

Highlights:

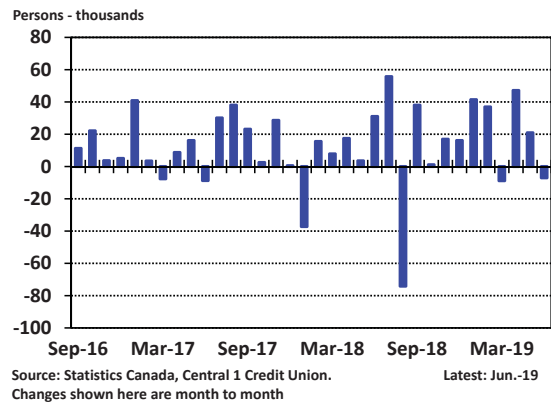
- Ontario's unemployment rate edged up to 5.4 per cent in June
- Exports increased 3.4 per cent in May
- Tourists spent \$1.0 billion in Ontario in the first quarter of 2019
- Home sales and new listings growth declined in Toronto month-over-month in June

Ontario shed 7,000 net jobs in June

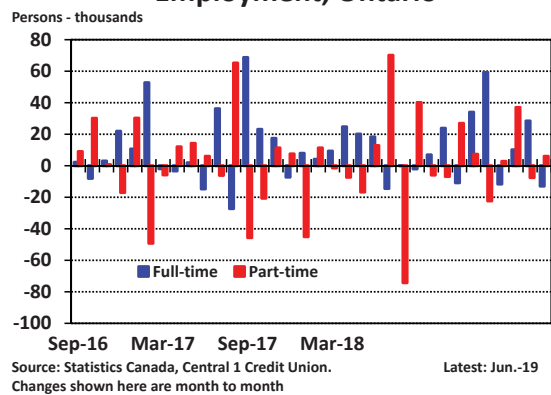
The latest Labour Force Survey from Statistics Canada points to a decrease in employment in June of 7,000 net workers or 0.1 per cent in June over May. The loss of jobs came from a significant shedding of full-time jobs, 12,900 net jobs or 0.2 per cent month-over-month decline, that could not be off-set by part-time hiring of 6,000 net workers or 0.4 per cent month-over-month growth. Over the course of 2019 this is only the second time that jobs losses have occurred month-over-month. Moreover, the decline in hiring in June halted two strong months of hiring in April and May. Despite this month-over-month decline employment in Ontario in 2019 is up from the same corresponding month in 2018 by an average of 2.7 per cent.

The labour force expanded in June by 15,800 net workers or 0.2 per cent month-over-month. With the expansion of the labour force and some shedding of jobs the number of people currently unemployed increased by 22,700 net workers. Inflows of people from other parts of Canada, and the world, are moving to Ontario looking for work opportunities putting upward pressure on the labour force and increasing the number of unemployed people for most of the year. As the need to provide goods and services to a greater number of people intensifies the number of unemployed should diminish gradually over time. Also, typically from May to August students leave school, high school or post-secondary institutions, and enter the job market leading to some added bloat to the labour force.

Change in Employment, Ontario



Change in Full-time and Part-time Employment, Ontario



With an increased labour force and shedding of jobs the unemployment rate in June edged up to 5.4 per cent from 5.2 per cent in May. Despite the uptick in the unemployment rate in June compared to all Junes from 2008 to 2016 it is significantly below the 7.1 per cent average.

Over the first half of the year employment is up 2.5 per cent from the first half last year. Moreover, of the nearly 180,000 net jobs created in 2019 over 2018 over 72 per cent of those jobs are full-time jobs. The unemployment rate has remained unchanged at 5.7 per cent.

Both the goods and services sector shed jobs in June. By specific area the following posted weaker jobs numbers month-over-month:

- Construction (9,100 net job losses)
- Wholesale and retail trade (14,300 net job losses)

- Finance, insurance, real estate, and leasing (5,700 net job losses)
- Accommodation and food services (4,500 net jobs losses)
- Public administration (1,500 net job losses)

With decreased demand for new residential and non-residential investments construction jobs continued to evaporate. Cautious behaviour by consumers avoiding big-ticket items or too many unnecessary purchases likely led to the deflated jobs numbers for wholesale retail trade and finance, insurance, real estate, and leasing. The job losses in public administration were likely linked to the provincial government’s continued reconfiguration of services; particularly in public health.

Trade balance decreases for second straight month in May due to stronger exports

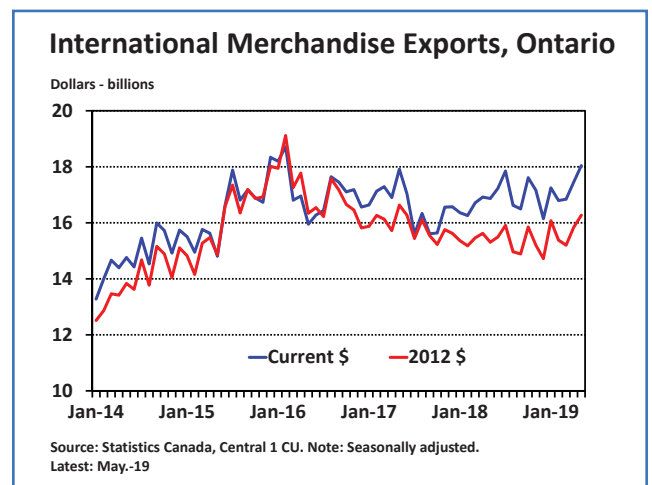
Ontario exports have increased substantially over the last two months outstripping growth to imports thus narrowing the trade balance. In May, exports increased a further 3.4 per cent to \$18.0 billion on top of the 3.6 per cent growth in April. On the other hand, imports increased by 1.1 per cent to \$30.8 billion on top of the 0.7 per cent growth in April.

Over the first five months of 2019 both export and import volumes have outpaced each corresponding monthly volume from 2018 thus year-to-date exports are up by 3.9 per cent and imports are up by 4.7 per cent.

By specific sector, many sectors turned exports around in May after posting lower exports in April helping to lift overall volumes. Only two sectors posted growth over April and May: farm, fishing and intermediate food products, and consumer goods. Specifically, the following major sectors posted stronger volumes growth in May:

- Motor vehicles and parts (12.2 per cent growth)
- Electronic, and electrical equipment and parts (4.8 per cent growth)
- Aircraft, and other transportation equipment and parts (111.7 per cent growth)

Exports of passenger cars and light trucks contributed the increase to motor vehicle and parts in May. After atypical plant closures in April many plants came back on-line in May. Increased production in these plants lifted this sector’s volumes.



U.S. and Chinese tourists accounted for over 60 per cent of tourism expenditures in Ontario in the first quarter of 2019

According to data compiled by Statistics Canada for Destination Canada in the first quarter of 2019, tourists spent \$1.0 billion dollars in Ontario with the vast majority of that spent on accommodation (34.2 per cent), food and beverage (27.9 per cent), clothes and gifts (15.4 per cent), and transportation (11.5 per cent).

At a more granular level, the data is broken down by broad regions with overall tourist expenditure shares as follows:

- The Greater Toronto Area (\$491.8 million, 48.6 per cent)
- Niagara Falls and wine country (\$111.8 million, 11.1 per cent)
- Ottawa and countryside (\$122.3 million, 12.1 per cent)
- Rest of Ontario (\$285.6 million, 28.2 per cent)

	Dollar	Share
Australia	17,034	1.7%
China	103,754	10.3%
France	17,715	1.8%
Germany	14,322	1.4%
India	13,677	1.4%
Japan	15,841	1.6%
Mexico	29,623	2.9%
Other	237,389	23.5%
South Korea	16,607	1.6%
UK	37,905	3.7%
USA	507,742	50.2%
TOTAL	1,011,610	100.0%

From the data above, the majority of tourists in the first quarter kept their visits to the GTA

By specific country, tourists hailing from the U.S. and China spent the most in Ontario in the first quarter accounting for 60.4 per cent of the \$1.0 billion spent during the quarter.

Toronto's home sales declined by 3.9 per cent in June

Positive momentum the Toronto existing homes market experienced over the last three months after a harsh February came to an end in June. Home sales contracted by 3.9 per cent month-over-month to 7,121 units (all figures seasonally adjusted by Central 1).

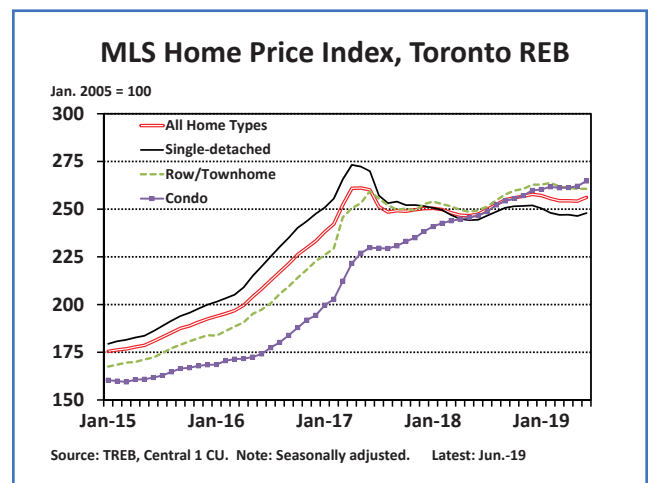
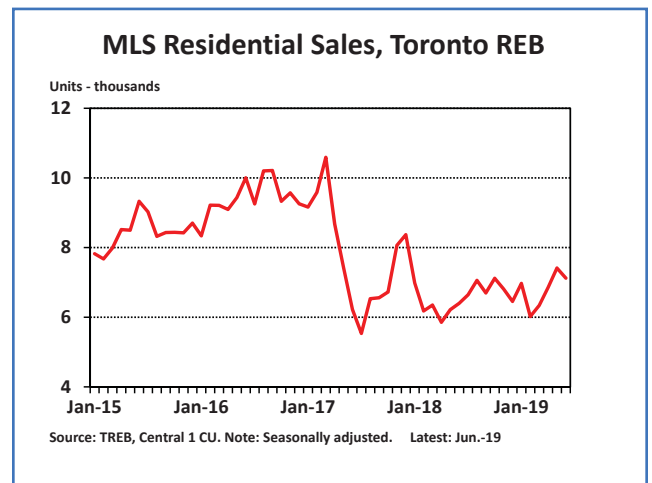
In the second quarter home sales are down by 7.0 per cent compared to the second quarter average from 2010 to 2019. Typically, the second quarter is a period of brisk activity. Slowing activity relative to the longer-term trend is a concerning situation.

Like sales, new listings also gave back growth in June contracting by 5.0 per cent to 12,417 units. Yet despite less demand, in the form of sales, and less supply, in the form of new listings, the average price of all existing homes continued to climb in June by 1.8 per cent to \$808,942 adding to the 2.7 per cent growth in May. With a slightly stronger contraction to supply relative to the contraction in demand the sales-to-new-listings-ratio tightened slightly in June over May moving up to 57.3 per cent up from 56.7 per cent. Despite a bit of tightening according to this metric the overall market remained well within a balanced market.

Notwithstanding this month's slowdown in activity over the first six months of 2019, sales and new listings remained up from the same period last year by 7.2 per cent and 1.0 per cent. Double-digit growth, year-over-year, from April to June were able to keep sales above last year's trend. Average home price also remained above last year's pace by 2.1 per cent due to slightly stronger price growth in each month of 2019 compared to last year.

According to the Toronto Real Estate Board's (TREB) housing price index metric by home type, the overall index is up 2.9 per cent over last year due to continued price growth in higher-density housing such as townhomes (4.3 per cent) and condo apartments (7.3 per cent) while single-detached home prices are up very slightly (0.4 per cent).

The continued shift to higher-density housing in the Toronto market is evidence that the mortgage stress



test continues to be a binding constraint for buyers. Unable to get a large enough loan to purchase a low-rise homes, buyers substitute away from this housing type to higher-density housing. Moreover, continued uncertainty in the economy is keeping increasingly more potential buyers in the sidelines as seen through less month-over-month sales activity in June, a typically strong month for the housing industry.

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