

## Highlights

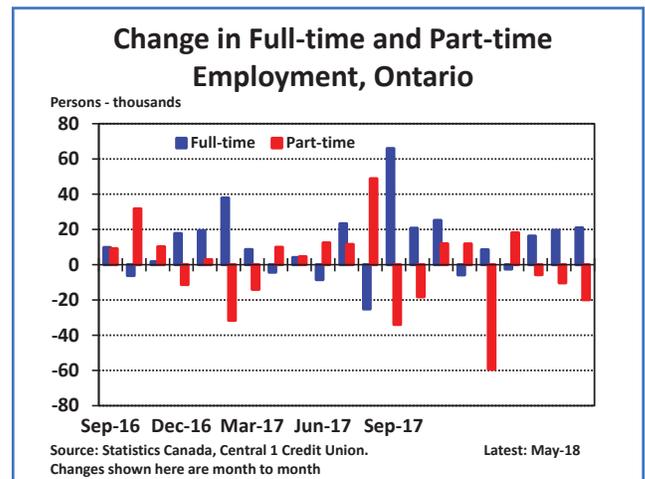
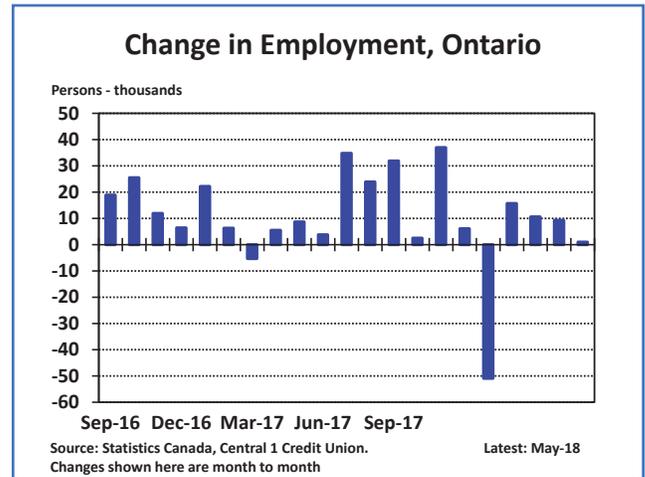
- Ontario economy near capacity, only 1,000 net new jobs added and 0.2 per cent from the historical high-point in employment from December of last year
- Seasonally-adjusted housing starts down 21.6 per cent in May
- Net trade balance improved in April due to strong exports growth
- Toronto's existing homes market remained firmly balanced
- Ontario's small-business confidence had largest jump of all regions in May

### Only 1,000 net new jobs added in May

Ontario's unemployment rate continued to inch up in May moving from 5.6 to 5.7 per cent due to growth in the number of Ontarians actively looking for work (0.2 per cent or 13,900 new entrants) and saw nearly unchanged growth to those currently working (0.01 per cent growth or only 1,000 net new jobs created in the month). In the month, 20,900 full-time jobs were created (0.4 per cent growth) while 19,900 part-time jobs were shed (a decline of 1.5 per cent in the month) leading to the 1,000 net new jobs created in the month. The Ontario economy is at or near capacity, as we have mentioned before in previous briefings. The 1,000-net gain in jobs reflects that. In May, Ontario's economy employed 7.209 million people which is only 0.2 per cent off the maximum number of people employed in the province since data has been collected starting in 1976. That high-point occurred only a few months back in December 2017.

By sector, the services-sector added 14,800 jobs in May with strong job gains in transportation and warehousing, finance, insurance, and real estate, professional and scientific services, business building, and accommodation and food services. On the other hand, the goods-producing sector shed 13,800 jobs due to significant losses of jobs in manufacturing and construction.

The Ontario economy continues to work near capacity. Employers need labour due to increased confidence (more on that below in the small and medium enterprise confidence section) but continue to face labour



shortages. Employers continue to move workers from part-time to full-time in hopes of increasing production.

### Housing starts declined in May due to a strong recoil in condominium apartment starts

Ontario housing starts continued to decline for the third consecutive month from 66,798 units at seasonally-adjusted annual rate in April, to 52,353 units in May, a drop of 21.6 per cent. Ontario SAAR housing starts have not been this low since October of 2017 when they were 55,730 units. The decline in housing starts in May can be almost wholly attributed to a large 44 per cent drop in condominium apartment starts. Single-detached starts and row/townhome starts declined by 2.4 and 7.3 per cent respectively. Semi-detached starts increased by 40.4 per cent in May; not enough to off-set the drop in starts of other housing types.

May's decline in housing starts was broad-based, both the Greater Golden Horseshoe (GGH) and areas excluding the GGH reported robust drops to housing starts of 15.9 and 33.2 per cent respectively.

Drilling down deeper by market, of Ontario's fifteen Census Metropolitan Areas (CMA) nine of them reported lower SAAR housing starts in May compared to the previous month. Only the following CMAs reported increased housing starts in the month: Brantford

- Kitchener-Cambridge-Waterloo
- Oshawa
- Peterborough
- Thunder Bay
- Windsor

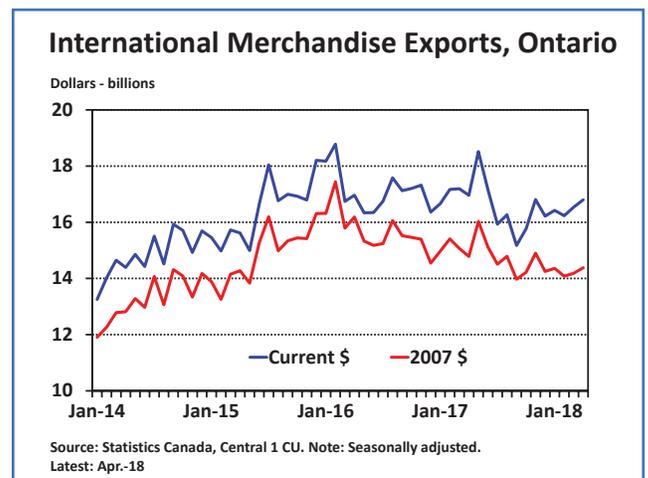
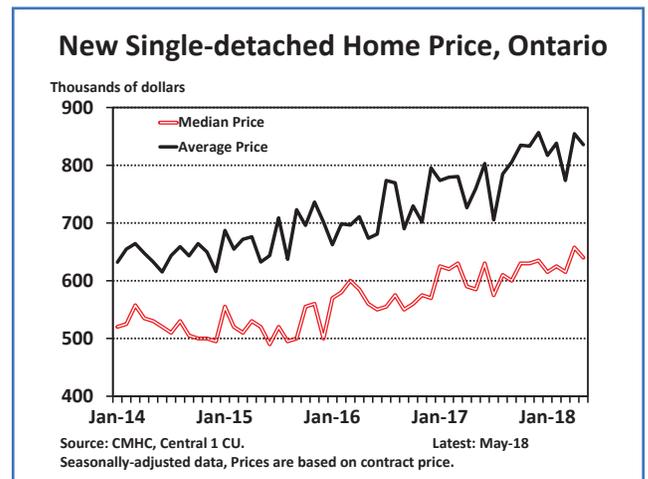
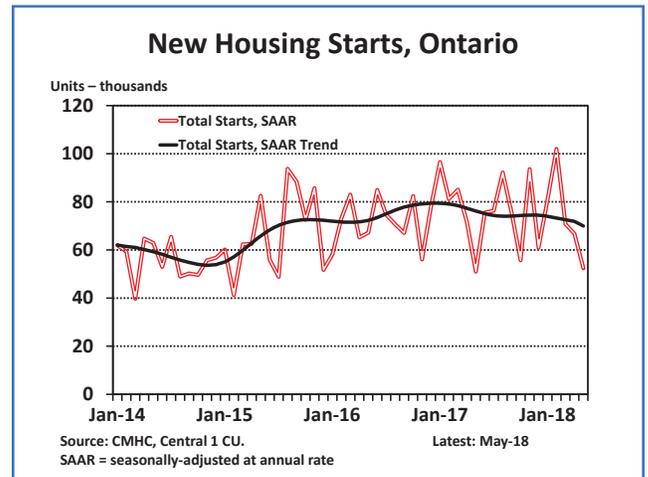
The seasonally-adjusted average and median price of a new single-detached home in Ontario, based on the contract price, declined in May by 2.2 and 2.7 per cent respectively. Over the first five months of 2018, both the average and median price has fluctuated from months with price growth declines and months with price growth increases.

The latest data from the first quarter of 2018 from the Canada Mortgage and Housing Corporation shows that over 105,000 new housing units are under construction in Ontario, of which close to 71,000 are condominium apartments. Given robust demand for new housing over the last couple of years, this is the highest number of units under construction in Ontario since the data has been collected starting in January 1990. With the average length of construction, in months, at over 27 months many developers are busy finishing current projects before pouring foundations for new projects.

### Export growth up for second consecutive month

Ontario's trade deficit with the world declined in April due to strong exports growth and nearly unchanged imports growth. In the month, exports increased by 1.6 per cent, while imports declined a mere 0.2 per cent (all data is seasonally-adjusted). This marked two consecutive months that exports have increased and three of the four first months to start 2018 that exports have increased.

Over the first four months of 2018, exports are down 2.9 per cent compared to the same period last year, and imports remained up 1.3 per cent. Compared to each of the first four months, last year's exports have



tracked lower, while imports have tracked higher - thus leading to a lower net trade balance to date this year compared to last year.

Like April, sector-specific gains were mostly broad-based with a few areas that posted lower exports dollar volumes. Together, those sectors that posted lower volumes in the month accounted for only 9.2 per cent of volumes. Significant export gains were posted by:

- Energy products (up 21.4 per cent)
- Metals (11.9 per cent)
- Basic chemicals (up 0.8 per cent)
- Forestry products (up 6.4 per cent)
- Industrial machinery (up 1.3 per cent)
- Motor vehicles and parts (up 1.4 per cent)
- Consumer goods (up 4.5 per cent)

Strong U.S. consumer sentiment continued to fuel exports growth in April. Over the last three months, consumer sentiment in the U.S. has remained up year-over-year. The tax package passed by the U.S. government last year is funneling through the economy and pushing the U.S. economy towards full capacity, creating a need for more inputs into their production chains and consumption in general.

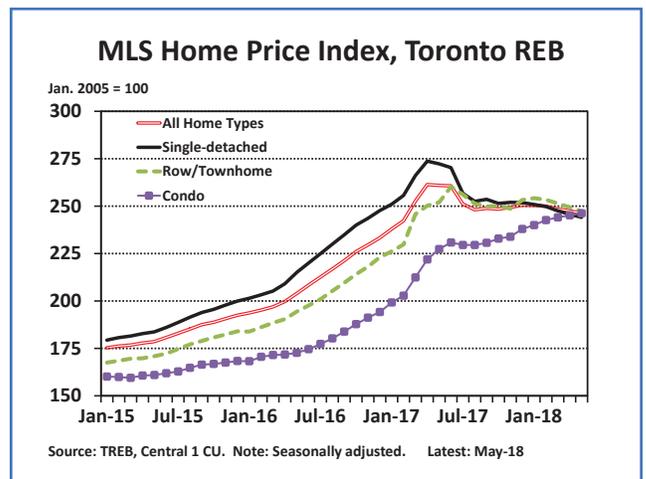
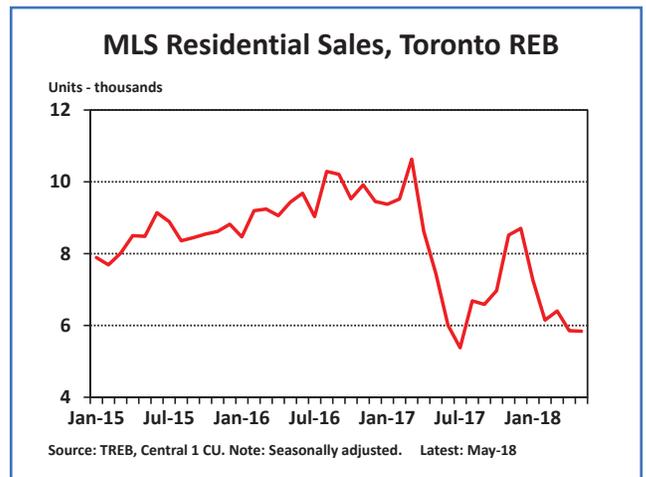
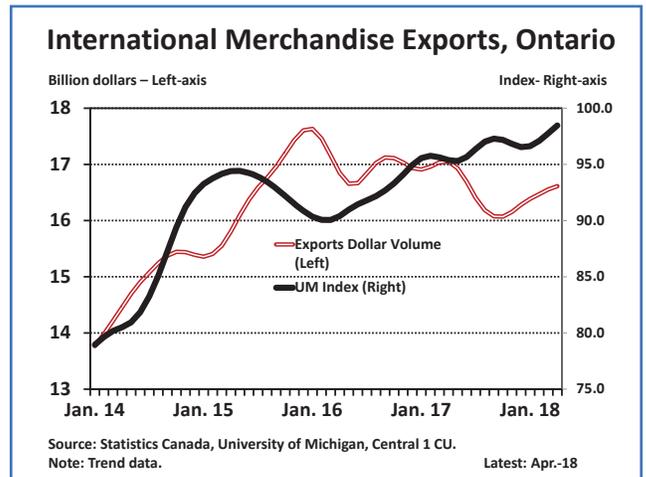
### Toronto's existing homes market continues to feel the pinch of new policies

Seasonally-adjusted existing home sales from the Toronto Real Estate Board (TREB) were down in May slightly (0.3 per cent) for the second consecutive month. Year-over-year, sales in May were down 21.6 per cent; this marked the fifth consecutive month where sales are down double digits -in the range of 21.6 to 39.8 per cent. Supply, represented by new listings, increased in May over the previous month by 7.4 per cent: the highest new listings gains since February. The gains in the month followed two consecutive months of significant declines to new listings. Year-over-year, new listings are down double digits in May (26.4 per cent), and like sales, this marks several months that new listings are down year-over-year.

On balance, with a decline in sales - albeit small - and a jump in new listings, the market is firmly balanced according to the seasonally-adjusted sales-to-new-listings-ratio (SNLR). Since the implementation of the Ontario Fair Housing Plan in April 2017, this marks fourteen straight months that Ontario's seasonally-adjusted SNLR is firmly between the 40 to 60 per cent range.

With more supply in the month, buyers have more choice when deciding what home to purchase, creating a very modest price growth of 0.3 per cent. Year-over-year, prices are down 6.6 per cent. Seasonally-adjusted benchmark home values, a measure of quality-adjusted prices, declined in May by 0.5 per cent due to declining single-detached and row/townhome prices. Condo apartment benchmark prices continued to climb by 0.4 per cent, the tenth

consecutive month of month-over-month condo apart-



ment price gains. Year-over-year, benchmark home prices for all types of homes declined 5.4 per cent in May, due to a 10.2 and 1.7 per cent drop respectively in single-detached and row/townhome prices, that couldn't be off-set by the 8.4 per cent jump in condo apartment prices.

Over the first five months of 2018, the existing homes market in Toronto has moderated significantly compared to the same period in 2017. Existing home sales

have come off 30.9 per cent and new listings are down 10.7 per cent. The sharper recoil of sales relative to new listings has meant the SNLR is at 49.1 per cent, down significantly from 63.4 per cent last year.

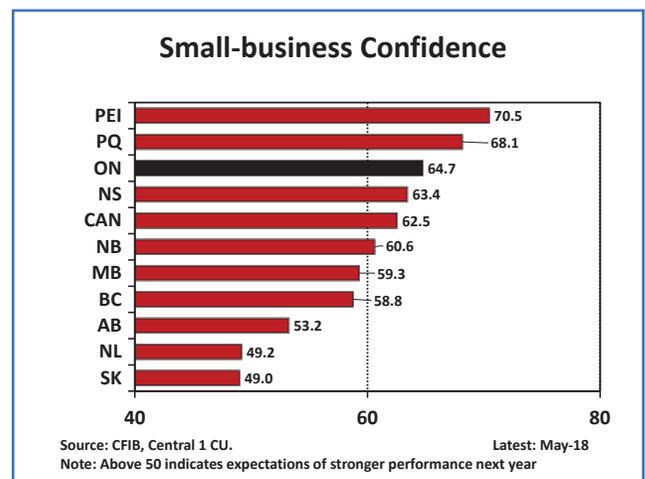
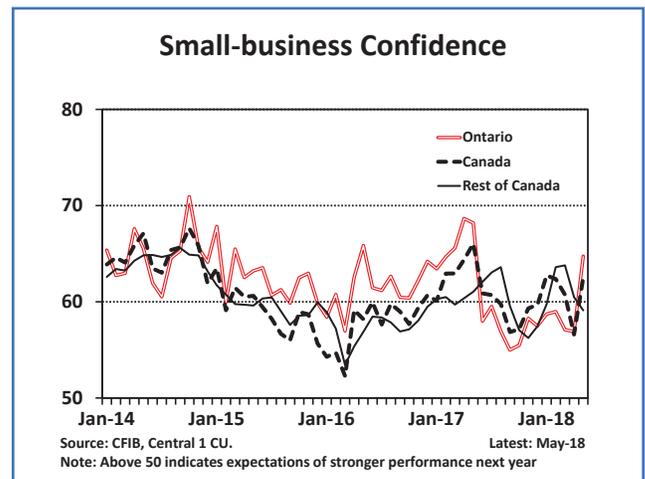
The new policies aimed at cooling Ontario's housing market continue to have the intended effect. Yet, the rate of month-over-month and year-over-year sales growth decline slowed down in May. A few more months of data would be needed to verify that this is a trend, but it is encouraging to see that perhaps the market has bottomed or will soon bottom, as potential buyers regain their bearings and return to the home-ownership market. Higher-density housing continues to be the go to option for homebuyers looking to purchase housing that doesn't break their budgets or makes them house poor.

### Ontario's small and medium enterprise confidence jumped almost eight points in May

After several months to start 2018 where small and medium enterprise (SME) confidence was declining, or growth was anemic, Ontario SME confidence rebounded in May. Ontario's small business confidence jumped an impressive 7.8 points to 64.7 points in May and leap-frogged other provinces, finishing third-most confident behind only Prince Edward Island (70.5 points) and Quebec (68.1 points). Furthermore, Ontario has not clocked this high level of SME confidence since May 2017. Canada's SME confidence lagged Ontario's for the second consecutive month, due to eight of ten provinces posting lower SME confidence and anchoring Canada's index.

Year-over-year, Ontario's SME confidence closed the gap and was 3.5 points down from the same period last year. Over the first five months of 2018, SME confidence averaged 59.3 down 6.8 points from the same period in 2017. Weaker growth to start 2018 weighed on the year-to-date average.

SME owners, it seems, are starting to regain their confidence, with many reporting their business are in good shape and therefore plan to hire more workers over the next three months. Data from Statistics Canada's Labour Force Survey, which surveys workers or those actively looking for work, supports the SME survey results. According to April data, annualized employment growth stood at 1.6 per cent, with all the gains coming from full-time employment growth. Despite the hiring spree, a concern for SME owners remains finding enough skilled workers to fill gaps and energy prices. With a continued influx of people coming to Ontario from abroad, this should alleviate some of



the shortage of skilled-work pressures. Furthermore, many refineries closed for upkeep in April, but energy imports - according to the latest data discussed in the merchandise trade section above - are climbing up to compensate.

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