Ontario Economic Briefing

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Highlights:

- COVID-19 effects not yet fully evident on Canadian GDP growth in January
- February exports data represents the calm before the storm
- Home sales in Toronto declined by 17.7 per cent in March as a result of social distancing measures implemented in second half of the month.

GM plant closure in Oshawa pulled down transportation equipment manufacturing in January

Canadian seasonally adjusted at annual rate (SAAR) gross domestic product (GDP) increased by 0.1 per cent month-over-month in January lifted by 0.2 per cent growth in the goods-sector and 0.1 per cent growth in services. January's data reflects a sprinkling of the COVID-19-caused crisis currently affecting the economy.

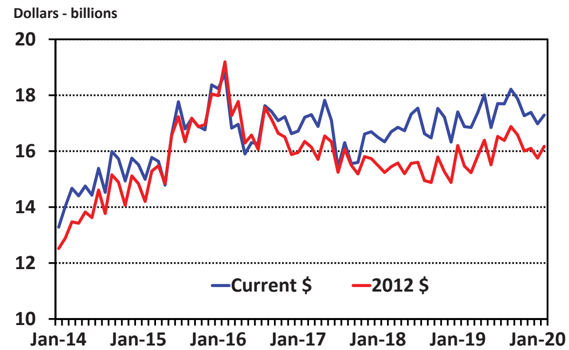
Year-over-year, SAAR GDP increased by 1.8 per cent slightly slower than the 1.9 per cent posted in December supported by 2.4 per cent growth from services while the goods-sector remained nearly unchanged at 0.2 per cent growth.

Manufacturing increased month-over-month by 0.8 per cent. Transportation equipment manufacturing declined 3.6 per cent month-over-month in large part due to a six per cent month-over-month drop in activity to motor vehicles and parts manufacturing. By subsectors within motor vehicles and parts manufacturing an 11.9 per cent drop month-over-month to motor vehicles manufacturing and a 2.5 per cent drop to motor vehicle parts manufacturing pulled down the sector. Motor vehicle parts manufacturing increased 7.8 per cent but overall not enough to offset the losses in the other two areas.

Transportation equipment manufacturing fell in January due to temporary plant shutdowns at some assembly plants and the closure of the General Motors Oshawa assembly plant contributed to declines in motor vehicle and motor vehicle parts manufacturing.

Data in February and beyond should start to paint a truer picture of the extent to which COVID-19 quarantines are impacting the Canadian economy and its key trading partners.

International Merchandise Exports, Ontario



Source: Statistics Canada, Central 1 CU. Note: Seasonally adjusted.
Latest: Feb.-20

Exports in February increased on stronger U.S. demand, Asian weakness starting to become evident

February export numbers from Ontario still do not represent the current day reality. Exports increased month-over-month to 1.8 per cent in February nearly erasing the 2.3 per cent drop in exports in January. Year-over-year, exports increased 2.2 per cent in February and over the first two months of the year total exports remained unchanged from 2019.

Ontario imports increased modestly in February over January by 0.7 per cent, year-over-year imports declined 1.4 per cent. Over the first two months of 2020, imports remained 2.6 per cent off last year's pace.

By February, China was already on COVID-19 lock down and the data does start to show that. Ontario exports increased in February due to strong demand from the U.S. which took in an additional 3.3 per cent in Ontario exports while the rest of the world exports fell 2.9 per cent. Year-to-date, exports to the U.S. remained 0.4 per cent off last year's pace while exports to the rest of the world remained 1.2 per cent above pace.

By sector, the following large export areas posted robust activity, either up or down in February:

- Farm, fishing and intermediate food products (down 21.6 per cent)
- Metal and non-metallic mineral products (up 2.4 per cent)

- Motor vehicle and parts (up 2.3 per cent)
- Consumer goods (up 6.6 per cent)

Rail blockades did not factor into the data in February, said another way, they did not disrupt exports. As mentioned, the data this month represents the calm before the storm. Exports to the rest of the world started to show some weakness as China and other Asian countries started to close off borders to try and control the virus spread. At the time this data was collected the U.S. was aware of the threat posed by COVID-19 but had not moved, like Canada, to lock down the country. This action only occurred in March. Given that March is the month most of the world started lockdowns of varying degree, we expect trade numbers to be very weak starting in March and to continue for as along as nations are working to "flatten the epi curve."

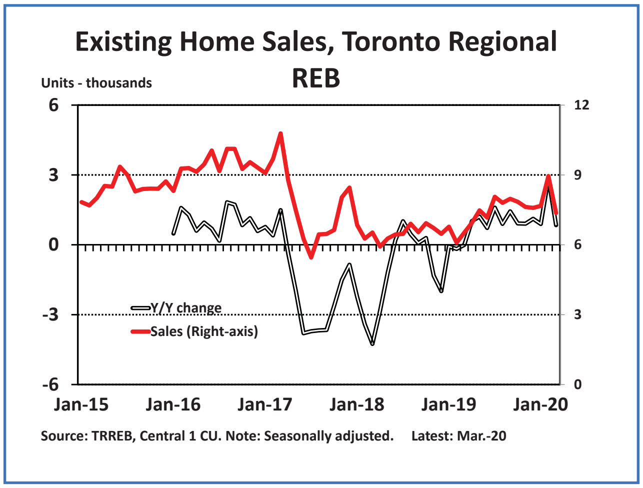
Social distancing measures in the second half of March took a bite out of Toronto's housing market

The Toronto Region Real Estate Board (TRREB) released March data and the existing homes market is starting to feel the pinch from the COVID-19 pandemic. With much of economic and social life in lockdown in the second half of March any growth in the region posted in the first half of the month was quickly snuffed out. Total sales decreased 17.7 per cent to 7,365 units. Even with the effects of the lockdowns though sale remained significantly up year-over-year, up 12.9 per cent.

Similar to the sales trend new listings have also deflated declining by ten per cent month-over-month. Year-over-year, new listings remained ahead of pace 3.3 per cent but the rate of growth slowed down significantly from 8.5 per cent growth in February.

A stronger net decline in sales (down 1,582 units) relative to new listings (down 1,405 units) pulled down the market well within a balanced market in March with a sales-to-new-listings-ratio (SNLR) of 58.2 per cent down from 63.7 per cent in the previous month. More slack in the market, as people were physically distancing to slow the spread of COVID-19, pulled down the average home price by 1.2 per cent month-over-month to $889,642.

With one quarter of data in the books sales and average price remained 23.7 per cent and 14.6 per cent above last year's pace. New listings remained 2.2 per cent below last year's pace.



The constant-quality housing price index slowed its rate of growth in March to 0.8 per cent from one per cent in February. Single-detached homes and town-homes saw the biggest rate of growth slow down in March over February. Condo apartments actually saw a slight pick-up in growth from 1.2 per cent in February to 1.3 per cent in March.

Talks from experts point to no easy fix to the current virus control situation. Social distancing measures will likely be the norm for quite some time and unfortunately the longer they stay in place the more the housing market will continue to feel the pinch.

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