Economics | Current Economic Trends

Ontario Economic Briefing

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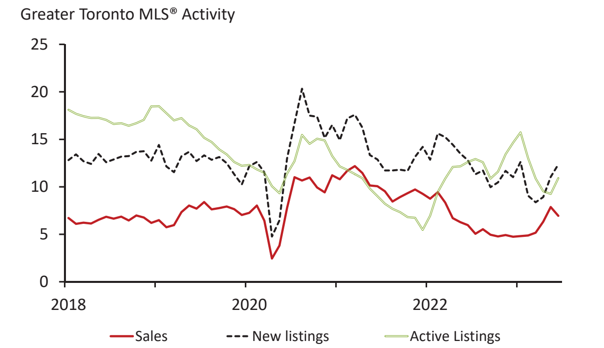
central 1 Economics

Highlights

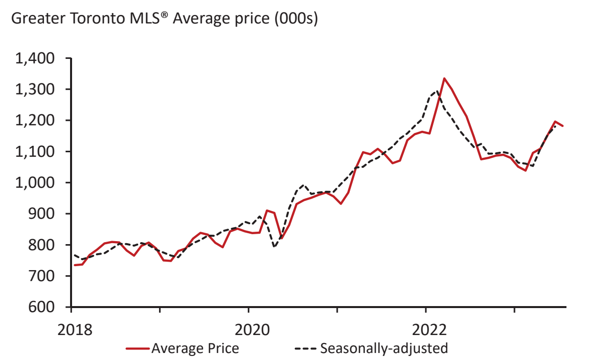
- Ontario employment reported a surge in June while unemployment rate rose to 5.7 per cent
- Toronto home values continued to track higher
- Year-over-year, Ontario imports were back on the rise in May

Sales slip, listings rise in June



Source: TRREB, Central 1 seasonal adjustment latest: June/23

Home prices remain firm



Source: TRREB, Central 1 latest: June/23

Ontario hiring bounces back in June

Bryan Yu, Chief Economist

After leading the country in job losses in May, Ontario hiring bounced back in June with total employment up 55,800 persons, a surge of 0.7 per cent, to reach 7.95 million persons. Ontario drove the national increase of nearly 60,000 additions. At the same time, labour market pressures moderated as expansion of the labour force (0.8 per cent) exceeded employment gains to lift the unemployment rate by 0.2 percentage points to 5.7 per cent. This is the highest since November and aligned with pre-pandemic levels.

While population growth has been robust, labour force expansion was led by higher workforce participation. The participation rate rose from 65.6 to 65.9 per cent to a near pandemic high. Levels remain above pre-pandemic levels as workers are attracted by a strong labour market and adapting to the higher costs of living. Consistent with the national picture, average hourly wages slipped, with year-over-year gains down to 3.7 per cent compared to 5.1 per cent in May. That said, wage growth can be erratic and we saw a similar pace last seen in January.

Unsurprisingly, given that Ontario drove national employment growth, June patterns largely mimic the national figures. Employment growth was led by a surge in full-time employment (94,600 persons or 1.5 per cent) as part-time employment fell, pointing to both a shifting of hours and an increase in net hiring. Hours worked climbed to 3.1 per cent year-over-year from 2.5 per cent in May, although monthly seasonally-adjusted hours moved up modestly by 0.4 per cent.

Toronto recorded relatively stronger employment growth of 1.1 per cent and contributed 75 per cent of the monthly increase. The unemployment rate — at 6.3 per cent — remained higher than the provincial average but slipped 0.2 per cent from May. This is in contrast to an increase in the rest of the province.

Among industries, the swell of job growth was driven by broad gains in the services sector. Specifically, the wholesale and retail trade sector (11,900 persons or 1.1 per cent) led growth, alongside transportation and warehousing (9,700 persons or 2.5 per cent). This likely reflects ongoing strength in consumer demand. Most other sectors also recorded increased hiring, but gains were insignificant on an industry basis. Education and hospitality employment slipped.

The latest data showed again that the economy and labour market remain resilient despite a higher interest rate environment as Ontario employers look to fill vacant roles. At the same time, pressures have eased with a swollen labour supply. We still expect hiring to slow as interest rates slow economic activity, while the unemployment rate holds near current levels.

Sales fell back in June, but Toronto prices hold steady

Bryan Yu, Chief Economist

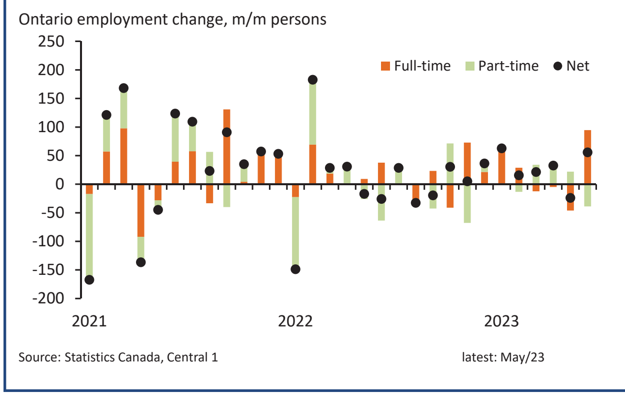
Toronto's housing market upswing retrenched in June in a sign that the Bank of Canada's return to rate hikes are already percolating in the numbers. At the same time, home values continued to track higher as those able to afford in this market continued push price levels higher amidst still constrained supply.

The latest data from the Toronto Regional Real Estate Board pointed to a slowdown in home sales with 7,481 transactions being processed. This was a 17 per cent decline from May. Historically, sales decline three per cent in a typical May to June period. Year-over-year, sales were up 16 per cent in large part due to low sales a year ago but slowed compared to a 24 per cent year-over-year gain in May. While June's pullback followed a stronger than normal May increase, our calculation of seasonally-adjusted sales suggests sales retreated over the month, with levels still 14 per cent below pre-pandemic levels.

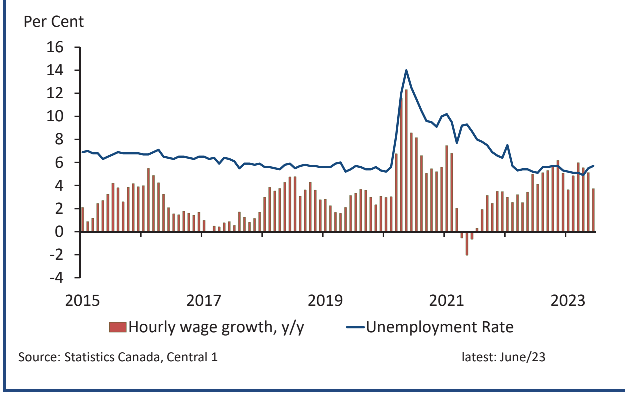
June's sales decline followed a string of recent increases as activity was buoyed by buyers adapting to higher rates (with a boost from a temporary decline in fixed rates), a strong labour market and pandemic savings. Strong population growth also added to demand and likely pulled more prospective buyers off the fence in fears that demand would surge again. June's bank of Canada hike and broader interest rate increases have put an end to this momentum. Moreover, inventory also gained traction with new listings down 2.9 per cent year-over-year, compared to a 19 per cent drop in May. Seasonally-adjusted new listings rose 12 per cent. Active listings also rose significantly, suggesting a moderation in tight supply conditions.

That said, prices remained firm as inventories remained low relative to the pace of sales. While the average price slipped 1.3 per cent from May to $1.18 million, month-to-month price declines are normal in June. On a seasonally-adjusted basis, we calculate a 2.3 per cent increase. The average price is roughly 10 per cent below peak. The benchmark price which adjusts for housing attributes rose 0.6 per cent from May (3.2 per cent seasonally- adjusted), with momentum led by detached and apartment housing.

Hiring jumps in June, reverses May slide



Ontario unemployment rate climbs on higher participation, wage growth slows



Market conditions are anticipated to cool over the second half of the year owing to higher interest rates and a slowing economy which likely curbs home sales. That said, persistently low inventory and plenty of demand on the sidelines — due in no small part to strong population growth — will likely keep prices high. Any signs of price declines will likely be met by willing buyers.

Ontario exports and imports increase in May

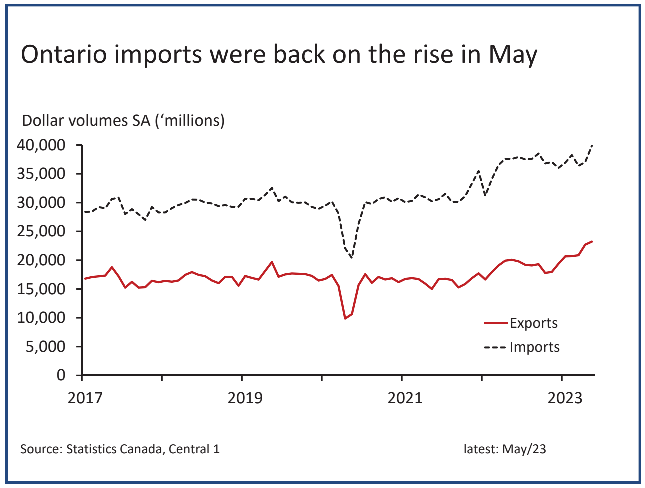
Eloho Ennah, Economic Analyst

The value of Ontario exports in May rose further by 16.0 per cent year-over-year and was stated as $22.5 billion, while the value of imports was $40.2 billion, a 6.2 per cent increase compared to same month of 2022. The value of imports in May was higher than 2022's monthly average of $36.5 billion by 10 per cent, while the exports value hovered 19.6 per cent above 2022's monthly average of $18.8 billion. Recent numbers of the import category have shown fluctuations in past months although exports figures have seen a general positive trend. According to Central 1's seasonally adjusted numbers, Ontario exports value increased by 2.3 per cent month-over-month in May, while the value of imports also rose 7.7 per cent.

Among the exports category, motor vehicle and parts export value rose further by 31.2 per cent to $6.8 billion year-over-year and was also the largest dollar value change within this category. In the same period, consumer goods exports value increased by 38.2 per cent to $4.8 billion while electronic and electrical equipment and parts exports value was up by 20.2 per cent to $1.2 billion. In addition, aircraft and other transportation equipment and parts exports value skyrocketed 64.7 per cent to $424.5 million while industrial machinery, equipment and parts also saw a higher value of products exported, increasing by 19.6 per cent to $1.9 billion. The exports value of farm, fishing and intermediate food products was also up by 4.1 per cent to $956.3 million.

On the other hand, declines were reported in the exports value of forestry products and building and packaging materials with a 11.7 per cent reduction to $1.1 billion year-on-year. Metallic and non-metallic mineral exports value fell 7.0 per cent to $3.4 billion in the same period. Energy imports value plummeted 35.3 per cent to $222.6 million, partly due to lower prices, while metal ores and non-metallic minerals exports value fell 5.0 per cent to $106.1 million. The exports value of basic and industrial chemical, plastic and rubber products was also down 5.8 per cent to $1.4 billion.

Within the imports category, the three categories to record declines in imports value were basic and industrial chemical, plastic and rubber products, with imports value down 18.5 per cent to $2.8 billion, metallic and non-metallic mineral energy products imports value which fell 3,9 per cent to $3.1 billion and energy imports which lessened 31.6 per cent to $846.2 million year-over-year.



Increases were recorded in the aircraft and other transportation equipment and parts imports value which nearly doubled to reach $1 billion on a yearly basis. Motor vehicle and parts import value rose 17.3 per cent to $9.4 billion while metal ores and non-metallic minerals import value was up 31.0 per cent to $1.3 billion. Higher dollar value of imports was also recorded in industrial machinery, equipment and parts and electronic category and electrical equipment and parts category with increases of 7.6 per cent to $4 billion and 8.0 per cent to $4.8 billion, respectively. Consumer goods imports value also increased 3.8 per cent to $8.4 billion year-over-year while a minor increases of 0.2 per cent and 0.1 per cent were seen in the forestry products and building and packaging materials and farm, fishing and intermediate food products categories.

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