

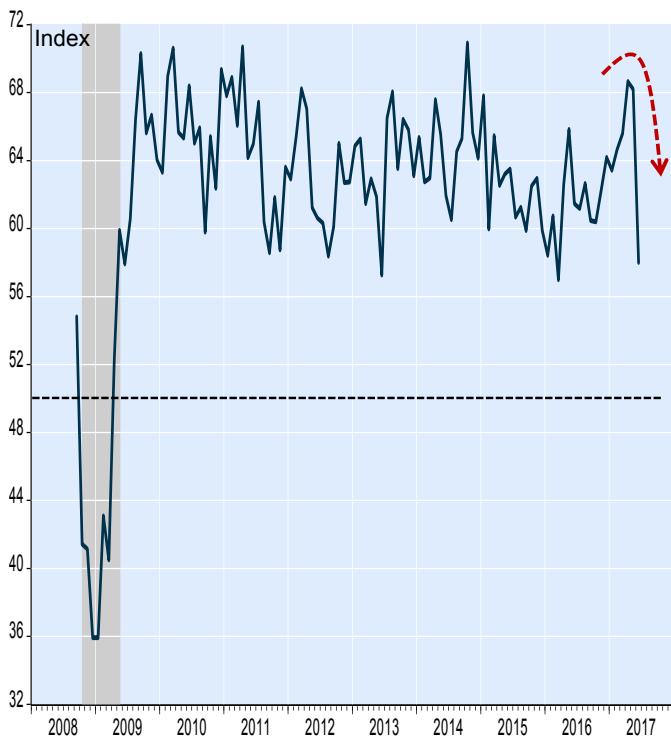
Canada Watch

The Canadian Federation of Independent Businesses (CFIB) reports a 5-point tumble of small-business confidence in June, the biggest monthly decrease in six years. As it turns out, the weakness was confined almost entirely to Ontario, where confidence plummeted more than 10 points in the sharpest drop since the 2008 recession. Business sentiment in most other provinces was actually up on the month. According to the CFIB, index readings often vary for purely statistical reasons but the downdraft in Ontario appears to be policy-based: at the end of May, the provincial government announced changes to labour laws including a 31% increase of the minimum wage from the current \$11.40 an hour to \$15 an hour by 2019. By our calculation, that would take Ontario's minimum wage from the current 41% of its average wage to 50% – twice the U.S. percentage and among the highest in the OECD. This is a significant change to the cost structure of small businesses over a very short period. Of course the impact could be softened by measures to reduce the erosion of competitiveness. Lower corporate tax rates could be an option (or a necessity), especially if the U.S. goes ahead with a reduction of its business taxes.

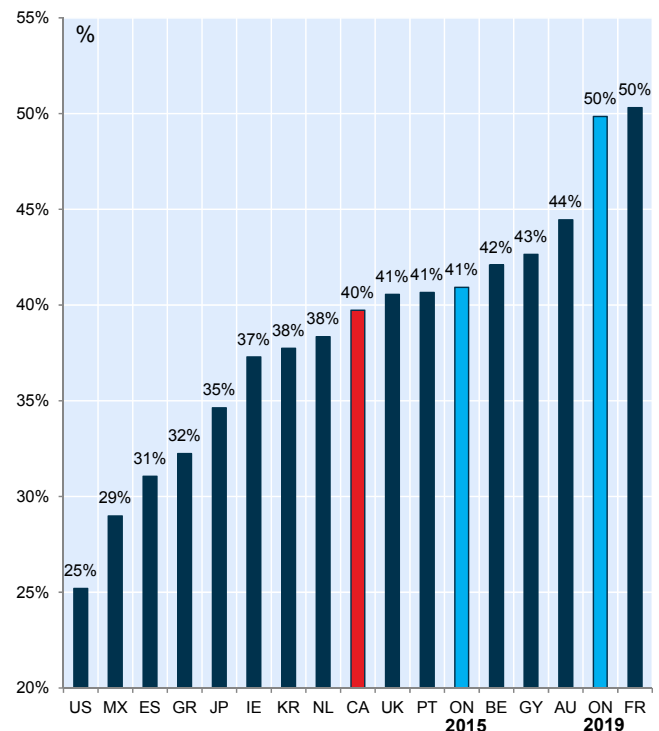
Stéfane Marion / Matthieu Arseneau

Canada: Why did small business confidence plummet in Ontario?

Ontario small-business confidence index



Minimum wage as a % of average wage in major OECD countries in 2015*



* for full-time workers in countries with a minimum wage
NBF Economics and Strategy (data via CFIB, Statistics Canada and OECD)

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