Economics | Current Economic Trends

Ontario Economic Briefing

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central 1 Economics

Highlights

- Ontario unemployment rate rose to 5.9 per cent in August
- Ontario exports rose in July while imports dropped
- Greater Toronto MLS® sales fell to 5,294 units and average MLS® price fell 3.2 per cent in August
- Higher dollar value permit volumes seen in residential sector

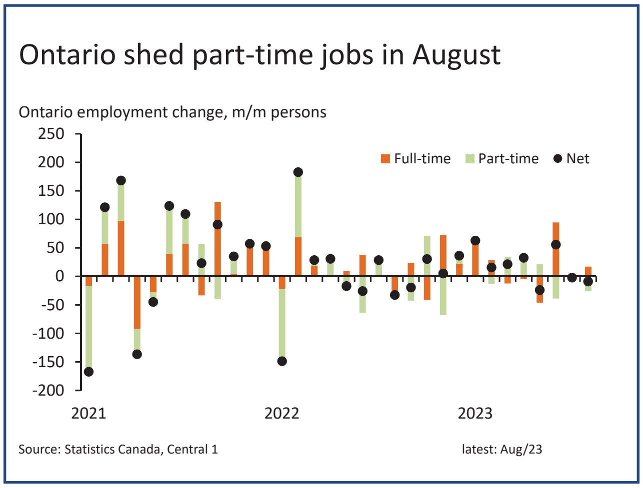
Ontario shed jobs in August, while most provinces recorded higher employment

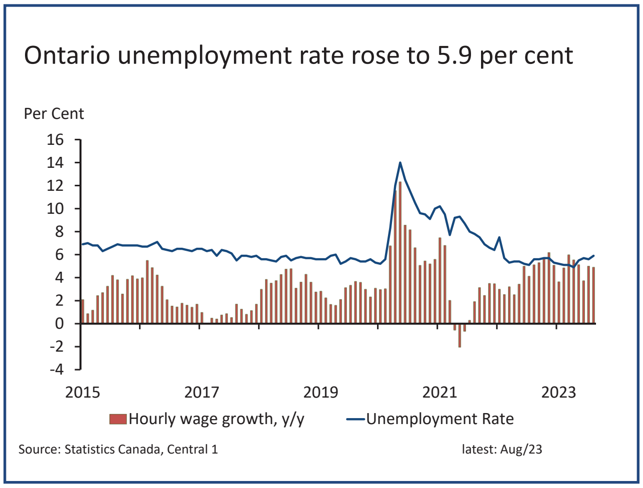
Ivy Ruan, Economic Analyst

In August, Ontario's labour market was little changed in August, with a seasonally adjusted decrease of 9,000 persons (-0.1 per cent) from July. Alongside Nova Scotia, Ontario was one of two provinces to record monthly declines. It's worth noting that provincial employment 2.7 per cent higher than the same month last year and 5.8 per cent ahead of pre-pandemic levels from February 2020. The labour participation rate edged down from July to 65.6 per cent. The provincial unemployment rate rose to 5.9 per cent following, up 0.3 per cent from July. Meanwhile, the provincial labour force expanded slightly by 0.2 per cent, driven by an ongoing population growth of 0.4 per cent. At the national level, Canada's also showed a 0.2 per cent increase in employment, but this growth was outpaced by a population growth of 0.3 per cent.

In the Toronto Census Metropolitan Area, a labour force contraction of -0.8 per cent coincided with a 1.0 per cent hiring decline during the same period, pushing the unemployment rate up by 0.1 per cent to 6.6 per cent.

At the provincial level, the employment decline in August was driven solely by a 1.9 per cent decrease in part-time employment, offsetting the 0.3 per cent increase in full-time employment. Part-time employment declined 26,100 people, while full-time employment grew by 17,100 persons.





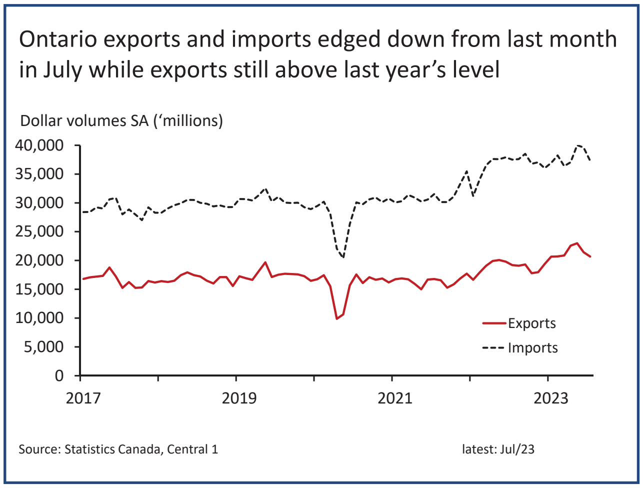
On an industry level, minimum declines in employment were seen in both goods-producing (-0.2 per cent) and service-producing sectors (-0.1 per cent). Specifically, large declines in agriculture (-5.2 per cent) and manufacturing (-1.6 per cent) were offset by the hiring gains in other goods-producing sectors, such as construction (1.8 per cent). In the service-producing sector, notable declines were observed in educational services, where employment decreased by 35,600 people (a 6.2 per cent decrease). It is worth noting that these figures can be volatile, especially at the start of the school year. Additionally, there was a significant decrease of, 11,200 people (a 3.9 per cent decrease) in business, building, and other services. Large hiring growth was reported in professional, scientific and technical services, with 3.0 per cent more hirings.

Ontario labour market performance points to steady activity but slowing economic growth, driven by the interest rate cycle is likely to keep hiring more challenging. We expect the unemployment increase slightly and temper wage growth.

Consumer goods' imports led the decline in Ontario imports

Ivy Ruan, Economic Analyst

In July, the value of Ontario exports rose by 6.3 per cent to $19.2 billion compared to the same month the previous year, while imports were down 1.4 per cent to $36.1 billion compared to same month in 2022. Several import categories have shown fluctuations in recent months. although export figures have demonstrated a positive trend relative to the previous year. According to Central 1's seasonally adjusted numbers, exports fell 3.5 per cent on a monthly basis while imports dropped 5.9 per cent in July.



Within the exports category, a lower volume of metallic and non-metallic mineral products (-16.6 per cent y/y) and basic/industrial chemical/plastic/rubber product (-4.7 per cent y/y) was reported in July. The forestry product category also saw a decrease in exports value, down 4.3 per cent to $1.00 billion. Declines in these sectors were offset by the growth in exports of motor vehicles and parts, which saw a 39.0 per cent increase in dollar-volume compared to a year ago. Industrial machinery, equipment and parts volume also contributed to provincial growth, reporting a gain of 8.9 per cent to $1.73 billion from last year.

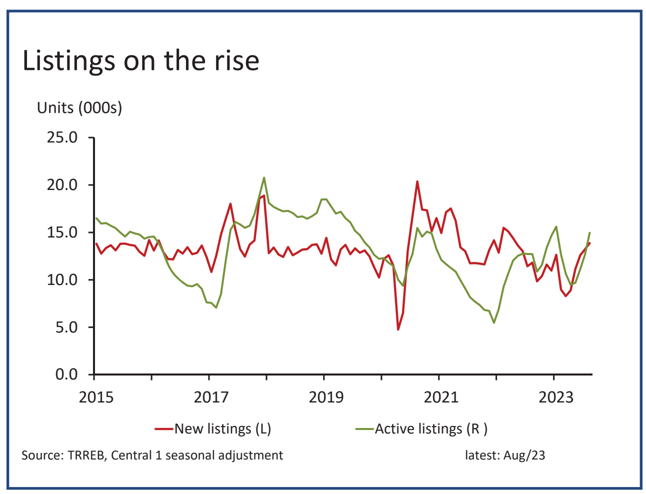
On the imports side, most categories reported declines in July in contrast to the same time last year. The value of consumer goods decreased by 12.2 per cent compared to last year, while basic/industrial chemical/plastic/rubber product declined by 18.4 per cent to $2.21 billion in July, continuing the trend of recent months. Electronic and electrical products' imports value also dropped 5.3 per cent to $4.56 billion in the same period. On the other hand, import values of motor vehicles and parts continued to grow, up 18.6 per cent from a year earlier to $8.73 billion following the 18.7 per cent yearly gain last month. Metallic and non-metallic mineral's import value also saw 4.9 per cent increase in July compared to last July.

Greater Toronto housing market down again in August

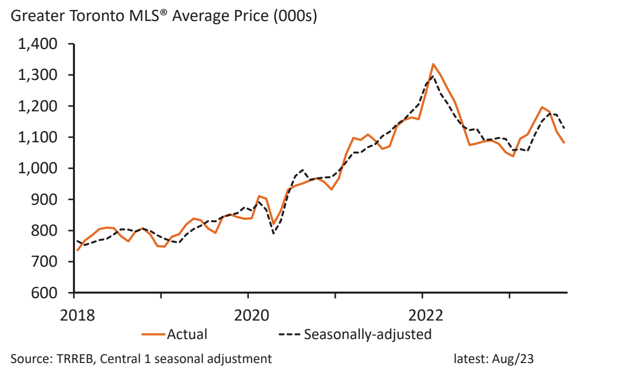
Bryan Yu, Chief Economist

The pullback in the Greater Toronto area housing market activity continued through August as the most recent interest rate hikes from June and July, and market uncertainty forced many prospective buyers to the sidelines and contributed to a softening of home values. MLS® sales fell to 5,294 units during August, in line with July. That said, sales experienced a year-on-year decline of 5.9 per cent, marking the first decrease since April. While the "official" seasonally adjusted data from Canadian Real Estate Association is set to be released mid-month, our calculations indicate a third consecutive monthly sales decline, reaching a five-month low. With the latest pullback, sales are downshifting to near 2022 lows, 30 per cent down from pre-pandemic patterns. Higher interest rates have quickly cooled early year momentum.

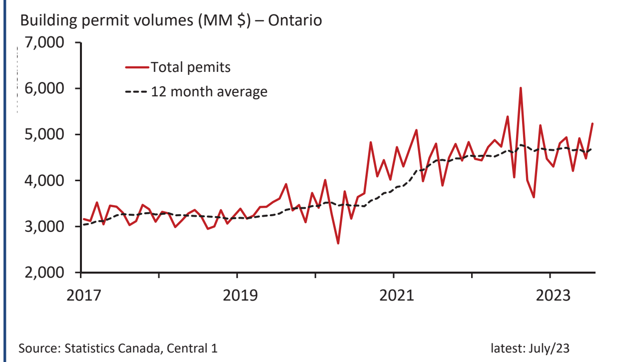
Wilting short-term market conditions are triggering an increase in resale market supply as more sellers test the market, and in some cases perhaps by necessity as high rates make investment properties and monthly costs untenable. New listings rose 17 per cent year-over-year, and our seasonally adjusted calculation points to the highest flow since mid-2022 . Stale listings and higher new listings have lifted inventory trends to pandemic era highs contributing to softening demand-supply conditions.



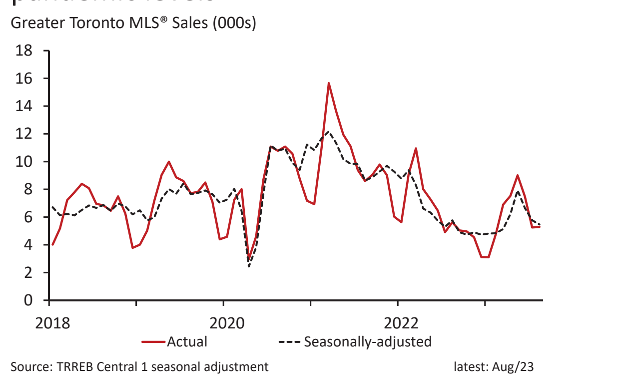
Prices sliding as market activity wanes



Ontario's building permit volumes up in July



Home sales decline on rate hikes, below pre-pandemic levels



With greater rate uncertainty, fewer sales and rising supply, home prices dipped in August as the market adjusted to higher carrying costs. The average MLS® price fell 3.2 per cent to $1.08 million, falling below the five-month trend of $1.1 million plus. While the benchmark value fell 1.7 per cent. Given the current rate environment, it is probable that prices will continue to ease through to the end of the year. However, any decline is expected to be modest, as an increasing number of potential buyers, fueled by record immigration are searching for entry points into homeownership in anticipation of interest rate reductions next year.

Ontario residential permits up while non-residentials flat in June

Alan Chow, Business Economist

Ontario building permit volumes increased in the month of July, reversing June's decline. On a seasonally adjusted basis, dollar volume permits were up 15.1 per cent to $5.2 billion from $4.5 billion. Residential permit volumes were the primary driver of the growth as they increased 23.9 per cent to $3.5 billion. In contrast, the volume of non-residential permit issued in July remained unchanged from the previous month, at $1.7 billion, the same as June. As of July, year-to-date permits volumes are showing a modest increase of 3.3 per cent compared to the year-to-date decrease 1.1 per cent observed last June.

The residential sector increase of 23.9 per cent was driven by both increases in single family dwellings and multi-family dwellings. Single family dwellings a13.1 per cent increase, reaching $1.2 billion. This category has remained fairly stable throughout the year following a decline at the end of 2022. The monthly increase in multi-family dwellings was even higher, growing from $1.7 billion to $2.2 billion and appear to be trending higher. Within non-residential sectors, public permit volumes saw a monthly increase of 27.5 per cent in July while industrial permit volumes saw a monthly increase of 3.8 per cent. Balancing these increases was a decline in commercial permit volumes, which saw 13.0 per cent lower dollar volumes issued in July compared to June.

Permit volume increases were seen by most census metropolitan areas in Ontario. Toronto's building permits grew 15.2 per cent in July led by higher residential permit volumes. Monthly permit volumes bounced back in the Kitchener-Waterloo-Cambridge and Guelph areas, increasing 127.4 per cent and 30.2 per cent, respectively. Overall, 10 of the 15 census metropolitan areas saw higher permit volumes issued in July over June.

For more information, contact economics@central1.com.