Economics | Current Economic Trends

Ontario Economic Briefing

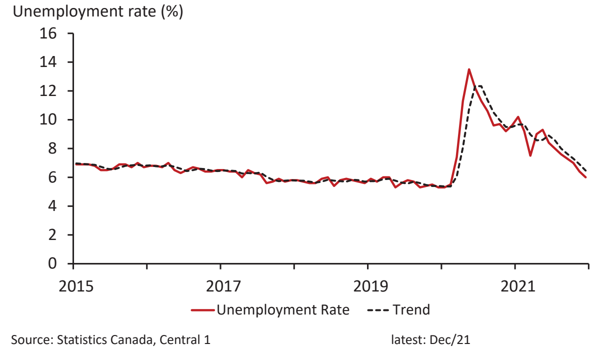
Volume 28 • Issue 1 • Week of January 3 - January 7 2022 | ISSN: 1981-355

central 1 Economics

Highlights

- Unemployment rate falls to 6.0 per cent, report data collected before latest public health restrictions however
- Imports at all-time high, all export sectors posted growth in November
- Rebounding residential building permit volumes offset a mild retreat in non-residential building permit volumes in November
- Lack of supply and increased erosion of affordability slowed December sales down in Toronto

Unemployment rate was continuing to trend down before latest round of restrictions



Hiring continued to increase in Ontario but Omicron will have an effect beyond December

Edgard Navarrete, Regional Economist

The latest jobs market report was released this week by Statistics Canada and December numbers look quite positive at the time the survey was conducted. According to the latest results, Ontario added 46,900 new jobs in December with 84.2 per cent of workers employed entering on a full-time capacity. Moreover, with the latest data in the books, employment in Ontario has increased for seven consecutive months.

Like employment, the labour force has also continued to rebound with an additional 19,800 potential workers at the time the survey was conducted. This also marked a stretch of seven months where the labour force has continued to rebound.

With stronger employment growth relative to the growth in the labour force, the province's average unemployment rate continued to trend down coming in at six per cent in December, down from 6.4 per cent in November. With the latest reading, the average unemployment rate is just half a per cent up from pre-pandemic levels in February 2020.

With December data in the books, one can now compare how 2021 has compared to 2020. Despite various stages of disruptions through off-and-on public health restrictions, Ontario's employment increased 4.9 per cent and the labour force increased 3.1 per cent. As expected, due to increased economic uncertainty, employers took on more employees on a part-time basis for most of the year until very recently when the worst of the pandemic seemed to be behind us. Part-time employment increased six per cent while full-time employment increased 4.7 per cent. Increased hiring relative to the growth in the labour force pushed the average unemployment rate in 2021 down to 8.0 per cent, down from 9.6 per cent in 2020.

Of the 46,900 new hires in December, by class of worker, 38,900 or 82.9 per cent of all new hires worked in a self-employed or contractor capacity. The public sector hired an additional 15,800 workers while the private sector let go 7,800 workers.

In 2021, hiring growth occurred in the public sector (up 7.1 per cent) and the private sector (up 5.9 per cent). Self-employment fell 1.8 per cent despite the recent rebound in this area. The increased uncertainty during the pandemic likely compelled many workers to seek more security working for someone else rather than going at it alone like they were doing prior to the pandemic.

By sector, both the goods and services sectors posted hiring growth in December. Services accounted for nearly 60 per cent of all new hires. Key large sectors that posted increased hiring included: construction (up 0.3 per cent), manufacturing (up 2.1 per cent), trade (up 1.6 per cent), finance, insurance, real estate and leasing (up 0.6 per cent), and educational services (up 1.8 per cent).

In 2021, hiring in the goods sector increased by 4.0 per cent while hiring in the services sector increased 5.1 per cent. Much of the growth in services occurred in areas where workers could pivot to online services, e-commerce, or highly technical areas. Client-facing services such as accommodation and food services or personal services did not fare as well due to the roller coaster of on-and-off again public health restrictions.

The jobs report in December painted a picture of an ongoing recovery. This was before Omicron really started to take hold in Ontario. New public health restrictions took hold later in the month and this will likely affect January's jobs report at a minimum; it all depends how quickly the province can tame or slow down the spread of the virus for economic and social life to restart once again.

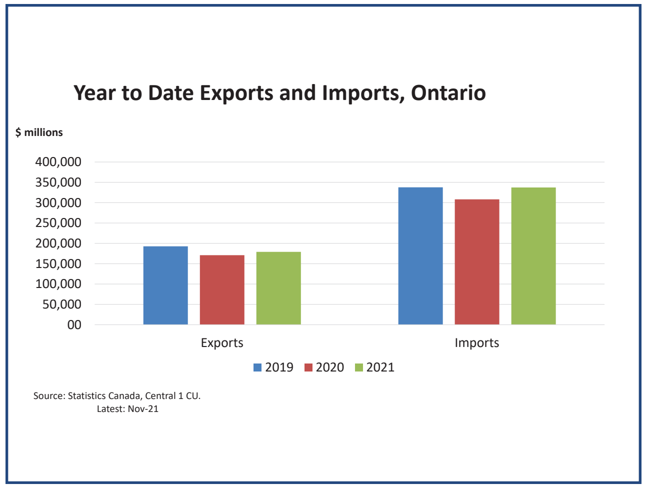
Exports and imports growth accelerates

Alan Chow, Business Economist

Ontario saw a bump in export and import volumes for the month of November, according to the latest merchandise trade estimates released this week. The data shows exports have grown 5.4 per cent over the previous month on a seasonally adjusted basis. Imports came in even stronger, up 7.4 per cent for the month. This marks the third consecutive month of growth and is an all-time high for Ontario imports.

Exports growth was led by a 6.4 per cent increase in metallic and non-metallic mineral products. This reversed a three-month trend of decreases in the sector and brought it back up from a 12-month low. Other sectors with significant increases include the consumer goods sector, which is up 3.7 per cent and the motor vehicles and parts sector, which is also up 3.7 per cent. All other sectors saw gains as well, meaning no sector saw a drop in export volumes.

Import growth was led by the consumer goods sector, which is up a staggering 18.2 per cent. This represents an all-time high in monthly volume. This is followed by metallic and non-metallic mineral products, which is up 11.6 per cent, followed by the energy sector, which is up 44.8 per cent. Two sectors saw declines for the month. Electronic and electrical equipment and parts and farm, fish, and intermediate foods both declined 0.8 per cent for the month.



Year-to-date, export volumes are up 4.8 per cent over 2020. Import volumes are up 9.5 per cent year-to-date, which brings it close to 2019 levels.

Building permit volumes increased 1.4 per cent in November

Bryan Yu, Chief Economist

Ontario construction intentions held range-bound in November as building permits rose 1.4 per cent to $4.54 billion, adding to a 5.0 per cent increase in October. A rebound in residential construction permits more than offset a mild retreat in non-residential activity. Year-over-year, November permits rose a mild 0.8 per cent.

November's increase owed entirely to a rebound in residential permits which rebounded 6.5 per cent to $3.22 billion following a two per cent drop in October. Permits for both single-detached (up 4.2 per cent) and multi-family (up 9.1 per cent) picked up during the month contributing to an upward trend since August. Residential permits remain exceptionally strong with a year-over-year increase of 8.4 per cent and year-to-date gain of 27 per cent reflecting the robust pace of housing demand for both new builds and renovation.

In contrast, non-residential permits pulled back after reaching a 2021 high in October. Dollar permit volume slipped to $1.32 billion, marking a 9.4 per cent decline. Both commercial (down 23.6 per cent) and government (down 29.5 per cent) intentions reverted lower after strong gains in October but were cushioned by a spike in industrial activity. Year-to-date non-residential permits were up modestly through November with a 5.6 per cent increase. Both industrial and government permits were up sharply from 2020 but offset by commercial weakness. The latter likely reflects business uncertainty on the part of businesses amidst rolling capacity limits and unknowns of future health measures.

Total building permits over the first 11 months of 2021 rose 20 per cent compared to same period in 2020. Permit growth in the Toronto Census Metropolitan Area rose at a nearly identical pace. In other regions, notable increases included Hamilton (47 per cent), Oshawa (36 per cent) and Thunder Bay (65 per cent). In contrast, mild gains were observed in Guelph (2.4 per cent) and Windsor (6.1 per cent).

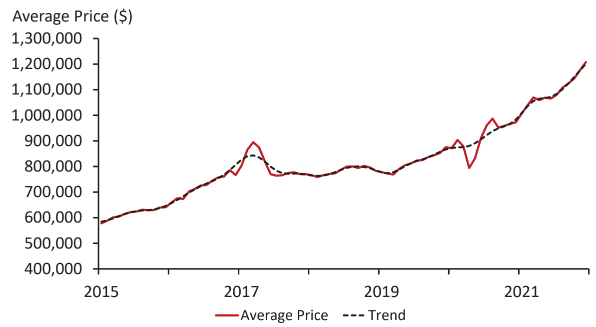
Toronto home sales growth momentum slowed down in December

Edgard Navarrete, Regional Economist

The latest data from the Toronto Region Real Estate Board (TRREB) points to a significant slowdown in sales growth momentum as affordability continues to erode, pricing out many buyers in Canada's largest real estate market. Sales increased only 0.5 per cent in December over November, the second slowest month of 2021 second only to March 2021 that saw no price increases at all. The recent slowdown in sales puts an end to three months of strong sales as the final batch of COVID-era buyers rushed to the market to lock in mortgage approvals and interest rates.

Despite the recent slowdown in activity to close out the year, 2021 was a very strong year for sales for many reasons discussed in some of our previous reports. Sales in 2021 increased 28.5 per cent up from 8.3 per cent growth in 2020 and 12.5 per cent growth in 2019. Total sales for 2021 are in line with our regional outlook released in October that was calling for a 29 per cent increase in sales for the Toronto Census Metropolitan Area.

Toronto's average home price increased 17.9 per cent in 2021



Source: TRREB, Central 1 latest: Dec/21

Market continues to loosen, two consecutive months of significant SNLR drops, but remains sellers' market

Source: TRREB, Central 1 latest: Dec/21

Continued strong average price growth over the last six months of 2021 where the average month-over-month gain was nearly $15,000 has drawn out more listings as potential sellers are rushing to cash in before the market's expected cooling coming after the central bank raises its policy rate by mid-2022. New listings increased an additional 13.2 per cent in December. In 2021 new listings increased by 6.2 per cent, not sufficient supply to keep up with demand, thus pushing prices up as competition on the market became very intense in some pockets of the region, especially for single-detached homes.

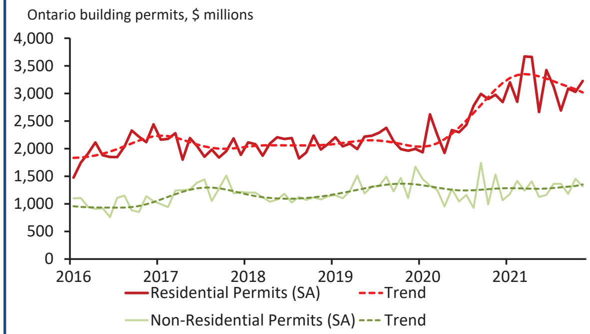
The sales-to-new-listings-ratio (SNLR), a rough metric that provides a glimpse on the state of the market, fell to 64.1 per cent in December down from 72.3 per cent in November. December's SNLR was the lowest reading for 2021. Despite the recent cooling as seen by this metric over the last two months the market remains very tight. Any reading over 60 per cent signals a sellers' market. Erosion of affordability and lack of supply continue to cool the market as many buyers step away from the market exhausted from searching and intense bidding wars.

The average price of a home in Toronto continued to climb in December moving up 2.7 per cent to $1.207,995. In 2021, the average price of a home in Toronto moved up 17.9 per cent up from 13.5 per cent in 2020 and 4.0 per cent in 2019. Substantial interest in low-rise housing, particularly single-detached homes and freehold townhomes pushed prices up as investors and families looking to buy homes competed intensely for limited options throughout the year. The average days on the market of a home in Toronto was 14.1 days in 2021 down from 19.0 days in 2020. Just as quickly as new supply came into the market it was taken off, as bully offers and multiple bids on offer night became the norm.

Average price growth in 2021 was much stronger than what Central 1 economics called for in its latest regional outlook. Our call for 2021 was for 12.0 per cent average price growth in 2021. The lack of supply and intense competition by buyers with significant buying power was more than expected.

TRREB publishes a constant quality housing price index (HPI) each month and the overall HPI in December rose 3.6 per cent led largely by continued price gains to low-rise housing. The single-detached HPI and townhome HPI increased 3.6 per cent and 3.9 per cent respectively. The condo apartment segment continues to heat up as eroding affordability draws more potential buyers away from low-rise housing to condo apartments. The condo apartment HPI moved up an additional 2.0 per cent in December.

Residential construction reverts higher, non-residential activity range-bound



Source: Statistics Canada, Central 1 Latest: Nov-21

In 2021, the overall HPI moved up 20.4 per cent while the single-detached, townhome, and condo apartment HPIs moved up 25.8 per cent, 16.7 per cent, and 9.9 per cent respectively.

Looking to 2022, housing market activity will moderate somewhat. Increased mortgage rates, eroding affordability, and perhaps some labour market uncertainty, until the pandemic is over, will put downward pressure on housing demand in Toronto. With many young Torontonians currently priced out of the market for the foreseeable future, unless they get family help, expect one or more levels of government to put policies in place in 2022 to cool demand.

For more information, contact economics@central1.com.