Ontario Economic Briefing

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Highlights

- Sales declined by 0.9 per cent in September
- Manufacturing sales fell two per cent
- Year-over-year gasoline prices moderated significantly
- Retail sales increased by 0.3 per cent in August
- Employment Insurance (EI) claims increased in Ontario's largest city

Slightly lower sales and increased new listings moved the market further into a balanced market

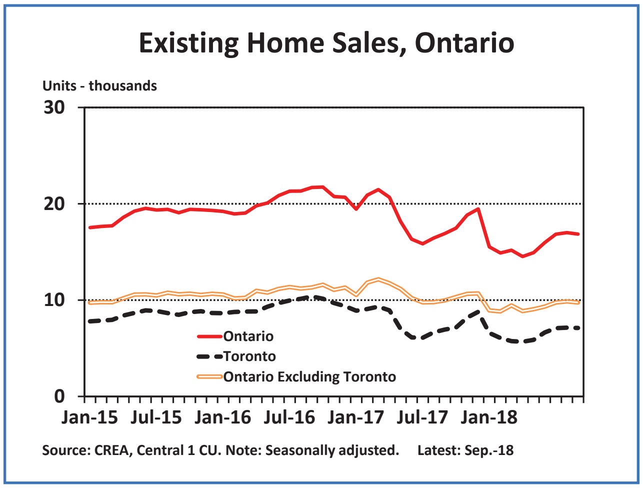
The Canadian Real Estate Association (CREA) released its August market data this week. Seasonally-adjusted home sales in Ontario declined slightly month-over-month in September by 0.9 per cent to 16,852 units sold. On the other hand, new listings came back strongly in September, posting 5.4 per cent growth to 29,533 units, compared to no listings growth last month. The decreased sales and increased supply slightly relaxed the market. Ontario's housing market remained firmly balanced with a sales-to-new-listings-ratio (SNLR) of 57.1 per cent down from 60.7 per cent in August.

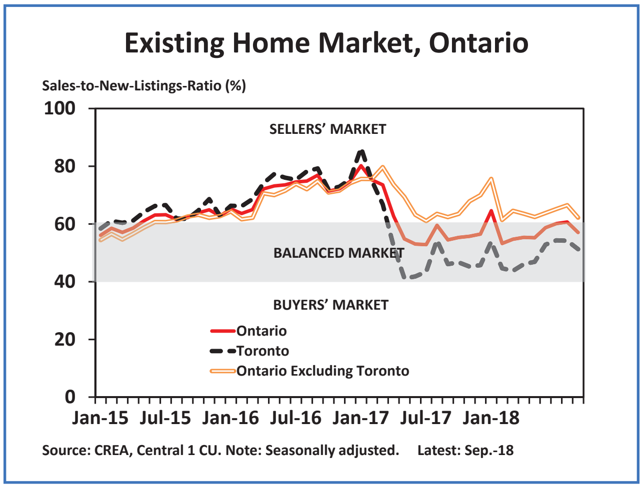
With increased supply, negotiating power moved to the side of buyers, which meant they could wait longer to make a purchase or negotiate down a closing price. As a result, the average price of any type of existing home in Ontario, declined 0.2 per cent to $581,042.

All metrics are well below what they were at the same time last year. Sales are 14.7 per cent off last year's pace while new listings and average price are down 7.9 and 3.6 per cent respectively.

In September, some markets posted sales gains from the previous month. Unfortunately, these markets were not able to offset the declines in other larger markets as they make up only 20 per cent of sales activity. Markets that posted month-over-month gains included:

- Brantford (3.4 per cent)
- Guelph (1.2 per cent)
- Hamilton (2.4 per cent)
- Kingston (2.9 per cent)



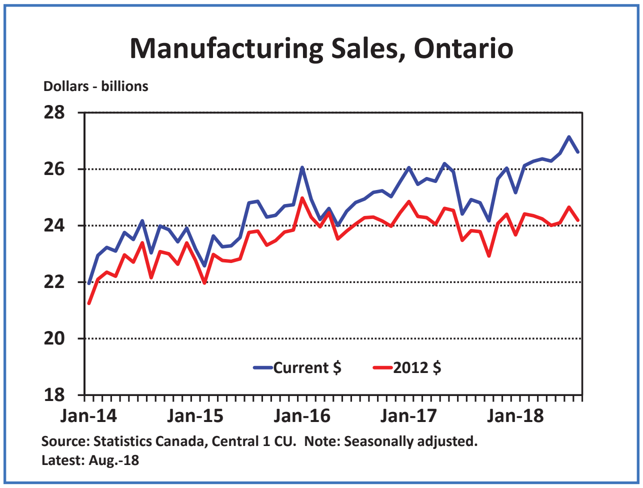


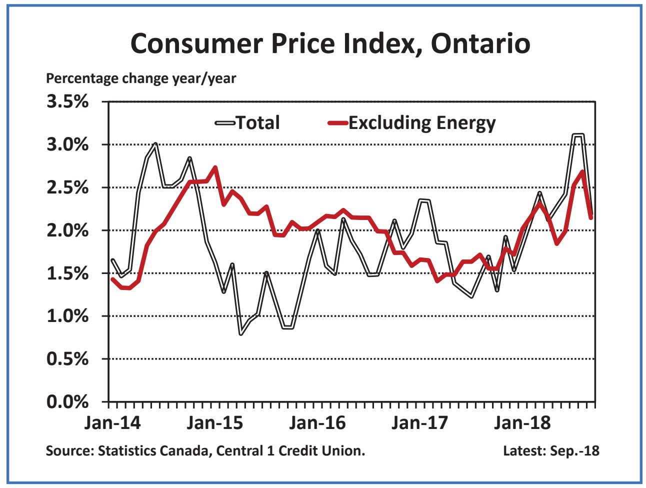
- London-St. Thomas (1.4 per cent)
- Sarnia-Lambton (9.4 per cent)

Manufacturing sales fell in August due to weaker sales of transportation equipment

Compared with July, manufacturing sales fell in Ontario by two per cent in August to $26.6 billion after two months of growth. Nationally, manufacturing sales were pulled down by 0.4 per cent to $58.6 billion. This is mostly due to the contraction in Ontario, which accounts for 46 per cent of the total volume, and to a lesser extent by sales contractions in Nova Scotia and Alberta.

In August, non-durables increased by 0.6 per cent while durables, which account for 60 per cent of manufacturing sales, contracted by 3.6 per cent due to reduced sales in manufacturing goods. The linchpins in this contraction were transportation equipment (fell





by 6.5 per cent), primary metals (fell by 8.4 per cent), and non-metallic mineral products (fell by 1.8 per cent).

Manufacturing sales are up by 6.8 per cent, which helped keep year-to-date sales up 3.1 per cent up from last year's pace, even with this month-over-month moderation.

August's transportation equipment decline was not trade-related. In fact, it was due to atypical plant closures in August causing a backlog in orders left waiting to be filled. Moreover, the decline in primary metal sales was due to lower sales in the non-ferrous metal production and processing industry—except aluminum.

With auto plants back on line, we expect September's sales numbers to be up to help push total sales higher.

Price growth slowed down in September

Year-over-year headline inflation increased by 2.2 per cent in September, significantly lower than the 3.1 per cent growth in August. Prices in September came down due to a moderation in prices for both goods and services industries, which respectively posted year-over-year growth rates of 1.6 per cent (down from 2.6 per cent in August) and 2.7 per cent (down from 3.5 per cent in August). Within the goods industry, durable goods prices remained unchanged year-over-year while semi-durable goods etched up from last month from 0.9 per cent to 2.0 per cent and non-durables moderated from 3.8 to 2.3 per cent.

September's year-over-year transportation costs, including private and public, moderated from 6.9 per cent in August to three per cent in September. Gasoline, which has been putting upward pressure on prices of many goods and services, like transportation, moderated significantly from 11 per cent to eight per cent year-over-year. The following prices kept the same pace of year-over-year growth from last month or declined slightly:

- Electricity (0.3 per cent growth, unchanged from last month)
- Water (4.6 per cent growth unchanged from last month)
- Natural Gas (6.3 per cent decline unchanged from last month)
- Fuel oil and other fuels (21.6 per cent growth, a 0.2 per cent decline from last month)

Food prices edged up to 2.7 per cent year-over-year mainly due to a 6.3 per cent increase in food purchased from restaurants.

The overall cost of living has slowed down in Toronto, Ottawa, and Thunder Bay. In September, prices increased in these three markets but at a slower year-over-year pace than last month. Owned accommodation in all three markets posted an increased rate of year-over-year growth in September compared to August.

Home upkeep costs like water and electricity are pushing up the overall cost of home ownership in these markets.

Retail sales kept climbing in August

Ontario's seasonally-adjusted retail sales have now increased for four consecutive months. Sales moved up 0.3 per cent to $18.9 billion. This follows a slight jump of 0.1 per cent from last month. Nationally, sales declined by 0.1 per cent to $50.8 billion due to moderation in retail sales activity in four provinces which included three large provinces: Alberta, Quebec, and British Columbia, that account for 49 per cent of total sales in Canada.

Ontario's sales increased in August due to more purchases from the following industries which together made up close to 75 per cent of all sales volumes:

- Motor vehicle and parts (up 2.2 per cent)
- Food and beverages (up eight per cent)
- General merchandise (up 2.6 per cent)
- Clothing (up 2.7 per cent)
- Health related purchases (up 6.1 per cent)

There was a significant surge in sales of new and used cars, automobile parts, accessories and tire stores, within the motor vehicle and parts sector. Food and beverage sales benefitted from more activity in supermarkets and sales of beer, wine, and liquor stores. Clothing sales benefitted from an increase in sales of clothes, shoes, and, jewelry and accessories.

Ontario's employment growth, particularly full-time employment growth, has outstripped last year's growth each month this year. Jobs growth has continued to support retail sales, particularly with big ticket items such as automobiles.

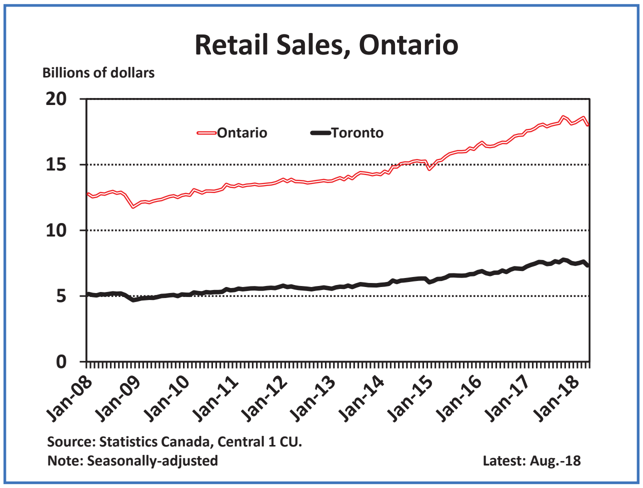
Year-to-date, retail sales are 4.3 per cent above last year's pace. Retail sales over the first eight months of the year are higher than at the same month last year.

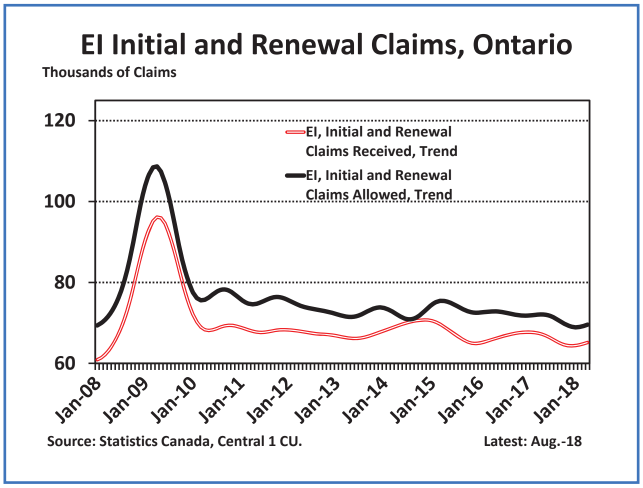
Toronto Census Metropolitan Area's (CMA) retail sales volumes inched up another 0.3 per cent in August to $7.7 billion. Year-to-date sales volumes continued to track higher than 2017 by 1.5 per cent.

Employment Insurance (EI) claims increased in Toronto and Oshawa, contributing to more claimants in Ontario

The number of EI beneficiaries in Ontario increased slightly in August over July by 0.2 per cent, or 210 extra recipients. The increase came from an extra 620 recipients in Ontario's CMA that offset the declines in Ontario's Census Agglomerations (CA) and rural areas (260 fewer recipients in CAs and 160 fewer recipients in rural areas). Ontario's CMA's significant jump in recipients in Oshawa (210 new recipients) and Toronto (970 new recipients) pushed total recipients higher in the month. Recipients increased in Guelph and Hamilton but by a minute margin in comparison (70 and 10 extra recipients respectively).

During the month, claims increased substantially for workers in manufacturing and utilities; and; trades, transport and equipment operations. Claims increased by 2,610 and 1,090 respectively and were primarily from people 25 to 54 years of age.





Seasonally-adjusted initial and renewal-received claims increased by 1.2 per cent on the heels of a 1.7 per cent increase in July. Despite the increase, the rate of increase is slowing down like last month's numbers.

Auto plants had atypical plant closures in August. With the plant closures, many of these assemblers would have filed for EI benefits explaining the large jump in manufacturing and utilities occupation worker claims for the month.

The other large jump from trades, transport, and equipment operators' claims was due to increased claims from workers in the construction industry. With tempering new housing construction and business investments, these workers were left to idle on the sidelines while they received benefits.

Edgard Navarrete
Regional Economist
Central 1 Credit Union
enavarrete@central1.com / P **905 282 8501**
www.central1.com