



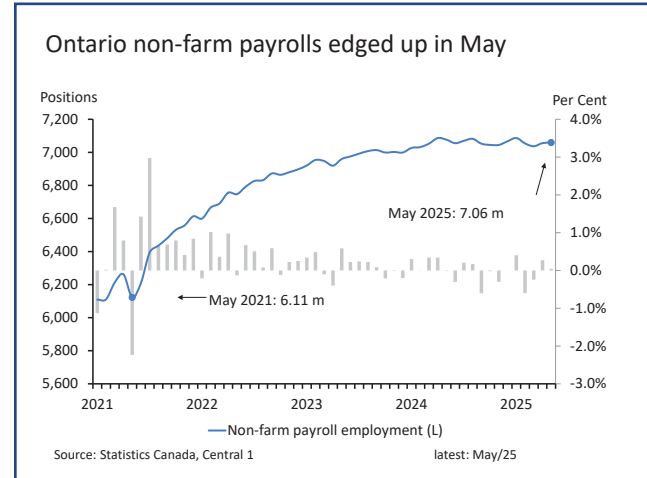
## Highlights

- Ontario economy remained more exposed to tariff uncertainty
- Ontario non-farm payroll rose modestly in May; job vacancy rate remained low

## Key Ontario manufacturing sectors remain weak in May

Bryan Yu, Chief Economist

Ontario's economy remains relatively more exposed to U.S. trade tariffs and related threats given a higher share of its goods exports destined for the country, and concentration of industry subject to current steel, aluminum and vehicle tariffs. While a swath of goods are exempt from the blanket 25 per cent tariffs (35 per cent as of today August 1) under CUSMA, steel and aluminum remain subject to the full weight, while finished vehicles are subject to a 25 per cent tariff on non-U.S. components (roughly an effective rate of 12.5 per cent). The average effective tariff rate on Canada is about 5 per cent given exemptions.



High-frequency GDP data is unavailable on a monthly basis, but Ontario's exposure to manufacturing, specifically steel and the auto sector, points to more tempered conditions in the province. Nationally, GDP slipped 0.1 per cent. While broad manufacturing rebounded 0.7 per cent after a 1.8 per cent contraction in April, machinery output fell 1.7 per cent month over month and 4.5 per cent year over year. In the important auto sector, finished vehicles partially recovered with a strong 4.8 per cent advance after plunging 5.8 per cent in April. Year-over-year growth came in at -3.7 per cent. More severe declines were seen in body and trailer manufacturing (-8.0 per cent month

## GDP by Industry, \$2017

May/2025	\$mil	m/m %ch	y/y %ch	ann. m/m %ch	ann. 3m %ch	YTD %ch	Month-to-month per cent change		
							Mar/2025	Apr/2025	May/2025
All industries	2,292,311	-0.1	1.2	-0.6	0.5	1.7	0.2	-0.1	-0.1
Goods-producing industries	582,378	-0.1	0.5	-1.0	-0.6	1.4	0.5	-0.6	-0.1
Agriculture, forestry, fishing and hunting	39,985	-0.5	0.2	-6.0	-4.3	1.7	-0.3	-0.2	-0.5
Mining, quarrying, and oil and gas extraction	119,194	-1.0	2.6	-11.4	5.9	4.2	2.4	0.1	-1.0
Utilities	46,282	-0.2	2.1	-2.5	-16.1	4.5	-3.9	-0.1	-0.2
Construction	167,841	0.0	1.9	-0.2	3.5	1.7	0.7	0.2	0.0
Manufacturing	205,219	0.7	-2.6	9.1	-4.1	-1.6	0.0	-1.8	0.7
Service-producing industries	1,712,815	0.0	1.5	-0.5	1.0	1.8	0.1	0.1	0.0
Wholesale trade	120,642	0.0	1.2	0.3	-8.7	1.6	-0.4	-1.9	0.0
Retail trade	118,651	-1.2	3.8	-13.8	0.8	3.8	1.0	0.5	-1.2
Transportation and warehousing	103,471	0.6	1.5	7.2	6.9	1.3	1.2	-0.1	0.6
Finance and insurance	171,640	-0.1	3.6	-1.3	2.4	3.6	-0.2	0.9	-0.1
Real estate and rental and leasing	302,833	0.3	1.2	3.1	1.1	1.3	-0.2	0.2	0.3
Professional, scientific and technical services	165,145	0.0	0.0	-0.2	-0.8	0.4	-0.1	-0.1	0.0
Management of companies and enterprises	658	-2.7	-30.8	-27.7	-33.3	-29.5	-4.5	-2.7	-2.7
Administrative and support, waste management and remediation services	58,513	-0.1	-0.1	-1.4	-1.9	-0.1	-0.2	-0.2	-0.1
Educational services	127,656	0.1	0.6	0.8	1.2	2.2	0.1	0.1	0.1
Health care and social assistance	187,321	0.2	2.8	3.0	3.1	3.0	0.2	0.3	0.2
Other services (except public administration)	44,360	-0.1	-0.3	-1.3	0.3	-0.4	0.2	0.0	-0.1
Public administration	168,205	-0.8	1.1	-8.8	0.3	1.7	0.1	0.8	-0.8

Source: Statistics Canada, Central 1

## GDP by Ontario - Related Industry, \$2017

May/2025	\$mil	m/m %ch	y/y %ch	ann. m/m %ch	ann. 3m %ch	YTD %ch	Month-to-month per cent change		
							Mar/2025	Apr/2025	May/2025
Manufacturing	205,219	0.7	-2.6	9.1	-4.1	-1.6	0.0	-1.8	0.7
Machinery manufacturing	17,750	-1.7	-4.5	-18.7	-23.9	-2.2	-2.4	-2.6	-1.7
Transportation equipment manufacturing	29,145	0.5	-0.5	6.7	6.9	0.3	3.0	-1.8	0.5
Motor vehicles and parts manufacturing	16,298	-1.7	-4.3	-18.2	1.4	-4.7	2.6	-0.5	-1.7
Motor vehicle manufacturing	5,906	4.8	-3.7	76.5	-1.5	-4.9	0.9	-5.8	4.8
Motor vehicle body and trailer manufacturing	1,131	-8.0	-17.0	-63.1	2.5	-11.3	8.9	0.4	-8.0
Motor vehicle parts manufacturing	8,919	-3.9	-2.6	-38.2	2.8	-3.6	2.6	2.1	-3.9
Basic chemical manufacturing	5,061	-3.5	-21.6	-34.7	-39.3	-7.7	-4.0	-4.7	-3.5
Iron and steel mills and ferro-alloy manufacturing	2,843	4.4	-12.4	67.8	-32.2	4.0	-5.1	-8.4	4.4
Credit intermediation and monetary authorities	100,365	-0.2	2.6	-2.4	0.0	2.9	0.0	0.2	-0.2
Depository credit intermediation and monetary authorities	89,815	-0.2	2.7	-2.8	-0.2	3.2	-0.1	0.3	-0.2
Federal government public administration (except defence)	48,169	-3.2	-2.4	-32.5	-3.1	-1.1	-0.3	2.8	-3.2

over month, and -17 per cent year over year), while parts output also declined sharply. While parts remain free flowing across the border (subject to CUSMA), integration of the auto sectors and higher costs for US producers are likely a contributing factor to the decline. Meanwhile, the hard-hit steel and aluminum sector rebounded 4.4 per cent month over month but was still 12 per cent lower year over year, impacting regions like Hamilton as well as domestic mining.

Financial services (credit intermediation) slipped 0.2 per cent month over month but rose 2.7 per cent year over year, while the federal public service growth fell 3.2 per cent but largely gave back the election period driven growth from April.

### Ontario payroll counts edged up in May

*Ivy Ruan, Senior Analyst*

Ontario employee headcount increased slightly in May adding to a mild increase observed in the prior month. According to the latest Statistics Canada Survey of Employers, Payroll and Hours (SEPH), payroll counts (including unclassified businesses) increased 3,106 positions (0.04 per cent), to reach at 7.06 million in the province. Services sector payrolls gained 11,633 positions (0.2 per cent) while the goods sector recorded a decrease of 7,127 positions (-0.6 per cent). On a

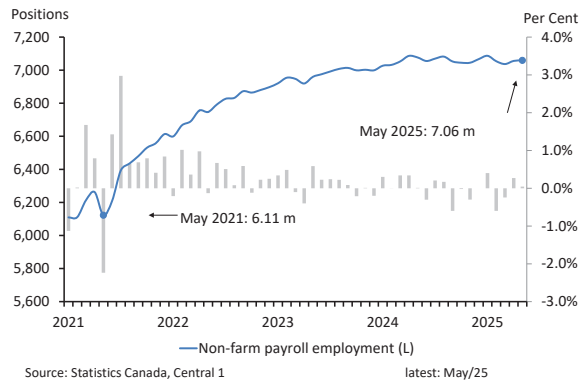
year over-year-basis, payroll headcounts fell 0.2 per cent, which is a dismal reading pointing to economic weakness.

Ontario's job vacancy rate was flat at 2.5 per cent in May, representing 171,040 vacant positions, the lowest level since August 2017 outside the pandemic. Weak economic growth, tariff impacts, and economic uncertainty have contributed to job market slack. Surveys from both the Canadian Federation of Independent Business and the Bank of Canada point to persistence of soft hiring environment going forward.

SEPH readings were consistent with the Labour Force Survey (LFS) where there was no change in employment following two consecutive monthly decreases. 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.

Amongst the goods-producing industries, there was a broad decrease in payroll counts in May. The manufacturing sector in Ontario reported a decrease of 5,067 positions or 0.7 per cent, continuously impacted by the implementation of U.S. tariffs on automobile production. The natural resource sector also had a 4.2 per cent (-1,173 positions) decline in employee head-

### Ontario non-farm payrolls edged up in May



count. Within the service sectors, the healthcare and social assistance sector led the overall increase, with a gain of 5,216 more positions (0.6 per cent), recording the third consecutive monthly increase. The arts, entertainment and recreation sector and trade sector also reported increases of 2,558 positions (2.1 per cent) and 1,365 positions (0.1 per cent) respectively. There was mostly modest change in the remaining sectors while professional, scientific and technical services sector had a 1,148 (-0.2 per cent) decline in payroll counts.

On the wage front, seasonally adjusted average weekly earnings in Ontario were almost unchanged at \$1,327.17 in May. On a year-over-year basis, May's average earnings in Ontario were 3.5 per cent higher. Going forward, hiring momentum will continue to slow as businesses temper investment and expansion, and remain cautious due to economic uncertainty.

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