Economics | Current Economic Trends

# Ontario Economic Briefing

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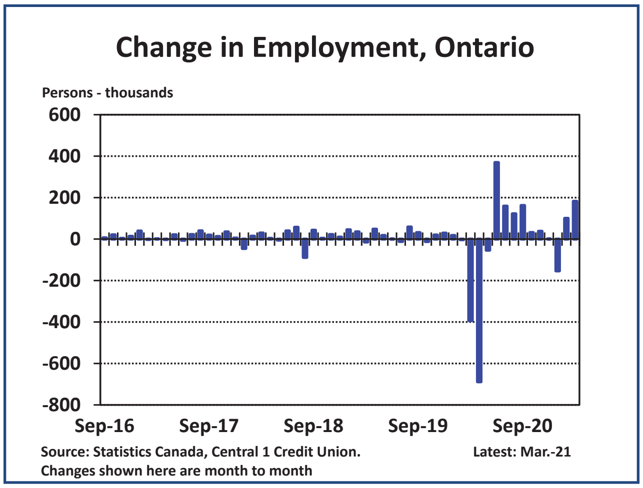
central 1 Economics

## Highlights

- Unemployment rate down to 7.5 per cent amid strong job creation – trend to be short-lived;
- Stronger trade with the rest of the world helped push export volumes up 1.8 per cent in February;
- Average price growth increased 3.6 per cent in March;
- Affordability erodes for the typical buyer with rising prices.



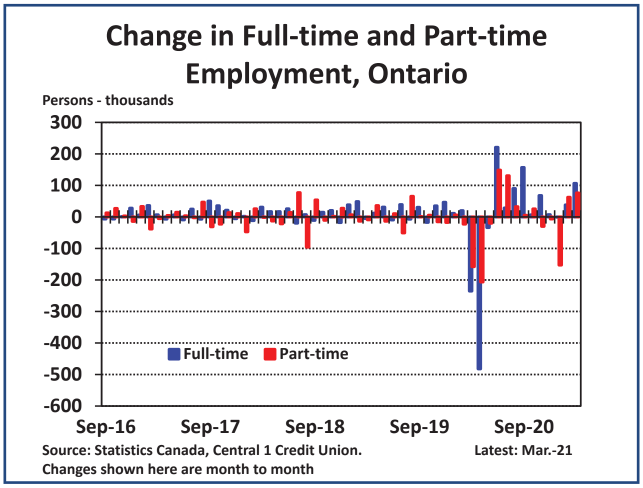

## Ontario created 182,300 net jobs, mostly in full-time work, in Feburary

Ontario's labour market posted very strong numbers in March as restrictions eased but are set to dip again following the ongoing month-long lock down.

According to the latest Labour Force Survey from Statistics Canada, Ontario created 182,300 net jobs (up 2.5 per cent from February), with 106,300 net jobs in full-time (58.3 per cent share of total jobs created). Part-time jobs increased by 76,000 net jobs (up 6.4 per cent month-over-month). With that the employment rate moved up to 59.9 per cent (up 1.4 per cent from February) nearly back to the pre-pandemic employment rate of February 2020 (61.6 per cent). The labour force continued to increase on stronger job creation. In March, the labour force expanded by 52,200 net potential workers (up 0.7 per cent). With employment growth outstripping labour force growth, the unemployment rate continued to slide down, settling at 7.5 per cent, nearly in line with the unemployment rate at the start of the pandemic.

Compared to pre-pandemic activity in February 2020, the labour force has fully recovered with 38,600 more potential workers actively looking for work or employed. Employment remains challenged, 123,000 jobs remain unfilled with 75.4 per cent in part-time.

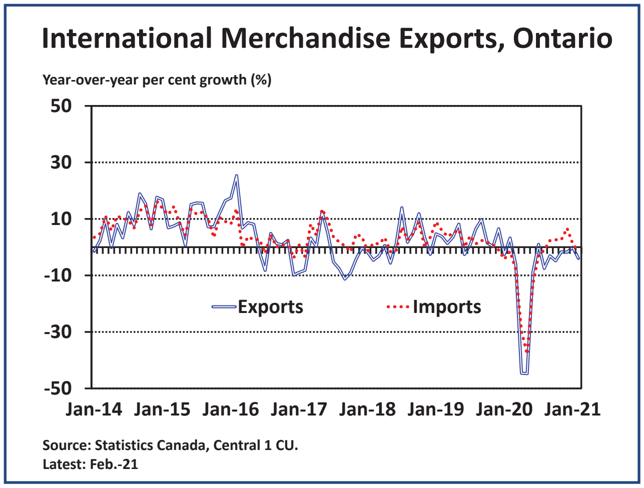
In February, of the 182,300 net jobs created, most occurred in the private sector (126,000 net jobs or 69.1 per cent) and in self-employment (33,400 net jobs or 18.3 per cent). Encouraging in this report is that of the




16 broad job categories surveyed, jobs increased in all but four: forestry, fishing, mining, quarrying, oil and gas (down 200 net jobs), utilities (down 300 net jobs), manufacturing (down 2,400 net jobs) and finance, insurance, real estate, rental and leasing (down 2,400 net jobs). Large sectors with significant job gains included: construction (up 11,900 net jobs), wholesale and retail trade (up 69,000 net jobs), education (up 23,600 net jobs), health and social services (up 14,400 net jobs) and professional, scientific and technical services (up 1,300 net jobs).

Less stringent public health measures allowed the job market to post strong numbers in March but unfortunately this pace of growth is likely to be short-lived as Ontario has entered another month-long lock-down with stay-at-home orders and only essential businesses are allowed to remain fully open.  Some non-essential businesses that sell products will be allowed to provide curbside pickups or send orders via delivery. Personal client-facing services will be hard hit by these current measures financially and any employees brought on before these new rules were enacted will likely have to be laid off.

## Export volumes increased by 1.8 per cent in February



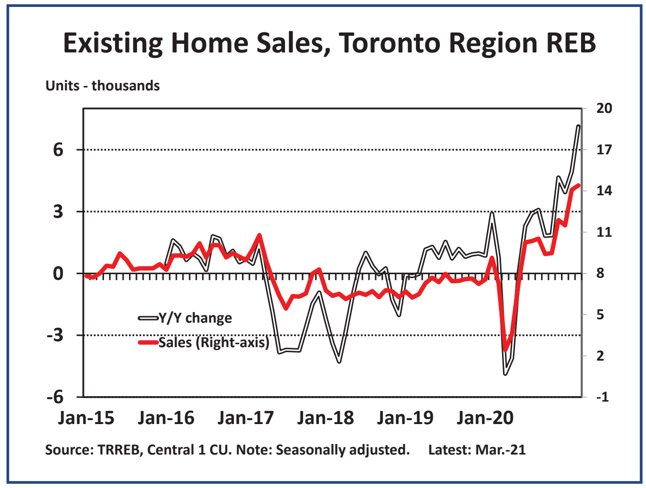

Seasonally adjusted export volumes climbed 1.8 per cent in February largely on very strong trade with other nations (not including the U.S.). Exports to the U.S. climbed 0.6 per cent in February while exports to all other parts of the world climbed 5.6 per cent. Imports climbed modestly, up 0.6 per cent, after a steep fall in January (down 5.2 per cent). Year-to-date, exports are lagging last year's total by 2.0 per cent and imports are lagging last year's pace by 0.2 per cent.

In February, export volumes increased for all sectors surveyed except three areas: industrial machinery, equipment and parts (down 3.1 per cent), motor vehicles and parts (down 3.3 per cent), aircraft and other transportation equipment and parts (down 6.2 per cent). Among other large sectors export volumes increased in:

- Metal and non-metallic mineral products (up 1.7 per cent)
- Consumer goods (up 6.6 per cent)
- Energy products (up 68.6 per cent)
- Farm, fishing, and intermediate food products (up 20.7 per cent)

A global shortage of semiconductor chips continues to affect motor vehicle and parts exports. The shortage of semiconductor chips is expected to further reduce vehicle production in the months ahead. This situation could also be exacerbated by the recent blockage of the Suez Canal. Fewer exports of aircrafts, because of less public demand for travel, pushed down exports of aircraft and other transportation equipment and parts. This trend will likely continue until global travel begins to rebound as more countries vaccinate citizens and consumer confidence to travel increases. Export volumes of energy products increased substantially on higher prices of natural gas, crude oil, and bitumen.

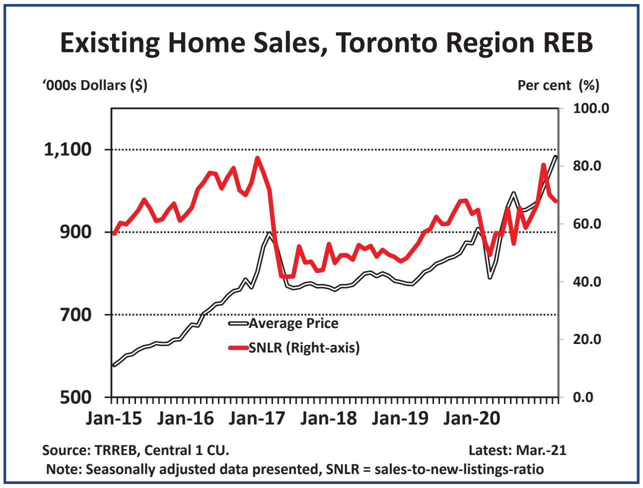
## Average home price in Toronto continued to creep past $1.0 million in March




The Toronto Region Real Estate Board (TRREB) released March market data this week and the pace of market activity seems to be decelerating as likely affordability is becoming a real concern for many potential buyers the attractively low mortgage rates notwithstanding. Moreover, it is possible the pool of buyers has dwindled considerably, the market has been on an unprecedented pace for quite a while now as many buyers moved up home purchases, years in advance at times, from perceived fear of missing out on this opportunity to enter homeownership.

Home sales increased 2.3 per cent in March, adding to the 22.5 per cent growth in February. Over the first three months of 2021 sales are up 70.2 per cent compared to the same period last year largely on very strong activity in February.

Above-recent-trend average price growth in the first quarter has teased out more new listings onto the market. Over the last two months new listings have grown above trend since September 2020 and at a faster clip than sales which has balanced the market ever so slightly but still not sufficiently to provide potential buyers more options to slow down intense bidding wars leading to homes selling at times many




hundreds of thousands of dollars over asking price. In March, new listings increased 5.6 per cent a much slower pace of growth from February when new listings increased 40.6 per cent. Over the first quarter of 2021 new listings were 43.7 per cent ahead of last year's pace much like sales largely from a very strong February.

As mentioned, slightly more new listings than sales has cooled the market ever so slightly but it still remains in the upper echelon of a sellers' market. In March, the sales-to-new-listings-ratio (SNLR) was 67.9 per cent down from 70.1 per cent in February. Year-to-date the SNLR is at 71.9 per cent up from 61.0 per cent at the same period last year. Typically, an SNLR reading above 60 per cent signals a sellers' market.

The average home price in Toronto in March came in at $1.081 million, up 3.6 per cent from February. Intense demand for largely low-rise housing, the multi-family segment seems to be slowly recovering, leading them to the bidding wars continues to lift the average home price and erode affordability quickly pricing out many buyers even with a strong profile (i.e. stable jobs, high incomes, large down payments, and strong credit scores). Year-to-date, the average home price in Toronto is 17.6 per cent of last year's pace so far. Unhindered by government policy or market demand abating the market could see average price break the $1.3 million to $1.5 million thresholds assuming monthly average price growth between 2.0 per cent and 3.5 per cent for the remainder of 2021.

The seasonally adjusted constant quality housing price index (HPI) for all homes from TRREB decelerated in March to 2.7 per cent growth from 3.1 per cent growth in February largely due to deceleration of the single-detached HPI which came in at 2.6 per cent in March, much slower than the 4.2 per cent posted in February.

The multi-family segment is gradually heating up as increased lack of affordability compels many buyers serious about purchasing a home in 2021 to look at these housing options closer. The HPI for rows (up 3.2 per cent) and condo apartments (up 2.1 per cent) increased by an average of 1.3 per cent from February.

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