Ontario Economic Briefing

Volume 24 • Issue 29 • Week of July 16-20 2018 | ISSN: 1981-355

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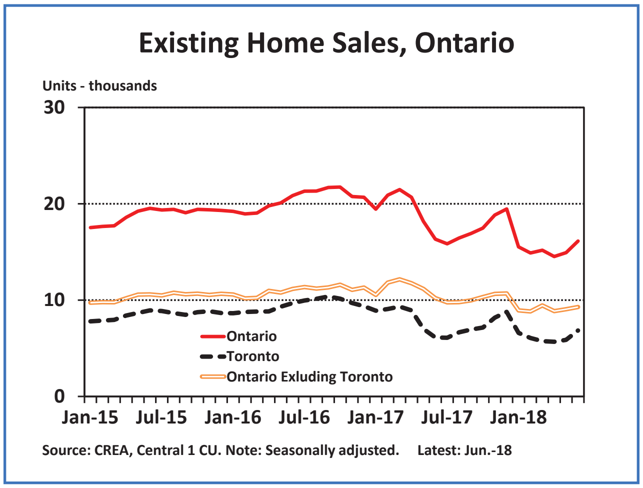
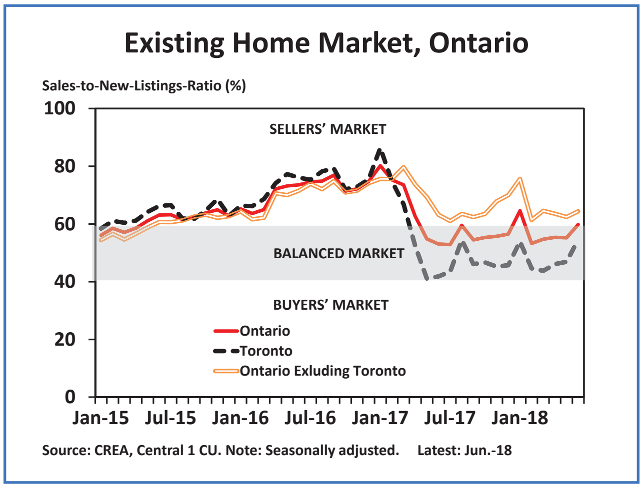
Highlights

- Ontario existing homes market tightens in June due to robust sales growth
- Year-to-date transportation equipment sales remained sluggish
- Retail sales rebounded in May following last month's decline
- Gasoline prices continued torrid growth
- EI claims in Ontario's manufacturing sector increased in May





Ontario home sales increased significantly in June

Seasonally-adjusted existing home sales increased by 8.1 per cent in June. This marked the most robust month-over-month increase in sales since October 2017. At the same time, new listings remained nearly unchanged, declining by only 0.2 per cent month-over-month. Moreover, the jump in sales tightened the market significantly, moving the sales-to-new-listings ratio from 55.2 per cent in May up to 59.8 per cent in June. This is right at the boundary between a balanced market, where it currently stands, and a sellers' market.

Ontario home sales have now increased two months in a row, but regardless of this recent trend over the first half of the year, all metrics remained well below where the market was at the same time last year. Sales, listings, and average price are down by 22.1, 10.2, and 7.8 per cent respectively.

Increased sales and nearly unchanged new listings meant homebuyers had to compete when trying to close on a home. Increased competition lifted the average price month-over-month by 3.2 per cent, above inflation for the first time since December of last year. June's average price for an existing home in Ontario stood at $564,720.

Sales in Toronto, where a significant cluster of activity occurs - about 42 per cent of all sales in Ontario - increased month-over-month by 16.6 per cent. Moreover, almost all of Ontario's markets posted month-over-month sales growth except for:

- Kingston (6.9 per cent decline in sales)
- Kitchener-Waterloo (5.7 per cent decline in sales)
- Ottawa-Carleton (1.2 per cent decline in sales)
- St. Catharines (9.7 per cent decline in sales)
- Windsor (3.4 per cent decline in sales)

Together, the above markets accounted for 18.2 per cent of sales in June, not enough to off-set the gains posted in the rest of the province.

As we've suggested in previous briefings, the market would likely turn the corner by the midway point or soon after. With two months of sales gain, and now price growth that tracks above inflation, Ontario's existing homes market may have reached that inflection point. In another month we hope to have three data points to more confidently make the call that the market has, in fact, reached an inflection point. Even with June's robust activity the economy's future path, along with higher interest ratesremains a risk to the housing market.

Manufacturing sales declined slightly

After three months of manufacturing sales volumes growth (from February to April), Ontario's May sales declined very slightly to $26.3 billion month-over-month (0.2 per cent decline, all figures seasonally-adjusted). Manufacturing sales increased month-over-month nationally by 1.4 per cent, aided by growth across almost all provinces except Ontario and Nova Scotia. Compared to the same month last year, Ontario's manufacturing sales were still 0.4 per cent higher.

Manufacturing sales declined month-over-month due to a 1.4 per cent drop in sales of durable goods, which make up over 60 per cent of manufacturing sales. Non-durable good sales increased 1.7 per cent but gains to this sub-sector were not enough to off-set the durable sales decline. Non-durable sales were lifted by growth to:

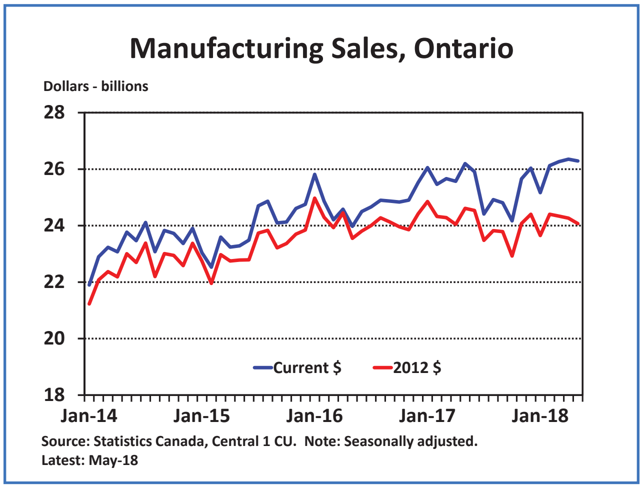
- Food (3.3 per cent)
- Beverage/tobacco (0.4 per cent)
- Textile mills (9.8 per cent)
- Clothing (1.6 per cent)
- Printing and related (2.8 per cent)
- Chemicals (6.8 per cent)

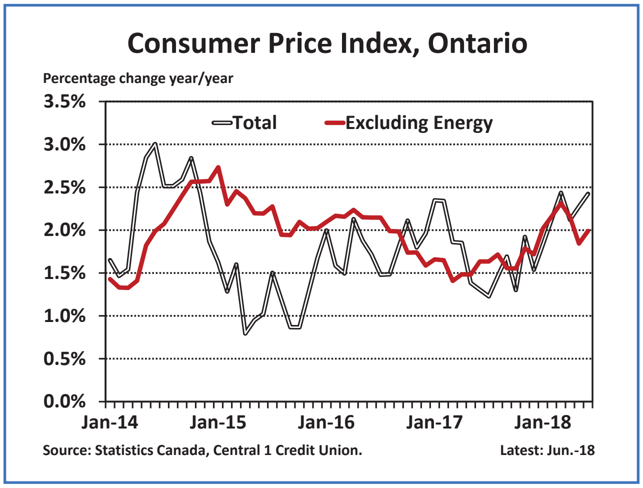
Most durable good sub-sectors increased month-over-month except for:

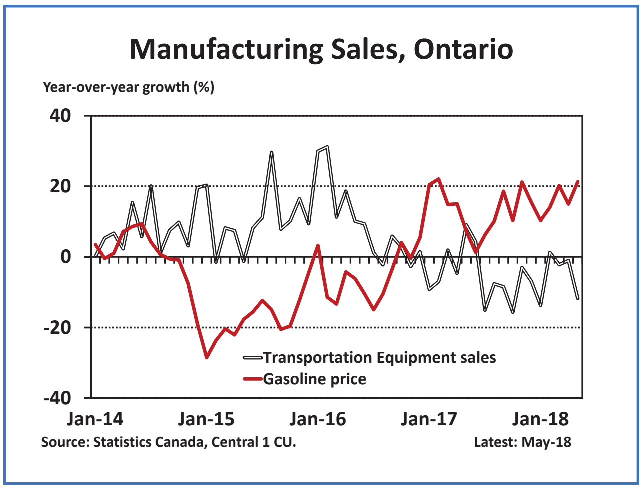
- Fabricated metal products (2.2 per cent decline)
- Transportation equipment (4.8 per cent decline)
- Miscellaneous (7.3 per cent decline)

Year-to-date, manufacturing sales remained up from the same period last year by one per cent, due to growth in non-durables (3.2 per cent) despite the 0.4 per cent decline to durables. Within durable goods transportation, equipment sales remained sluggish, reporting a 5.7 per cent decline year-to-date.

Transportation equipment sales - a large component of Ontario's manufacturing sales - continued facing headwinds due to decreased demand for new automobiles. Higher interest rates and robust gasoline price growth continues to depress new automobile and parts sales.







Retail sales increased 2.6 per cent in Ontario

Ontario's retail sales increased 2.6 per cent in May to $18.6 billion, following April's sales decline of 1.9 per cent. Retail sales in Ontario have increased month-over-month all year with April being the only exception so far. Nationally, sales increased in May by two per cent.

By category almost all sectors posted higher retail sales growth month-over-month in May. The following large retail sectors posted strong growth:

- Motor vehicle and parts
- Food and beverage
- Gasoline stations
- Building material and garden equipment and supplies

Toronto's retail sales increased 1.4 per cent in May to $7.6 billion. Toronto's retail sales accounted for 40.1 per cent of Ontario's retail sales in May, as other regions outside of Toronto posted higher sales volumes.

Increased home renovations have contributed to higher sales volumes of building materials. Higher gasoline prices have led to higher sales volumes at gasoline stations.

Energy prices are still pulling overall prices up

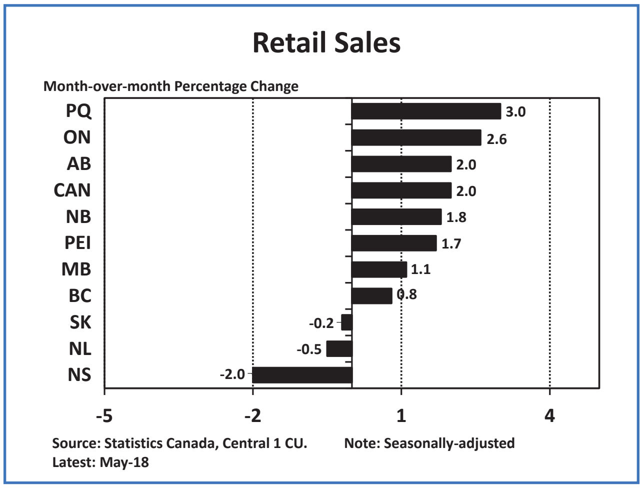
Year-over-year, headline inflation continued to edge up for the third consecutive month, moving to 2.4 per cent in June due to strong growth in energy prices. Gasoline prices continue to grow at a heated clip, moving up 23.5 per cent year-over-year. Other fuels also grew at a healthy rate year-over-year (21.9 per cent) helping to push overall prices higher. Excluding energy prices, inflation increased two per cent year-over-year. Since October of last year, gasoline price growth has added an average of 0.1 points each month to year-over-year toheadline price growth.

During the month of June, both goods and service sector prices moved up further by 2.3 and 2.6 per cent respectively year-over-year. Goods-sector prices were lifted by strong growth to non-durable goods (3.7 per cent year-over-year) mainly through the strong growth to energy prices.

Prices in Toronto continued to edge up in June, moving up 2.5 per cent. Rental costs also continued to increase, while owned shelter costs continued to moderate. Torontonians looking for shelter continue to look for rental rather than buy, hence the growth in rental costs. In Ottawa, prices also edged up in June moving up to 2.5 per cent year-over-year while in Thunder Bay prices also edged up by two per cent.

EI regular benefits increased by 2.1 per cent in May

The number of Ontarians on Employment Insurance (EI) regular benefits increased in May by 2.1 per cent



(2,480 claimants). Ontario shed 7,500 jobs in May which added to the EI rolls. Moreover, 14,400 people entered the workforce which increased competition in Ontario's labour markets, pushing he unemployment rate up to 5.6 from 5.5 per cent in April.

Seasonally-adjusted initial and renewal received claims moved up 1.1 per cent to 70,570. Even with the increase this month, claims are 2.8 per cent lower than the long-term monthly average.

Of the 2,480 new claimants in May, over half (54 per cent) lived in Ontario's urban centres; either a Census Metropolitan Area (CMA) or a Census Agglomeration (CA). In Ontario's CMAs claims jumped in:

- Ottawa-Gatineau (430 claimants)
- Windsor (180 claimants)
- Kingston (100 claimants)
- Brantford (90 claimants)
- St. Catharines-Niagara (130 claimants)

By occupation, the following large sectors posted increased claims in May:

- Trades, transport and equipment operators and related occupations (1,410 claims, 4.3 per cent increase)
- Natural resources, agriculture and related production occupations (930 claims, 20.3 per cent increase)
- Occupations in manufacturing and utilities (380 claims, four per cent increase)

Difficulties faced by Ontario's manufacturing sector - especially its auto sector - have translated to slower growth and employees having to be laid off.

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