



Highlights

- Ontario non-farm payroll flat in December
- Average weekly earnings reported minimal increase in December
- Short- and long-term optimism indexes down in Ontario and Canada as whole

Ontario payroll counts flattened in December

Ivy Ruan, Economic Analyst

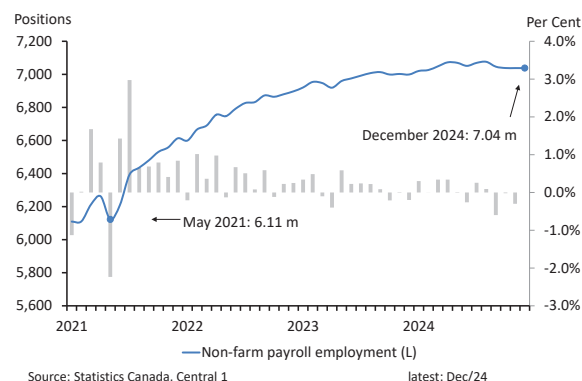
Employee headcount in Ontario remained unchanged in December following a prior month decline. According to the latest Statistics Canada Survey of Employers, Payroll and Hours (SEPH), payroll counts edged down 219 positions, leaving the total number of payrolls at 7.04 million in the province - the lowest level since February 2024. The services sector payrolls gained 1,687 positions (0.03 per cent) while the goods sector saw a decrease of 4,263 positions (0.4 per cent).

The job vacancy rate in Ontario stayed low at 2.6 per cent in December, representing 177,365 vacant positions. The job vacancy rate has seen a sustained downtrend since early 2024, falling towards pre-pandemic levels and remaining flat during the second half of the year.

The Labour Force Survey (LFS) recorded an increase in employment of 0.3 per cent (23,400 persons month-over-month) and 0.2 per cent labor force increase in December. It is important to note that while multiple job holders are counted once in the LFS, they appear as multiple entries in payroll records. That said, trends from both the SEPH and LFS align in the long run.

Among goods producing industries, the construction sector reported a decrease of 4,095 positions or 1.0 per cent, representing almost the entire decline in the goods producing category. The utilities sector also had a 0.8 per cent (419 positions) decline in employee headcount.

Ontario non-farm payrolls flat in December



Within the services sector, the transportation and warehousing sector saw a rebound of 10,655 more positions (3.6 per cent) following the large decline in November amidst Canada Post strike. The administrative support and public administration sectors reported growth of 2,442 positions (0.7 per cent) and 3,608 positions (0.7 per cent) respectively. The increases were offset by the decreases in sectors such as retail trade and health care and social assistance, which noted 4,185 and 1,886 fewer positions respectively (0.6 per cent and 0.2 per cent).

On the wage front, seasonally adjusted average weekly earnings in Ontario were flat at \$1,328.24 in December. On a year-over-year basis, December's average earnings in Ontario were 6.7 per cent higher.

Small business optimism faltered in Ontario

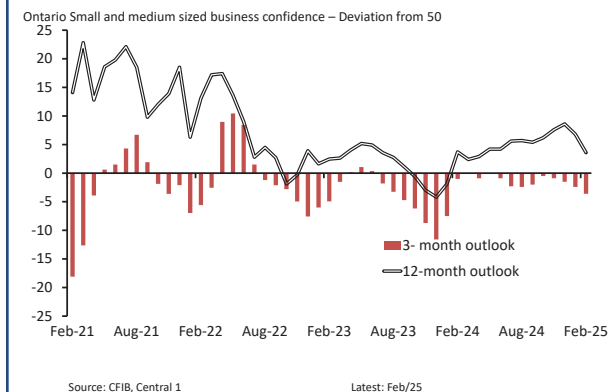
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The Canadian Federation of Independent Business (CFIB) Barometer Survey showed declining optimism among Small and Medium-sized Enterprises (SMEs) in February, as US tariff threats raises worries for Canada's future economic strength. The long-term 12-month confidence index continued to fall for a third month, decreasing from 5.0 points to 49.5 points, which is also 10 points below the historical average. The short-term index also declined by 2.0 points to 46.8 points. The possibility of tariffs going into effect in the coming months has caused widespread uncertainty, especially in exposed sectors and businesses.

Importing SMEs marked a 5.6 point drop in optimism since September while exporting SMEs have seen a notable 23.3-point drop. The manufacturing sector, which would be one of the industries most exposed to US tariffs, saw confidence weaken by 7.8 points while falling by 6.8 points in the wholesale sector.

Among the provinces, both long- and short-term confidence indexes declined in Ontario, with the long-term index falling 3.2 points to 53.6 and the short-term index down 1.2 points to 46.4. Ontario remains one of the least optimistic provinces. The province is particularly vulnerable to potential tariffs due to its large manufacturing base and heavy reliance on U.S. trade, with approximately 75 per cent of its international goods exports destined for the U.S. As a result, Ontario's economy faces heightened exposure to broad-based tariffs. Thirty-four per cent of Ontario SMEs considered themselves to be in a good state of business health, while staffing plans were unchanged. Insufficient demand and shortages of skilled labour were the most noted constraints to sales or production growth for businesses in the province. Limited working capital and physical space also limited sales growth. Tax/regulatory costs, insurance and wage costs were the top input cost constraints while fuel, occupancy and electricity costs were also on this list of constraints.

Small business long-term worsened in Ontario



The general state of business health reported by most SMEs was “satisfactory”, similar to the prior month. That said, more businesses noted insufficient demand as the main limitation of sales growth, compared to the prior month (52.3 per cent vs 53.5 per cent). Shortages of skilled and unskilled labour still limit sales and production as well. The national average price expectations increased to 3.1 per cent, just above the upper band of the Bank of Canada inflation target range and the highest figure since April 2024. On the other hand, average wage increase plans lessened from 2.4 per cent to 2.2 per cent.

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