health care and social assistance, educational services and professional, scientific and technical services all reported more than 3,000 more payroll positions in March. Slightly offsetting this was a decline in positions reported in educational services, which fell by 0.6 per cent or 2,222 positions.

On the wage front, seasonally adjusted average weekly earnings in Ontario rose by 0.9 per cent to \$1,266.68 compared to February, following a 0.3 per cent increase in average weekly earnings. On a year-over-year basis, March's average earnings in Ontario were 4.1 per cent higher than last March.

Ontario small business optimism improves significantly in May

Eloho Ennah, Economic Analyst

The new Canadian Federation of Independent Business' Barometer survey released in May showed a significant boost in optimism amongst Ontario small and medium scale enterprises (SMEs). In May, the long-term index in the province jumped by 9.1 points to reach 58.1 points, marking the highest among all and driving the country-wide gain. The short-term index improved as well, up by 3.1 points to 51.5 per cent. Although these values are still relatively low, there has been an overall positive change in the outlook of Ontario business owners while they remain cautious about future economic conditions.



Full-time staffing plans for small businesses in May remained consistent with the prior month, as only 13 per cent are planning to reduce staff. Twenty-three per cent of Ontario SMEs considered themselves to be in a bad state of business health, down marginally from the preceding month while more reported a better state of business. Insufficient demand, shortages of skilled and unskilled labour and limited working capital remain the top concerns for Ontario business owners while tax, electricity and insurance costs were the major input cost constraints. Fuel, wage and occupancy costs were also on the list of cost constraints.

Across the country, business optimism across SMEs ameliorated following the sharp decline in April. The long-term index leaped 8.7 points to 56.4 points, like a year ago and consistent with seasonal trends while the short-term index was up by 5.0 points to 52.3 points. This boost in optimism may be due to the expectation of an interest rate cut in June and several improvements in business conditions. For example, fewer businesses reported low domestic and foreign demand as a limitation to sales growth, and general business health got better. In addition, labour market conditions appear to be cooling as fewer businesses reported labour shortages during the month. Average price increase plans fell 0.5 points to 2.8 per cent, now below the inflation target range of 3.0 per cent while average wage decreased 0.1 points to 2.8 per cent.

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