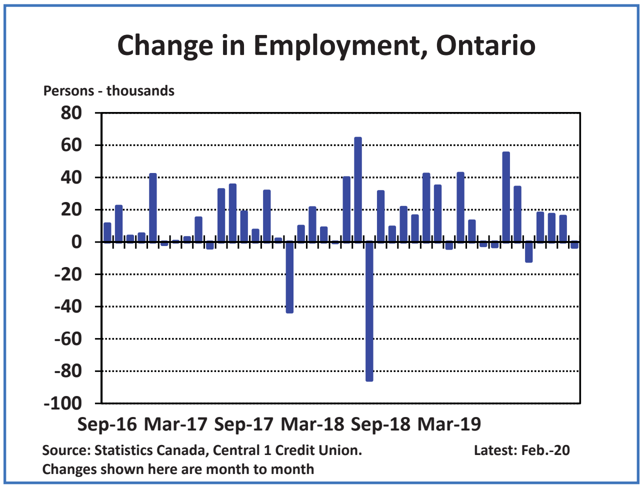
Ontario Economic Briefing

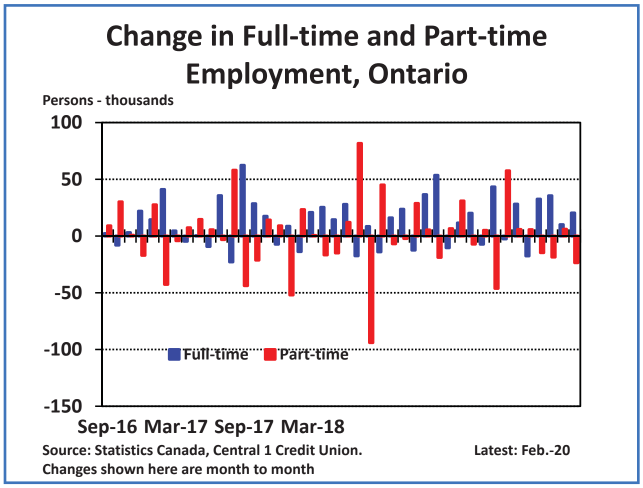
Volume 26 • Issue 9 • Week of March 2 - 6 2020 | ISSN: 1981-355

central 1

Highlights:

- Private sector shed many jobs in February contributing to the move up in the unemployment rate
- Exports fell in January by 2.5 per cent erasing the modest gains posted in December
- Year-over-year home sales in Toronto up by 47.0 per cent. Region remains in a sellers' market





Ontario's unemployment rate moves up to 5.5 per cent in February

Ontario's unemployment rate increased to 5.5 per cent in February up from 5.2 per cent in the previous month due strong growth in the labour force (17,900 net new potential workers) and a shedding of jobs (3,200 net jobs shed). While full-time jobs increased by 20,300 net jobs the cutting of part-time jobs more than offset the gains in full-time work. In February, 23,500 net part-time workers were given the pink slip while others transitioned to from part-time to full-time work.

Self-employment continued to grow in February with 9,500 net new self-employed workers coming on board adding to the 5,300 net new workers hired by the public sector. Despite the growth in these two areas the private sector shed 18,100 net jobs.

The goods-producing sector continued to grow in February adding an additional 13,700 net new workers. Areas such as construction and manufacturing which had faced some severe headwinds in 2019 continued to grow at the start of 2020 adding workers for the second consecutive month respectively. The weakness in Ontario's hiring in February came almost entirely from the services sector. Key large sectors such as professional, scientific, and technical services (shed 20,000 net jobs), educational services (shed 4,300 net jobs), and accommodation and food services (shed 12,500 net jobs) contributed to pulling the province's unemployment rate up.

Very strong immigration into Ontario drives the labour force growth, it seems that for the moment there are just not enough jobs to go around for all the new people looking to keep the unemployment rate from going up. On the contrary, the current labour dispute between the province and teachers' unions continues to affect hiring in Ontario. Moreover, with fewer Chinese tourists coming to Ontario due to the travel lockdown in parts of China many hotels and restaurants are feeling the pinch and have had to let go of some workers. Finally, even before COVID-19 there was still some global economic uncertainty in the air from trade which has affected business investments now being felt by the pinch to professional and scientific services.

Looking ahead post February, the labour situation in Ontario could worsen as people stop travelling in larger numbers and the global supply chain disruptions from COVID-19 start to be felt further as less finished goods make it to stores shelves. This may result in less consumer activity through sales and production which may mean greater layoffs.

Ontario exports fell in January on weaker demand for autos and energy products

Ontario exports fell 2.5 per cent in January erasing the modest gains in December. Much of the drop to activity was due to fewer exports headed to the U.S., Ontario's biggest trading partner. Exports there fell 2.7 per cent while exports to all other parts of the world excluding the U.S. also fell by 1.7 per cent, magnifying the drop further. Year-over-year, exports in Ontario are 2.5 per cent of last January's pace.

Imports fell again in January but the pace of the fall slowed down from 0.9 per cent in December to 0.3 per cent in January. Year-over-year, imports are down 3.5 per cent.

Many sectors were in the red in January hence the significant drop in overall exports. The following large sectors posted weaker activity month-over-month in January:

- Energy products (down 17.7 per cent)
- Motor vehicle and parts (down 7.4 per cent)
- Consumer goods (down 2.4 per cent)
- Industrial machinery, equipment, and parts (down 2.2 per cent)
- Basic and industrial chemical, plastic and rubber products (down 0.6 per cent)

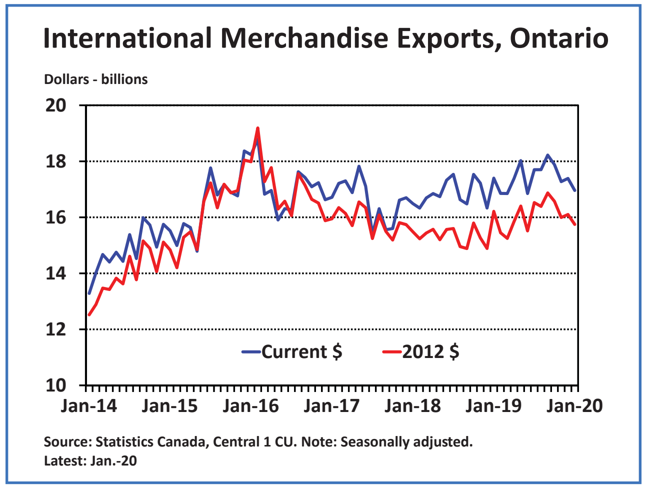
Exports of motor vehicles and parts registered a large decline in January primarily due to lower exports of passenger vehicles and light trucks reflecting longer temporary shutdowns at certain assembly plants, as well as the recent closure of the General Motors plant in Oshawa.

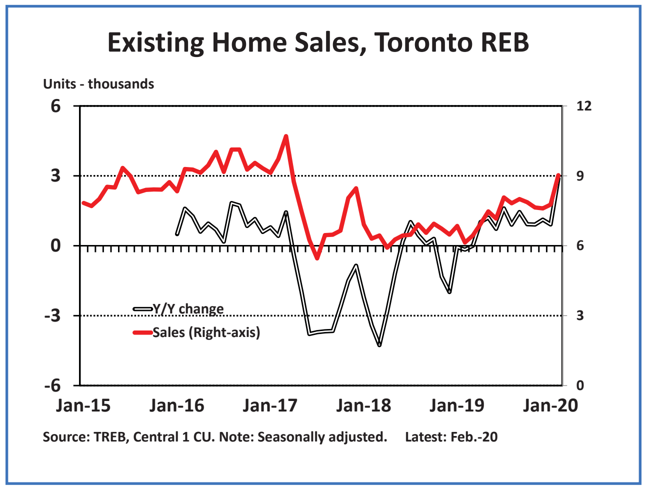
Exports of energy products were down in January, mainly on decreased exports of natural gas. Temperatures across much of the United States were above typical January levels, resulting in lower demand for natural gas and a decrease in export volumes as well as prices.

More broadly, the decline in exports in January does not reflect the current context with the COVID-19 virus dampening economic activity throughout the world. Post January, the effects of this virus will begin showing up in the data as supply chains are affected.

Toronto's existing homes market was red hot in February

Last month it was said Toronto's housing market had started off 2020 on strong footing. After sales growing





at 2.1 per cent month-over-month and 13.4 per cent year-over-year last month February's sales numbers blew those out of the water. Sales moved up in Toronto by 16.2 per cent month-over-month and 47.0 per cent year-over-year. Sales growth month-over-month was one of the highest since 2015 and year-over-year sales growth was the highest since 2015.

Buyers were frantically snapping up homes in February but supply responded. For quite some time new listing supply has been anemic but this all changed in February. In February, new listings increased by 27.3 per cent month-over-month and 8.4 per cent year-over-year. Moreover, on a net basis for every one sale in February there were 2.3 new listings coming on board. Despite the increased supply to try and satisfy the demand the market remained very tight. In February the sales-to-new-listings-ratio (SNLR) was 65 per cent, anything above 60 per cent signifies a sellers' market. Moreover, with brisk sales and new listings having a tough time keeping up the average days on the market of a property have fallen dramatically, year-over-year this metric fell 36.1 per cent from 36 days last February to 23 days this year.

A tight housing market has meant prices intensely climbed as many buyers entered bidding wars for homes. The average price of a home in the Toronto Real Estate Board (TREB) increased three per cent in February up from the 0.1 per cent growth in January to $903,173. Year-over-year average price in the region increased 17.0 per cent up from 12.2 per cent.

The constant quality housing price index continued to increase in February moving up 1.0 per cent due to growth in the indices for single-detached homes and townhomes. The rate of growth of the condo apartment index slowed down coming in at 1.2 per cent in February slower than the 1.7 per cent growth posted in January.

The story in February was likely immigration and labour force strength supporting housing demand in Toronto aided in part by stable mortgage rates. Going forward the pace of growth will likely slow down on a net basis if the adverse effects of the COVID-19 virus on the global economy go beyond a few months offsetting the expansionary effects of the recent policy rate cut from the Bank of Canada. If that is the case expect forecasts to be shaved down in 2020.

Edgard Navarrete
Regional Economist
Central 1 Credit Union
enavarrete@central1.com / P **905 282 8501**
www.central1.com