Economics | Current Economic Trends

# Ontario Economic Briefing

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central 1 Economics

## Highlights

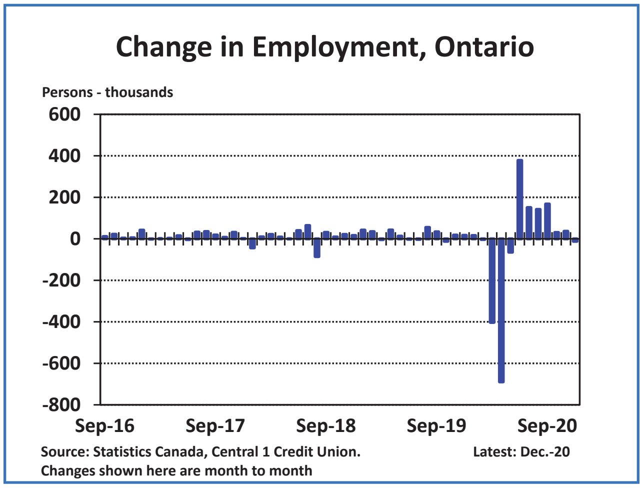
- Ontario's annual unemployment rate increased by 5 per cent to 9.6 per cent in 2020
- Job creation stalls but construction and manufacturing created new jobs in December
- Over 250,000 potential workers are not actively looking for work
- Growth in a few key export sectors in November kept total sales from sliding
- Pandemic could not stop the Toronto resale market, all metrics increased robustly in 2020 despite lockdowns
- Average home price increased 13.5 per cent in 2020 to $929,689

## Canadian employment recovery ends in December as COVID-19 restrictions weigh

Unsurprisingly, the Canadian labour market weakened to end 2020 as surging COVID-19 cases and more restrictive measures imposed during the last two months of the year forced employers to cut staff. According to the Labour Force Survey (LFS), Canadian employment fell by 62,600 persons (0.3 per cent) in December to erase November's gain. Part-time losses reached 99,000 persons (-2.9 per cent), which was partially offset by a 36,500 persons gain in full-time employment (0.2 per cent). This marked the first monthly employment contraction since April which was followed by the recovery phase. Total hours worked fell 0.3 per cent from November. In comparison to February 2020, employment was 3.3 per cent lower, with total hours worked down 5.3 per cent.

The national unemployment rate edged up by 0.1 percentage points to 8.6 per cent.

The latest pull back aligns with the restrictive measures introduced by some provinces, namely Manitoba and Quebec which curtailed recreation and hospitality services in the Fall. Other provinces imposed more limited and region-specific measures prior to the latest LFS reference week. Sectors driving the latest employment pullback included accommodations/food services (-56,700 persons or 5.8 per cent), information/culture/recreation (-18,800 or 2.7 per cent) and other personal services (-30,800 or 4.0 per cent). In



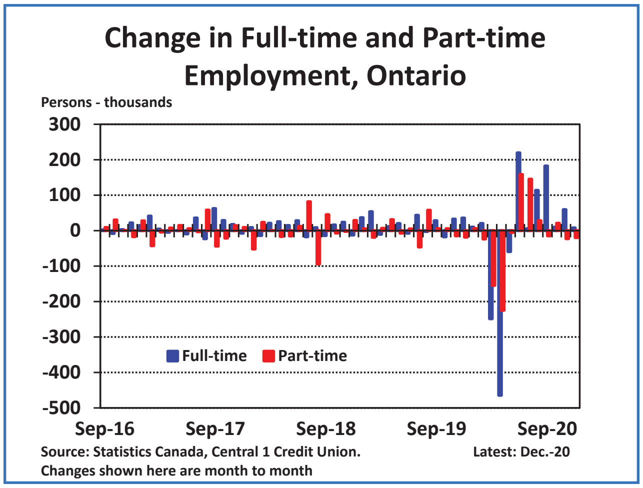

contrast, stronger growth was observed in manufacturing (15,400 persons or 0.9 per cent) and professional/scientific/technical services (16,800 persons or 1.0 per cent).

With more restrictive measures introduced by Alberta in mid-December, and broader lockdowns imposed in Ontario and Quebec at the turn of the new year, January data will internalize the latest pandemic second wave response measures which are leading to further employment losses.

After posting job growth for six consecutive months, which gradually undid the damage from the pandemic's first wave in the spring, job creation in Ontario stalled in December. The province recorded a loss of 11,900 net jobs in December driven by a loss of 19,600 net part-time jobs that could not be offset by job gains of 7,700 net full-time jobs. The labour force continues to rebound adding an additional 16,900 net potential workers in December. In December, the unemployment rate moved up to 9.5 per cent from 9.1 per cent in November.

With provincial lockdowns in December aimed at slowing down the virus' second wave, more self-employed people lost their jobs, as small and medium enterprises continue to feel the pinch of this pandemic, driving the net overall loss of jobs. While the public (up 27,700 net jobs) and private sectors (up 34,900 net jobs) created a significant number of jobs, nearly 75,000 self-employed workers lost their jobs.

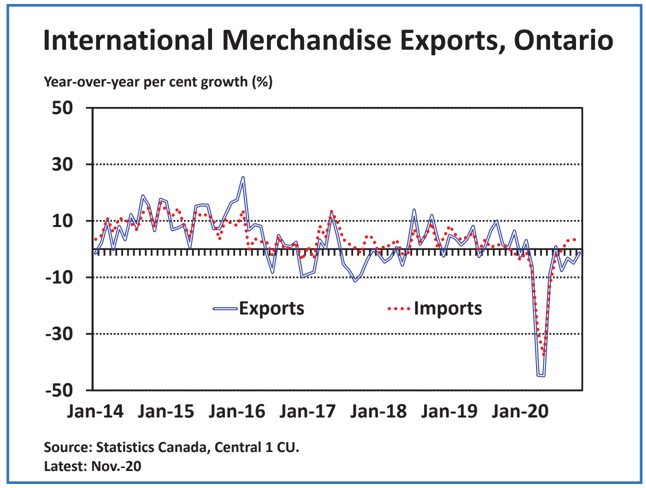
As expected, given restrictions in areas such as the City of Toronto and Peel Region, the services sector




continued to get hit hard by job losses. In December, 31,400 workers in services lost their jobs while the goods sector remained relatively unscathed creating 19,500 net new jobs. In fact, of all the areas surveyed in the goods sector, only forestry and other primary goods industries reported net job loss. The two largest goods sectors: construction (up 2,000 net jobs) and manufacturing (up 16,400 net jobs) created a significant number of jobs. The hospitality sector and client facing services continues to face strong headwinds. An additional 21,300 workers in accommodation and food services lost their job adding to the losses in health care and social services (1,900 net job losses), and wholesale and retail trade (2,500 net job losses). Not all areas of services fared badly in December though. Public administration continued to grow adding nearly 11,000 jobs as well as educational services (3,800 net jobs created), and finance, insurance, and real estate services (4,100 net jobs created).

With December data now in the books here are some job market highlights:

- Unemployment rate up to 9.6 per cent in 2020 (up four per cent from 2019);
- Nearly 372,000 net jobs have not yet returned in 2020 with 58.5 per cent of those jobs in full-time employment;
- Worrisome to the economic recovery in 2021, nearly 257,000 potential workers are not actively looking for work at the end of 2020; and,
- Of the nearly 372,000 net jobs still unfilled at the end of 2020, 85.1 per cent are in the services sector.




## Overall exports rose 0.8 per cent despite several sectors posting weaker export sales in November

Since July, Ontario exports have been flip-flopping: up one month and down the next. The trend continued in November as exports moved up 0.8 per cent after sliding three per cent in October. Issues with supply chains, as has become the norm during this pandemic, are likely the major cause for this roller coaster ride. Imports fell 0.3 per cent in November after robust growth in October (1.3 per cent). Net exports strengthened given more goods going out than coming in.

Exports increased due to strong trade with the world, excluding the U.S. While exports to the U.S. fell 1.4 per cent in November, adding to the 5.1 per cent slide in October, exports to the rest of the world increased 8.2 per cent. Over the last three months, exports to the rest of the world have averaged six per cent growth while exports to the U.S. have averaged -0.1 per cent.

Year-to-date, exports are still down 11.3 per cent compared to 2019 while imports are down 8.1 per cent.

Of the 12 export categories surveyed, export volumes fell in seven of them yet growth in large sectors such as metal and non-metallic mineral products (up 20.3 per cent) and consumer goods (up 1.8 per cent) were able to offset weaker sales of motor vehicle and parts (down 5.4 per cent) and six other sectors such as, industrial machinery, equipment and parts (down 0.2 per cent), electronic and electrical equipment and parts (down two per cent), and aircraft and other transportation equipment and parts (down 19.3 per cent).

Exports of metal and non-metallic mineral products increased in November, mainly on higher exports of unwrought gold, silver and platinum group metals, and their alloys largely to the United Kingdom.

With economic uncertainty high and borders closed, even with the advent of COVID-19 vaccines, big ticket purchases such as cars and travel remain weak or nearly non-existent, affecting sectors directly.

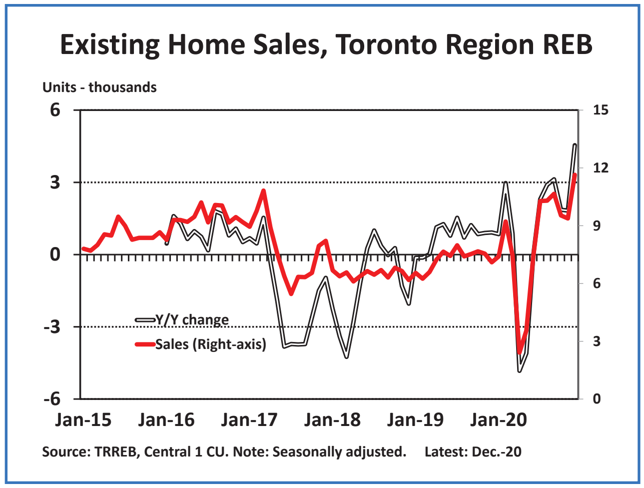
New lockdown measures in Ontario in December and the U.S. unable to stem the spread of the virus will likely continue to depress export sales further well into the first quarter of 2021.

## Average home prices increased 13.5 per cent in Toronto in 2020.

Last year will go down as a roller coaster year for the Toronto real estate market – in particular, the existing homes market. After collapsing in the spring due to the first wave of COVID-19 restrictions, the market defied logic and roared back in the summer months buoyed by low mortgage rates, the need to leave dense cities to avoid the virus, and a pool of consumers flush with money in some cases moving up purchases due to those low mortgage rates proving too attractive to pass by. Over the last quarter it seemed the market had started to show some weakness, but December turned all that around and brought a great gift to realtors and any individuals linked to the resale market.

Sales in December (all data presented in this section has been seasonally adjusted by Central 1 CU) moved up 24.2 per cent after sliding down 1.6 per cent in November and 10.6 per cent in October. While sales picked up significantly, supply was not far behind. New listings had been sliding the last four months prior to December but, like sales, they posted an unexpected turnaround, increasing 15.3 per cent. With slightly stronger sales growth relative to new listings growth, the Toronto market tightened up in December. The sales-to-new-listings-ratio (SNLR), a proxy of current market conditions, moved up to 67.1 per cent in December – up from 62.3 per cent in November. With the SNLR staying above 60 per cent, Toronto remains in a sellers' market.

One interesting nugget of information from this month's data release by the Toronto Regional Real Estate Board (TRREB) is average price growth. In spite the market remaining very tight, average price only grew by 0.6 per cent in December over November to $968,988. Moreover, this continues a recent trend. Over the last three months, average price growth as averaged 0.5 per cent which is well below the 5.9 per cent posted during the May to August period. While people are buying homes, there is a possibility that compositional and/or geographic shift at play. With the virus a real threat to public health buyers are looking to leave the urban core, moving to outer suburbs to




purchase more house and perhaps to protect their households from the virus.

With December data now in the books, here are the highlights for the year:

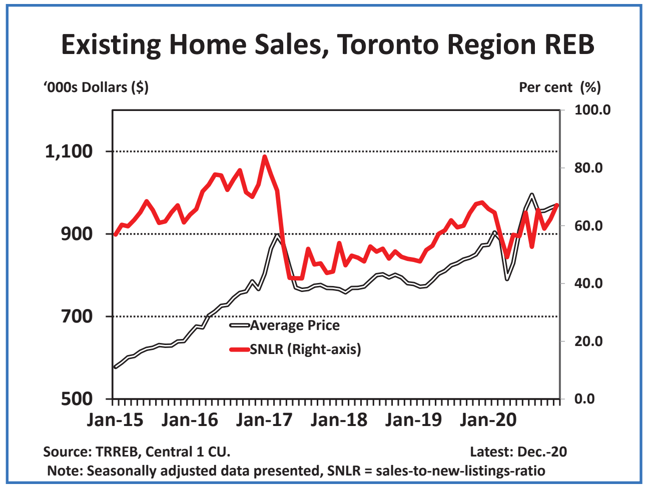
- Home sales increased 8.9 per cent in 2020 to 95,579 units;
- New listings increased 2.4 per cent in 2020 to 156,383 units; and,
- Average home price increased 13.5 per cent in 2020 to $929,689.

Even in the face of a once-a-lifetime-pandemic, the Canadian dream of homeownership and wealth creation could not be stopped in 2020 as the data above attests, but not all was roses in 2020. The condo apartment market faced some real challenges as people fled high-density housing in urban areas for the suburbs or their parents' homes, immigration slowed to a weak trickle, population growth regressed for the first time in years, and borders closed keeping students and holiday makers away. According to the constant quality housing price index (HPI) created by TRREB in December the overall HPI moved up 0.9 per cent up from 0.8 per cent growth in November supported by growth to the single-detached HPI (up 1.6 per cent in December up from 1.3 per cent in November). The condo apartment HPI continued to slide in December, down 0.6 per cent, adding to weakening prices in October and November. The row/townhome HPI increased 0.6 per cent in December a slower rate of growth than November when the HPI increased 0.9 per cent.

In 2020, the HPI growth for all home types except condo apartments ranged between 10.4 per cent (single-detached homes) and 11.6 per cent (row/townhomes). Condo apartment HPI moved up a weaker-by comparison 8.6 per cent in 2020.

Until the economy broadly re-opens, the condo market will face headwinds. Incoming supply of new condos in the market and weak demand will continue to depress prices and equity in this segment. Should working from home remain a mainstay of society for some workers post 2020, demand for condo apartments will weaken further, especially in several cities' central business districts.

Even with such a year filled with misfortune behind us the risks are not gone. The very slow administration of COVID-19 vaccines and lockdown measures since November will continue to delay the full immediate recovery and long-term outlook of the economy perhaps causing negative contagion in sectors other than hospitality, food, and personal services.





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