Ontario Economic Briefing

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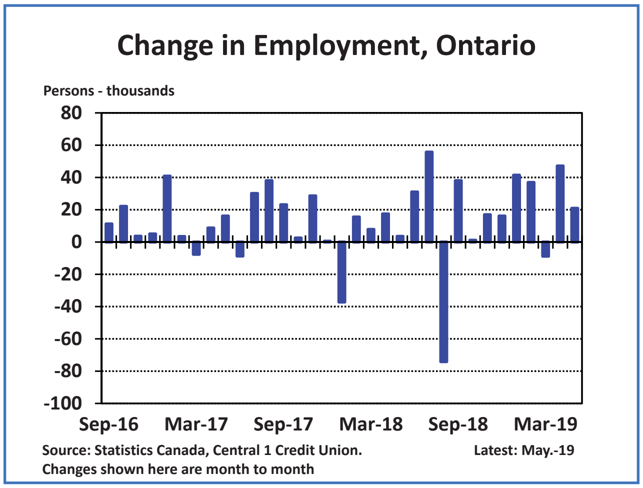
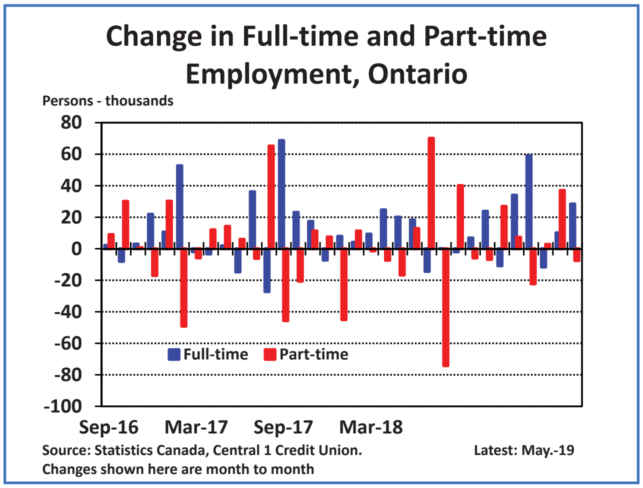
Highlights:

- Unemployment rate fell from 6.0 per cent in April to 5.2 per cent in May
- Ontario exports increased by 3.4 per cent in April, negative trade balance declines slightly
- Average price growth in Toronto's resale market was 3.1 per cent in May





Strong full-time hiring in the services-sector helped lower the unemployment rate in May

Ontario's economy continued to expand in May but at a slower pace than the previous month due to greater creation of full-time positions to offset the loss of part-time positions. During May employment increased by 0.3 per cent (down from 0.6 per cent growth in April) or 20,900 net new jobs. Of those net new jobs in May 28,400 were new full-time positions while 7,500 part-time positions were shed. Moreover, full-time employment growth ramped up in May increasing by 0.5 per cent month-over-month up from 0.2 per cent in April.

Despite strong growth in employment, the labour force fell in May by 44,000 potential workers (0.6 per cent month-over-month decline). This marked the first time since October 2018 that the labour force contracted month-over-month in Ontario. With a boost to employment and a drop to the labour force, the unemployment rate in Ontario declined from 6.0 per cent in April to 5.2 per cent in May.

Job creation in May was mostly from the services-sector. In fact, the only goods-producing sector to expand employment was agriculture, which hired 3,500 net new workers (5.0 per cent increase month-over-month). Despite strong hiring in this sub-sector, there were significant job losses in construction (-2,800 net jobs, down 0.5 per cent month-over-month), manufacturing (-5,700 net jobs, down 0.7 per cent month-over-month) and utilities (-1,100 net jobs, down 1.9 per cent month-over-month), which easily offset the gains to agriculture. Strong fruit and vegetable prices likely increased hiring in this sector as producers want to increase production to take advantage of increased prices for their products. It is likely that the decline in the labour force came from discouraged workers in the goods sector. With trade-related tensions affecting trade and policies aimed at tempering mortgage credit growth, employers in manufacturing and residential and non-residential construction may be taking a more cautious approach to hiring.

In services, employment increased in large sectors such as professional, scientific and technical services (11,800 net new jobs or 1.8 per cent growth month-over-month); business building services (400 net new jobs or 0.1 per cent growth month-over-month); and, health and social services (12,800 net new jobs or 1.5 per cent growth month-over-month). Ontario's tech hubs such as Ottawa, Kitchener-Cambridge and Waterloo need to fill positions in their start-ups, which is likely the reason for increased hiring in professional and business building services. With an increasing provincial population due to strong immigration, there is an increased need to provide social and health services.

Ontario's exports increased by 3.4 per cent in April, despite decreased exports in several large sectors

Strong exports in April revealed the province's trade balance has shrunk for two consecutive months. Ontario's exports increased by 3.4 per cent to $17.3 billion (all figures are seasonally adjusted by Central 1 unless otherwise noted in this section) while imports grew modestly by 0.1 per cent month-over-month to $30.3 billion.

Over the first four months of 2019, exports remained 3.1 per cent above last year's pace while imports remained 4.6 per cent above pace. Even with increased trade-related noise and uncertainty, year-to-date exports in 2019 are comfortably above the pace set in 2018 over 2017.

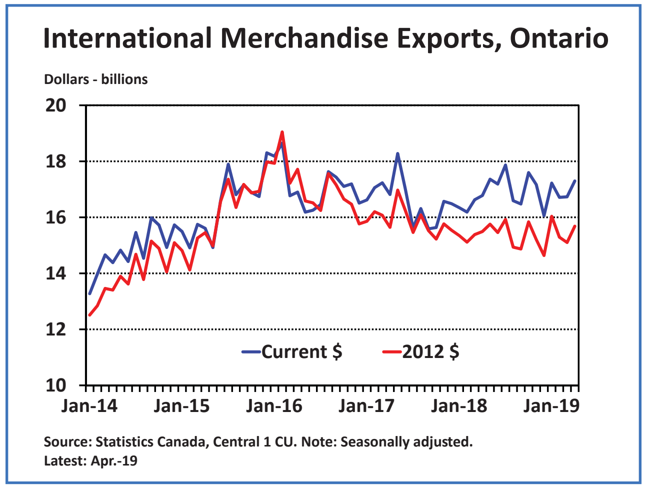
The export gains posted in April were not broad-based. In fact, several of the twelve categories tracked posted weaker exports in the month. The gains this month came from the following sectors:

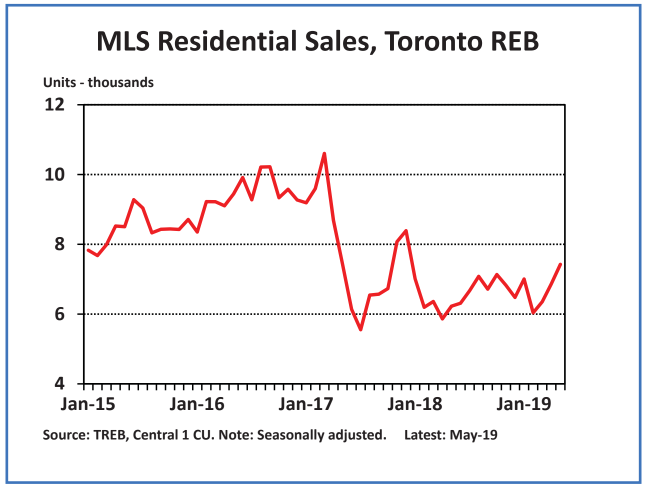
- Metal and non-metallic mineral products (28.0 per cent growth)
- Industrial machinery, equipment and parts (8.0 per cent growth)
- Farm, fishing and intermediate food products (11.5 per cent growth)
- Consumer goods (6.9 per cent growth)

Motor vehicle and parts exports, which accounts for around 33.0 per cent or more of total exports from Ontario, fell by 2.7 per cent in April.

Increased demand for gold, especially in the banking sector, raised exports of metal and non-metallic mineral products. Much of this gold was exported to Hong Kong and the United Kingdom. Farm, fishing and intermediate food product exports were buoyed by increased exports of wheat to make up for the decline in canola exports. The decline in canola exports stems from China's decision to decrease the quantity of canola that enters its shores from ours. Atypical plant closures in April affected the exports of motor vehicle and parts exports.

Businesses continued to take advantage of stagnant interest rates and replaced industrial machinery,





equipment and parts in preparation for when current economic uncertainty subsides and economic growth returns to full potential.

Toronto's resale market continued to expand nicely in May

Toronto's existing homes market continues to make up for lost time. After the deep freeze of February, the market is now chugging along nicely. In May, sales increased by 8.2 per cent month-over-month to 7,426 total units (all values are seasonally adjusted by Central 1 in this section unless otherwise stated). With that activity, Toronto's market has now posted three consecutive months of robust sales growth. Moreover, average price growth came in at a healthy 3.1 per cent, or $794,935, which is the first-time month-over-month average price growth has surpassed 3.0 per cent since last July.

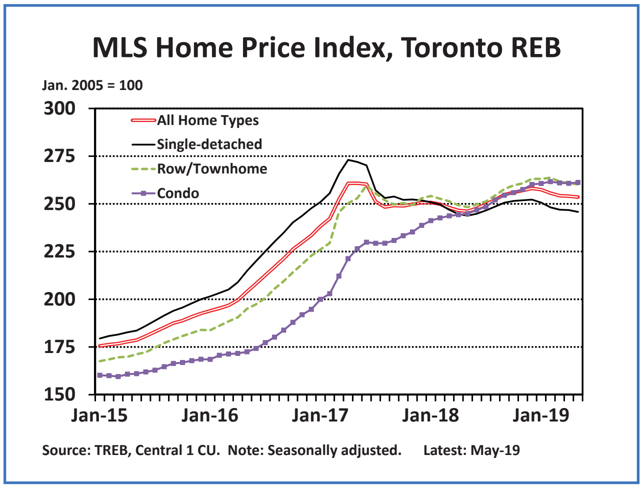
Price growth was fueled by a lack of supply relative to strong sales growth in May. New listings increased by only 1.1 per cent in April to 13,145 total units (or 143 net new listings to 560 net new sales). With constrained supply in the market, listings spent an average of 19 days on the market, which is well below the

2019 monthly average of 23.4 days. It seems potential buyers were out looking and snapped up homes as quick as they came on board.

The market tightened significantly in May. The sales-to-new-listings-ratio (SNLR)—a rough metric to measure market tightening—came in at 56.5 per cent in May up from 52.8 per cent in April. While the market remains balanced with April's metrics, it is inching closer to the doorstep of a sellers' market, which is anything greater than 60.0 per cent in Toronto.

Over the first five months of the year, sales in Toronto remained 6.4 per cent above last year's pace, new listings 1.2 per cent above pace and average price 1.9 per cent above pace.

According to the Toronto Real Estate Board's (TREB) housing price index metric by home type, the overall index is up 2.7 per cent over last year due to strong growth to high-density housing such as townhomes (4.3 per cent year-over-year) and condo apartments (7.3 per cent year-over-year) while single-detached homes are up slightly (0.2 per cent year-over-year). According to data from the Canada Mortgage and Housing Corporation (CMHC), in Toronto's census metropolitan area's (CMA) 57 per cent of the owned housing stock is single-detached housing. With current mortgage credit rules, buyers are looking closer at high-density options. Weaker growth to the single-detached housing market continued to constrain supply. Many owners continue to choose not to list their single-detached home rather than not get the price they feel their home is worth.



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