Economics | Current Economic Trends

Ontario Economic Briefing

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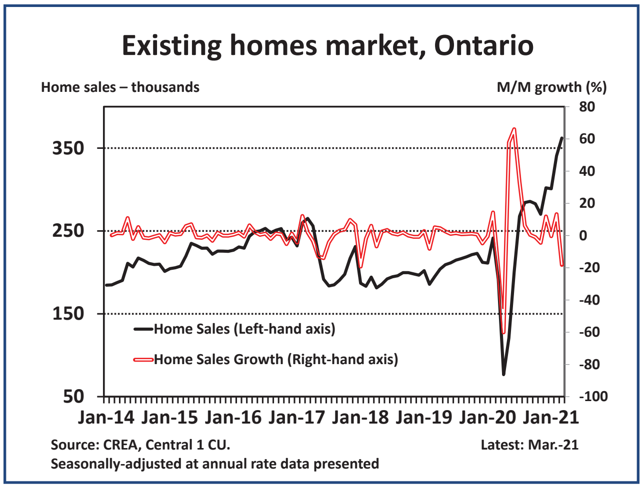
central 1 Economics

Highlights

- Ontario's resale market remains extremely tight, sales up 6.3 per cent in March.
- Unaffordability and intense market competition drive more buyers inland for potential home purchases.
- Manufacturing sales volumes slid 5.3 per cent in February largely on weaker transportation equipment manufacturing and related sectors.



Ontario's resale market continues to thrive during the pandemic.

The resale market continued to post strong numbers in March adding an additional 30,178-unit sales (up 6.3 per cent). Year-over-year sales increased 89 per cent and over the first three months of 2021 sales remained 55.8 per cent ahead of last year's pace.

Increased demand teased out more new listings in March, with 37,474 new listings coming on board (up 3.6 per cent) but not sufficient to loosen the market. The market remains extremely tight and almost as soon as new supply comes to the market, intense bidding wars erupt and homes are quickly sold. Currently, the months of supply in the market stands at 0.7 months, an inch lower than in February, 0.8 months of supply. Over the first three months of 2021 new listings are 29.6 per cent ahead of last year's pace and the months of supply is averaging 0.8 months, much lower than the 1.9 months at the same time last year. The sales-to-new-listings-ratio (SNLR), also a metric of market tightness, moved up to 80.5 per cent in March up from 78.5 per cent February. Any SNLR reading above 60 per cent signals a sellers' market.

Average resale home prices also continued to climb in March, moving up an additional 1.9 per cent to $862,276. Over the first three months of 2021 the average home price remained 26.9 per cent of last year's pace.

As noted in last month's brief which discussed the resale homes market, the market strength is nearly province wide. Many real estate boards are posting strong sales and price growth. Of the 44 real estate boards in Ontario, sales increased in 38 with the average month-over-month sales growth coming in at 16.6 per cent. Of note in the report this month is the fact that sales remain strong in real estate boards outside the very large ones. Potential buyers are moving farther inland as unaffordability and market competition are becoming a real concern.

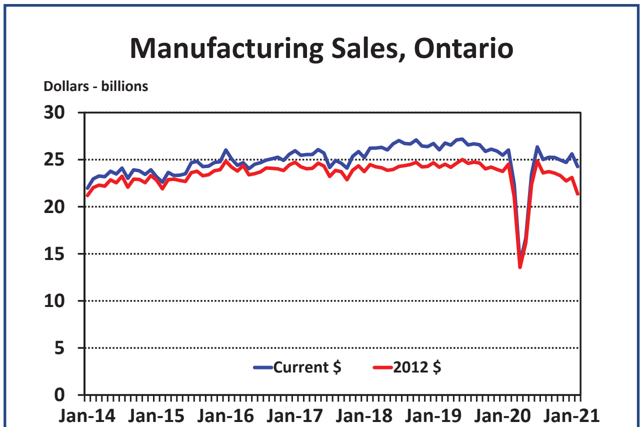
Below is a list of how Ontario's largest real estate boards performed in March:

- Hamilton-Burlington (sales up 11.4 per cent)
- Kitchener-Waterloo (sales up 16.2 per cent)
- London-St. Thomas (sales up 7.5 per cent)
- Ottawa (sales up 9.0 per cent)
- Greater Toronto (sales down 0.5 per cent)
- Durham Region (sales up 6.6 per cent)
- Mississauga (sales down 2.4 per cent)
- York Region (sales up 1.9 per cent)
- Windsor-Essex (sales up 1.7 per cent)

The constant quality housing price index (HPI) surveys seven Ontario real estate boards every month. In March, the average HPI growth for these seven markets was 3.4 per cent down from 4.1 per cent in February. Growth ranged from 1.1 per cent growth in Oakville-Milton to as high as 6.4 per cent in Niagara Region. Month-over-month HPI growth decelerated in five of the seven markets surveyed in Ontario with only markets farthest away from the Greater Toronto Area (i.e., Ottawa and Niagara Region) posting HPI gains.

Unhindered by new policies aimed at slowing down the market, 2021 is forecast to be a very hot market. As affordability and the pool of potential buyers dwindles, as many hurried into the market in 2020 and 2021 pulling purchases years in advance, the market is expected to cool but remain above trend post 2021. Central 1 Economics recently released its [Ontario housing market forecast] which can be referenced for more detail[1].

Semi-conductor shortage continues to affect transportation equipment manufacturing in Ontario



Source: Statistics Canada, Central 1 CU. Note: Seasonally adjusted.
Latest: Feb.-21

Manufacturing sales fell in February by 5.3 per cent to $24.3 billon following 3.7 per cent growth in January. Both durable (down 7.5 per cent) and non-durable goods sales (down 1.8 per cent) fell in February. Sales fell month-over-month in over half of the 21 sectors surveyed. In January manufacturing sales were nearly back to pre-pandemic volumes from February 2020, this month's tally was a bit of a setback and total sales volumes now account for 93.2 per cent of last February's total sales. Year-to-date, manufacturing sales are lagging last year's total by 3.1 per cent with durable sales lagging last year by 5.4 per cent. Non-durable sales are ahead of last year's pace by 0.3 per cent.

Manufacturing sales in large sectors such as food (down 1.4 per cent), plastics and rubber products (down 15.3 per cent), machinery (down 2.9 per cent), and transportation equipment (down 13.6 per cent) all fell in February.

These declines were partially offset by higher sales in the chemical (up 2.7 per cent), primary metal (up 3.5 per cent), and petroleum and coal product (up 4.6 per cent) industries.

A significant semi-conductor shortage continued to affect the transportation equipment manufacturing sector and related industries. Many auto and auto part manufacturers had to draw down production given scarcity of this key input into production. As a result, total manufacturing capacity utilization slid in February as more workers remained idle.

Manufacturing sales in Toronto rose 4.3 per cent in February partly erasing the 13.4 per cent decrease in January. Sales increased in two Toronto area auto production plants bucking the trend of auto producers in other parts of Ontario and helping to lift total sales in Toronto. Year-over-year, manufacturing sales in Toronto decreased 10.9 per cent.

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