Economics | Current Economic Trends

Ontario Economic Briefing

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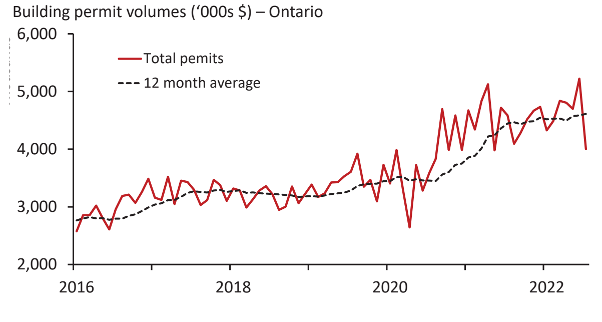
Highlights

- Permit dollar volumes drop to lowest levels since May 2021
- Service sector output up 0.2 per cent and goods sector output up 0.1 per cent
- Employment Insurance counts dropped in June despite negative results in the labour market

Ontario's building permit volumes fall sharply in the month of July



Source: Statistics Canada, Central 1 latest: Jul/22

Building permits sink 23.4 per cent in July

Alan Chow, Business Economist

Total permit volumes in Ontario fell sharply in July. They were down 23.4 per cent over the previous month marking the lowest dollar volume levels seen over the previous 12 months despite having reached a 12-month high the previous month. Residential and non-residential permits volume dropped 23.1 per cent and 24.1 per cent, respectively.

Multi-family homes saw the largest decrease as they fell 32.8 per cent to $1.1 billion. This represents the lowest dollar volume amount since May 2021. The volume of single-family home permits also fell, but by only 13.9 per cent to $1.6 billion after having reached a high of $1.9 billion in June. This level is close to the 12-month trail average, being above it by only 1.3 per cent.

Non-residential permit volumes fell across the board. Industrial permit volumes dropped 31.1 per cent. Those were the lowest levels seen since October 2021 and are 22.0 per cent below the previous 12-month average. Institutional and government permit volumes were down 28.8 per cent over the previous month and down 40 per cent over the previous 12-month average. Commercial permit volumes were down 19.8 per cent but were only 4.1 per cent lower than the 12-month average.

In the metropolitan areas of Ontario, permit volumes were down more than the province overall, falling 27.0 per cent. Three of the listed metro areas were still able to eke out an increase this month. Belleville led the way, up 143 per cent over the previous month followed by London, which was up 46.7 per cent. And finally, the St. Catharines-Niagara region was up 10.1 per cent, although still 33.7 per cent lower compared to the previous 12-month average. Toronto saw a 30.4 per cent decrease from the previous month, bringing it down 17.2 per cent over the previous 12-months. Ottawa permit volumes also fell, but only moderately at 12.9 per cent.

These results could indicate a longer-term trend for construction in the province as higher interest rates and higher construction and wage costs continue to slow down current housing activity and future building activity.

National real GDP rebounds in June

Edgard Navarrete, Regional Economist

After no change last month, national top line GDP at constant seasonally adjusted at annual rate (SAAR) moved up 0.1 per cent m/m in June supported by growth in both the goods (up 0.1 per cent m/m) and services sectors (up 0.2 per cent m/m).

Construction is an area in the goods sector that continues to slide. Construction output fell 0.4 per cent m/m in June adding to two previous months of declines. Slowing of investments and housing demand continue to weigh heavily in this sector, particularly in large provinces like Ontario. Skilled labour shortages are also keeping growth in this sector tied down.

Manufacturing, on the other hand, rebounded in June up 0.2 per cent m/m putting an end to a two-month skid. Transportation equipment manufacturing climbed 0.2 per cent m/m in June through strong growth in miscellaneous transportation equipment manufacturing (up 14.9 per cent m/m) and aerospace products manufacturing (up 0.6 per cent m/m). With tourism back up and running, demand for aerospace products manufacturing has ramped up as airlines get their fleets ready for the coming months which are typically very busy for travel.

Finance and insurance (down 0.6 per cent m/m) and real estate and rental and leasing (down 0.1 per cent m/m) fell on a weakening resale homes market driven by higher cost of living and higher mortgage rates spooking potential clients.

Ontario reported one of the largest proportional decreases in June Employment Insurance counts

Ivy Ruan, Economic Analyst

With national Employment Insurance (EI) beneficiary counts down 1.4 per cent more in June, large proportional decrease was reported in many provinces. Following May's 0.1 per cent decrease, Ontario had one of the biggest proportional drops at 2.3 per cent fewer EI recipients from last month to 132,690 persons. That said, economic uncertainty amidst inflation started to impact the provincial labour market, which reported declines of 57,300 persons in the labour force and 24,700 persons in employment according to the Labour Force Survey (LFS). The effects of loss in employment on EI figures will be measured more accurately in the next report as June EI statistics only reflected labour market conditions during the week of June 9 to 15.

In June, all demographic groups reported fewer EI recipients in Ontario. Both genders registered 2.3 per cent lower counts in EI recipients comparing to last month, with 1,790 fewer males and 1,330 fewer females. June's drop in EI beneficiaries spread among age groups, having the highest proportional decline of 6.0 per cent (810 persons) in younger group (age 15-24). Both the 25-54 and 55+ age groups had steady monthly declines, with the former reporting 2.0 per cent drop (1,790 persons) and the latter registering 1.5 per cent fewer EI recipients (510 persons).

As suggested in LFS findings, the key story in Ontario remained a tight labour market despite mixed and negative results in June. Going forward, the local economy is expected to moderate among sectors impacted by the inflation and higher interest rate environment, tamping down activity in key areas such as housing and retail spending, but the summer lift from tourism, major project construction and higher investment in commodity sectors should keep the labour market steady.

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