

## Highlights:

- Tight housing market lifted average home price by 1.0 per cent in November
- Weaker durable and non-durable sales pulled down total sales by 3.1 per cent in October
- Inflation came in at 1.9 per cent in November
- Strong hiring in the services-sector boosts overall non-farm payroll hiring in Ontario
- Ontario's population increased 1.8 per cent year-over-year by the start of the fourth quarter 2019
- Retail sales fell by 2.0 per cent in October

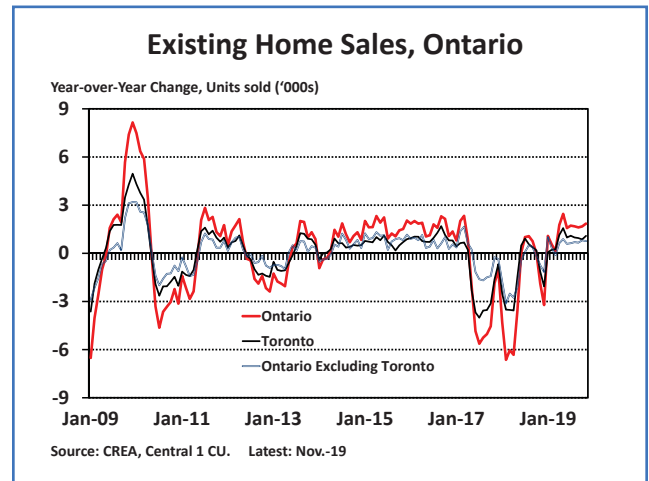
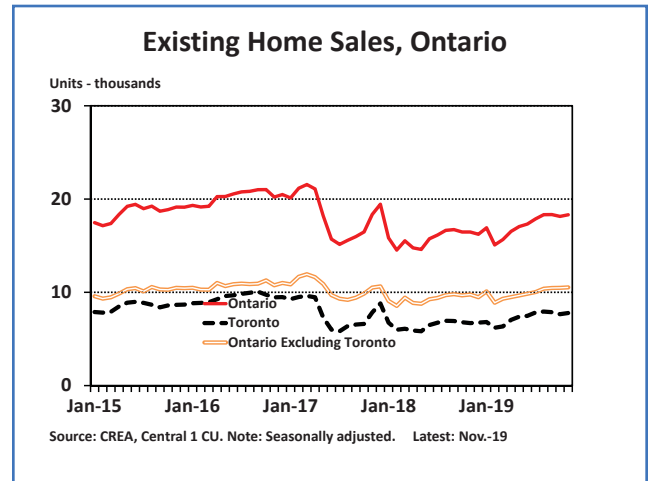
## Ontario's housing market remains very tight, average home prices continued to climb

The sales decline of 1.1 per cent posted in October was short lived as existing home sales rebounded in November by 1.0 per cent, according to the Canadian Real Estate Association (CREA). Moreover, year-over-year growth intensified in November with sales coming in at 11.2 per cent higher than the 10.2 per cent posted in October. Year-over-year sales growth has now been trending up over the last three months. With that growth year-to-date sales remained 9.3 per cent above last year's pace.

The opposite is true of new listings which declined a further 5.5 per cent adding to the 4.0 per cent decline in October and the 2.3 per cent decline in September. New listings have now falling for four consecutive months. With that period of declining supply new listings over the first 11 months of the year are now at the same level they were last year.

Months of supply also trended down in November, falling to 2.0 months from the 2.1 months posted in October. Year-to-date, months of supply stood at 2.4 months down from 2.8 months in 2018.

Undoubtedly, the current state of the market - where sales activity is strong but supply is not keeping up - has tightened the market as evidenced by lower months of supply. Increased competition for listings pushed the average price up by 1.0 per cent in November to \$628,234 adding to the 0.6 per cent growth from October. Over the first 11 months of the year,



average price in 2019 is 6.0 per cent above the pace set last year at \$601,294.

Year-to-date, existing home sales in the Greater Golden Horseshoe (GGH) markets have grown by 12.2 per cent, whereas markets outside the GGH have grown by 5.1 per cent. With November's numbers in the books year-to-date activity in GGH and non-GGH markets intensified from what was quoted in last month's report with non-GGH markets posting a bigger pick-up.

Over the first 11 months of 2019, there were notable numbers in the following large markets:

- Barrie: up 19.8 per cent
- Durham region: up 18.1 per cent
- Hamilton-Burlington: up 10.9 per cent
- Kitchener-Waterloo: up 3.9 per cent
- Ottawa: up 6.2 per cent

- Quinte: up 4.9 per cent
- St. Catharines: up 12.1 per cent
- Sudbury: up 1.8 per cent
- Toronto: up 12.9 per cent
- Thunder Bay: up 0.1 per cent
- Windsor-Essex: up 5.7 per cent
- York region: up 19.5 per cent

With CMHC's First-time Homebuyer's Program finally translating into market activity in November, coupled with supportive mortgage rates and population growth, several markets saw activity increase month-over-month.

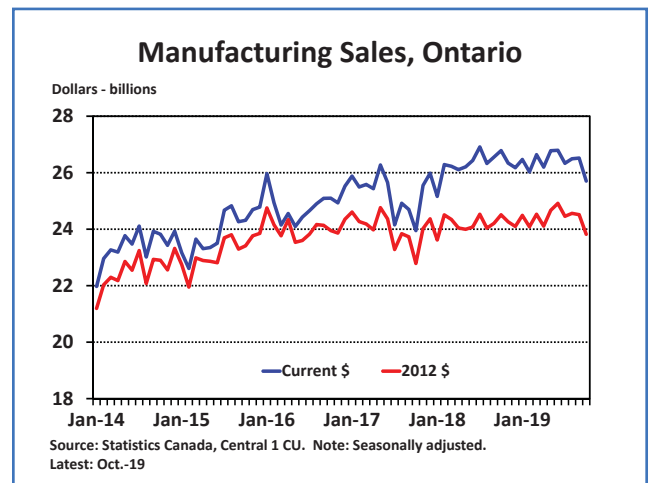
### Several sectors contracted, pulling down October's manufacturing sales by 3.1 per cent

Ontario manufacturing sales fell 3.1 per cent in October after remaining nearly unchanged in September (inching up 0.1 per cent). The large drop in sales volumes came about due to weaker sales numbers across various sub-sectors in both durable and non-durable goods. Of the 21 categories surveyed each month 13 posted lower sales. Non-durable sales fell by 1.6 per cent and durable sales fell by 4.0 per cent.

Year-to-date, overall manufacturing sales are still very slightly above last year's pace (up 0.4 per cent). Non-durable goods sales remained 2.1 per cent below last year's pace while durable goods sales are still 1.9 per cent above pace.

In October, the following large sub-sectors posted activity, either up or down:

- Food manufacturing (down 0.2 per cent)
- Plastics and rubber products manufacturing (down 8.7 per cent)
- Chemicals (down 2.5 per cent)
- Paper (up 2.6 per cent)
- Petroleum and coal products (up 0.3 per cent)
- Primary metals (down 7.0 per cent)
- Fabricated metal products (down 11.1 per cent)
- Machinery (down 5.2 per cent)
- Transportation equipment (down 3.4 per cent)
- Computer and electronic products (up 1.6 per cent)



Sales of transportation equipment were down for the second consecutive month. The decline was mainly attributable to lower sales in the motor vehicle assembly and motor vehicle parts industries. This reflected lower activity at some assembly plants as well as at several parts plants which were impacted by the United Auto Workers strike in the U.S.

Sales of fabricated metal products decreased in October. The decreases in October were widespread across the fabricated metal industries but more pronounced in the boiler, tank and shipping container as well as the other fabricated metal product industries.

In the petroleum and coal product industry, sales rose in October. Several major refineries ramped up production following shutdowns and maintenance in September.

Year-to-date, aggregate manufacturing sales in the big three metro centres of Toronto, Hamilton, and Ottawa-Gatineau are still above last year's pace by 0.3 per cent. Sales remained 3.4 per cent above pace in Hamilton and 0.8 per cent above pace in Ottawa-Gatineau, sales in Toronto are down a hair (0.1 per cent). Sales growth outside Ontario's big three markets are a bit stronger over the first 10 months of the year (up 0.4 per cent).

### Jump in energy prices lifted overall inflation in November

Headline inflation increased in November over October coming in at 1.9 per cent (year-over-year figures) slightly higher than the 1.7 per cent posted in the previous month. November's increase was driven by the goods sector which saw its prices increase 2.3 per cent (up from 1.1 per cent in October) due to growth in all its sub areas but particularly non-durable goods which saw its prices move up 3.4 per cent (up from 1.5

per cent in October). The rate of growth of services slowed down in November with prices higher 1.6 per cent in November compared to 2.1 per cent in the previous month.

Shelter costs increased slightly due to an uptick of costs associated with homeownership. The rate of price growth for rented shelter slowed down in November.

Energy prices, specifically electricity and gasoline, helped largely push price growth higher in November. The index excluding energy came in at 1.8 per cent growth in November.

Clothing saw a sizeable increase in prices in November coming in at 2.4 per cent, up from 1.3 per cent in October.

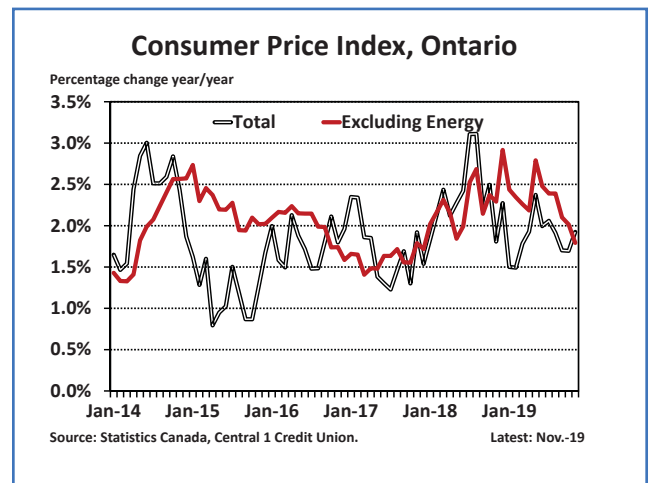
Transportation costs went up in November to 3.8 per cent from 2.0 per cent in October due to a significant jump in private transportation costs. The rate of growth of public transportation costs remained unchanged.

General price growth increased in Toronto (up 0.1 percentage point to 1.8 per cent) and Ottawa-Gatineau (up 0.5 per cent to 2.5 per cent) but the pace of price growth remained unchanged in Thunder Bay coming in at 1.1 per cent.

Electricity prices increased in November due to an increase in the time-of-use pricing rates, which was partially offset by higher subsidies for consumers. Gasoline prices jumped in November. This increase, the first since October 2018, was attributable to sharply lower prices in November 2018, when global oil prices fell amid a supply glut caused by reactions to emerge international political uncertainties. The jump in gasoline prices made using private transportation more expensive.

### **Average weekly earnings kept growing in October, fourth consecutive month of growth**

Non-farm payroll employment rebounded in October, posting 0.1 per cent growth over September or 3,456 net jobs. This comes on the heels of last month's robust shedding of over 17,000 net jobs in both the goods and services sectors. In October, the goods sector continued shedding jobs (down 0.2 per cent) while services rebounded (up 0.1 per cent) and contributing wholly to October's job gains.



Manufacturing shed over 4,700 jobs in October overshadowing strong gains in construction (up over 2,200 jobs) and utilities (up over 320 jobs).

In the services sector, strong hiring in retail trade (up 1,346 jobs), transportation and warehousing (up 2,244 jobs), finance and insurance (up 1,134 jobs), professional, scientific and technical services (up 1,817 jobs), and, administrative and support, waste management and remediation services (up 6,058 jobs) contributed to keeping hiring in this sector in the black.

Year-to-date, non-farm payroll employment is 2.1 per cent above last year's pace, with services and goods up 2.5 per cent and 1.5 per cent, respectively.

Average weekly earnings increased for the fourth consecutive month in October by an additional 0.1 per cent to \$1,064.25 with average weekly earnings in the goods-sector and services-sector moving up 0.1 per cent respectively. Year-over-year, the fixed-weight index grew by 3.6 per cent in October, a faster pace of growth from the 2.8 per cent posted in September.

### **Strong immigration kept Ontario's population growing**

Ontario's population increased by 1.8 per cent at the start of the fourth quarter of 2019 compared to the same period last year. Over the first three quarters of 2019 population growth has averaged 1.8 per cent, much stronger growth than the 1.7 per cent over the same period last year.

A significant portion of the year-over-year population growth at the start of the fourth quarter came from immigration (up 45.4 per cent year-over-year) and natural increase, the difference between births and deaths, which moved up by 2.5 per cent. Interprovin-

cial migration and non-permanent residents while still strong components of population growth declined by 57.3 per cent and 7.8 per cent respectively.

Ontario's diverse economy continues to attract working-age adults particularly to many growing sectors in services such as professional and scientific services and health and social assistance that are facing growing skilled-labour shortages. As many of these working-age adults settle they start growing their families in their new home.

### Retail sales fall sharply in October

Retail sales fell by 2.0 per cent in October over September in Ontario after posting 0.5 per cent growth in the previous month. Sales have now flipped flopped between periods of growth and decline over the last four months. Retail sales in the Toronto metro area and all other areas in Ontario excluding Toronto fell sharply by 2.0 per cent and 2.1 per cent respectively.

Retail sales were down in Ontario in October largely from declines at motor vehicle and parts dealers, following three consecutive months of growth for the subsector.

Over the first 10 months of the year, despite the recent period of up and down growth, retail sales in 2019 have remained 2.3 per cent above last year's pace. Even though year-to-date sales are still above pace, the rate of growth has slowed down from the same time last year when sales were 4.8 per cent above pace. Uncertain economic times is definitely making consumers a bit more prudent when they go out to the shopping malls.

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