Economics | Current Economic Trends

Ontario Economic Briefing

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central 1 Economics

Highlights

- Ontario gasoline prices jumped 7.2 per cent and energy prices rose 1.3 per cent from March
- Core inflation stayed at 4.3 per cent in April
- Ontario MLS® sales rose 18.8 per cent in April, with gains reported across markets
- Average housing prices up 5.7 per cent representing the largest monthly gain since last January
- Multi-family housing starts advanced in April while single-detached unit starts declined
- Sales dip in non-durable goods industries while durable goods industries record gains in March

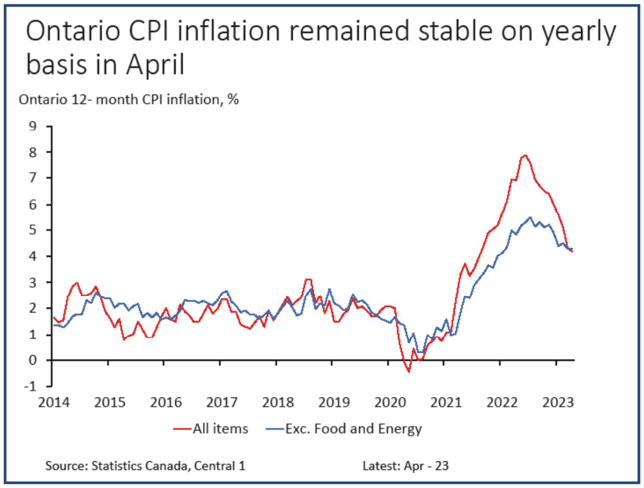
Ontario CPI readings remained largely consistent on yearly basis, while gasoline prices surged from last month

Ivy Ruan, Economic Analyst

The April reading for the Consumer Price Index (CPI) in Ontario edged lower to 4.2 per cent year-over-year compared to 4.3 per cent during the previous month. On a monthly basis, the provincial CPI rose 0.4 per cent as consumers still faced higher prices. Core CPI (excluding energy and food) in Ontario was up from last month by 0.5 per cent, reversing the monthly decline in March. Year-over-year core CPI remained at 4.3 per cent in April. Both goods and services prices increased 0.4 per cent.

Gasoline prices in Ontario stayed low on a year-over-year basis (-10.2 per cent). The yearly decline in gasoline prices was continuously driven by base year effect from the steep price increases since March last year. Overall, energy prices were also down 5.5 per cent for the month. That said, Ontario gasoline prices surged 7.2 per cent and energy prices rose 1.3 per cent from March. Higher prices at the pump reflected geo-political factors impacting oil such as Organization of the Petroleum Exporting Countries (OPEC) production cuts as well as carbon taxation. Meanwhile, the provincial transportation cost rose 1.8 per cent for the month following the 0.6 per cent increase in March.

Meanwhile, food prices in Ontario remained elevated on a year-over-year basis, up 8.0 per cent from April last year, yet slowed down from last month's 8.6 per



cent yearly growth. The monthly figure was almost unchanged, up 0.05 per cent. Ontario shelter costs' yearly growth also slowed, down from 5.5 per cent to 4.6 per cent in April. That said, shelter price inched up 0.1 per cent month-over-month.

April's rigid CPI readings in Ontario underscores the challenges of getting to 3.0 let alone 2.0 per cent inflation given the risk of higher energy price and still resilient labour markets. Inflation remains too high, and April's national acceleration is further evidence for the Bank of Canada to not proceed with a short-term cut.

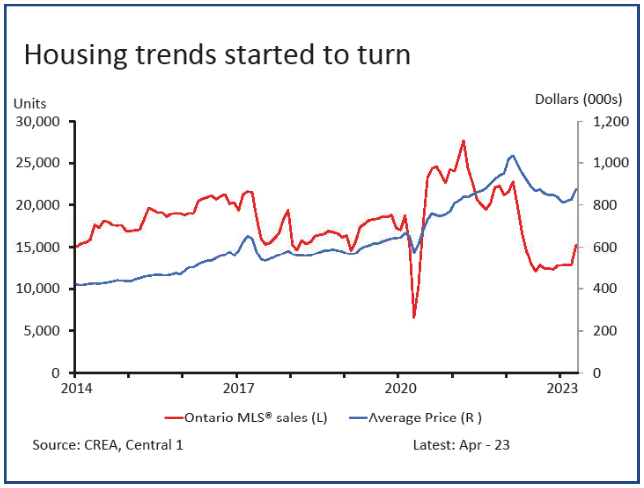
Ontario home sales and prices jumped higher in April, leading the national housing market

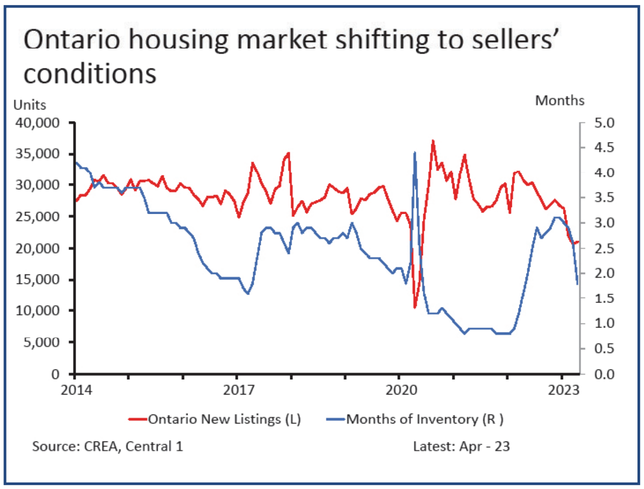
Ivy Ruan, Economic Analyst

In April, Ontario MLS® sales surged 18.8 per cent from March to 15,222 units, seasonally-adjusted as demand gained traction. Despite the large monthly increase, Ontario sales were still down 8.7 per cent from a year ago, 44.9 per cent from the pandemic peak in March 2021, and 18.5 per cent off pre-pandemic February 2020 as weak affordability continues to constrain activity.

Significant home sales gains were observed in markets across Ontario with notable growth in Barrie (21.6 per cent), London-St. Thomas (15.0 per cent), Mississauga (19.7 per cent) and Windsor-Essex (17.3 per cent). Greater Toronto led the rise in Toronto (27.0 per cent). In contrast, sales fell in Thunder Bay (-2.6 per cent) and Peterborough (-8.6 per cent).

While sales flow surging high, Ontario's average home price rose for a third straight month with a 5.7 per cent gain to $873,856, the largest monthly growth





in price since last January. This further pared some portion of the past year's decline and the average price levels returned to last August level. That said, levels remained 15.6 per cent lower than the pandemic peak in February 2022, albeit 31.3 per cent higher than pre-pandemic February 2020. Pent-up demand and limited inventories were significant drivers of average prices, and April saw higher prices in most real estate board market areas. Toronto home values rose 3.1 per cent to $1.102 million. Prices jumped 6.6 per cent in Hamilton-Burlington, up 4.5 per cent in Kitchener-Waterloo, 3.3 per cent in London, and 2.3 per cent in Windsor-Essex.

Benchmark prices, which adjust for housing attributes were mostly positive, also pointing to a significant increase in Toronto (2.4 per cent). Steeper increments were reported elsewhere such as Mississauga (4.7 per cent), Kitchener-Waterloo (3.9 per cent) and London (2.8 per cent). Benchmark prices tend to fall behind average price turns, suggesting signs of price rebound amidst rising demand.

Buyers meeting the income requirements are now dipping into their amassed pandemic savings to fund down payments and entering into the undersupplied market . New listings edged higher in April (1.7 per cent) but remained near two-decade lows notwithstanding the early pandemic period. A tight labour market and lack of job losses means most homeowners are not in a need to sell, while rental markets remain strong. As a result, months of inventory dropped to 1.8 at the end of April, below the long-run average of 2.2 months for this time of year. This is above the 1.4 months recorded in last April. The number of months of inventory is the number of months it would take to sell current inventories at the current rate of sales activity.

Current conditions point to further heat in the housing market into the summer, with signs of sellers' markets re-emerge in many markets. Expectations of persistently high interest rate environment and housing price rebound may encourage more sellers to list their properties, but undersupplied environment will likely last.

Ontario housing starts resurge in April

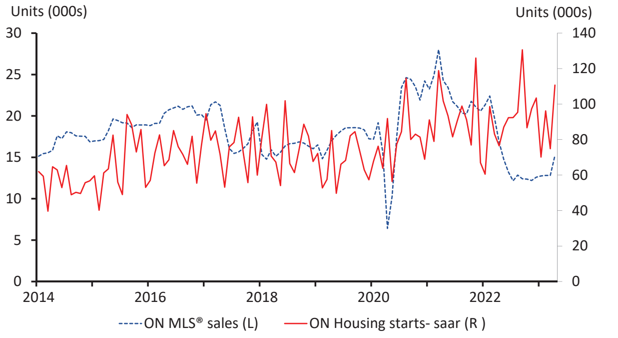
Eloho Ennah, Economic Analyst

Ontario housing starts were back on the rise in April, following a sharp March decline. Housing starts rose 47.8 per cent to reach 110,664 units at a seasonally adjusted annualized pace. The increase in housing starts during the month can be attributed to elevated multi-family units which jumped by 63.0 per cent to 95,981 units, while the single-detached sector experienced a decline of 8.4 per cent to 14,683 units during the month.

Amongst the census metropolitan areas, Toronto saw housing starts climb 53.8 per cent to 59,548 units in April. This also more than reversed the 26.0 per cent decline recorded in March. In Hamilton, housing starts soared 740.7 per cent to 6,734 units and in Oshawa, housing starts increased by 477.5 per cent to 5,417 units. Balancing these increases, were declines in several regions, including Kitchener-Cambridge-Waterloo where housing starts continued to decrease, falling by 33.2 per cent in April. Ottawa also recorded a dip of 20.5 per cent to 11,098 units during the month. Housing starts fell further in Windsor and Sudbury, with 40.6 per cent and 28.9 per cent drops in both areas, respectively.

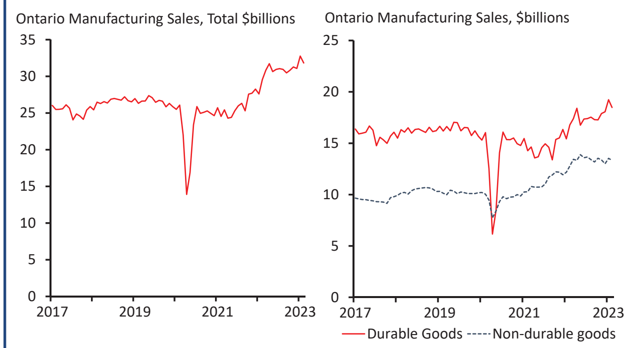
Ontario's actual unadjusted housing starts in the first four months of 2023 increased by 15.0 per cent to 26,479 units when compared to same period in 2022 mostly due to higher multi-family units. Total multi-family housing starts increased by 30.5 per cent during the period. Conversely, there was a decline recorded in the single-detached unit sector, where housing starts dwindled 28.1 per cent to 4,392 units compared to same period last year. The divergence reflects the ability of the single detached market to adjust to recent

Multi-family housing starts advance in April while single-detached unit starts decline



Source: CMHC, Central 1 Latest: Apr-23

Sales dip in non-durable goods industries while durable goods industries record gains in March



Source: Statistics Canada, Central 1, seasonally- adjusted Latest: Mar/23

market conditions, while multi-family starts lag due to projects planned and pre-sold years in advance of construction.

Toronto reported a 25.8 per increase in housing starts during the four-month period. Similarly, Kitchener-Cambridge-Waterloo starts rose 26.9 per cent during the same period. Ottawa reported a minor increase of 1.0 per cent. Hamilton and London were areas which experienced decreases, with total housing starts falling 13.8 per cent and 16.0 per cent, respectively.

Ontario manufacturing sales record dip in March

Eloho Ennah, Economic Analyst

Manufacturing sales in Ontario showed a decline in March. On a seasonally adjusted basis, sales in Ontario's manufacturing industries dipped 0.4 per cent to $31.7 billion in March, after falling 2.9 per cent in the prior month. The non-durable goods industries saw sales decline by 4.8 per cent while sales in the durable goods industries rose 2.7 per cent. Year-to-date manufacturing sales came in at $96.3 billion, with durable goods and non-durable goods values also reaching $56.7 billion and $39.6 billion respectively.

Year-over-year, manufacturing sales in the province were up 2.7 per cent with durable goods sales rising 9.1 per cent and non-durable goods sales falling 5.5 per cent. Unadjusted for seasonality, manufacturing sales in Ontario increased by 3.4 per cent year-over year, with sales of durable goods up by 9.4 per cent and non-durable goods sales down by 5.2 per cent.

Among the durable goods industries to report declines in March, the electrical equipment, appliance and component manufacturing industry saw sales reduced by 5.3 per cent on a seasonally adjusted basis and reached $1.9 billion year-to-date. Computer and electronic product manufacturing sales dropped by 2.6 per cent, reaching $2.5 billion year-to-date. Sales in both the machinery manufacturing industry and fabricated metal product manufacturing industry decreased by 0.9 per cent during the month, and both over $6 billion in sales for the year so far. Compensating for these declines were increases in sales in all other durable goods industries in March. Transportation equipment manufacturing sales rose 6.3 per cent, coming to a total of $24.2 billion for January to March. In the non-metallic mineral product manufacturing and primary metal manufacturing industries, sales increased by 2.9 per cent and 2.4 per cent, respectively.

Within the non-durable goods industries, petroleum and coal product manufacturing industry sales plummeted almost 20 per cent in March and reaching $7.6 billion year-to-date. Leather and allied product manufacturing sales also showed a reduction of 9.5 per cent in sales while plastics and rubber products manufacturing sales dropped 5.0 per cent. Food manufacturing sales dipped by 0.9 per cent during the month and came in at $14.5 billion year-to-date. Balancing these declines, were increases in sales in the textile product mills industries and textile mills industries where sales increased by 7.8 per cent and 2.9 per cent, respectively. Apparel manufacturing sales rose 5.3 per cent and beverage and tobacco product manufacturing sales were higher by 1.9 per cent. Sales in paper manufacturing and chemical manufacturing industries both increased by 0.3 per cent during the month.

With regards to Ontario's metropolitan areas, manufacturing sales in Windsor increased by 27.5 per cent on a seasonally adjusted basis, while in the Ottawa-Gatineau area, manufacturing sales rose by 15.0 per cent in March. Hamilton and Toronto manufacturing sales increased by 2.5 per cent and 2.1 per cent, respectively. Manufacturing sales in Kitchener-Cambridge-Waterloo were also up by 4.5 per cent.

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