Economics | Current Economic Trends

Ontario Economic Briefing

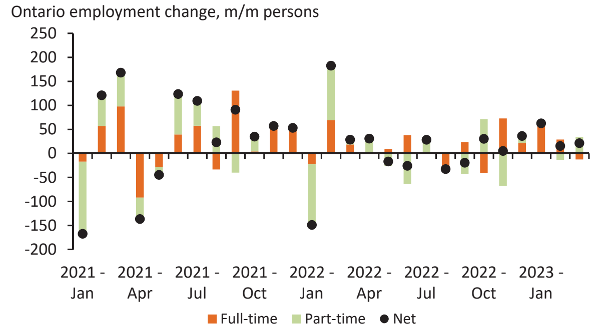
Volume 29 • Issue 14 • Week of April 3 - April 6 2023 | ISSN: 1981-355

central 1 Economics

Highlights

- Ontario reported a fifth straight gain in employment, leading the national growth in March
- Modest increase in Ontario exports observed in February while imports rose further
- The Greater Toronto housing market showed signs of a rebound in home prices, albeit with persistently low sales volume in March
- Building permits jump in February

Ontario adds jobs again, part-time work drives growth



Source: Statistics Canada, Central 1 latest: Feb/23

Ontario a primary driver of national employment gains in March

Bryan Yu, Chief Economist

Ontario was a key driver of national employment growth in March with a gain of 21,700 persons (0.3 per cent) from February. This marked a fifth straight increase and an accelerating from February's 15,600 increase. Nationally, employment rose by 35,700 persons or 0.2 per cent. Ontario's unemployment rate was unchanged at 5.1 per cent.

While headline employment was strong, the details were softer. Net growth was entirely driven by part-time work, which tends to be lower quality and less secure. Part-time employment jumped 33,900 or 2.6 per cent while full-time work fell by 12,500 persons (0.2 per cent). That said, voluntary part-time work has increased during the pandemic and total hours worked in the economy rose about 2 per cent on both a year-over-year and monthly basis. Employment growth was largely a reflection of Toronto where employment rose by 23,000 persons or 0.6 per cent, although the unemployment rate edged up to 5.8 per cent from 5.6 per cent in the metro area.

Among sectors, net growth was led by services-producing sectors where employment growth reached 30,000 (0.5 per cent) while goods-sector employment fell 8,600 (or 0.5 per cent) on a pullback in manufacturing. Mirroring the national picture, growth was concentrated among three sectors including transportation and warehousing (+18,700 or 5.1 per cent), business support (+15,100 or 5.3 per cent), and finance/insurance/real estate (+18,500 or 1.4 per cent). In contrast, there was a pullback in retail and wholesale trade (-8,800 or -0.8 per cent) and professional/scientific/technical services (-9,900 or 1.2 per cent) which may reflect some consumer sector softening and a downturn in the technology sector.

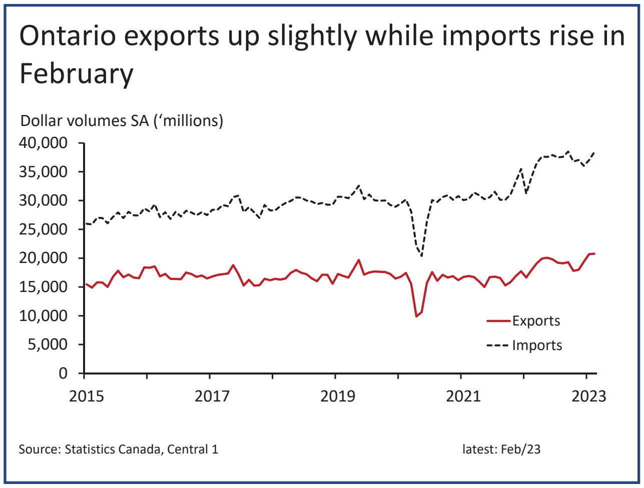
Steady unemployment rates amidst higher employment reflects the strong expansion in the labour force. Population has contributed to an expanded labour force alongside increased labour force participation. Employers have been able to draw from this new pool of workers. Nevertheless the average hourly wage rose six per cent year-over-year, including a 1.1 per cent increase in March alone after factoring out seasonal effects.

Ontario's labour market is anticipated to erode through 2023 with a slowing economy as monetary policy works its way through the economy. That said, a downturn is anticipated to be mild.

Ontario exports up slightly while imports rise in February

Eloho Ennah, Economic Analyst

Following the strong performance in January, Ontario exports increased slightly in February. After increasing by 6.8 per cent in January, exports in February rose 0.4 per cent to reach $20.8 billion on a seasonally adjusted basis. The value of imports rose 3.7 per cent to $38.4 billion, surpassing January's 2.7 per cent increase. On an unadjusted basis, exports value increased 13.1 per cent year-over-year while the value of imports increased by 12.4 per cent during the same period.



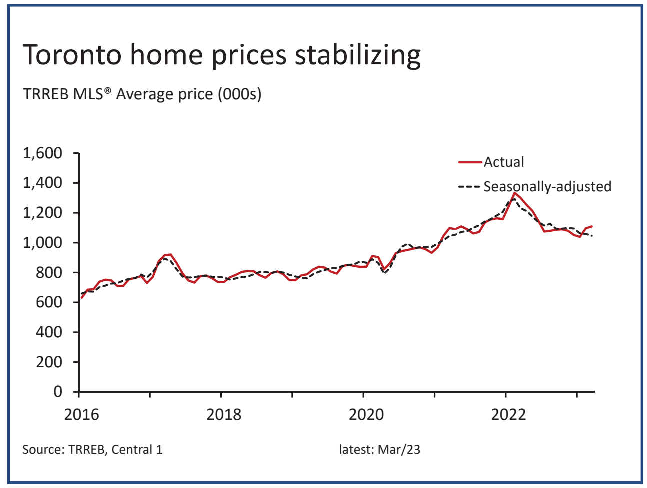
Within exports, metal ores and non-metallic minerals exports value rose the most, trading at a 52.3 per cent higher value of $82 million in February. Electronic and electrical equipment and parts exports traded at a higher value of $1.1 billion, a 4.6 per cent increase from the prior month while Special Transactions Trade increased by 4.8 per cent to $255 million. Motor vehicle and parts exports value increased by 1.1 per cent, a smaller increase compared to the 28 per cent increase in December 2022 and the 12 per cent increase in January 2023. Farm, fishing and intermediate food product exports increased by 3.4 per cent. Offsetting those increases were the four categories of exports that showed decreases during the month. Energy product exports fell in value by 16.5 per cent to $239 million, while Aircraft and other transportation equipment and parts exports value declined 8.8 per cent in February. Metallic and non-metallic mineral products also saw a drop in value of 2.0 per cent while consumer goods exports decreased slightly by 0.2 per cent.

With regards to Imports, Special Transactions Trade led the way in increases, with import value skyrocketing by 155.1 per cent in February to reach $1.3 billion, more than reversing the dip of 61.1 per cent in January. Consumer goods also saw a 10.1 per cent monthly increase to $9.1 billion and metal ores and non-metallic minerals imports value rose 6.5 per cent to $1 billion. The value of energy product imports rose 1.7 per cent while Farm, fishing and intermediate food product imports increased 1.2 per cent. Balancing these increases was a further decline in value of aircraft and other transportation equipment imported, falling further in February by 19.8 per cent following the 10.4 per cent decline from the previous month. Motor vehicle and parts import value also decreased by 5.4 per cent while metallic and non-metallic mineral products fell by 2.8 per cent.

Toronto area prices gain traction in March despite weak sales

Bryan Yu, Chief Economist

Similar to patterns observed in Vancouver, the Greater Toronto housing market showed signs of a rebound in home prices, albeit with persistently low sales volume in March. Challenging affordability continues to keep many prospective buyers out of the market due to high interest rates and pandemic prices, despite a correction over the past year. At the same time, a lack of new listings and low inventories are placing a bottom under prices as existing homeowners are content to wait out the downturn given the strong labour market, strong population growth and high rents. Buyer impatience is showing signs of triggering higher bids.

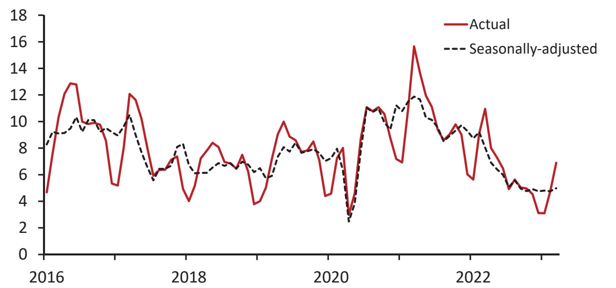


The latest average price data from the Toronto Regional Real Estate Board (TRREB) showed a second straight month of increases. Unadjusted for seasonal effects, the average price rose 1.2 per cent to $1.108 million, following a 5.5 per cent increase in February. This has narrowed the year-over-year drop to 15 per cent after the previous month's 18 per cent decline. The average price rebounded to highest level since June although some seasonal factors are in play. Sales composition do influence average values, but the benchmark price index also increased in March by 2.5 per cent, although only 0.4 per cent once adjusted for seasonal factors pointing to rising prices. Detached and townhome prices have led the increase.

Higher home prices have emerged despite persistence of low sales. At 6,896 units sales were still 37 per cent lower than a year ago and 55 per cent lower than same-month 2021 at peak demand. While this owes to base effect, sales were still lower than the March average from 2010-2019 by 24 per cent. Sales flow remains very low.

Toronto home sales volume remains low

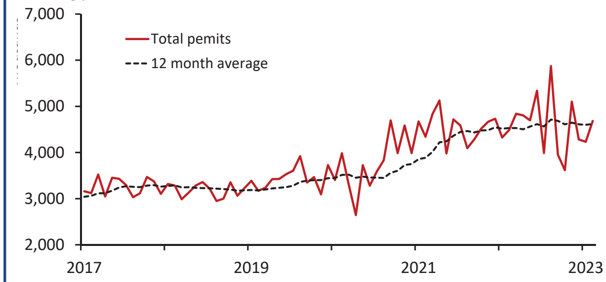
TRREB MLS® Sales, 000s Units



Source: TRREB, Central 1 latest: Mar/23

Ontario's building permit volumes rise in February

Building permit volumes (MM $) – Ontario



Source: Statistics Canada, Central 1 latest: Feb/23

However, home values are being supported by a lack of supply in the market. New listings have dwindled by 44 per cent from a year ago, and on a seasonally- adjusted basis are down nearly a quarter over the past two months. Sellers are less willing to engage in the lower priced market which is hampering buyers looking for deals where negotiating power has been curbed. Active listings have plunged, meaning qualified buyers are offering more aggressive bids, although market conditions are still relatively balanced.

This suggests home prices have found a bottom for the time being, with risks to the upside from insufficient supply. Moreover, strong immigration and massive demand for housing is likely to limit much in the way of downside, particularly as rates begin to descend.

Higher multifamily permits lead overall increase

Alan Chow, Business Economist

Building intentions in Ontario advanced for the month of February. On a seasonally adjusted basis, the total value of building permits increased 10.7 per cent to $4.6 billion, the first increase in two months. Residential building permit volumes was the primary driver as they increased 15per cent to $2.9 billion; however, non-residential building permit volumes also increased 3.9per cent to $1.7 billion.

The increase in residential permits was primarily driven by a 25.4 per cent increase in the value of multifamily home permits, which was up 25.4 per cent to $1.7 billion, which is above the previous 12-month average of $1.5 billion. The value of single-family homes building permits was also up, but only 2.3 per cent to $1.2 billion. While this reversed the trend of two consecutive months of declines, it was still well below the 12-month trailing average of $1.5 billion. The higher multifamily homes building intentions and weaker multifamily home intentions is likely signaling affordability is playing a big factor in market with builders more focused on creating lower prices for multifamily homes vs single family homes.

On the non-residential side, there was a spike in the total value of industrial permits, which was up 88 per cent at $646 million in February 2023. Total institutional and government building permit volumes were up slightly, increasing 6.0 per cent. In contrast, commercial building permit volumes were 25.7 per cent lower in February 2023 when compared to January 2023.

Within the metro areas, the value of total building permit volumes increased 13.9 per cent. Nine out of the 16 listed metro areas within Statistics Canada saw an increase in the value of building permit volumes. Toronto was not one of them as it experienced a decrease, down 0.8 per cent from January 2023 to February 2023.

For more information, contact economics@central1.com.