



Highlights

- The unemployment rate shot up to 7.3 per cent in January on the back of increased public health restrictions
- Total building permits level was 1.1 per cent up from last month, and 20.6 per cent higher than December 2020
- Strong single-detached home price growth keeps lifting overall price growth in Toronto

Increased public health restrictions really cut through the jobs market

Edgard Navarrete, Regional Economist

Statistics Canada released January's labour market report and as expected, the increased public health restrictions really had a significant adverse effect on the market. Employment contracted by 145,700 workers with over 70 per cent of the job losses occurring to part-time workers. Moreover, the job losses in January were the deepest since April 2021 and put an end to a run of seven consecutive months of employment growth

The labour force also contracted significantly as over 53,000 potential workers left the work force. Like employment, this contraction put an end to seven consecutive months of labour force growth. With more people discouraged to even enter the labour force, the participation rate fell in January to 65 per cent, down from 65.5 per cent in December, a level it had maintained for several months on the back of the ongoing labour market recovery before this latest setback.

With a greater number of Ontarians losing their jobs compared to those leaving the labour market, the unemployment rate shot up to 7.3 per cent in January, up from 6.1 per cent in December.

The public health restrictions affected both public and private sector employees, but the brunt of the job losses occurred in the private sector. In January, the public sector shed 12,800 jobs while the private sector shed 133,600 jobs. Those working in a self-employed capacity increased by 500.

Ontario's labour market took a downturn in January



By sector, as expected with the increased public health restrictions, the client-facing services sector took a bigger hit than the goods sector. The services sector shed 139,800 jobs while the goods sector shed 6,000 jobs. The majority of the jobs lost in the services sector were in the following areas: trade (down 16,100 jobs), accommodation and food services (down 74,600 jobs), info., culture, and recreation (down 48,100 jobs), and business building and other support services (down 9,400 jobs). Job losses in the goods sector occurred largely in manufacturing (down 24,900 jobs) which were largely offset by strong hiring in construction.

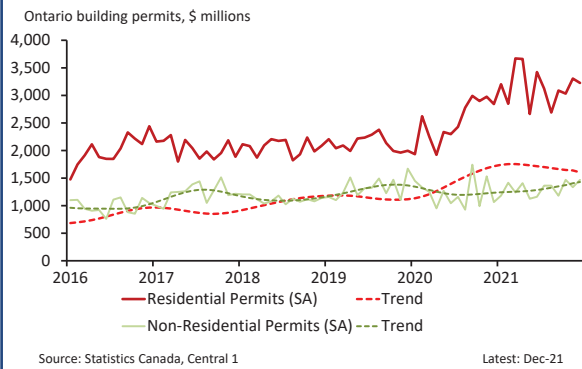
The province has already started removing public health restrictions since January 31, 2022. The greater easing of restrictions will ensure that this jobs report is a blip, and the economy can continue to grow from February on, as it had prior to this latest round of restrictions.

December building permits volume maintained growth momentum and ended 2021 strong comparing to 2020

Ivy Ruan, Economics Research Associate

Seasonally adjusted total building permit volumes, residential and non-residential, increased 1.1 per cent in December over November to \$4.69 billion, keeping the upward momentum from November 2021 and ending the year a strong note. Total building permit volumes in December were 20.1 per cent higher than a year ago.

Decline in residential permit volumes offset by growth in non-residential permit volumes



Total residential permit volume levels fell in December, offsetting November's gains. Single-home permits reported a 3.4 per cent decline, and multi-family permits had a 1.3 per cent drop. Toronto (28.3 per cent lower) and Kitchener-Cambridge-Waterloo (31.2 per cent lower) regions were the main contributors to the decline in residential permits. Oshawa was the outlier that reported an almost fivefold increase in its residential permits. Despite the monthly decline, residential permits had a strong 2021 in Ontario, having 26.7 per cent year-to-date growth and a 13.5 per cent year-over-year increase.

Non-residential building permit volumes were buoyed by growth in commercial, offsetting declines to industrial and institutional building permit volumes. Commercial permits (up 27.6 per cent) surged in December, offsetting December's robust drops in activity for institutional (down 13.8 per cent) and industrial (down 9.0 per cent) building permits. In 2021, institutional building permits and industrial building permits increased 14.2 per cent and 20.7 per cent respectively despite the recent weakness to close out the year.

Total permits rose 20.6 per cent in 2021 led by a 26.7 per cent increase to residential permits. While residential permit volume surged in the heated housing market, non-residential permits had a relatively moderate increase of 8.0 per cent. Ontario's economy had been up and down due to rolling covid-related lockdowns during the year and e-commerce becoming more popular, complementing brick and mortar retail.

Among metro areas, 12 out of 15 markets saw increases to total permits in 2021. Toronto had 17.9 per cent growth and contributed \$1.79 billion or 38.2 per cent to December's total volume. Ottawa-Gatineau was a mixed bag as residential construction boomed, while non-residential permit volumes fell by 41.3 per cent. Brantford was the only market reporting a decline in its residential permit volumes (17.7 per cent down) despite a booming Ontario housing market in 2021.

Toronto resale home prices up an additional 6.7 per cent in January

Edgard Navarrete, Regional Economist

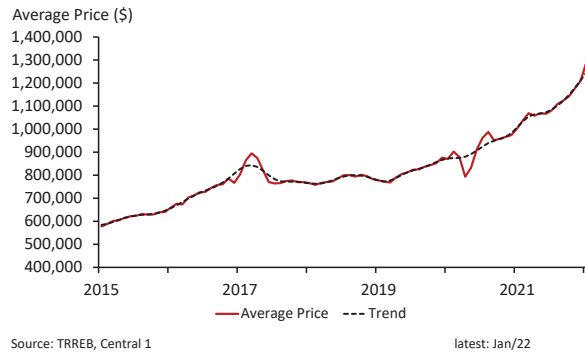
Toronto's resale homes market remains extremely tight, but this tightness and continuing erosion of affordability is likely starting to have an effect on the market. According to the latest data from the Toronto Region Real Estate Board (TRREB) in January 2022, sales declined 4.7 per cent while new listings declined 15.1 per cent. Sales have now dipped for two consecutive months after a nice run-up in sales growth from September to November of last year. Over the course of the pandemic, many buyers, final end users and investors jumped into the market, moving up home purchases likely months or years in advance. That pool of buyers still able to buy has now likely dwindled and those wishing but unable to buy have just stepped away. Compared to a year ago, sales and new listings are down 18.0 per cent and 14.9 per cent respectively.

According to the sales-to-new-listings-ratio (SNLR), the Toronto market is very tight with the January reading of this metric coming in at 72.7 per cent up from 64.8 per cent in December. Compared to a year ago, the market though has slightly cooled. In January 2021, the SNLR was 75.4 per cent: any reading above 60 per cent signals a sellers' market. A big reason for the continued tightness is the supply story. There is insufficient inventory in Toronto and that could be yet another reason for lower sales as buyers do not really like what they see in terms of selection, quality, etc. and are stepping away, too.

Even with fewer sales, the market price continues to trend up, likely due to sellers asking ever increasing exuberant prices and buyers willing to pay those prices rather than miss out on an opportunity, again due to relatively minimal inventory out there. The average selling price of a home in Toronto was \$1.3 million in January, up 6.7 per cent from December and up 28.7 per cent from a year ago.

Much of the elevation in price in Toronto is also attributable to compositional effects. Many buyers are still chasing that low-rise home, particularly that single-detached home option, as seen by the TRREB constant quality housing price index (HPI). In January, the overall HPI moved up 3.9 per cent (up 0.1 per cent from December) largely due to strong growth in the single-detached HPI. This segment's HPI moved up 4.3 per cent (up 0.6 per cent from December). The townhome HPI remained stable, the only other segment to post an above average increase month-over-month was the condo apartment segment which moved up 2.5 per cent, up 0.4 per cent month-

Average home price reached \$1.3 million in January, up 6.7 per cent in one month



over-month. With a portion of buyers now priced out of low-rise housing, many are starting to look more aggressively at the condo apartment segment as a path to homeownership if they wish to remain in the Greater Toronto Area.

The exuberance in the market will likely remain for the first half of the year with a cooling period to end the year in the back half. It is very possible that the central bank will start raising rates come March 2022 and for several periods after that, to cool inflationary pressures in the economy.

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