Economics | Current Economic Trends

Ontario Economic Briefing

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central 1 Economics

Highlights

- Canadian labour market gains 231,000 jobs in June as third wave restrictions loosen
- Ontario economy posts 1.6 per cent increase in employment on broad growth in services
- Toronto home sales and new listings growth fell by 1.8 per cent and 0.7 per cent respectively in June
- Toronto's resale market activity has slowed down for three consecutive months

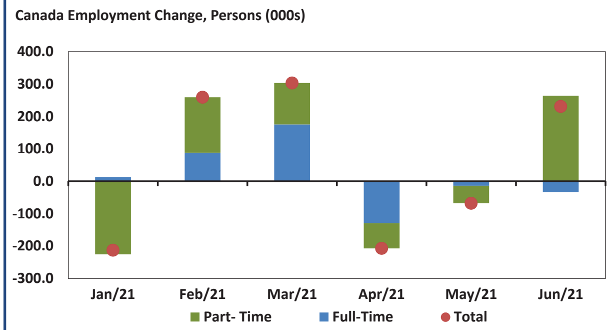
National employment regains traction in June

Canada's labour market got back on track in June as third wave social and economic restrictions abated and activity resumed in a number of service industries. According to the latest Labour Force Survey (LFS) estimates, the Canadian economy gained 231,000 jobs in June (a 1.2 per cent gain from May) to reverse more than 80 per cent of losses recorded during the previous two months. Total employment remained 0.2 per cent below March levels, and 1.8 per cent lower than pre- pandemic February 2020 levels.

To varying extent among provinces, indoor dining and outdoor dining resumed, as did recreational activities and personal care services, driving re-hiring. Ontario's stay-at-home order was lifted, but indoor dining remained restricted as did other services.

June's employment rebound was entirely accounted for by an increase in part-time work (up eight per cent) as full- time work was largely unchanged. The latter has continued to underwhelm, sitting 2.2 per cent below pre- pandemic levels while part-time work has nearly fully recovered. Among industries, accommodations/food services rose 11.8 per cent and represented more than 40 per cent of the net increase. More broadly, service sectors gained ground with a 1.9 per cent monthly increase amid re-openings and relaxed restrictions, with wholesale/retail trade up 78,000 persons or 2.9 per cent, and other private services up 3.3 per cent (23,800 persons). In contrast, goods sectors shed jobs (-1.2 per cent) led by lower construction. Given industry drivers, it is not surprising that gains were led by younger people aged 15-24 where employment jumped 7.1 per cent, while growth for prime aged individuals rose 0.4 per cent.

Canada employment rebounds in June as third wave restrictions loosened



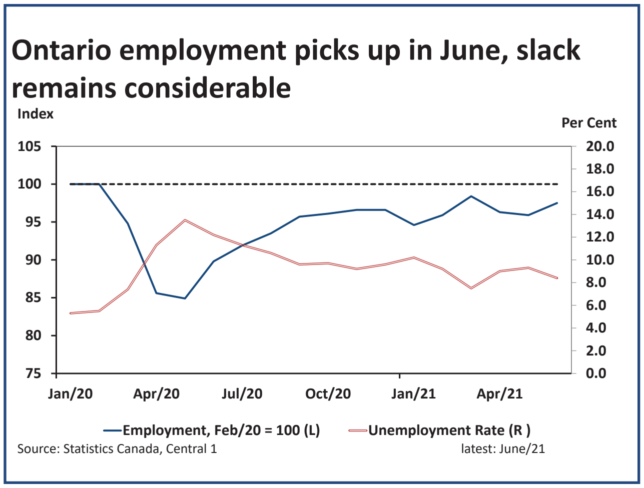
Source: Statistics Canada, Central 1

Among provinces, employment growth in B.C. and Ontario (at 1.6 per cent) trailed Nova Scotia (3.1 per cent) and Quebec (1.7 per cent).

June's jobs rebound outpaced labour force growth. While more individuals re-engaged with the labour market, the unemployment rate eased from 8.2 per cent to 7.8 per cent. That said, labour market slack persists. The unemployment rate was still two percentage points higher than before the pandemic, and the employment to population ratio sat 1.7 per cent below at 60.1 per cent. Total hours worked in the economy remained four per cent below pre- pandemic levels. Further easing of restrictions will further lift employment in coming months.

Loosening restrictions lift Ontario labour market performance

Ontario's labour market rebounded in June as the provincial government moved to relax stay-at-home restrictions early in the month and allowed outdoor dining and some non-essential retail spending as of June 11 in advance of the LFS reference week. Total employment rose 1.6 per cent or 116,900 persons from May to recoup about 63 per cent of jobs lost in the prior two months. That said, with a number of restrictions still in place, employment was still 0.9 per cent below March and 2.4 per cent below pre- pandemic February 2020 levels.



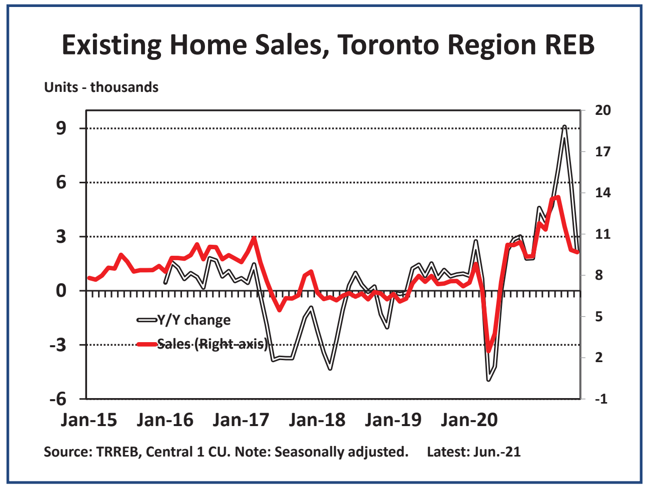
June's increase was largely due to part- time employment growth which increased 7.6 per cent or 92,200 persons, while full- time employment rose 0.4 per cent. The unemployment rate improved significantly to 8.4 per cent from 9.3 per cent in May but remained elevated and nearly three per cent above February 2020 as elevated joblessness and underemployment persists. The unemployment rate had declined to a pandemic low of 7.5 per cent in March.

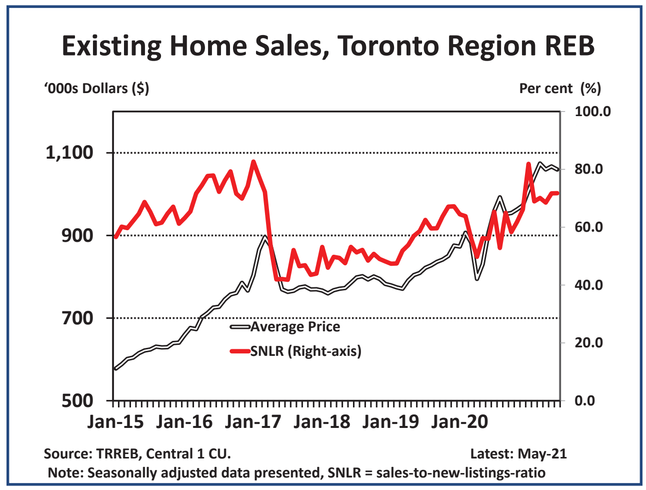
Toronto Census Metropolitan Area performance was consistent with employment growth of 1.5 per cent, although unemployment remained higher at 9.4 per cent of the labour force reflecting a harder hit services-oriented sector.

The latest industry data for June pointed to broad-based services sector gain. Services-producing industries recorded 1.9 per cent employment growth during the month. Wholesale and retail trade employment rose 5.7 per cent to lead the monthly gain, while accommodations/foodservices employment rose 15,500 persons or 4.7 per cent. As restrictions loosen, expect further gains from these hard hit sectors. Other personal services rose 3.0 per cent and public administration gained 3.2 per cent. Goods- producing employment rose a modest 0.5 per cent.

Constructive trends are expected going forward. Ontario is set for Stage 3 of its re-opening in mid- July which will largely normalize retail activities, re-open indoor dining with capacity restrictions, and loosen fitness restrictions. Indoor meetings and events will also be allowed with restrictions. Re-hiring in advance of re-openings should lift July employment sharply albeit with momentum into August.

Resale market activity continued to slow in June





Recent policy changes and perhaps buyer fatigue after a period of frenzied market activity continues to moderate the Toronto resale homes market. The Toronto Region Real Estate Board (TRREB) released June statistics this week and sales declined an additional 1.7 per cent to 9,681 units adding to the strong double-digit growth decline in sales over the last three months. New listings also fell for the third consecutive month in June (down 1.8 per cent to 13,492 units). Despite the slightly stronger pull back in new listings relative to the decline in sales the average selling price fell 0.7 per cent month-over-month in June to $1.059 million.

Over the first half of the year all metrics remain significantly ahead of last year's pace with sales up 95.8 per cent, new listings up 59.7 per cent and the average selling price up 20.7 per cent. Base year effects continue to skew year-to-date comparisons.

The constant quality housing price index (HPI) continued to decelerate in June, the third consecutive month this has occurred, moving up 0.8 per cent a much slower pace of growth compared to the 1.5 per cent growth posted in May. Much of the moderation was due to weaker rates of price growth for single-detached homes and condo apartments. The HPI for townhomes remained relatively unchanged in June from May.

Weaker population growth as immigration remains at a trickle coupled with fewer potential buyers as affordability continues to erode further should dampen market activity for the remainder of the summer season and perhaps into the rest of the year. If the economic recovery is robust and employment and wage growth is strong this may insulate potential buyers from rising costs of entry to homeownership.

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