Economics | Current Economic Trends

Ontario Economic Briefing

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central 1 Economics

Highlights

- Ontario created just over 68,000 net new jobs in November
- Services-sector growth offset goods-sector decline in September, pushing up real Canadian GDP up 0.1 per cent
- Strong surge in non-residential building permit volumes lifts total volumes 4.5 per cent in September
- 33 per cent increase in non-residential permits in Toronto, Hamilton (up 76 per cent) and Barrie (up 113 per cent)
- Average home prices up an additional 2.8 per cent to $1.175 million in November
- New listings up 4.4 per cent in November but the market remains very tight despite the much-needed influx of supply

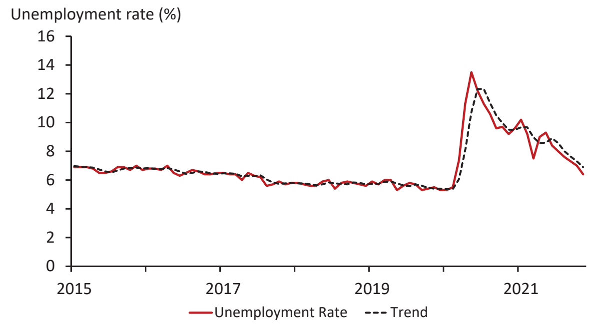
Ontario labour rebound contributes to 44 per cent of national increase in November

Edgard Navarrete, Regional Economist

The Ontario labour market continues to rebound according to the latest Labout Market Survey for November. According to the latest results, hiring increased an additional 0.9 per cent as the province's employers hired an additional 68,100 net new workers (nearly 44 per cent of national increase in hiring). Almost 99 per cent of those new hires were taken on in full-time capacity. The continued hiring in November now marked half a year of continuous job growth supported by easing of restrictions and public hunger to return to a semblance of pre-pandemic life.

Increased hiring also attracted more potential workers to the labour force, either workers previously on the sidelines or using this time to retrain, or new immigrants settling in and starting to look for work now that immigration numbers are starting to ramp up again. The labour force moved up 0.2 per cent or 19,300 net new entrants. With stronger hiring growth offsetting labour force growth, the average unemployment rate continued to slide coming in at 6.4 per cent, down from 7.0 per cent in October.

Unemployment rate continues trending down as economic expansion continues



Source: Statistics Canada, Central 1 latest: Nov/21

Relative to pre-pandemic activity in February 2020 employment (up 113,700 net new workers) and the labour force (up 197,900 new entrants) have fully recovered. The unemployment rate in November is now only 0.9 percentage points higher than pre-pandemic activity.

The services-sector continues to rebound and accounted for nearly 77 per cent of the 68,100 net new hires in November. Areas in services that had strong hiring in November included: finance, insurance, and real estate, up 11,900 net new workers, trade, up 20,000 net new workers, health and social assistance, up 23,100 net new workers, and professional and scientific services, up 10,300 net new workers.

Hiring in the goods-sector increased by 15,900 net new workers with strong hiring in construction, up 13,300 net new workers, and manufacturing, up 5,100 net new workers.

Strong demand in the construction sector with growth in non-residential construction is creating more opportunity for workers this area.

Of the 68,100 net new jobs created in November just over 75 per cent occurred in the private sector and self-employment.

Canadian real GDP lifted by services sector growth

Edgard Navarrete, Regional Economist

Statistics Canada released the latest real GDP estimates for Canada in September. According to the latest results real GDP moved up 0.1 per cent. While the services sector continued to bounce back adding 0.4 per cent growth the goods sector has struggled between periods of growth and periods of decline recently as was the case in September. The public sector contributed an additional 0.7 per cent of growth while private sector growth, as some areas bounce back and others face continued issues, remained unchanged.

The month-over-month decline in the goods sector occurred as growth fell in several sectors led by agriculture, forestry, fishing, and hunting, down 1.0 per cent, manufacturing, down 1.7 per cent, and construction, down 0.7 per cent.

Durable goods manufacturing slid 2.5 per cent largely on weaker production of transportation equipment manufacturing. Many motors vehicle and parts manufacturers, especially in Ontario, cut production in response to ongoing input parts shortages.

Non-durable manufacturing fell 0.9 per cent nearly erasing the 1.1 per cent gains posted in August led by a contraction in plastic and rubber products manufacturing which was affected due to less new car production. Petroleum and coal production manufacturing fell on lower imports of crude oil from the U.S. due to effects of hurricane Ida.

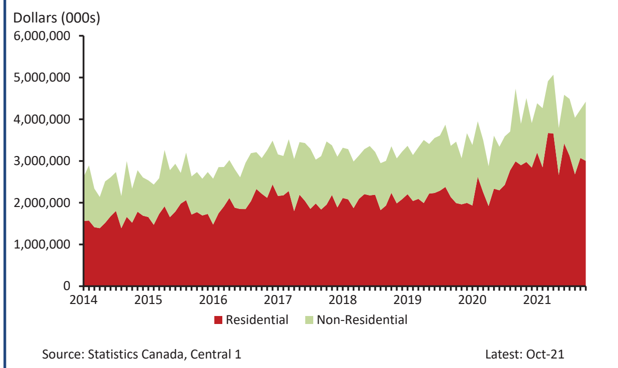
Services sector output increased with areas such as finance and insurance, up 0.3 per cent, real estate and rental and leasing, up 0.1 per cent, education, up 0.6 per cent, health and social services, up 0.2 per cent, and public administration, up 1.2 per cent leading the way.

Total building permit volumes rose 4.5 per cent in September

Bryan Yu, Chief Economist

Ontario building permits rose for a second straight month in September to mark a near return to the mid-year trend. Dollar-volume permits climbed 4.5 per cent to a seasonally- adjusted $4.42 billion which was nearly 14 per cent higher than a year ago.

Ontario building permits hold range-bound in October



September's uptick relied heavily on growth in the non-residential sector where dollar-volume permits surged 22 per cent to $1.41 billion to reverse a 14.5 per cent decline in August. This was the highest monthly performance since November. Government permits nearly doubled, while commercial permits which make up the majority of activity, jumped 37 per cent. Among metro areas performance was mixed but highlighted by a 33 per cent increase in non-residential permits in Toronto, Hamilton (up 76 per cent) and Barrie (up 113 per cent). Activity tends to fluctuate widely, but September performance was consistent with the band observed since mid- 2020.

Residential permits slipped 2.2 per cent after gaining 14 per cent in August but generally remained elevated at $3.0 billion, aligning with strong housing starts this past year. A 15 per cent increase in single-family permits offset a 16 per cent decline in multi-family activity. This supports the anecdotal trend of Ontarians moving to smaller urban and rural areas where prices are relatively lower and space more plentiful.

Year-to-date, total permits rose 21.8 per cent led by a 29 per cent increase in residential permits (mostly single-family). Non-residential permits rose a more modest 6.6 per cent reflecting persistence of business uncertainty. Growth in building intentions as remained strong in numerous regions with total permits up 21 per cent in Toronto, 39 per cent in Barrie, 55 per cent in Hamilton, and 74 per cent in Peterborough as examples.

Increased new listings rebalances the Toronto resale homes market, somewhat

Edgard Navarrete, Regional Economist

The Toronto Region Real Estate Board released November market data this week. According to the latest figures the resale housing market has rebalanced somewhat with in surge of new listings more than offsetting the continued demand. Sales moved up an additional 4.4 per cent, the third consecutive month of sales growth, while new listings moved up 21.0 per cent, the largest month-over-month jump in new listings since February 2020. Moreover, new listings have now grown for two consecutive months after a long six-month spell prior to October 2021 where new listings fell and could not keep up with the market demand.

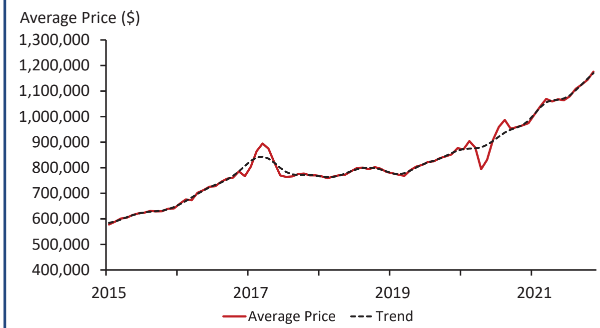
Even with a 21 per cent jump in new listings sellers' market conditions persist

Source: TRREB, Central 1 latest: Oct/21

With significantly higher supply in the market easily offsetting demand, the market rebalanced somewhat according to the sales-to-new-listings-ratio (SNLR). In November the SNLR came in at 70.4 per cent down from 81.5 per cent in October. The last time the SNLR was just over 70 per cent was March 2021. Despite the recent rebalancing of the market, the market remains a sellers' market. Any SNLR reading over 60 per cent suggests a sellers' market.

Average prices continued to climb in November moving up an additional 2.8 per cent to $1.175 million. This marked five consecutive months of growth. Moreover, average price growth is supported more and more by increased tightening in multi-family housing and in the suburbs. As people are priced out of the core 416 area code area many are driving out farther in the region looking for housing. The only issue is many are implementing that strategy also and this is now leading to increased competition and bidding wars in those areas.

Average resale home price moves up 2.8 per cent in November in Toronto



Source: TRREB, Central 1 latest: Nov/21

Year-to-date, sales (up 32.1 per cent), new listings (up 6.9 per cent) and average price (up 17.6 per cent) all remain significantly ahead of last year's pace. The year-to-date SNLR is 72.0 per cent up from 58.3 per cent last year.

The composite housing price index (HPI) continued to climb in November moving up an additional 4.5 per cent supported by HPI growth for all home segments.

Demand remains strong in Toronto but the surge in new listings in November was surprising. Likely, with the central bank continuing to talk of multiple policy rate hikes in early 2022, and the downward force that would put on the resale homes market, many potential sellers are hurrying to the market to cash in on their home or homes, if they are investors, before any cooling occurs.

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