



Highlights

- Building permits post strong m/m gains in March
- Largest jump in activity since October 2021
- Gains came from both residential and non-residential
- New car sales in Ontario remain at only 73 per cent of pre-pandemic activity

Overall building permit volumes climbed 9.3 per cent in March

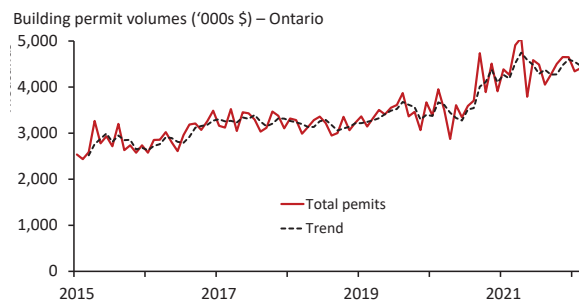
Edgard Navarrete, Regional Economist

After climbing 1.5 per cent m/m in February, total building permit volume in Ontario continued to rise in March by an additional 9.3 per cent m/m marking the largest m/m gain since October 2021. February gains were consistent for both residential (up 9.5 per cent) and non-residential (up 8.7 per cent m/m) activity.

Strong growth in building intentions for both single-detached homes (up 12.0 per cent m/m) and multi-residential units (up 7.4 per cent m/m) supported continued residential strength. Non-residential building intentions increased on stronger investments in industrial units (up 16.2 per cent m/m) and commercial (up 8.2 per cent m/m) which offset a 1.4 per cent m/m decline to institutional units.

Encouraging for the ongoing economic recovery is the rebound to commercial units which, with March's data now in the books, marks two consecutive months of recovery. Relaxed public health restrictions have allowed businesses to start recouping a greater portion of pandemic-era losses as consumers partake in "revenge spending" and spur small-medium enterprises to invest in operations. Risks to the commercial rebound are skilled-labour shortages, construction union strikes, increased borrowing costs and a tightening of consumer belts after the initial phase of "revenge spending" due to a punitive cost of living.

Ontario's building permit volumes climb 9.3 per cent in March



Source: Statistics Canada, Central 1

latest: Mar/22

In the first quarter of 2022, overall building intentions in Ontario were unchanged from same-period 2021. Residential building intentions remain 2.8 per cent below activity last year due to a strong contraction to single-detached homes (down 7.8 per cent) while multi-units partially offset the single-detached losses by remaining up 2.2 per cent. Non-residential building intentions in the first quarter remained 7.2 per cent ahead of last year's pace on strong investment of industrial units (up 36.3 per cent) and commercial (up 7.2 per cent) which offset losses in institutional projects (down 19.5 per cent).

In Ontario's metro areas, overall building intentions climbed 20.5 per cent in March due to very strong growth in both residential (up 24.4 per cent m/m) and non-residential (up 11.1 per cent m/m). Year-to-date, there is still a gap to be made up as overall building intentions remained 4.9 per cent below the same period in 2021 with both residential (down 6.0 per cent) and non-residential (down 1.8 per cent) still lagging last year's pace.

The weak hand-off from the last quarter of 2021 into the first quarter of 2022 on stricter public health restrictions likely dampened building intentions that have recently started to ramp up again.

In the metro areas of Ontario, overall building intentions intensified in all but a few areas:

- Guelph down 19.8 per cent m/m on weaker residential and non-residential investments;

- London down 22.5 per cent m/m on a substantial dip to non-residential investments;
- Peterborough down 41.5 per cent m/m on weaker residential and non-residential investments; and,
- Thunder Bay down 29.3 per cent m/m on weaker residential and non-residential investments.

In Ottawa-Gatineau and Toronto, overall building intentions increased 9.3 per cent and 20.8 per cent respectively in March over February on overall growth. Toronto posted strong double-digit growth across the board as investments are ramping up after a roller-coaster ride for the economy due to up and down public health restrictions for most of the pandemic.

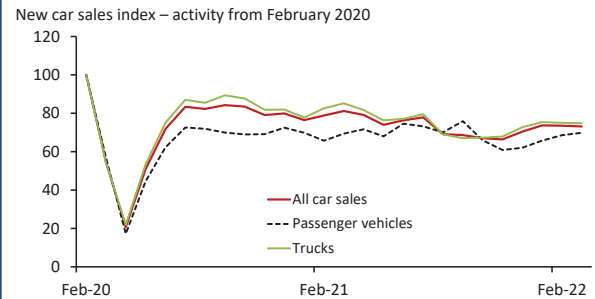
New car sales continued to slip in March

Edgard Navarrete, Regional Economist

New car sales numbers were released by Statistics Canada this week and overall car sales continued to fall in March, slipping an additional 0.6 per cent m/m adding to the 0.2 per cent m/m slide in February. While sales of new passenger vehicles increased 1.9 per cent m/m in March, the fourth consecutive month of healthy sales, sales of trucks fell 0.3 per cent m/m and contributed to the overall fall in new car sales given that trucks account for typically 75 per cent of total sales per month.

High general inflation, including gasoline, greater options to work remotely for part of the work week and supply chain issues keeping supply of new cars below pre-pandemic levels are all factors contributing to fewer new car sales. People that need to commute are pivoting back to cheaper car options (i.e., passenger vehicles versus trucks), public transportation or carpooling.

Ontario new car sales have not returned to pre-pandemic levels



Source: Statistics Canada, Central 1

latest: Mar/22

The average price of a new sold vehicle in Ontario fell robustly in March, slipping 5.4 per cent m/m to \$47,899.00 due to a strong price contraction for both passenger vehicles (down 9.1 per cent) and trucks (down 4.3 per cent). The price for trucks has now fallen for three consecutive months in Ontario. With demand for new cars weakening, dealerships are likely trying to move units on lots by providing better and more robust offers and price cuts to potential buyers. Moreover, compositional effects are also likely at play, as fewer consumers consider the truck class for a car purchase.

Year-to-date, sales of new cars in Ontario remain 6.8 per cent behind last year's pace while the average price of a new car remained 5.3 per cent higher.

New car sales have not recovered from the pandemic: March sales remain at 73 per cent of what they were in February 2020 and have not reached 80 per cent of pre-pandemic activity since March 2021.

Looking forward, new car sales will likely continue to stall based on supply chain shortages (i.e. China's COVID-19 outbreak affecting ports), a greater tightening of belts by consumers as the cost of living keeps going up and higher borrowing costs for those willing to finance a new car purchase.

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