



## Highlights

- Ontario labour market persistently weak in February; employment down 0.4 per cent y/y
- Canada and Ontario reported higher building permits volumes in January
- Ontario exports decline by 16.9 per cent y/y, while imports fall by 4.7 per cent

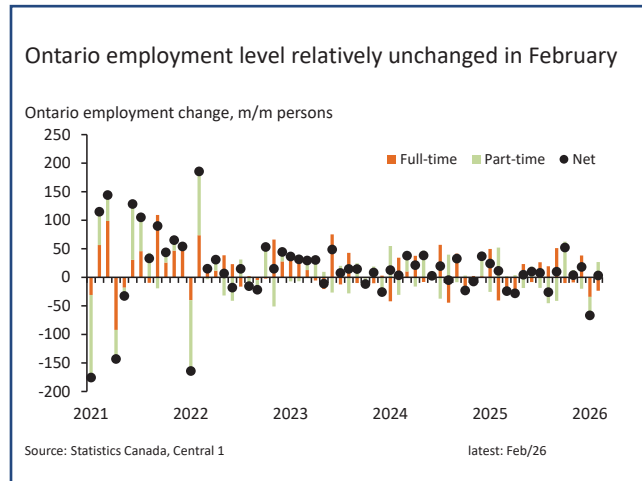
## Weak labour market persists in Ontario even as employment steadies

Bryan Yu, Chief Economist

After leading the downturn in January, Ontario employment level steadied in February, but the jobless rate deteriorated. Ontario employment was unchanged in February (up a negligible 3.3k people), which followed a 66k decline in January. Ontario was one of the only provinces to record steady or increased employment in February. That said, employment was still down 0.4 per cent y/y. In comparison, national employment plunged by 83.9k people (0.4 per cent) from January to push the two-month loss to 109k. Year-over-year, employment growth decelerated to a negligible 0.2 per cent. Ontario's unemployment rate rose to 7.6 per cent from 7.3 per cent in January, and 7.4 per cent one year prior. Part of this increase was owed to labour force supply adjustments, as the participation rate nudged higher even as population growth stalled. Nevertheless, Ontario's jobless rate remained far higher than the national reading of 6.7 per cent during the month.

On an industry basis, goods-sector employment declined by 9.6k or 0.6 per cent, owing mostly to a 7.5k or 0.9 per cent drop in manufacturing. The sector continues to experience a steep drag from U.S. trade tariffs on autos and steel. Year-over-year employment in the sector was down 4.9 per cent. Agriculture employment also declined.

In contrast, services-sector employment was mildly higher by 0.2 per cent owing to finance/insurance/real estate (up 5.3k or 0.7 per cent), transportation/warehousing (up 6.9k or 1.6 per cent), and public administration (up 7k or 1.5 per cent). Sectors posting declines included wholesale trade (-6k or 1.9 per cent) and accommodation and food services (-10k or 2.3 per cent). It is possible that weather impacts continued to



contribute to some losses during the month, but clearly the underlying trend over the past two months has been weak.

The jobless rate increased to 7.6 per cent but remained below the highs in Q3 of 2025. While employment is down, the impact on unemployment rate has been blunted by low population growth and labour force participation rates. This understates the weakness in the hiring environment, while also supporting wage growth in the economy.

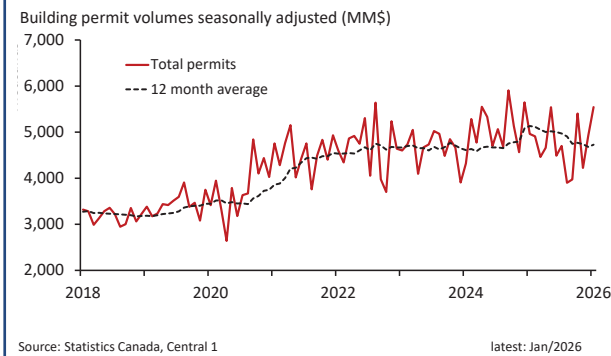
Our assessment of economic region level data, which is based on three-month average data, points to steady employment levels in Toronto and Hamilton-Niagara Peninsula regions in February. In contrast, there were deeper declines in Kitchener-Waterloo-Barrie, London, Windsor-Sarnia and the northern regions.

## Ontario saw higher volume of government and industrial building permits

Alan Chow, Business Economist

For the second month in a row, the total value of Canada's building permits increased. For January 2026, permit value rose \$606 million to \$13.3 billion, a 4.8 per cent increase. This was led by non-residential permits, which were up 9.4 per cent or \$464 million to \$5.3 billion and supported by residential permits, up 1.8 per cent or \$143 million to \$7.9 billion. On a constant dollar basis, permits are up 4.3 per cent from the previous month and up 0.8 per cent from a year ago to \$12.2 billion. This is the fourth highest monthly value over the last 12 months.

### Building permits in Ontario rise in January



Ontario saw an even larger increase in building permits, rising 12.7 per cent for its second monthly increase to a seasonally-adjusted \$5.5 billion. This has been the highest monthly value since December 2025 when it was \$5.6 billion. Total non-residential permits rose 23.2 per cent to \$2.8 billion while total residential permits rose 3.3 per cent to \$2.7 billion. On a constant dollar basis, Ontario building permits rose 12.4 per cent monthly and 8.0 per cent compared to the same month last year.

The rise in non-residential permits was largely supported by a 94.6 per cent increase in institutional and governmental permits to \$1.3 billion. \$800 million of this reflected the approval of a new medical institution in the Toronto CMA area. Industrial permits also rose 19.8 per cent to \$636 million as it was bolstered by the construction of new transportation terminals in the Toronto CMA. This was also the highest monthly value since August 2024. On the other hand, the total value of commercial building permits declined by 16.5 per cent to \$945 million.

Ontario's 3.3 per cent rise in the residential sector was entirely from a 10.5 per cent increase to \$905 million from single-dwelling building permits. This has been the highest value since April 2025 when it was \$937 million. Multiple-dwelling building permits were unchanged at \$1.78 billion.

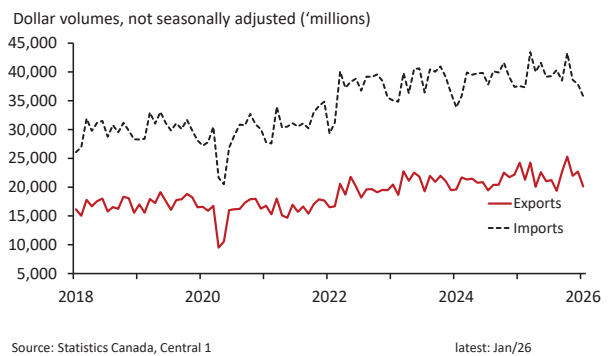
In Ontario's metro areas, only seven out of the 16 areas saw higher permit volumes in January 2026 when compared to December 2025. Toronto saw a rise of 32.8 per cent on permits issued to \$3.0 billion thanks to the previously mentioned projects. On a constant dollar basis, it permits issued amounted to \$2.8 billion, which was the highest volume for Toronto since September 2024.

### Ontario merchandise exports down in January

*Eloho Ennah, Economic Analyst*

Ontario merchandise exports declined sharply in January, falling by 11.3 per cent to \$20.1 billion (unadjusted for seasonality), following a 3.3 per cent gain in December. Imports also weakened, decreasing by 5.5 per cent to \$35.8 billion, marking a third consecutive monthly decline. Year-over-year, exports decreased by 16.9 per cent while imports were also down by 4.7 per cent.

### Ontario exports fall in January



The stark decline in year-over-year exports was driven by lower exports in almost all product categories, with the most significant drop noted in exports of motor vehicles and parts (-43.8 per cent or -\$2.6 billion) in January. The extended weakness in the category reflects the continued drag from high tariffs on the province's most exposed sectors, while model changes resulted in prolonged seasonal production shutdowns and led to reduced exports of passenger cars and light trucks. In addition, consumer goods exports fell by 20.3 per cent y/y (-\$842.2 million), while industrial machinery, equipment and parts exports decreased by 20.8 per cent (-\$414.6 million). In contrast, metal and non-metallic mineral products exports and electronic and electrical equipment and parts exports were the only two product categories seeing increases during the period, up by 5.8 per cent (-\$386.7 million) and 2.5 per cent (-\$26.7 million), respectively.

Among the import categories, motor vehicles and parts imports fell by 14.1 per cent (-\$1.2 billion) compared to January 2025. Imports of consumer goods also declined by 10.6 per cent (-\$894.4 million) while

industrial machinery, equipment and parts declined by 16.4 per cent (-\$636.7 million). Conversely, metal ores and non-metallic minerals imports rose sharply by 56.4 per cent (\$813.9 million) and metal and non-metallic mineral products imports increased by 22.4 per cent (\$621.8 million).

Although trade ties between the U.S. and Ontario remain strong, reliance has eased notably. The share of exports to the U.S. from Ontario has declined from 81 per cent in January 2025 to 61 per cent in January 2026, likely reflecting weaker demand from the U.S. and greater diversification toward other export markets.

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