Economics | Current Economic Trends

Ontario Economic Briefing

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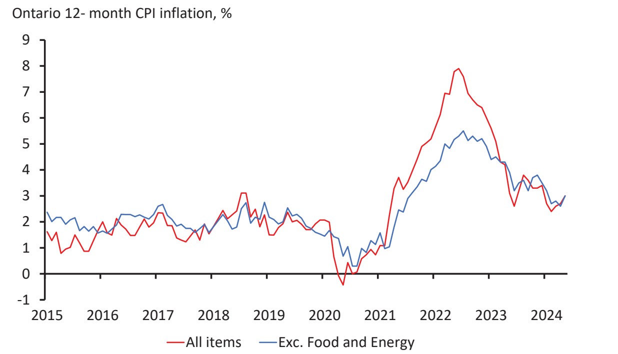
central 1 Economics

Highlights

- Ontario inflation rate came in at 3.0 per cent in May
- Ontario non-farm payroll continued to rise in April
- Long-and short-term business optimism declined in Ontario
- Economy growth up in April

Ontario inflation up in May



Source: Statistics Canada, Central 1 Latest: May - 24

Inflation in Ontario continued rising in May

Eloho Ennah, Economic Analyst

Inflation in Ontario rose for a third straight month in May. Headline consumer price inflation rose by 3.0 per cent on a year-over-year basis, slightly above the national reading of 2.9 per cent. The largest gains were observed in the shelter and gasoline prices, moving the overall figure higher during the month. Core inflation, which excludes food and energy prices, also came in at 3.0 per cent, up from 2.6 per cent in April.

Year-over-year shelter prices accelerated, increasing by 6.1 per cent, compared to a 5.6 per cent gain last month, providing the basis for accelerated national inflation. On a month-to-month basis, prices for household operations, furnishings, and equipment also continued growing at a faster pace. Gasoline prices decelerated, up by 6.2 per cent, ahead of the 6.9 per cent gain in April. In addition, transportation and energy indices continued to grow by 4.1 per cent and 4.7 per cent respectively.

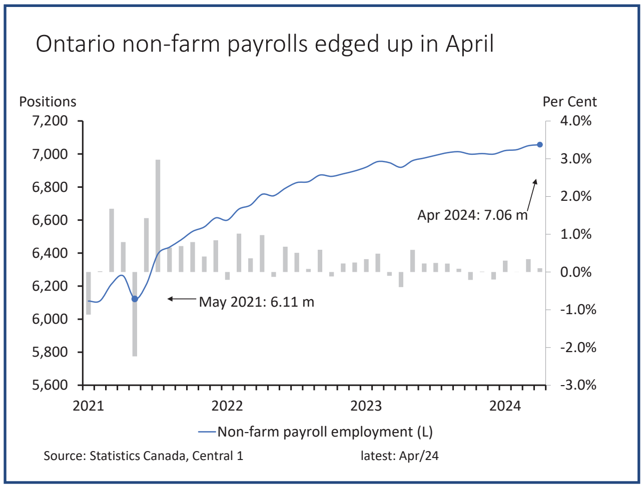
Food inflation decelerated further in May. Growth in food prices came in at 2.0 per cent, down further from the 2.1 per cent pace in Apil. Goods prices also increased by 1.2 per cent on a year-over-year basis, while prices of services grew by 4.3 per cent. Items related to recreation, education and reading posted a price increase of 1.3 per cent while alcoholic beverages, tobacco products and recreational cannabis prices also increased by 2.9 per cent. The price of health and personal care items also increased by 3.5 per cent.

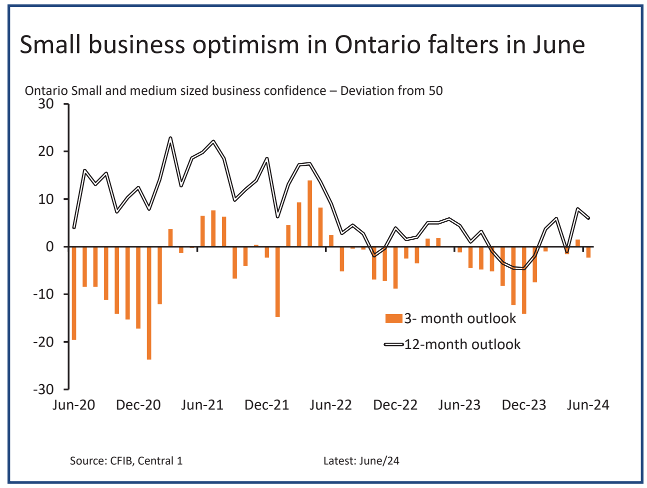
Services producing sectors saw gains in non-farm payroll

Ivy Ruan, Economic Analyst

Ontario employers reported a consecutive monthly gain in non-farm payrolls in April. From the latest Survey of Employers, Payroll and Hours (SEPH), job counts grew by 7,465 positions or 0.1 per cent, bringing the total number of payrolls to 7.06 million positions in Ontario. Loss in the payrolls from goods producing industries (-2,273 persons or -0.2 per cent) was offset by the service producing industries which reported 10,613 more positions (+0.2 per cent). The seasonally adjusted job vacancy rate in Ontario dropped to 2.9 per cent from 3.1 per cent in March, representing 200,995 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 April, showing a 0.3 percent month-over-month increase and a 0.4 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 once in the LFS, they appear as multiple entries in payroll records.

Manufacturing sector (-2,220 persons or -0.5 per cent) contributed to the loss in payrolls of goods producing industries in April. Among the service producing industries, growths in the number of payrolls were concentrated in a few sectors. Larger service producing sectors such as finance and insurance, educational





services and professional, scientific and technical services all reported more payroll positions in April. Health care services sector led the growth with 4,070 more payrolls. Slightly offsetting this was a decline in positions reported in administrative and support, waste management and remediation services, which fell by 0.7 per cent or 2,518 positions.

On the wage front, seasonally adjusted average weekly earnings in Ontario went up 0.3 per cent to $1,271.04 compared to March, following a 0.9 per cent surge last month. On a year-over-year basis, April's average earnings in Ontario were 3.4 per cent higher than last April.

Small business optimism fell in Ontario

Eloho Ennah, Economic Analyst

The Canadian Federation of Independent Business Barometer Survey showed waning optimism amongst small business owners in Ontario. The long-term 12-month index fell from 57.9 points to 56.0 points while the short-term three-month index decreased by 3.8 points to 47.7 points, lower than the index's neutral benchmark of 50 points. The figures have fluctuated in recent months as business owners express worries about their firms' performance amidst sky-high operating costs and elevated interest rates. Although the first interest rate cut occurred during the month, it will take cumulative cuts to create significantly favorable borrowing conditions.

Number of businesses expect to increase full-time staff remains the same in comparison to the percentage in May, while 29 per cent of Ontario small businesses considered themselves to be in a good state of business health, down from 32 per cent in the prior month. Insufficient demand, shortages of skilled and unskilled labour, and limited working capital remain the greatest limitations to production expansion and sales growth. Limited physical space and product distribution constraints were also factors subduing sales and production growth. Insurance, wage, and tax costs are the top input cost constraints while fuel, occupancy and borrowing costs are also on this list of constraints.

Nationally, business optimism across SMEs declined slightly following a significant boost in May. The long-term index dipped by 0.3 points to 56.3 points, while the short-term index was down by 0.9 points to 51.6 points. Businesses still cite skilled labour shortages as a major constraint to sales growth, although more businesses expect to perform at better or the same level in the near future. The hospitality sector showed the highest improvement in business expectations in the long term, up by 3.7 points from the last month, but optimism in the transportation and manufacturing sectors declined. Both average price and average wage increase plans fell 0.3 points to 2.5 per cent.

Manufacturing and Financial services sector up

Alan Chow, Business Economist

Canada's real industry gross domestic product (GDP) growth increased in April. After experiencing a flat month in March, real GDP increased by 0.3 per cent in April. Both the goods producing industries and the service producing industries matched the overall growth with a 0.3 per cent increase. Advanced estimates for May see a slight slowdown, with a 0.1 per cent monthly growth on higher output from manufacturing and finance and insurance.

This April, manufacturing saw a monthly increase in output of 0.4 per cent. Chemical manufacturing saw a monthly increase of 2.6 per cent. Plastics and rubber products manufacturing was also up with an increase of 2.6 per cent to its highest output since August 2022. Transportation equipment manufacturing observed a monthly increase of 1.9 per cent with a strong growth in motor vehicle and parts manufacturing, which was up 3.4 per cent. On the other hand, machinery manufacturing was down 0.9 per cent in April, its second monthly decline in a row.

The finance and insurance sectors were up 0.4 per cent in April. Growth has been steady over the past three years, with increase across all subsectors.

For more information, contact economics@central1.com.