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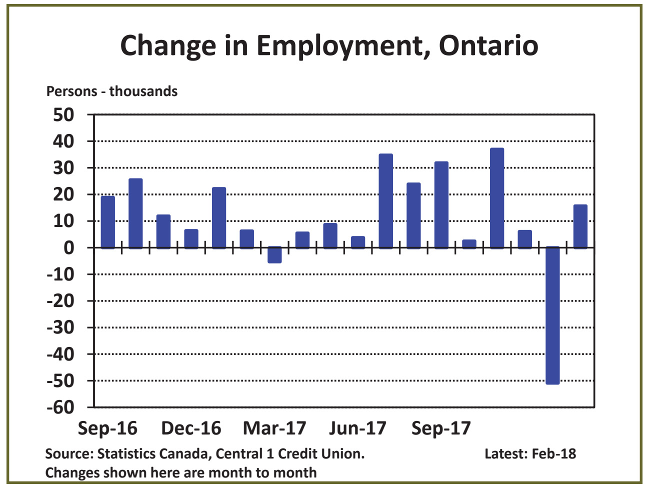
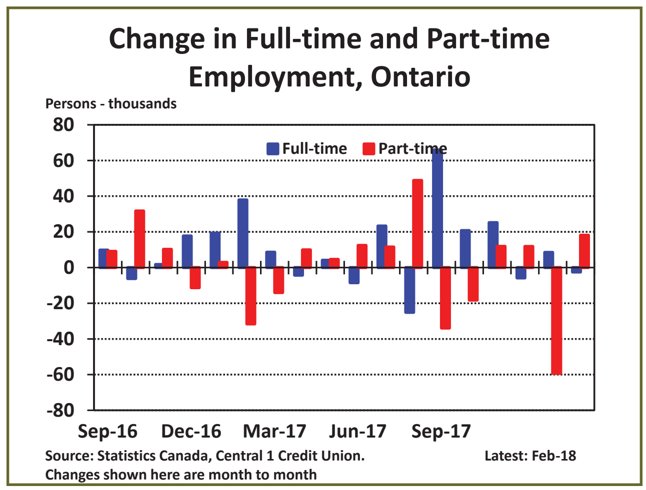
# Ontario Economic Briefing

Volume 24 • Issue 10 • Week of March 5-9 2018 | ISSN: 1981-35352

## HIGHLIGHTS:

- Unemployment rate remained unchanged in Ontario, but net job gains were exclusively part-time jobs
- Ontario housing starts increased in February due to more apartment starts
- Ontario's trade deficit continued to decrease in January
- Strong multi-family residential permit volume growth in January more than off-set the decline to single-family volumes
- Existing home sales down by almost 35 per cent year-over-year in February; this marked the eleventh straight month sales are down year-over-year




## Significant part-time job gains lift total employment in February

After posting significant job losses in January, employment rebounded in February, with Ontario creating 15,700 jobs over January (+0.2 per cent). Part-time jobs came back significantly in the month; 18,100 part-time jobs were created (+1.4 per cent), which more than off-set the full-time job losses of 2,500 (-0.04 per cent).

February's job gains came exclusively from the services sector, which created 16,800 net new jobs (+0.3 per cent) due to gains in several key groups such as: transportation and warehousing (+5.2 per cent), educational services (+1.1 per cent), health and social services (+0.6 per cent), and accommodation and food services (+1.1 per cent). The goods sector lost 1,200 net jobs (-0.1 per cent) due to job losses to manufacturing (-11,200 jobs or -1.5 per cent) that could not be off-set by gains in other areas in the goods sector.

The unemployment rate remained unchanged in February at 5.5 per cent.

After shedding a significant number of jobs in January, the good news in February is that Ontario reversed trend and created many new jobs. Unfortunately, the net job gains came exclusively from part-time work. It has been mentioned in previous briefings that increased wage costs remains a worry for business owners. After two months of the new minimum hourly wage in place, the effects are being felt. Business owners are hiring more workers in a part-time capacity to keep costs down.

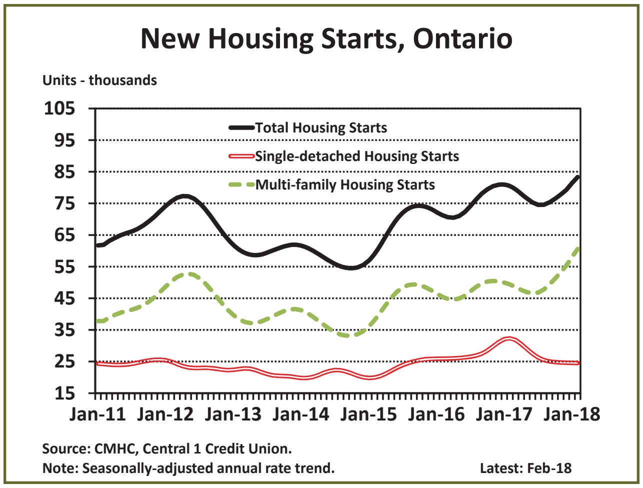
## While lower density new housing starts are down in February, new apartment starts more than make-up for the difference, lifting total new housing starts by 25.8 per cent.

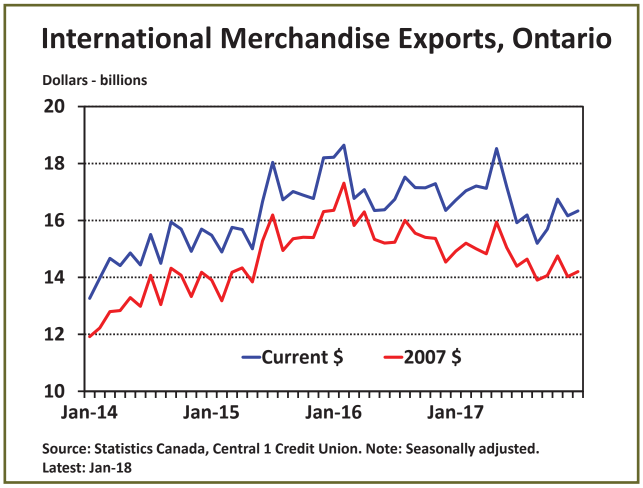
Ontario new housing starts continued the upward momentum of last month, increasing 25.8 per cent to 102,838 units seasonally-adjusted at annual rate (SAAR) in February, due to strong growth in new apartment starts which grew by 57.3 per cent to 64,296 units SAAR. New housing starts growth in February was due entirely to new apartment starts; all other housing starts decreased in February over January.

In the Toronto metropolitan area, new housing starts increased by an impressive 77.6 per cent to 71,031 units SAAR due to strong growth in new apartment starts. Like Ontario, all other new housing starts by type decreased in the month. All metropolitan areas in the *Greater Golden Horseshoe (GGH)* reported fewer new housing starts in February over January, except for St. Catharines-Niagara and Barrie which posted increases of 15.4 per cent to 2,030 units SAAR and 158 per cent to 3,114 units SAAR respectively. Outside of the GGH, new housing starts increased in Kingston (+0.4 per cent to 463 units SAAR), London (+40.5 per cent to 2,156 units SAAR), Peterborough (+15.3 per cent to 626 units SAAR), and Thunder Bay (+131.7 per cent to 139 units SAAR).

Over the first two months of 2018, new single-detached starts are down in most census metropolitan areas (CMAs). Growth in new mutli-family housing starts in half the Province's CMAs has helped lift overall new housing starts in Ontario.

It is not surprising that multi-family new housing starts are up in Ontario in February. In many metropolitan areas, land for new development is becoming increasingly scarce. This, coupled with affordability concerns, continues to shift demand away from ground-oriented housing like single-detached homes and towards multi-family options such as apartments. In 2018, multi-family housing, especially in denser metropolitan centers such as Toronto and Ottawa, will continue to carve out a bigger share of new housing starts. Moreover, new housing starts in Ontario will come in slightly higher than last year, but




lower-density housing will be a drag on growth for most of the year.

## Exports edge up in January over December by 1.1 per cent

The trade deficit continued to decrease in January due to an increase in exports, while imports remained relatively unchanged. Seasonally-adjusted exports increased by 1.1 per cent in January over December, while seasonally-adjusted imports edged down by 0.6 per cent. Year-over-year imports remained relatively unchanged in January, decreasing by only 0.2 per cent after increasing by 4.1 per cent year-over-year in December. Exports continued to edge down year-over-year for the seventh month in a row in January, decreasing by 1.8 per cent.

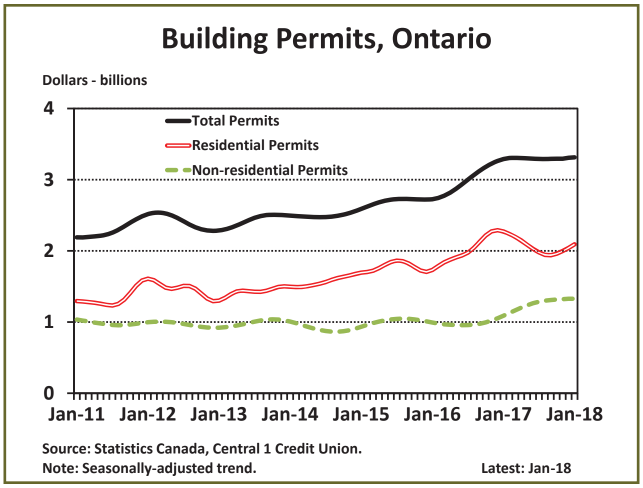
Exports increased in the month due to gains from several large exporting sectors such as: metal and non-metallic mineral products (+12.6 per cent seasonally-adjusted), motor vehicles and parts (+0.3 per cent seasonally-adjusted), consumer goods (+5.5 per cent seasonally-adjusted), and basic and industrial chemical, plastic and rubber products (+1.3 per cent seasonally-adjusted).

A U.S. trade policy mistake notwithstanding, export growth will continue to edge up in 2018 supported by economic growth down south and increased need for Canadian goods and services.

## Strong multi-residential building permit volume growth lifts overall permits in January

Ontario building permit volumes increased in January over December by 13.2 per cent (to $3.5 billion). The lift in volumes in January, after two months of declines, was due to very strong volume growth to residential building permits, which increased in the month by 21.7 per cent (to $2.2 billion). Non-residential building permits inched up by 0.7 per cent (to $1.3 billion). The gains to residential building permit volumes in January were due to significant gains to multi-residential housing, which increased by 71 per cent (to $973 million). Single-detached building permit volumes declined by 0.8 per cent (to $1.2 billion). Non-residential building permit volumes increased due to strong gains to commercial building permits, which increased by 20.5 per cent (to $665 million). Industrial and institutional building permit volumes decreased significantly in the month, putting strong downward pressure on non-residential permit volumes, resulting in minimal overall growth to this sector in the month.

In Ontario's metropolitan centres, total building permit volumes increased by 14.8 per cent (to $2.8 billion) due to very strong residential permit volume growth (+26.5 per cent to $1.9 billion) which off-set the declines to non-residential permit volumes (-2.2 per cent to $985.4 million). Total permits increased significantly in Toronto (+25.5 per cent), St. Catharines-Niagara (+49.1 per cent), Peterborough (+29.1 per cent), Ottawa-Gatineau (+10.1 per cent), Oshawa (+14.5 per cent), and London (+89.3 per cent) with broad-based permit volume growth, both residential and non-residential, in Toronto, St. Catharines-Niagara, Peterborough, and London.



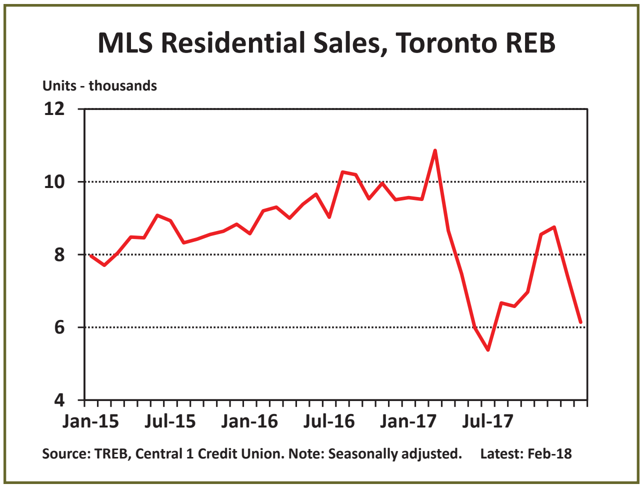

With housing affordability at the forefront of people's minds, an increased number of people are looking at multi-family housing, especially in Ontario's largest metropolitan centres, thus explaining the strong gains in multi-family permit volumes.

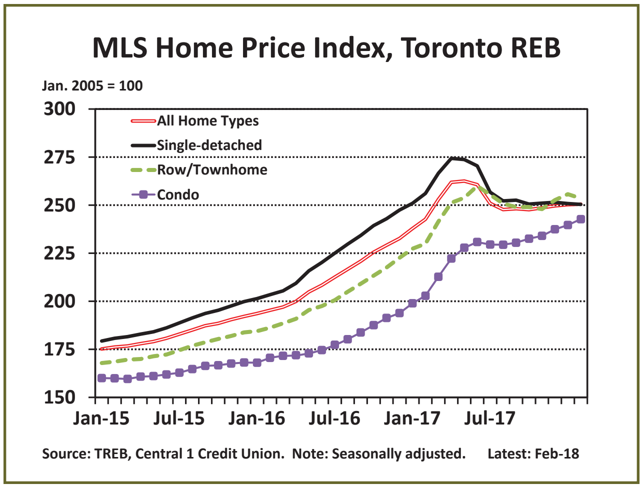
Strong consumer spending in previous periods continues to drive commercial building permit volumes. With increased demand, business owners continued to invest in their businesses and expand operations. Institutional and industrial building permit volumes were a drag on total non-residential building permit volumes this month. However, continued investments from initiatives such as the *Strategic Investment Fund* and perhaps more in the pipeline when the Ontario budget is tabled at the end of March, should support growth in this segment.

## Toronto's existing home sales are down significantly year-over-year in February

The Toronto existing homes market continues to moderate. February home sales were down 34.9 per cent compared to the same period last year, moreover, this marked the eleventh consecutive month that sales are down year-over-year. Seasonally-adjusted sales in February were also down from the previous month by 17.3 per cent.

Housing supply continued to increase. New listings increased by 7.3 per cent in February compared to the same period last year. New listings have increased year-over-year for the sixth consecutive month. Seasonally-adjusted new listings increased by 10 per cent in February compared to the previous month.




Toronto's existing homes market average price decreased by 12.4 per cent year-over-year. The seasonally-adjusted average home price decreased 2.4 per cent in February over January. Benchmark home values, a measure of quality-adjusted prices, increased year-over-year by 3.2 per cent due to strong price growth to higher-density home prices such as town homes (+10.2 per cent) and apartments (+19.7 per cent). The single-detached home benchmark price is down 2.3 per cent year-over-year.

## Demand and supply dynamics in February kept Toronto's existing homes market balanced.

Buyers continue to adjust to the new rules meant to moderate mortgage debt growth. Because of the new B-20 stress testing, on average, buyers are approved for lower mortgage loans. Therefore, the higher benchmark price growth of higher density housing is an indication of buyers still making home purchases, but are purchasing higher-density housing that is more in line with what they are approved to buy. These new rules will weigh on home sales in Toronto for the first half of the year at least. Existing home sales are expected to decline by 9.6 per cent in the Toronto metropolitan area this year.

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