Ontario Economic Briefing

Volume 25 • Issue 36 • Week of September 2 - 6 2019 | ISSN: 1981-355

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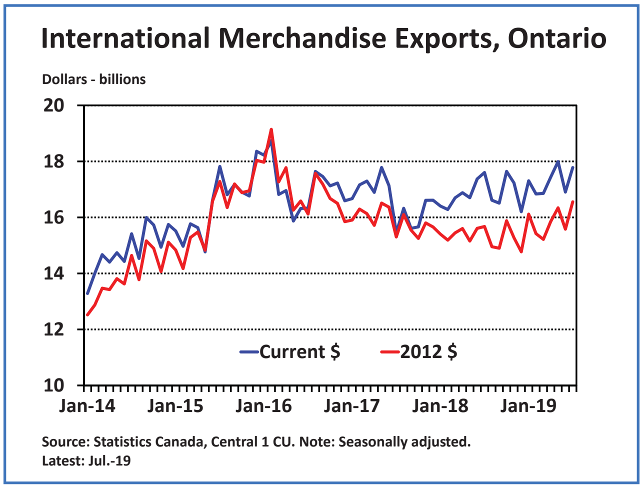
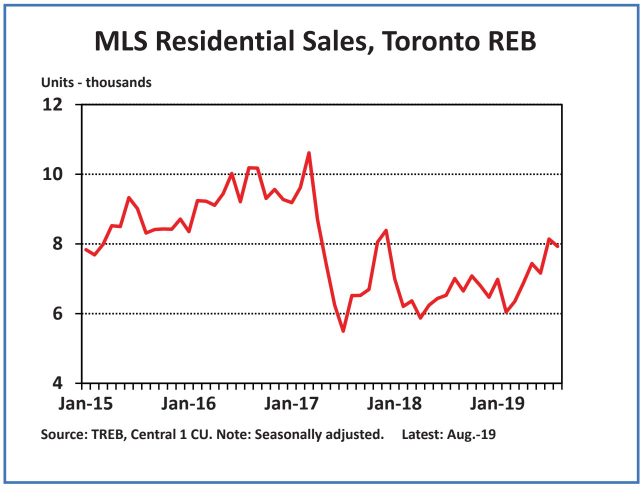
Highlights:

- Several sectors posted strong growth pulling up exports by 5.2 per cent in July
- Existing homes sales and new listings clawed back
- Unemployment rate inched down to 5.6 per cent in August, part-time job creation strong





Trade activity wakes up in July after snoozing in June

Both imports and exports rebounded in July after posting weak numbers in June. Imports grew at a faster clip (6.4 per cent to $31.0 billion) than exports (5.2 per cent to $17.8 billion), which helped to put the trade balance in the red. Year-over-year imports grew at a faster clip as well, at 3.1 per cent compared to a milder 1.1 per cent for exports.

Over the course of the first seven months of the year, imports have outpaced last year's total by 3.7 per cent while exports have also outpaced last year by 2.7 per cent. For most of 2019, imports have stayed significantly above the pace set in both 2018 and 2017 while exports have mostly traced the path set in 2017, which was a tad higher than the path of 2018. Therefore, despite all the trade-related uncertainty in 2019, trade volumes have not faltered as much as would be expected.

Several key sectors posted stronger gains in July among them:

- Metal and non-metallic mineral products (7.1 per cent growth)
- Motor vehicle and parts (6.7 per cent growth)
- Consumer goods (8.2 per cent growth)
- Industrial machinery, equipment and parts (6.6 per cent growth)
- Basic and industrial chemical, plastic and rubber products (3.5 per cent growth)

Exports of metal and non-metallic mineral products increased due to a pick-up in gold exports. Exports of unwrought aluminum were also up in July, the first full month after the removal of U.S. tariffs on Canadian aluminum.

This may be short lived despite increased sales activity in July. Metrics such as the Ivey Purchasing Managers' Index point to a Canadian index that in 2019, has remained significantly below the same corresponding month's value in 2018 for all months so far. Business confidence continues to erode given trade-related uncertainty. The increased export activity posted in July is likely exporters catching up on the backlog of orders and not necessarily growth in new orders.

Toronto's existing homes market cools in August after very strong activity in July

Supply of units declined in August with new listings falling by 6.0 per cent to 12,824 seasonally adjusted units (all figures in this section seasonally adjusted by Central 1 unless otherwise noted). This is a stark contrast to July where new listings increased by 9.1 per cent. Despite the strong pull-back in supply in August compared to the long-term average, August's new listings in Toronto are in line with long-term average.

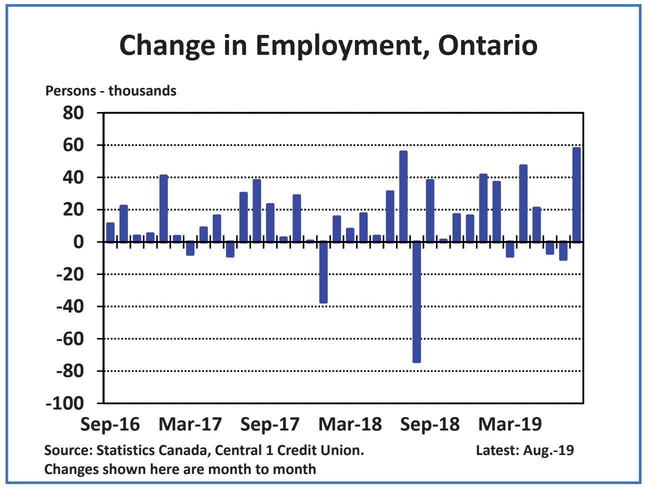
The strong pull-back in supply could be attributed to two factors: very strong sales in July drew down inventories as evidenced by both weaker active listings (down 0.7 per cent); and the previously mentioned moderation of new listings. Modest price growth is another factor for less supply and is keeping some potential sellers firmly planted on the sidelines. In July, prices increased by 2.3 per cent, while in August prices increased by 1.3 per cent—a full per cent lower than the previous month settling at $838,287. Moreover, potential buyers may be acting prudently by holding off from making a big ticket purchase, such as a home, until economic uncertainty settles. Sales of existing homes in Toronto fell by 2.6 per cent to 7,931 units.

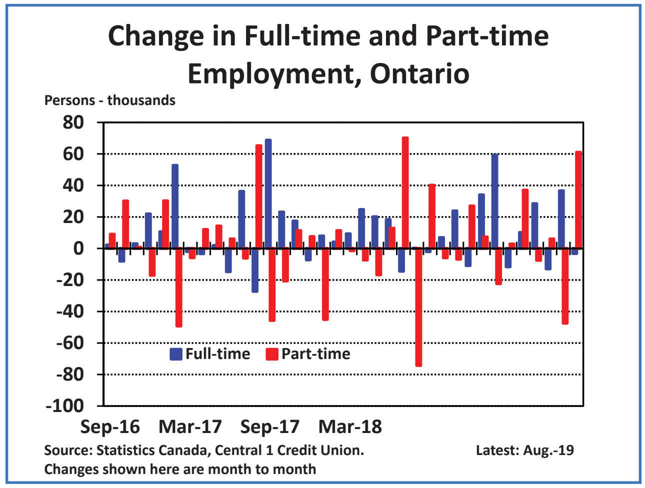
Since May, the average days on the market have gradually increased from 19 to 25. Over the course of the first eight months of 2019, the average days on the market was 23.3 compared to 24 last year. Buyers are cautious looking for a good deal, especially on a high-density home, or they may have just stopped looking until the dust settles. As a result, homes for sale remain on the market a tad longer. Other potential sellers see this and decide not to list or remove their listing altogether.

From March to May, sales growth was quite healthy, and it looked like the market was starting to stabilize. The market has since flipped flopped over the last three months as economic uncertainty continues to seep into the home buying market, especially in Toronto, which is one of the most expensive markets in the country. Buyers do not want to be left holding a large debt load if they are uncertain about the future as it pertains to employment prospects, wage growth or business investment.

Over the first eight months of 2019, sales are up by 10.2 per cent and new listings are up by 0.9 per cent. Average price growth is up by 2.9 per cent. This year has been a year of buyers looking for deals and a very sticky supply as sellers seem stubborn to put their homes on the market.

Overall benchmark home prices—a measure of equal quality homes—increased by 1.4 per cent in August which was a tad slower than the 1.5 per cent posted in July, but still a strong rate of month-over-month growth. Buyer demand for affordable higher density housing is keeping benchmark prices up. Townhome prices increase robustly from 0.8 per cent in July to 2.4 per cent in August. Single-detached home and condo apartment price growth slowed in August to 1.4 per cent (from 1.5 per cent) and 1.2 per cent (from 1.4 per cent) respectively.





Strong part-time growth lifted employment numbers in August at the expense of full-time work

The latest results from Statistic Canada's *Labour Force Survey* points to a lower unemployment rate in August which settled at 5.6 per cent down from 5.7 per cent in July. Ontario's unemployment rate had been on an upward trajectory since May and the turnaround in August can be attributed to stronger employment growth (0.8 per cent or 57,800 net new jobs) that offset gains in the labour force and new entrants to the labour force (0.7 per cent growth or 55,300 net new entrants) . In this month's report, all employment growth came from part-time labour. This sector created 61,000 net new jobs while full-time employment shed 3,200 net jobs. Over the last three months, both part-time and full-time have flipped flopped from growth one month to declines the next. This could simply be variability in survey respondents or employers are hedging their bets and not hiring full-time and prefer to hire part-time workers that are a bit cheaper (i.e.,job agencies, no benefits, minimum wage) given economic uncertainty, especially through trade. Another likely reason for the strong gains in part-time work over full-time work could be youth that were out of school during this period who took on a job or two to make some money for personal expenses or school or both.

Year-over-year, the labour force is up 3.3 per cent while employment is up 3.5 per cent with over 63 per cent of full-time jobs created. Despite full-time work accounting for the majority of employment created, part-time work is growing at a fast pace of 7.0 per cent compared to 2.7 per cent for full-time work.

In August, the private sector added 66,200 net new hires, while the public sector shed jobs 22,100 net jobs. Self-employed workers increased by 13,700. Self-employed work has increased over the last two months and over seven of the first eight months of 2019. Increases in this sector may be a signal of growth in areas like tech or the “gig economy”, where people are trying to go above and beyond their regular job to make ends meet.

The services sector contributed over 85 per cent of the 57,800 net jobs created in August. By specific sub-sector the following posted strong activity, up or down:

- Manufacturing (created 1,400 net new jobs)
- Construction (created 3,000 net new jobs)
- Trade (created 19,000 net new jobs)
- Business building (shed 9,300 net jobs)
- Educational services (shed 3,000 net jobs)
- Health and social services (created 13,900 net new jobs)
- Finance, insurance, real estate, and leasing (created 13,000 net new jobs)

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