Economics | Current Economic Trends

Ontario Economic Briefing

Volume 29 • Issue 31 • Week of July 31 - August 4 2023 | ISSN: 1981-355

central 1
Economics

Highlights

- Toronto housing market cooled down amidst rate hikes
- Ontario unemployment rate edged down to 5.6 per cent in July

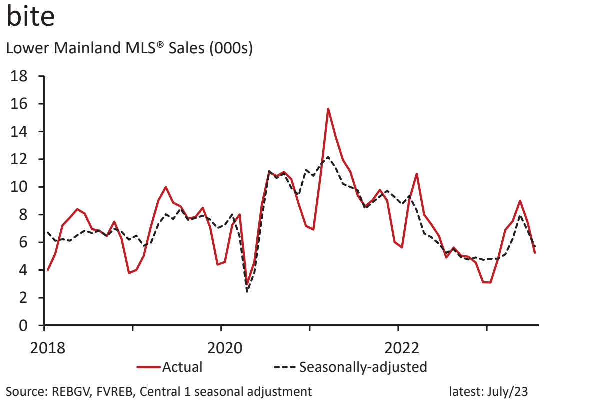
Toronto housing activity slumps in July as rate hikes bite

Bryan Yu, Chief Economist

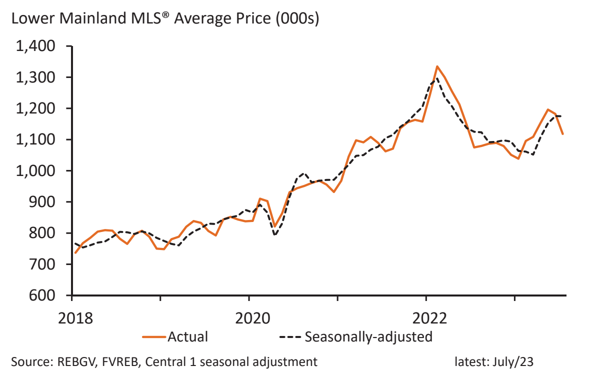
Unsurprisingly, the latest round of Bank of Canada rate hikes quickly put an end to the housing market upswing in the Greater Toronto Area as home sales sputtered and prices tempered in July. Higher variable and fixed mortgage rates have pushed more buyers to the sideline as affordability further deteriorated and buyer confidence sank.

MLS® home sales slumped to 5,250 units in July despite being supported in part by buyers with lower pre-approved rates and high immigration. While 6.9 per cent higher than a year ago, the 30 per cent month-to-month decline was more than double the average 13 per cent sales drop off historically seen in June to July, highlighting the magnitude of pullback. Moreover, year-over-year growth owed largely to the base effect of last year's severe downturn. This year's sales were 35 per cent below the average July home sales from 2010 to 2019 of 8,115 units.

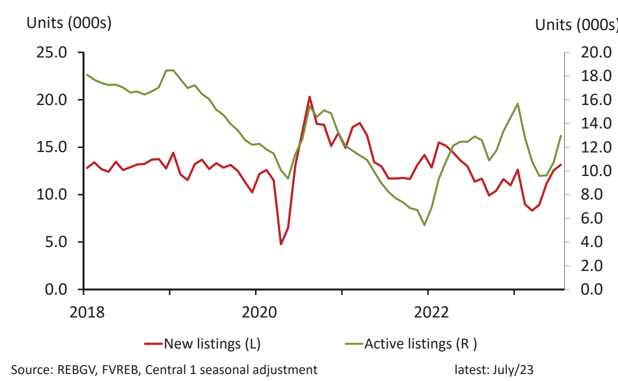
Toronto home sales slump in July as rate hikes bite



Home values slow



Inventory and listings pick up in July



The sudden interest rate jolt and affordability has also triggered some seller concern as new listings and inventory picked up. While the 13,700 new listings fell from June (as typical for the time of the year), levels were 13 per cent higher than a year ago. Inventory rose for a third straight month on a seasonally-adjusted basis (up 20 per cent month-to-month) with actual active listing up nine per cent from a year ago. Levels are still relatively low and supply shortages remain a key theme in Toronto's market, but conditions have softened.

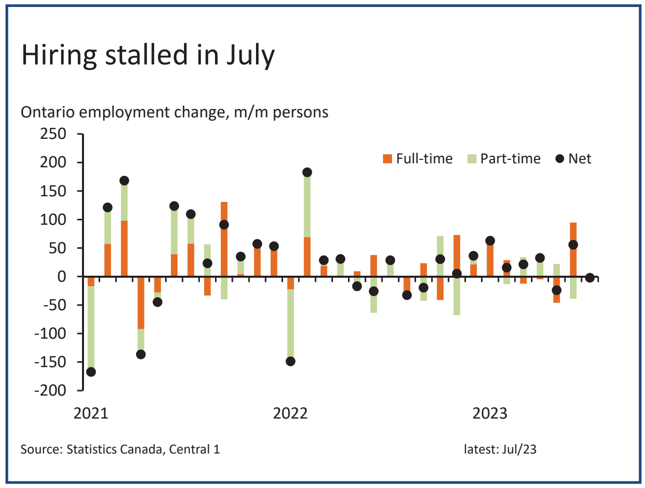
Price growth slowed — if not reversed — in July. The average price fell 5.4 per cent from June to $1.11 million but remained four per cent above a year ago. This was the lowest since March. Our seasonally-adjusted calculation of monthly growth slipped into negative territory after three months of robust growth, seeing the value jump 11 per cent. The constant-quality housing price index fell 0.9 per cent (unadjusted) but continued to rise on a seasonally-adjusted basis, but at a slower pace. The index tends to lag average price movements.

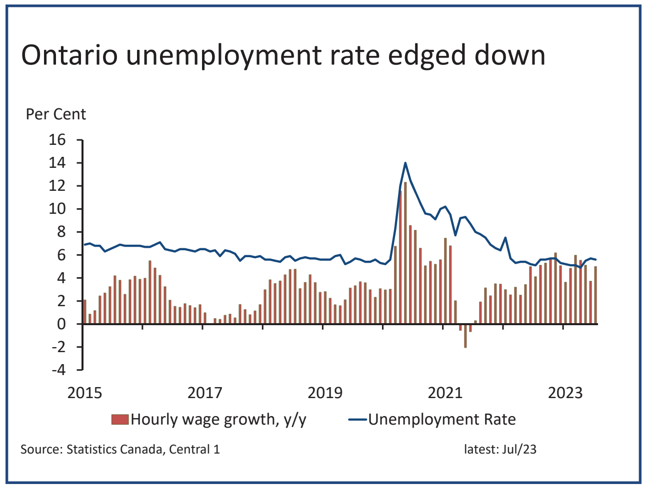
Prices are expected to ease further as the latest interest rate hikes continue to curb demand. Rising bond yields will further prop up fixed mortgage rates. That said, insufficient listings, high immigration and tight rental markets point to persistently high prices, albeit with low sales.

Ontario had little change in employment in July, while unemployment rate edged down

Ivy Ruan, Economic Analyst

Ontario's labour market had little change in July, with seasonally-adjusted employment inching down by 2,000 persons (0.03 per cent) from last month. Despite the latest updates, employment growth trend remained mostly positive in Ontario. Provincial employment was ahead of a year ago by 2.3 per cent and ahead of pre-pandemic level in February 2020 by 5.9 per cent. The labour participation rate edged down from June to 65.7 per cent. The provincial unemployment rate also inched down to 5.6 per cent from the 2023 high of 5.7 per cent. Meanwhile, the provincial labour force contracted slightly by 0.1 per cent, despite the continuous growing population (0.3 per cent). Nationally, the Canadian labour market had little changed in July as employment remained unchanged while the jobless rate nudged up again.





In the Toronto census metropolitan area, a labour force expansion (0.7 per cent) was recorded in July. The expansion in labour force outpaced the growth in employment (0.3 per cent), therefore, the unemployment rate rose to 6.4 per cent in July from 6.1 per cent. On the provincial level, July reported modest declines in both full-time hirings and part-time employment. Part-time employment declined 600 persons, while full-time employment contacted by 1,400 persons.

On an industry level, declines in employment of goods-producing sector offset the growth in services-producing sector. Specifically, sharper declines in construction (-8.9 per cent) and manufacturing (-2.1 per cent) were only partially offset by the hiring gain in natural resources. Services-producing sectors' employment grew 1.0 per cent (21,800 persons) during the same period. Notable increases were reported in professional, scientific and technical services (up 9,700 persons or 3.6 per cent), and public administration (up 3,200 persons or 2.2 per cent). Losses were again reported in transportation and warehousing, with 4.0 per cent fewer hirings. Information, culture and recreation also reported 4.0 per cent fewer employments in June.

The unadjusted national average hourly wages rose 5.0 per cent on year-over-year level, following the 4.2 per cent in June to 5.1 per cent in May. There was not much to take away as labour markets stalled in early summer, but this marks a sign that the economy is cooling as the Bank of Canada looks to curb excess demand, although the rebound in wage growth was noteworthy.

For more information, contact economics@central1.com.