



Highlights

- Ontario's unemployment rate down to 5.3 per cent in March
- Nearly all net hiring occurred in the goods sector
- Services sector hiring was modest as employers take a cautious approach to hiring back workers
- Higher costs are forcing the hands of some in the services sector and they are having to release some workers
- Multi-family building permits' gains led the provincial growth in total building permits
- Toronto home sales down 9.5 per cent in March
- Average home prices in Toronto fall 3.6 per cent for the first time in nine months
- Higher borrowing costs are forcing some Toronto home buyers to retreat

Ontario reports the lowest pandemic-era unemployment rate in March

Edgard Navarrete, Regional Economist

Ontario's unemployment rate fell in March to the lowest level ever during this pandemic to 5.3 per cent. Moreover, the current average unemployment rate is even lower than the pre-pandemic unemployment rate from February 2020 (5.5 per cent).

On a net basis, Ontario employers took on 35,100 new employees in March, more than doubling the net gain to the labour force of 13,500 net new entrants and allowing the unemployment rate to further slide downward. Encouraging to the economic recovery following the fifth wave of COVID-19 is that full-time hiring was strong as employers took on nearly 66,000 net new workers in this capacity. Part-time employment fell by just over 30,000 net workers but this was likely a shift in workers from part-time to full-time as employers have a positive outlook on the economy over the next three to twelve months as outlined by data from the Canadian Federation of Independent Businesses' monthly Business Barometer.

Unemployment rate reaches lowest pandemic-era level in March



Hiring was strongest in the goods sector which took on 32,800 net new workers while the services sector took on the remaining 2,400 net new workers. All sectors in the goods sector had robust hiring with certain areas such as forestry, fishing, mining, quarrying, oil and gas (up 7,400 net new workers), construction (up 11,200 net new workers), and manufacturing (up 8,800 net new workers). Strong investments in residential and recovering investments in commercial are driving demand for labour on building sites. Increased demand for commodities, particularly with the current war in Europe affecting commodity supply chains, has benefitted commodities producers in Ontario and has driven the need for more workers.

The services sector had a modest rebound in March as client-facing services are still slower to recover, perhaps as employers in these areas are being cautious after a roller-coaster ride over the last two years of start and stop measures. Moreover, the pandemic has pushed many workers out of client-facing service jobs as they have either retired or retrained and moved into other areas, keeping jobs vacant longer and making it harder for employers. Finally, some employers facing higher costs and lower profit margins such as those in transportation and warehousing are perhaps making tough choices and letting go employees.

By class of workers, all the hiring growth in March came from self-employed workers (up 48,700 net new workers), while the public and private sectors shed 4,600 and 9,100 net workers. Many of the workers that were self-employed were probably taken on as self-contractors in the trades and other areas of the goods sector where most of the hiring occurred in the month.

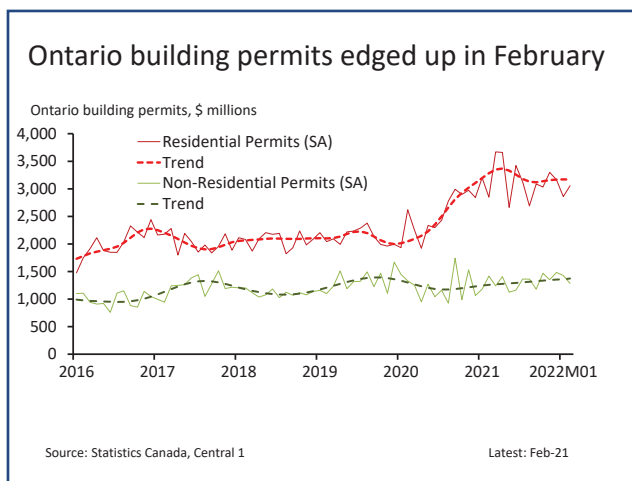
Looking ahead, with laxer public health restrictions, the economy should continue to rebound and support employment growth barring any more shocks such as a difficult sixth wave of COVID-19 infections or inflationary pressures causing consumer spending and business investments to contract and dampen hiring prospects.

Ontario building permits edged up 1.2 per cent in February

Ivy Ruan, Economics Research Associate

Ontario construction intentions reported a monthly growth of 1.2 per cent in February to a seasonally adjusted \$4.34 billion, following last month's decline. The drop in total non-residential construction (10.0 per cent) was offset by gains in residential permits (6.8 per cent). Total permits volume was 1.8 per cent higher than February 2021.

February's growth in total building permits was entirely driven by growth in multi-family homes (16.6 per cent), offsetting the loss in single-family homes (-2.6 per cent). The Toronto (2.6 per cent) and Ottawa-Gatineau (21.9 per cent) CMA's gains in residential building intentions led the growing momentum in Ontario. That said, other CMAs reported declines in residential permits, such as Kitchener-Cambridge-Waterloo (-13.7 per cent) and London (-4.8 per cent). Uncertainties related to interest hikes may upset the housing market, especially the resale sector, yet economic recovery, growing population and long-term city planning could continue to motivate residential developers' construction activities in Ontario. That said, moving forward, the rate hike effects will accumulate and gradually bring downward pressure on future new building intentions.



Non-residential permits' losses in February were driven by declining industrial construction intentions (-28.8 per cent) and institutional component (40.6 per cent), which offset the recovery in commercial activities (21.4 per cent). Despite the monthly decline, industrial building intentions were 72.7 per cent higher than the same month in 2021. Commercial building permits, on the other hand, were 12.0 per cent lower than February 2021. Rate hikes have started to impact borrowing abilities, in addition to inflation of raw materials and labour shortages affecting the decisions of new business/industrial constructions and redevelopment.

Toronto's resale homes market finally showing signs of inflection

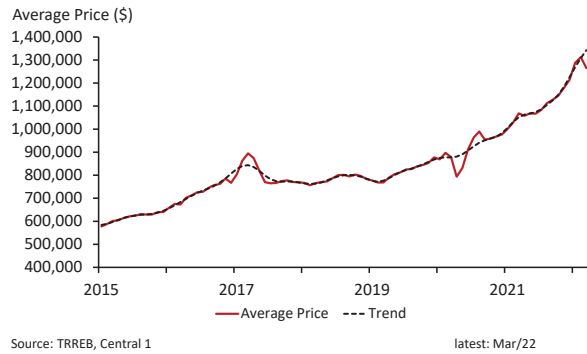
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The resale housing feast is showing signs of slowing down in Canada's largest market with March data now available from the Toronto Region Real Estate Board (TRREB). According to the latest data, the market is finally in a balanced position according to the sales-to-new-listings-ratio (SNLR) at 57.7 per cent for the first time since October 2020, putting an end to the sellers' market run that spanned 16 consecutive months.

Sales are down 9.5 per cent m/m and 30.1 per cent y/y while new listings are also down 2.7 per cent m/m and 12.9 per cent y/y. Sales have contracted as potential buyers are stepping back given increased costs of entry. Mortgage rates continue to rise, particularly now that the Bank of Canada (BOC) has started to raise its policy rate to try and tame inflation back to neutrality.

Average price has also recoiled m/m for the first time in nine months sliding 3.6 per cent to \$1,265,102 in March. Average price remained 18.4 per cent, still up y/y. Given higher costs of entry via higher still mortgage rates and high prices for single-detached homes, potential buyers remaining in the market are focusing greater attention on high-density housing for investments or primary residence use. The constant quality housing price index from TRREB townhomes/rows and condo apartments increased by the largest margin in March, moving up 2.2 per cent and 4.2 per cent respectively. The HPI for single-detached homes had its weakest m/m showing since April 2021, moving up 0.3 per cent in March 2022, after averaging growth ranging from 1.8 per cent to 4.9 per cent from May 2021 to February 2022.

Toronto's market showing signs of cooling, sales down over 30 per cent y/y



With the housing demand-friendly policies coming out of the federal budget tabled on April 7, 2022, notwithstanding, Ontario's resale market will likely continue to slow down. Buyers will be kept on the sidelines by several factors including expected continued policy rate hikes by the BOC, increased foreign-buyer tax in Ontario, and higher cost of living. Those that get down payment help from family may remain active on the market, but this will be a dwindling group going forward at least for most of 2022. As of today, Central 1 Economics is forecasting a 13 per cent drop in sales in 2022 and prices to climb 6.0 per cent, a slower rate of growth than the 16.9 per cent recorded in 2021.

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