

## Highlights

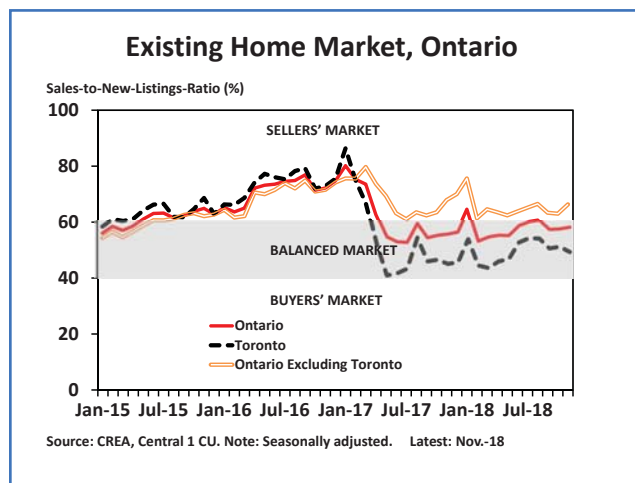
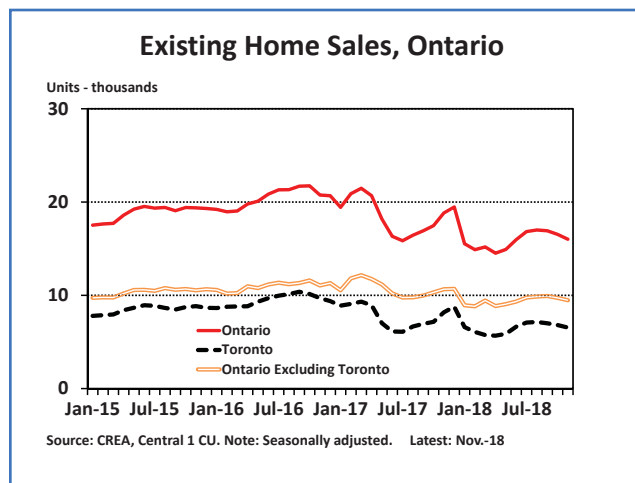
- Ontario home sales down 3.1 per cent in November
- Employment Insurance beneficiaries fell across all regions of Ontario
- Manufacturing sales were up 0.7 per cent in October
- Lower energy prices helped slow down price growth in November
- 23,969 net new hires in October, a significant turnaround from last month
- Population continues to grow at a healthy clip
- Motor vehicle and parts manufacturing down in October
- Retail sales rebounded in October following last month's modest gains

## Ontario's home sales market continued to moderate

Ontario's home sales through the MLS® system continued to slide. The Canadian Real Estate Association (CREA) released its November data this week and seasonally-adjusted home sales in Ontario declined a further 3.1 per cent month-over-month to 16,016 units. This is in addition to the 2.3 per cent decline posted in October. November's decline marks three consecutive months that home sales have declined. New listings declined by 4.1 per cent or 1,187 fewer listings to 27,524 units. The average price of a home declined by 1.2 per cent in November to \$570,234. A greater contraction to new listings relative to sales raised the sales-to-new-listings-ratio (SNLR) from 57.6 per cent in October to 58.2 per cent in November. The market remains officially balanced according to this metric, but declining sales and prices do point to a softening in the market.

With only December to come for the year, all metrics remained well below last year's pace. Sales and new listings are down 13.9 and 9.1 per cent respectively while average price is down 2.5 per cent.

The moderation in provincial sales in November stems from an overall moderation across nearly all real estate boards in Ontario with a few exceptions. The only real estate boards to post increased sales in the month were:



- Durham (7.4 per cent gain)
- Guelph (1.7 per cent gain)
- Kitchener-Waterloo (2.4 per cent gain)
- Niagara (5.9 per cent gain)

Ontario's two largest real estate boards—Toronto and Ottawa-Carleton—posted 3.9 and 0.6 per cent fewer sales respectively in November. Together, these two boards represent about 60 per cent of Ontario's sales activity. Other real estate boards to post declines were:

- Barrie (1.4 per cent decline)
- Durham (2.9 per cent decline)
- Oakville-Milton (6.1 per cent decline)
- Sarnia-Lambton (10.1 per cent decline)
- Windsor (8.1 per cent decline)
- York Region (1.5 per cent decline)

Population growth and the economy remain supportive of housing demand. However, the new mortgage lending rules continue to affect potential home buyers from buying a home at the price point and home type they desire. Faced with the prospect of having to compromise, many potential home buyers are not entering the market.

## Employment Insurance beneficiaries fell by 4,300 in October

The number of Employment Insurance (EI) beneficiaries in Ontario has either remained unchanged or declined for the fifth consecutive month. October beneficiaries declined by 3.7 per cent over September or 4,300 fewer net beneficiaries. October's decline was broad-based with all regions of Ontario posting fewer people on benefits. Of the 4,300 fewer net beneficiaries, 69.1 per cent lived in census metropolitan areas (CMAs), 15.6 lived in a census agglomeration (CA) and 15.3 per cent lived in a rural area.

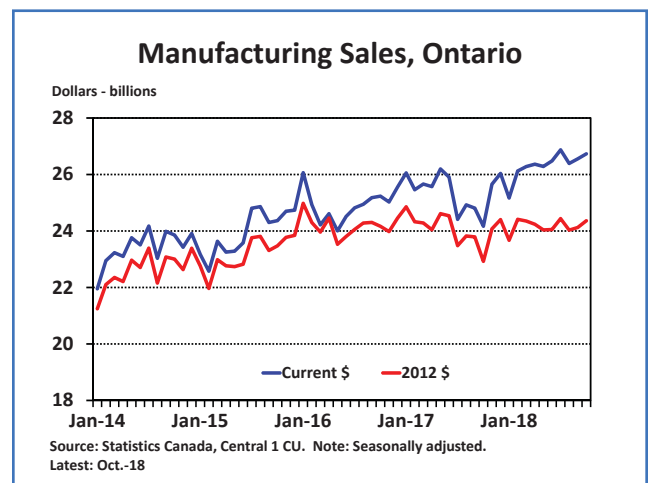
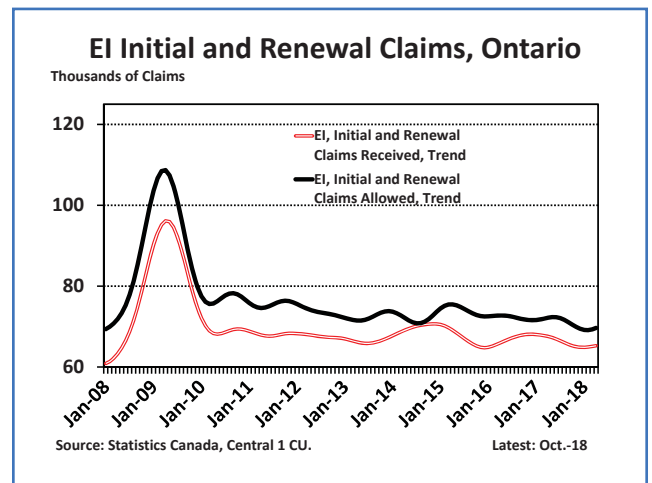
In October, all occupations posted fewer EI recipients. Among occupations with large rolls of people actively receiving EI benefits, the following posted declines in benefit recipients:

- Trades, transport and equipment operators and related occupations (1,890 net fewer recipients)
- Sales and services occupations (240 net fewer recipients)
- Occupations in education, law and social, community and government services (370 net fewer recipients)
- Business, finance and administration occupations (350 net fewer recipients)

Seasonally-adjusted initial and renewal-received claims declined a further 2.4 per cent in October, building on September's decline of 2.9 per cent. Currently, 71,440 people fall into this category in Ontario, which is about 6.8 per cent lower than the monthly average from January to October 2018.

## Manufacturing sales increased in October

Ontario's manufacturing sales increased modestly for the second month in a row. October sales increased by 0.7 per cent over September to \$26.7 billion (all figures seasonally-adjusted). Nationally, manufacturing sales growth declined slightly by 0.1 per cent month-over-month due to fewer sales in Quebec and B.C. and modest growth in Alberta and Ontario. Together these four provinces made up 89 per cent of total sales in October, which more than offset large gains in

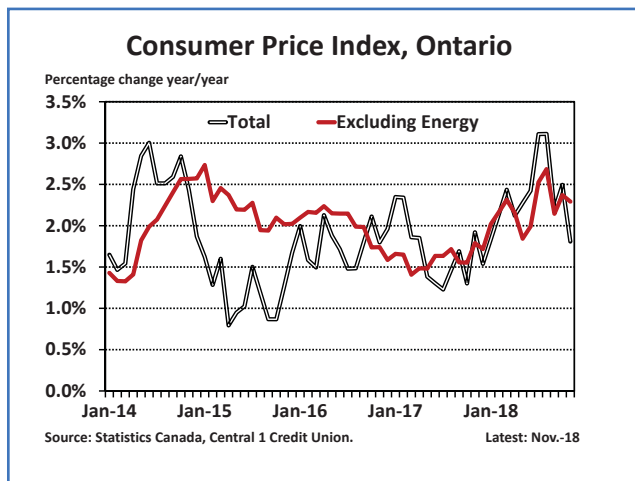


many of the remaining six provinces.

October's gains came down to increased net sales of durable goods (1.4 per cent increase to \$16.3 billion) that more than offset the decline in non-durable net sales (0.4 per cent decline to \$10.4 billion). By specific sectors, a sizeable jump in sales of transportation equipment (2.1 per cent), fabricated metal products (7.2 per cent) and machinery (5.6 per cent), helped pull non-durable sales up. As mentioned previously, non-durable sales growth declined in October with only a few large sectors posting increased sales. Among those few non-durable goods sectors posting gains were included:

- Food manufacturing (1.5 per cent)
- Paper manufacturing (3.0 per cent)
- Petroleum and coal products manufacturing (6.2 per cent)

Manufacturing sales are four per cent above last year's pace due to strong year-to-date numbers in non-durables (6.8 per cent above pace) and modest growth in durables (2.3 per cent above pace). Even with transportation equipment sales moving up by a sizeable margin in the last two months, weakness



earlier in the year is a drag on this sector's year-to-date performance. Currently, this sector's pace is 1.4 per cent off last year's pace.

October's sales were supported by increased motor vehicle manufacturing and auto parts manufacturing. As noted in last month's briefing, increased production at auto plants is now getting out the door to meet demand after a period of sitting idle.

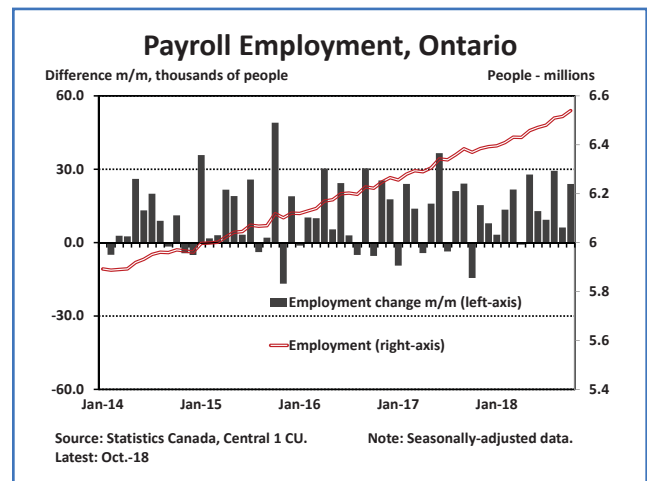
### A significant decline in energy prices slows down overall price growth in November

Headline inflation increased at a lesser rate in November compared to October coming in at 1.8 per cent down from 2.5 per cent last month (all figures in this section are year-over-year growth rates). A significant decline in energy prices helped bring down overall inflation. Excluding energy prices headline inflation came in at 2.3 per cent in November nearly identical to the growth of 2.4 per cent in October.

November's moderation in prices was due to modest goods price growth of 0.3 per cent. This is mostly due to nearly unchanged prices of durables and non-durables, which increased by 0.1 per cent. Semi-durable prices increased by 1.3 per cent and services prices increased by three per cent.

Product groups where prices continued to rise included:

- Food purchased from stores (2.0 per cent growth)
- Food purchased from restaurants (6.1 per cent growth)
- Clothing accessories, watches and jewellery (1.6 per cent growth)
- Alcoholic beverages and tobacco products (6.5



per cent growth)

- Personal care (2.3 per cent growth)
- Public transportation (5.9 per cent growth)

Energy prices—gasoline and natural gas—fell by 9.0 per cent and 3.3 per cent respectively helping to pull down overall prices in November. Electricity prices inched up by 0.3 per cent while water prices remained nearly unchanged at 4.6 per cent growth. Fuel oil and other fuels increased at a slower rate compared to last month, but still up 14.8 per cent (6.2 per cent down from last month's growth).

The average price of regular fuel at self-serve gas stations declined by 12.7 per cent to 106.4 cents in Ottawa-Gatineau and by 8.6 per cent to 111.7 cents in Toronto. In Thunder Bay, prices increased by 1.7 per cent to 134.7 cents likely due to the costs of transporting fuel to parts of northern Ontario, like Thunder Bay.

Declining oil prices have contributed to a slowdown in overall price growth in Ontario in November. Consumer spending continued to prop up prices in items such as food and personal care.

In Ontario's metro markets the rate of growth slowed down from last month. Headline inflation increased by 2.1 per cent in Ottawa-Gatineau (down from 2.7 per cent last month), by 2.1 per cent in Toronto (down from 2.7 per cent last month) and by 1.7 per cent in Thunder Bay (down from 2.1 per cent last month).

### Payroll employment rebounds in October

Following last month's weak numbers (0.1 per cent or 6,172 net new hires), October's payroll employment improved significantly moving up by 0.4 per cent or 23,969 net new hires. The gains posted this month came from stronger hiring in the goods and services sectors, which increased by 0.7 and 0.3 per cent respectively. Despite the monthly fluctuations hiring

has increased every month this year with April being the sole exception.

The following sectors posted either significant gains or losses in October:

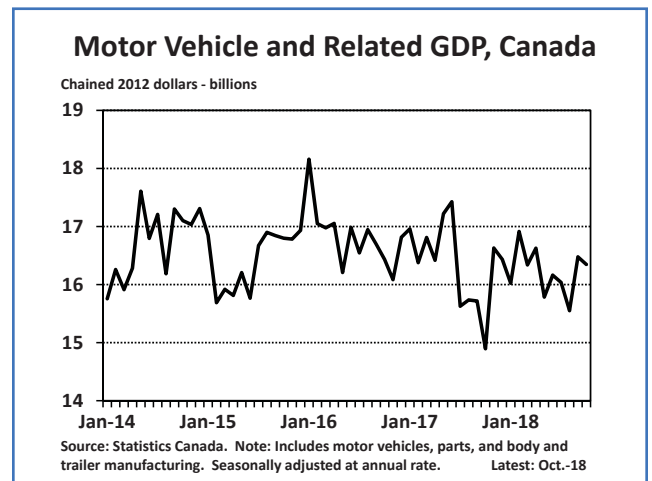
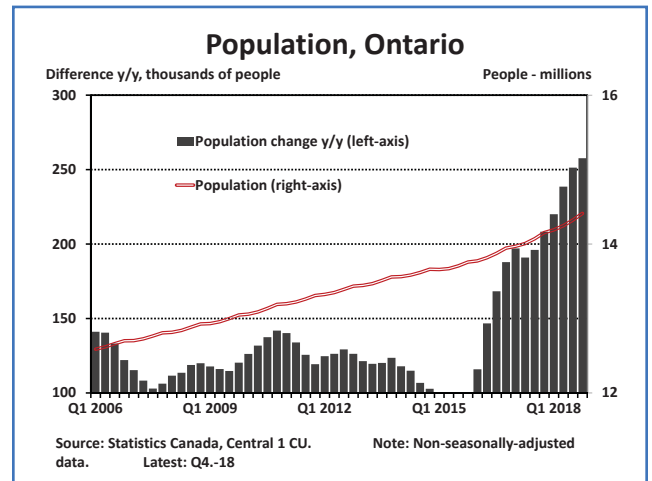
- Construction (4,531 jobs gained or 1.3 per cent growth)
- Manufacturing (3,505 jobs gained or 0.5 per cent growth)
- Retail trade (2,872 jobs gained or 0.4 per cent growth)
- Arts, entertainment and recreation (1,571 jobs gained or 1.4 per cent growth)
- Health care and social assistance (3,691 jobs gained or 0.5 per cent growth)
- Utilities (368 jobs loss or 0.7 per cent drop)
- Management of companies and enterprises (863 jobs loss or 2.4 per cent drop)
- Educational services (5,223 jobs loss or one per cent drop)

Average weekly earnings increased by 0.4 per cent or four dollars to \$1,030.27 due to slight increase in the wages of workers in the goods and services sectors. Year-over-year, the fixed-weight index increased by 3.8 per cent—a substantial increase from last month's year-over-year increase of 1.1 per cent.

Increased manufactured goods sales prompted employers to hire more workers, particularly in the auto-sector. With many plants back on-line and working to make up the gap in production, the need for employees increased. In construction, continued growth in commercial real estate has also shifted demand for workers from residential construction to non-residential. Finally, investments in healthcare—particularly hospital expansions or new construction—has increased the need for healthcare professionals.

## Ontario's population increased by 1.8 per cent year-to-date

Beginning of fourth quarter 2018 population estimates released this week by Statistics Canada, puts Ontario's population at 14.4 million and 38.7 per cent share of Canada's total population. Year-over-year, Ontario's population increased by 257,618 persons or 1.8 per cent due to very strong growth from people coming from abroad or from other parts of Canada. Net natural increase—the difference between births and deaths—remained nearly unchanged.

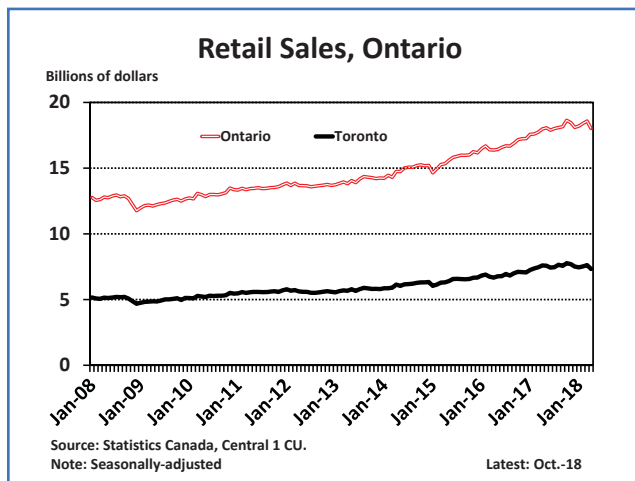


Movements of people from other provinces increased by 18,336 new residents (net gain of 5,429 people year-over-year), international migration increased by 112,078 (net gain of 35,585 people year-over-year) and non-permanent residents by 86,551 (net gain of 8,551 people year-over-year). Natural increase added 40,653 (net loss of 229 people year-over-year) net new Ontarians.

Despite month-over-month employment fluctuations, the Ontario economy continues to attract new Ontarians. Nearly unchanged net natural increase could be a result of a trend of people going to school or working longer before deciding to form a household. This is especially evident in larger metro markets, like Toronto, where the cost of living can be higher.

## Motor vehicle and parts manufacturing fell in October

Canada's industry Gross Domestic Product (GDP) reading increased by 0.3 per cent in October (all figures in this section are seasonally-adjusted at annual rate) following last month's 0.1 per cent contraction. This was due to increased activity in both the goods and services sectors that expanded by an additional 0.3 per cent in October.



Year-to-date, retail sales are 4.3 per cent above last year's pace.

Toronto Census Metropolitan Area's (CMA) retail sales volumes increased by 1.8 per cent in October to \$8 billion. Year-to-date sales volumes continued to track higher than 2017 by 2.1 per cent.

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Manufacturing increased by a robust 0.7 per cent to \$200.4 billion. However, strength in overall manufacturing did not translate to motor vehicle and parts manufacturing which posted a 0.8 per cent decline month-over-month to \$16.3 billion. Individually, motor vehicle parts manufacturing increased 1.5 per cent to \$9.3 billion but could not offset the drop in activity in motor vehicle manufacturing (2.3 per cent decline to \$6.1 billion) and motor vehicle body manufacturing (7.3 per cent decline to \$1.2 billion).

### Retail sales increased 1.1 per cent in October

Ontario's seasonally-adjusted retail sales increased by 1.1 per cent in October to \$19.3 billion due to growth across most categories with a few exceptions. Among large sectors, the following posted gains or losses in October (all figures below seasonally-adjusted):

- Motor vehicle and parts (5.3 per cent growth)
- Building materials, gardening, etc. (6.4 per cent growth)
- Health related (4.6 per cent growth)
- Gasoline stations (two per cent growth)
- Food and beverage (0.2 per cent drop)
- General merchandise (1.4 per cent drop)

Strong growth in used car dealerships and auto parts and tire shops, helped raise motor vehicle and parts retail sales. More consumers are continuing to tighten belts and look for bargains in big-ticket items. With prices of food and beverages continuing to move up, consumers again moderated consumption of these products. A rise in gasoline prices in October contributed to a further increase in retail sales volumes in gasoline stations.