



Highlights

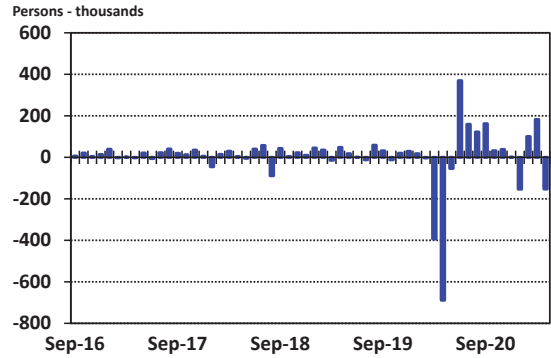
- Ontario's unemployment rate shot up to 9.0 per cent in April.
- Increased public health restrictions caused increased layoffs largely in the private sector.
- All sectors, with a handful of exceptions, had to lay off workers in April.
- Exports expanded 2.4 per cent in March due to increased trade with U.S.
- Toronto resale market activity slows down slightly in April.
- Despite month-over-month slowdown market remains very tight.
- Non-residential building permit volumes fell 12.7 per cent in March on fewer volumes of commercial and institutional building permits.

Pandemic's third wave of infections forces increased restrictions driving down labour market growth considerably

Not surprisingly, the Canadian economy lost jobs in April as the third wave of the pandemic and more restrictive public health restrictions to curb case counts and pressures on the health system curtailed recovery momentum. National employment fell by 207.1k persons (1.1 per cent) in the latest month with the unemployment rate at 8.1 per cent compared to 7.5 per cent in March. This was almost bang on with Central 1's call for a 200k loss and 8.1 per cent unemployment¹. The latest employment roll back was driven by Ontario (down 2.1 per cent) and B.C. (down 1.6 per cent) and retraced about two-thirds of the March gain. Ontario's stay-at-home order, capacity restrictions and school closures drove increased layoffs almost entirely in the private sector (153.2k persons) only partially offset by some self-employment gains, while B.C.'s enacted a "circuit breaker" curtailed indoor dining and some gym

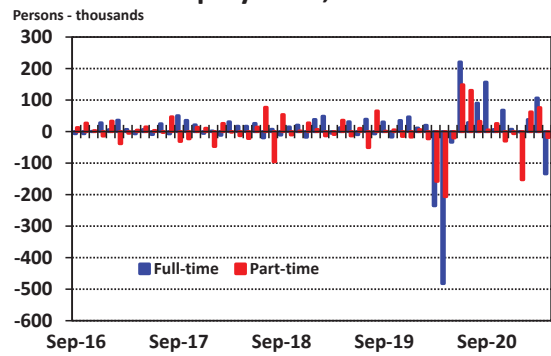
¹ Based on Reuters Consensus Poll for week of March 3, 2021

Change in Employment, Ontario



Source: Statistics Canada, Central 1 Credit Union. Latest: Apr-21
Changes shown here are month to month

Change in Full-time and Part-time Employment, Ontario



Source: Statistics Canada, Central 1 Credit Union. Latest: Apr-21
Changes shown here are month to month

activities. Since narrowing the national employment gap to 1.5 per cent of pre-pandemic levels, the latest pullback widened this gap to 2.6 per cent. Ontario's employment gap widened much more at 3.7 per cent in April from pre-pandemic levels.

Given the drivers of the pullback, job losses were concentrated nationally in a handful of industries. Accommodations/foodservices accounted for more than a quarter of net losses with a 6.4 per cent drop (59.2k persons), education services contracted 2.4 per cent (35.8k persons), and wholesale and retail trade employment fell 3.1 per cent (89.1k persons). At the same time, finance and real estate, professional, scientific, and technical services, and natural resources were partial offsets and reflected the shelter of working from home, hot housing market, and commodity sector resurgence.

By contrast, Ontario job losses in April were far reaching with only four exceptions: agriculture (up 8.6 per cent or 5.4k persons), transportation and warehousing (up 1.2 per cent or 4.2k persons), and public administration (up 2.3 per cent or 8.8k persons), and finance and real estate (up 1.2 per cent or 7.3k persons). As a result, Ontario's unemployment rate shot up to 9.0 per cent in April up from 7.5 per cent in March.

The concentration of job losses and experiences from previous COVID-19 waves suggest a vigorous rebound once the current wave is under control as more people are vaccinated. In Ontario's case, public health and government expect at least 65 per cent of adults over 16 years of age to receive at least their first vaccine dose by end of May which will help drive down infection rates considerably and get Ontario firmly back onto the recovery path after over a year of rolling lockdowns and restrictions.

A revived U.S. economy supports exports growth in March

Ontario exports volumes continued to increase in March, moving up an additional 2.4 per cent to \$17.4 billion adding to the 2.3 per cent growth posted in February. Very strong trade with the U.S. where exports grew by 4.0 per cent in March more than offset the decline in trade with the rest of the world excluding the U.S. (down 2.6 per cent). Despite very strong growth in March exports are still lagging pre-pandemic activity from February 2020 down 1.4 per cent.

Imports increased by 3.3 per cent in March to \$30.9 billion up from 0.7 per cent growth in February. Unlike exports, imports are up 2.2 per cent from pre-pandemic activity in February 2020.

Over the first three months of 2021, imports are ahead of last year's pace by 2.2 per cent while exports are lagging last year's pace by 1.4 per cent.

Of the 11 sectors surveyed exports fell in five, including consumer goods (down 7.7 per cent), energy products (down 24.0 per cent), and aircraft and other transportation equipment (down 13.6 per cent).

Losses in these areas though were more than offset by very strong exports in:

- Metal and non-metallic mineral products (up 4.6 per cent)
- Motor vehicle and parts (up 6.7 per cent)



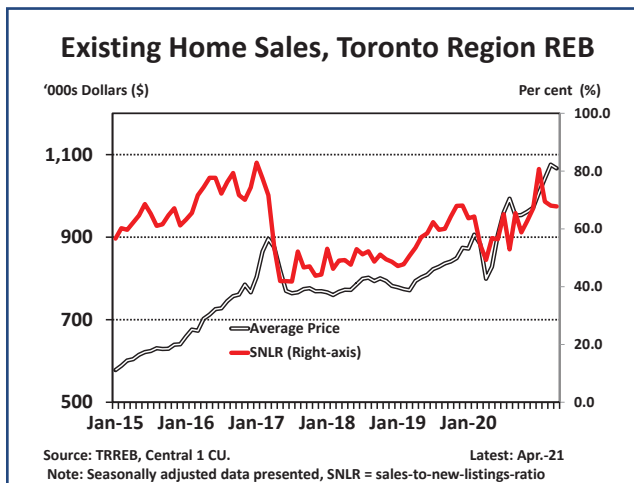
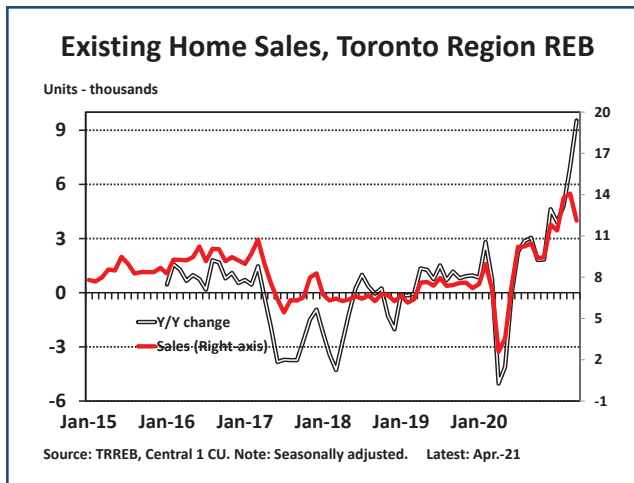
- Forestry products and building and packaging materials (up 4.3 per cent)
- Industrial machinery, equipment and parts (up 4.3 per cent)

With much of the U.S. opening up amidst a rapid vaccine rollout, economic activity is intensifying. New housing construction, home renovations, and new businesses are all driving demand for commodities, building materials, and industrial machinery and equipment. Moreover, with consumers returning to the economy, big-ticket items such as new cars are in greater demand as consumers draw down savings and take advantage of attractive interest rates to finance a new car purchase.

Toronto's resale market slows down slightly in April

The Toronto resale homes market remains very hot relative to year-ago levels but in the context of 2021 the market posted a month-over-month decline across the board in sales, new listings, and average price growth in April. The decline could be a blip caused by the COVID-19 third wave public health restrictions keeping people at home and once restrictions are lifted market activity could shoot up again or the decline seen in April could be start of a much broader slowdown as the pool of potential buyers has shrunk following robust activity through much of the pandemic.

Home sales and new listings fell by 13.9 per cent and 13.6 per cent in April. Compared to year-ago activity sales and new listings are up 369.6 per cent and 241.4 per cent, respectively. Over the first four months of 2021 sales are 108.5 per cent ahead of last year's pace and new listings are also up 74.3 per cent from last year.



The seasonally adjusted average home price in Toronto stayed above \$1.0M for the fourth consecutive month with the average price in April coming in at \$1,066,727 (down 0.8 per cent month-over-month). Compared to year-ago values the average price is ahead of last year's pace by 33.4 per cent and over the first four months of 2021 up 20.8 per cent.

The market remained a sellers' market in April with the sales-to-new-listings-ratio coming in at 67.8 per cent but down slightly from 68.1 per cent in March. A slightly stronger contraction in sales in the month relative to the contraction in new listings cooled the market ever so slightly. The average days on the market for a listing though remain very low coming in at an average of 10 days in April down from 19 days a year ago.

In April, the seasonally adjusted constant quality housing price index's (HPI) rate of growth slowed down from 2.6 per cent in March to 1.7 per cent in April. Moreover, HPI price deceleration occurred in low-rise housing but increased for condo apartments. Year-to-date, the overall HPI remained 15.2 per cent ahead of last year's pace. Low-interest rates and large savings

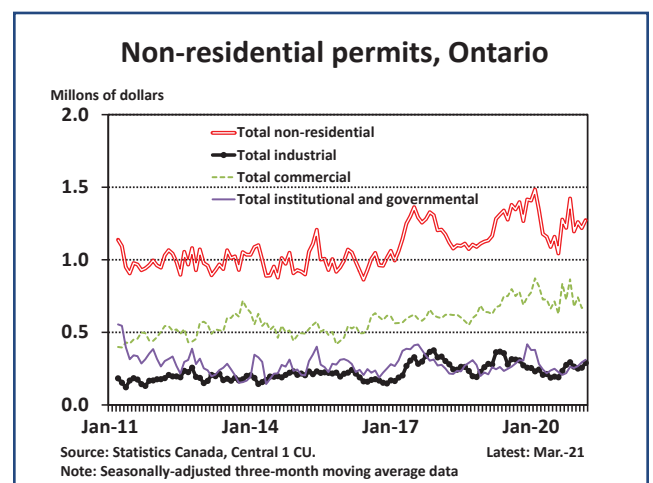
for a down payment notwithstanding the market continues to become prohibitive for more and more potential buyers. As affordability becomes a bigger issue those still trying to enter homeownership in Toronto are having to substitute away from low-rise housing to high-density housing. Recent media suggests that demand for condo apartments especially in the downtown and central business district of Toronto is gradually turning around after months of sluggish activity.

Looking ahead, even if the pandemic is brought under control in Canada by the last quarter of 2021, demand will continue to moderate given a delay in the immigration rebound due to high case counts in other countries.

Non-residential building permit volumes fell 12.7 per cent in March

Non-residential building permit volumes fell 12.7 per cent in March halting two months of very strong activity averaging 15.1 per cent over January and February. Over the first three months of 2021 non-residential building permits are down 5.3 per cent compared to the same period last year.

By area, industrial building intentions continued to grow as industrial permit volumes increased an additional 5.8 per cent in March adding to the 26.3 per cent growth in January and the 9.8 per cent growth in February. Over the first three months of 2021 industrial permit volumes are 18.7 per cent ahead of last year's pace.



While industrial permit volumes grew in March strong declines were witnessed in commercial (down 19.9 per cent) and institutional permit volumes (down 12.7 per cent). Over the first quarter of 2021 commercial

permit volumes are lagging last year's pace by 17.8 per cent while institutional permit volumes are up by 10.3 per cent largely from a very strong February where volumes increased nearly 50 per cent more than offsetting contractions in January and March.

Industrial projects increased in March due to a few projects among them the Rutherford Station of the GO Transit system in the city of Vaughan.

In metro areas non-residential building permits fell 16.0 per cent in March as several large urban areas, six of 16 areas surveyed, including Toronto posted strong declines. Over the first three months of 2021 non-residential building permit volumes are lagging last year's pace by 12.5 per cent.

Edgard Navarrete

Regional Economist

Central 1 Credit Union

enavarrete@central1.com / P 905 282 8501