Economics | Current Economic Trends

Ontario Economic Briefing

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Economics

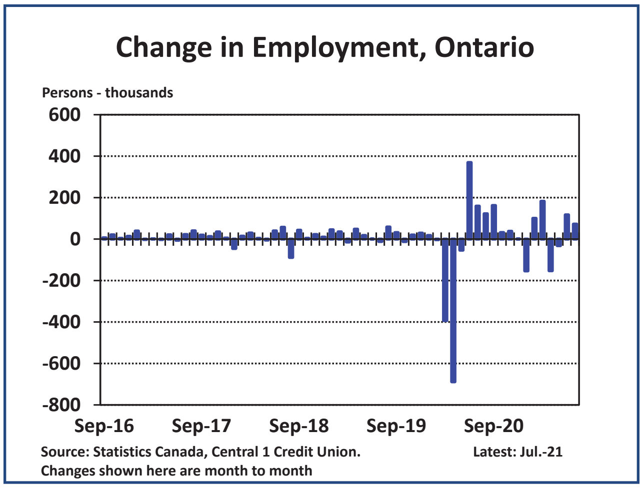
Highlights

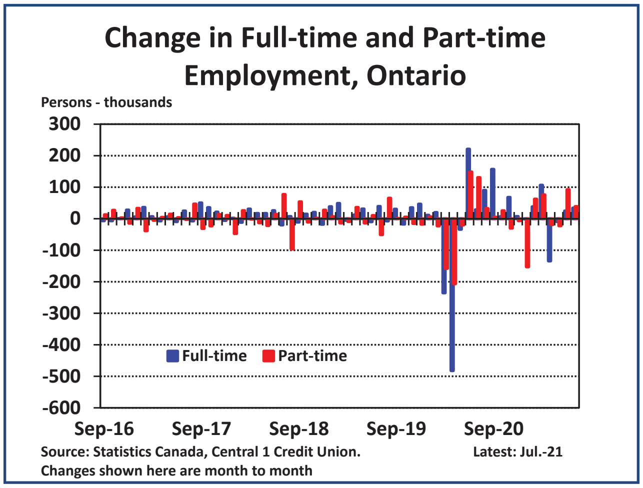
- Unemployment rate down from 8.4 to 8 per cent in July
- Economic reopening supports increased hiring
- Non-residential building permit volumes up 3.8 per cent in June
- Exports moved up 5.8 per cent in June
- Toronto home sales and new listings are now back to 2019 levels
- Home sales in Toronto slide for fifth consecutive month yet average sale price remains over $1.0 million

Ontario's economy continued to grow in July

The jobs picture in Ontario continues to improve as the economy opens further, according to Statistics Canada's July Labour Force Survey. The average unemployment rate continued to trend down for the second consecutive month, reaching 8.0 per cent, down from 8.4 per cent in June as employment increased an additional 1.0 per cent which offset the 0.6 per cent growth in the labour force.

Nearly all of the hiring in July came from the private sector (74,900 net jobs) and self-employed people (up 10,200 net jobs), offsetting losses in the public sector (12,700 net jobs). Moreover, hiring was more heavily skewed towards part-time work (53.2 per cent of net new jobs). As can be expected, despite increased confidence by many employers that the worst of the pandemic is over, many are still taking a prudent approach to hiring until the economy returns to full capacity again.



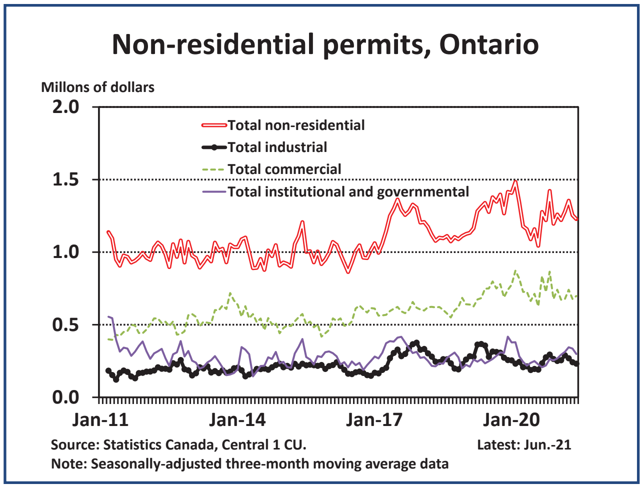


Compared to pre-pandemic activity from February 2020 there is still ample slack in the economy. The unemployment rate is still elevated (up to 8.0 per cent in July from 5.5 per cent in February 2020) and 118,000 net jobs remain unfilled with just over 97.0 per cent of those jobs still unfilled in the full-time area.

By sector, most of the hiring in July occurred in the services sector (52,100 net jobs or nearly 72.0 per cent of jobs). As expected with the greater easing for public health restrictions, most of the hiring in services occurred in trade and accommodation and food services. A couple of large sectors posted some jobs losses in July such as construction (shed 7,100 net jobs), professional, scientific and technical services (shed 2,700 net jobs), and public administration (shed 5,500 net jobs). With more face-to-face economic activity and a large portion of the population fully vaccinated, job losses in public administration likely occurred due to closing of COVID-19 testing and inoculation sites.

Non-residential building permits bounced back in June

Non-residential building permit volumes bounced back in June, moving up 3.8 per cent to $1.15 billion after posting a 20.7 per cent decline in May. Building permit volumes can be quite erratic especially so during this period as the economy continues to rebound from the pandemic. Growth in June was driven by industrial building permit volumes (up 37.8 per cent) and commercial building permit volumes (up 16.2 per cent). Institutional building permit volumes fell 37.7 per cent which is the second consecutive month this has occurred and the fourth month in the first half of the year.



Compared to pre-pandemic activity in February 2020 non-residential building permit volumes remained 12.9 per cent lower largely due to lower volumes of commercial and institutional building permits.

Over the first half of the year total non-residential building permit volumes remained 3.1 per cent ahead of last year's pace and industrial and institutional building permit volumes remained 20.7 per cent and 17.5 per cent ahead of last year's pace respectively. Commercial building permit volumes are still lagging last year's pace by 7.2 per cent.

A new office building in the City of Vaughan helped raise commercial building permit volumes in June.

In metro areas non-residential building permit volumes increased 17.0 per cent in June to $961 million or 83.0 per cent of all non-residential building permits issued in Ontario. Of the 16 metro areas surveyed, building permit volumes increased in nearly all with only five areas posting weaker issuances. Despite the strong growth in June over the first half of the year building permit volumes in metro areas remained 6.8 per cent off last year's pace.

Business investments are likely to ramp up as the year progresses and the economy firms up especially with attractive borrowing costs making new investments more enticing.

Strong trade to the U.S. in metals and the auto sector led to exports growth of 5.8 per cent in June

Ontario export volumes recorded one of the strongest month-over-month performances in June in nearly a year, since September 2020, as export volumes increased 5.8 per cent to $16.1 billion. Year-over-year exports increased 5.7 per cent. Imports also posted a very strong month of activity moving up 3.1 per cent month-over-month to $30.7 billion and year-over-year increased 15.7 per cent.

Over the course of the first six months of 2021, total exports are pacing thus far 13.0 per cent ahead of last year's pace.

Despite the strong numbers posted in June total export volumes are far from a normal year's activity. Compared to 2019 year-to-date exports in 2021 are down $7.5 billon or 7.1 per cent less than a recent non-pandemic year's activity.

Of the 12 categories surveyed, monthly export volumes fell in only three categories: metal ores and non-metallic minerals (down 48.1 per cent), electronic and electrical equipment and parts (down 0.7 per cent), and special transactions trade (down 9.8 per cent). Several large export areas posted strong activity among them metal and non-metallic mineral products (up 12.4 per cent), motor vehicle and parts (up 11.6 per cent), and consumer goods (up 3.7 per cent).

By global region exports to the U.S. increased in June by 5.6 per cent and accounted for 76 per cent of goods leaving Ontario while exports to the rest of the world excluding the U.S. fell in June by 8.2 per cent after posting 8.9 per cent growth last month. Likely the uncertainty over many economies due to outbreaks of COVID-19 are causing the jerkiness in economic activity with several starts and stops.

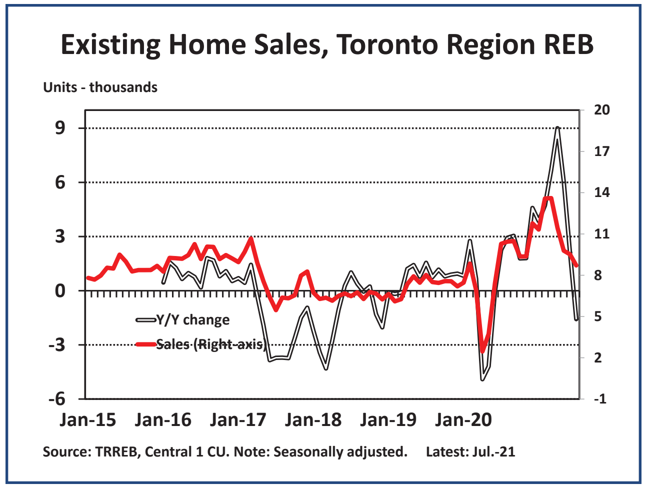
Over the first half of 2021, exports to the U.S. are up 13.2 per cent and exports to the rest of the world excluding the U.S. are up 14.1 per cent.

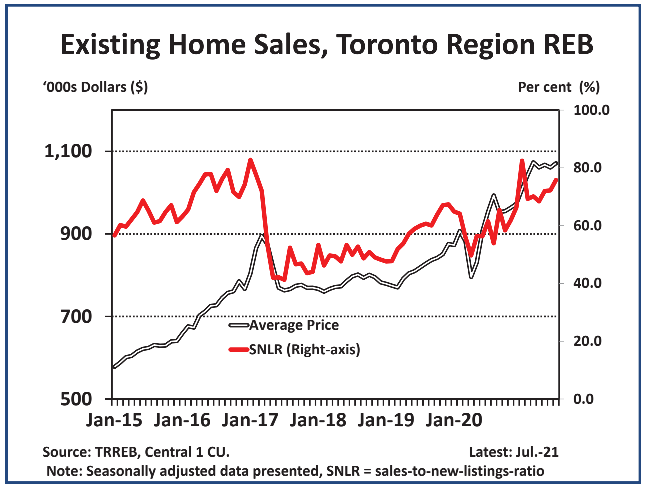
Home sales in Toronto have now slid for five consecutive months

Toronto's resale market continued to slide in July with market activity now back to 2019 levels. Sales and new listings in July fell 8.5 per cent (to 8,710 units) and 12.8 per cent (to 11,489 units) month-over-month. While average days on the market before a home sells in Toronto remains well below 2020 averages this metric also points to a slight slowdown as the average days on the market has been gradually trending up since April. Likely with slowing sales activity potential buyers are holding back from listings their homes currently or remove their homes from the market if they do not obtain the sale price they are expecting. With a greater contraction in supply relative to the contraction in demand the sales-to-new-listings-ratio (SNLR) moved up to 75.8 per cent in July up from 72.2 per cent in June. The market remained a sellers' market despite the recent five-month-long moderation in activity.

The average sale price of a Toronto home moved up an additional one per cent in July to $1.071 million. Despite the relative moderation in the market those fewer buyers still in the market are lifting prices because of the greater interest in low-rise housing that commands higher market prices and maxing out mortgage loans to enter the market now before Ontario exits stage three of the economic opening and international borders open.

Over the first seven months of 2021, sales (up 65.5 per cent), new listings (up 36.3 per cent) and average price (up 17.6 per cent) all remain significantly ahead of last year's pace largely from strong market activity over the first quarter 2021 compared to the same period last year and the start of the first lockdown in Ontario in March 2020 ceasing all market activity.





The Toronto Region Real Estate Board (TRREB) publishes an equal quality housing price index (HPI) monthly. According their July estimate the overall HPI moved up one per cent up from 0.8 per cent growth in June led largely by low-rise housing as the single-detached and townhome/row HPIs moved up 0.9 per cent and 0.5 per cent respectively. The condo apartment HPI's rate of growth slowed down coming in at 0.3 per cent in July much slower than the 0.9 per cent growth posted in June. The Toronto housing market is very tight largely due to low-rise housing. The condo apartment segment is continuing to recover but this segment still favours the buyer thus HPI in this segment not climbing as strongly as low-rise housing.

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