Ontario Economic Briefing

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Highlights:

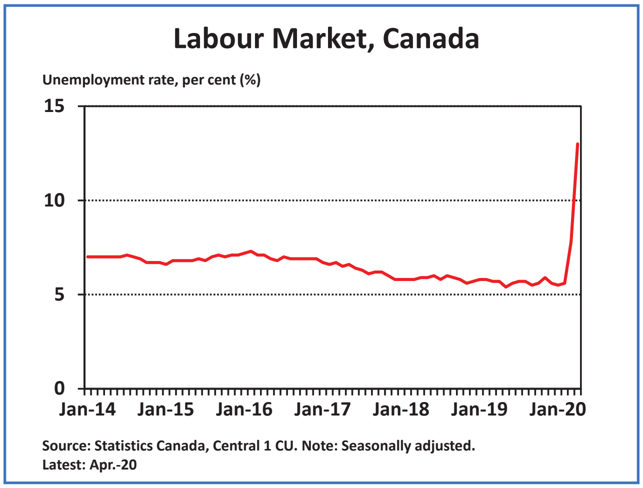
- Canada's unemployment rate swelled from 7.8 % to 13 %; the largest single-month surge since 1976
- Exports started to feel the sting of COVID-19 in March, down 7.4 per cent
- Strong surge in condo apartment construction lifts Ontario's total starts in April
- Toronto existing homes market meet cliff: sales fell over 67 per cent in April

Nearly two million jobs lost in April

As expected, Canada saw another month of record-shattering job loss in April as containment measures to stem the spread of COVID-19 kept workers at home and shuttered workplaces temporarily, leading to a swath of layoffs across the country. Early stage job losses from March observed largely in services extended more broadly through the economy. Nearly two million Canadians lost their jobs in April, marking an 11 per cent decline in employment, to 16.18 million persons. Over the past two months, COVID-19 has caused three million Canadians to lose their jobs, pushing employment to the lowest level since September 2005. The average unemployment rate jumped from 7.8 per cent to 13 per cent which was by far the largest single- month surge going back to 1976. This was the second highest unemployment rate on record, and a sliver behind the 13.1 per cent rate in 1982.

Headline statistics tell only part of the story. The total number of hours worked in the economy fell at a faster rate than headline employment at 14.9 per cent, as many workers who remained technically employed worked reduced hours due to COVID-19. Adding this to the previous month, total hours worked fell about 28 per cent from February.

Additionally, many laid off workers let go in the past two months did not look for work during the month, likely reflecting a dearth of opportunities in the current COVID-19 environment. This cut labour force participation and limited growth in the unemployment, which would otherwise be closer to 18 per cent.



Among the details, job losses were more heavily concentrated among part-time workers which declined 17.1 per cent, compared to a 9.7 per cent decline for full-time employment. Younger workers were hit hardest, with employment down 22 per cent, while the pendulum swung a bit more to male workers this month from greater impacts on females in March. This reflected steep employment losses in construction (down 21.1 per cent) and manufacturing (down 15.7 per cent), although various face-to-face service-oriented sectors contracted heavily again, led by accommodations and food services (down 34 per cent), wholesale and retail trade (down 14 per cent), and other non- public services (down 18.7 per cent).

Ontario exports to US fall 4.4 percent while rest of world exports fall 18 per cent

Despite the Canadian border being open to the trade of goods and services for most of March the data still showed the initial effects of the COVID-19 pandemic on trade as other nations locked down. In March, Ontario exports fell 7.4 per cent month-over-month and 6.9 per cent year-over-year. Ontario exports to the U.S. fell by 4.4 per cent while exports to the rest of the world excluding the U.S. fell a robust 18 per cent.

Imports also declined significantly in March falling 6.6 per cent month-over-month and eight per cent year-over-year.

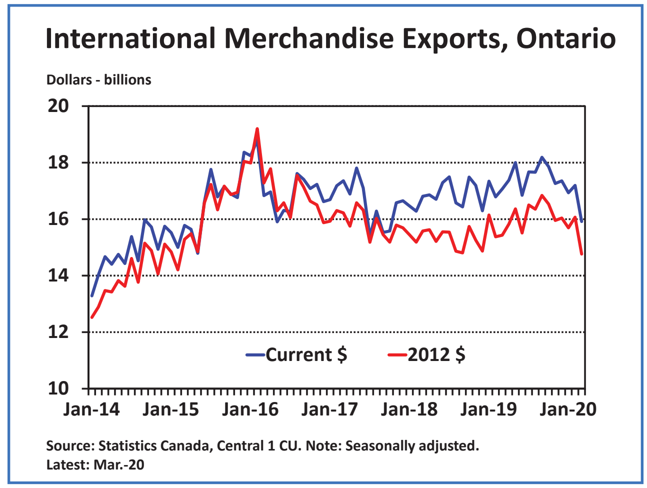
Over the first quarter of 2020, with the initial hit of COVID-19 in the data exports are 2.5 per cent off last year's pace. Imports are down 4.4 per cent.

By sector, exports were pretty much in the red in all areas with a few exceptions such as: consumer goods (up 2.7 per cent month-over-month), metal ore and non-metallic minerals (up 105.1 per cent month-over-month), and forestry products and building and packaging materials (up 0.3 per cent month-over-month). Consumer goods were likely buoyed by demand for personal protective equipment (PPE) while metals were lifted by demand from investors switching from stocks, bonds, and other investment vehicles to traditional stores of wealth such as gold and silver.

On Ontario's large export sectors motor vehicle and parts declined 19 per cent in March as automakers ceased production or shifted to PPE production once physical distancing measures were enacted.

April trade numbers will be pulled down as a result of the closures of non-essential businesses due to tighter physical distancing and shelter-in-place orders.

Trade is expected to take a real hit in 2020. Expect a major revision down to our late-March exports forecast which predicted a drop of 6.1 per cent for Ontario in 2020. The lull in activity in trade is expected to be much longer than initially thought at that time and Ontario is only now slowly opening up in phases and many sectors will not be somewhat open until July or August at the earliest.



Housing starts increased in Ontario by 39.4 per cent despite nearly all the economy in lockdown

Ontario housing starts increased by 39.4 per cent month-over-month to 94,802 units at seasonally adjusted at annual rate (SAAR). Year-to-date, housing starts remained 12.3 per cent above last year's pace.

All the growth in housing starts in Ontario came from robust growth to condo apartment starts which increased by 149.1 per cent to 64,032 units SAAR. Housing starts fell sharply for all other home types with single-detached and row homes posting declines of 28.4 per cent and 26 per cent respectively.

By specific metro area the following posted strong activity (either up or down) in April:

- Toronto (up 142.4 per cent)
- Ottawa (up 42.3 per cent)
- Barrie (up 21.8 per cent)
- London (down 19.5 per cent)
- Kitchener-Cambridge-Waterloo (down 80 per cent)

In urban centres only, over the first four months of 2020, total starts remained 13.3 per cent above last year's pace.

In April, the average and median contract price for a new single-detached home both fell by 7.7 per cent and 1.8 per cent, respectively.

Developers have been able to break ground on a greater number of projects despite strict physical distancing rules in essential workplaces to stem the spread of the virus.

Average price in the Toronto real estate board held up in April but sales and new listings fell dramatically

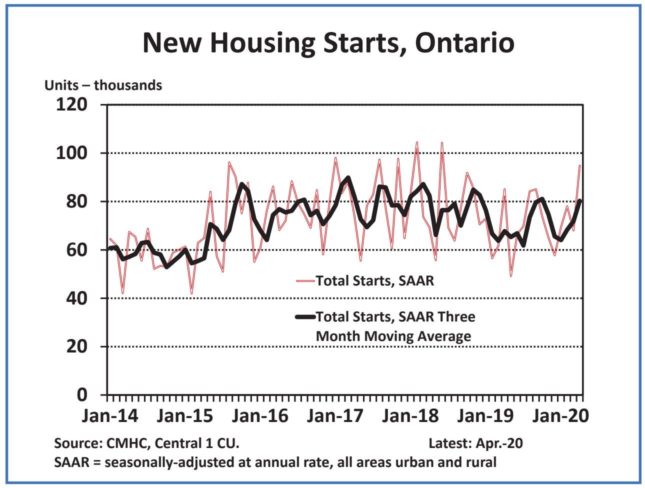
As with contact sports, even when you know the hit is coming, it still hurts. The same analogy applies to happened in the Toronto existing homes market in April. The Toronto Region Real Estate Board (TRREB) released mid-month estimates for April a couple of weeks back and the picture was not looking good. With a full month's worth of data now in the books, the ending of that story only got worse: April over March sales declined by 67.1 per cent with listings falling by 63.2 per cent (all month-over-month figures seasonally adjusted). With shelter in place orders across the province both supply and demand dipped considerably. Some virtual market activity was allowed in the form of virtual showings but not enough to keep the market from falling over the cliff. With both sales and new listings activity declining considerably the market slacked considerably also. The sales-to-new-listings ratio (SNLR) in April came in at 49.9 per cent down considerably from the 55.7 per cent recorded in March. Any SNLR reading between 40 and 60 per cent places a market in balanced market territory. Average price in Toronto fell 10.7 per cent month-over-month to $787,809.

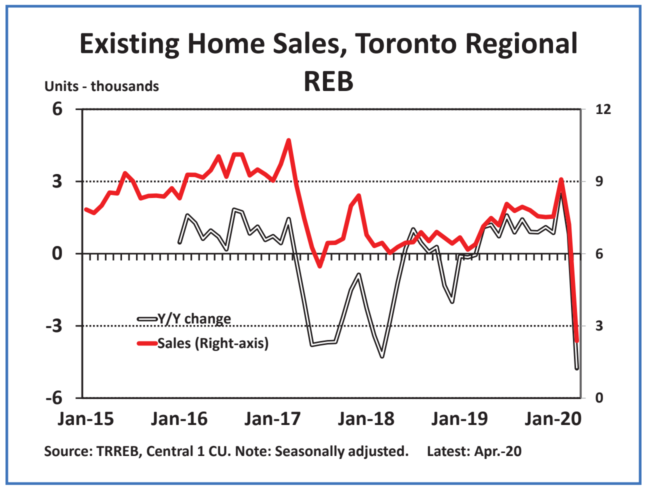
Year-to-date, Toronto sales were down 0.6 per cent and new listings were down by 17.8 per cent. Average price is up 13.1 per cent. Some figures like sales and average price are buoyed by very strong activity in February where sales increased by over 20 per cent and prices grew by 3.3 per cent given a very tight market with not much supply and robust demand. Unfortunately, the longer this pandemic keeps the economy on ice the faster those gains will be erased.

By home type, sales fell off across the board year-over-year but single-detached homes and condo apartment posted the deeper falls. Many first-time buyers that were looking for a condo-apartment before the pandemic quickly returned to the sidelines. With a possible shaky future in the jobs market many families looking to move up also shelved the idea of buying a single-detached home. Year-over-year prices for single-detached and condo apartments fell 3.5 per cent and 1.7 per cent, respectively.

The constant quality housing price index fell 1.8 per cent in April (an annualized monthly figure) due to a 5.4 per cent drop in the index price of a single-detached home.

The province of Ontario has outlined a rough three staged plan to slowly open the economy back up. Said plan can take as long as three months from the May 4th start date. It all depends on the epi-curve and how well shelter in place rules are followed to flatten this curve. Even if the curve is effectively flattened it will take time for consumers to regain confidence, one can expect that even if government officials give the green light to go back out into the economy until there are effective treatments or a vaccine most consumers will continue to practice caution. Caution does not translate into barn burner activity in the economy and expect markets such as Toronto's existing homes market to continue posting disappointing numbers in April and the foreseeable future. A drop in sales in the market when the year is finished between five and 10 per cent is not out of the realm of the possible even if the second half of 2020 posts record numbers of activity.





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