



Ontario Economic Briefing

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Highlights

- Major industries in Ontario see gains in February
- Ontario payroll counts drop by 0.5 per cent in February

Gains in February; Canadian output driven by Ontario

Bryan Yu, Chief Economist

Growth in Canadian economic output of 0.2 per cent likely boded well for Ontario given gains in key sectors during the month. Specifically, the goods-sector increase of 0.4 per cent was driven by manufacturing (+1.8 per cent). Transportation equipment manufacturing grew by 5.5 per cent, recovering from a 7 per cent decrease in January. This improvement was mainly

because motor vehicle production jumped 20 per cent after falling 26 per cent the month before. Motor vehicle parts also increased by 4.2 per cent.

Auto plants ramped up following a period of re-tooling, model changes and maintenance while U.S. auto sales also rose. Machinery manufacturing rose 8.7 per cent after a 6.1 per cent decline, while iron and steel mill output rebounded 10.6 per cent after a 4.4 per cent decline. That said, all of these key manufacturing sectors remained well off a year ago as they continue to face steep sector-specific tariffs.

The public administration sector contracted 0.5 per cent, with a matching drop in the federal government sector, heavily concentrated in Ontario. This was a second consecutive monthly decline and could reflect some reductions in headcount and weaker program spending.

GDP by Ontario - Related Industry, \$2017

Feb/2026	\$mil	m/m %ch	y/y %ch	ann. m/m %ch	ann. 3m %ch	YTD %ch	Month-to-month per cent change		
							Dec/2025	Jan/2026	Feb/2026
Manufacturing	199,199	1.8	-3.1	24.2	5.7	-3.7	0.9	-1.3	1.8
Machinery manufacturing	19,593	8.7	-1.3	172.4	27.6	-2.7	4.1	-6.1	8.7
Transportation equipment manufacturing	26,152	5.5	-4.5	89.3	-7.6	-7.9	-0.1	-7.0	5.5
Motor vehicles and parts manufacturing	15,780	9.8	-6.8	207.7	-16.5	-12.2	-0.5	-12.6	9.8
Motor vehicle manufacturing	6,038	20.4	-11.6	825.6	-24.3	-20.9	5.3	-26.4	20.4
Motor vehicle body and trailer manufacturing	1,204	7.9	10.8	148.6	19.7	-2.5	-7.8	5.2	7.9
Motor vehicle parts manufacturing	8,236	4.2	-6.4	64.3	-16.9	-7.8	-3.0	-5.5	4.2
Basic chemical manufacturing	4,384	-8.1	-14.6	-63.9	-18.1	-6.7	0.5	3.0	-8.1
Iron and steel mills and ferro-alloy manufacturing	3,050	10.6	-6.6	234.6	43.2	-10.7	3.5	-4.4	10.6
Banking, monetary authorities and other depository credit intermediation	89,861	0.4	2.5	5.3	3.9	2.5	0.4	0.2	0.4

Payroll counts decline in February

Eloho Ennah, Economic Analyst

Ontario payroll counts were back on the decline in February after the gain in January. Data from the Survey of Employment, Payroll and Hours (SEPH) showed that payroll counts (including unclassified businesses) decreased by 0.5 per cent (-33.7k) in February, eroding the 0.3 per cent increase in the prior month. This continued a period of weak hiring in Ontario as SEPH payroll counts have been range-bound since mid-2023, reflecting weak business confidence. On a year-over-year basis, positions were also down by 0.4 per cent.

Excluding unclassified businesses, payroll counts in the goods-producing sector fell by 0.1 per cent, also declining in the services-producing sector by 0.4 per cent.

Payroll counts in the goods-producing sector fell due to losses in three out of five categories. Positions in the construction sector declined by 0.2 per cent (-888 positions), while also falling in manufacturing (-0.1 per cent or -459 positions), as well as forestry, logging, and support (-2.1 per cent or -89 positions). On the other hand, positions in mining, quarrying, and oil and gas extraction increased (+2.2 per cent or +655 positions), while positions were slightly higher in utilities (+0.1 per cent or +53 positions).

Services sector payroll also fell substantially, with a loss of more than 26k positions (-0.4 per cent) noted during the month. The largest losses were in the trade sector (-0.5 per cent or -5.4k positions), accommodation and food services (-1.1 per cent or -5.3k positions), arts, entertainment and recreation (-3.9 per cent or -4.8k positions), and transportation and warehousing (-1.3 per cent and -4.4k positions).

Average weekly earnings grew by 2.1 per cent to \$1,382.99 month-over-month, with the 12-month growth of 3.6 per cent, slightly higher than the national increase of 3.4 per cent. Ontario's job vacancy rate sat at 2.5 per cent and was one of the lowest in the country amidst weak hiring demand.

SEPH estimates should be considered alongside the Labour Force Survey (LFS) figures, which are more widely watched and timelier but based on a household survey rather than administrative data like SEPH. The LFS also noted little change in employment levels in Ontario in February. Altogether, results from both surveys point to sustained weakness in Ontario's labour market as business remain hesitant to proceed with hiring plans given uncertainty from trade and geopolitical instability, high operating costs, lower demand, and slow economic growth.

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