Economics | Current Economic Trends

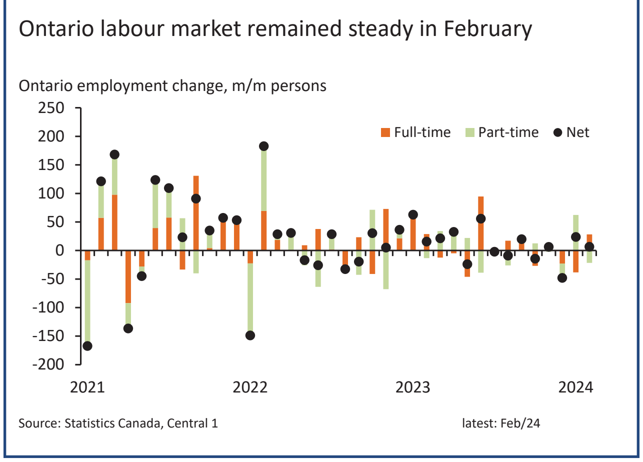
Ontario Economic Briefing

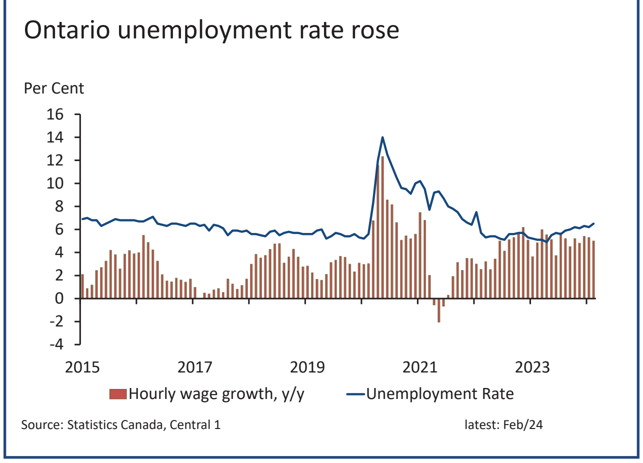
Volume 30 • Issue 10 • Week of March 4 - March 8 2024 | ISSN: 1981-355

central 1 Economics

Highlights

- Ontario employment level edged up in February
- Full-time employment contributed to the hiring gain
- Imports decline for the third straight month
- Toronto home sales declined in February
- Residential construction permits rise in Ontario in January, leads national gain; non-residential construction permits dip





Ontario labour market edged up in February

Ivy Ruan, Economic Analyst

Ontario's labour market remained steady in February, with little change since June 2023. Employment rose by 6,700 persons (0.1 per cent) during the month. Year-over-year employment growth of 1.0 per cent remained lower than the national performance, which stood at1.8 per cent. Despite the swelling population (0.3 per cent), the provincial labour participation rate in February was almost unchanged at 64.9 per cent. However, the province's unemployment rate rose 0.3 per cent to 6.5 per cent due to the further expansion of the labour force (0.5 per cent).

In the Toronto Census Metropolitan Area, a labour force expansion of 0.8 per cent came along with a 0.3 per cent hiring growth during the same period, pushing the unemployment rate up by 0.3 per cent to 7.4 per cent in February.

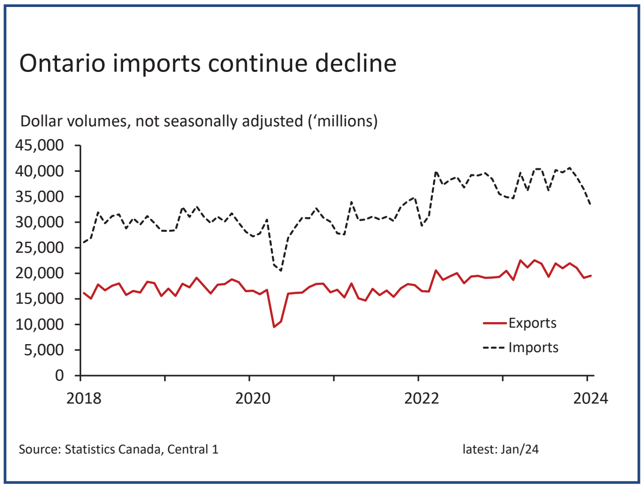
At the provincial level, the rebound in employment in February was driven by increases in full-time hiring, which offset the decline in part-time employment. Part-time employment decreased 21,600 people (-1.5 per cent), while full-time employment increased by 28,200 people (0.4 per cent).

On an industry level, employment growth was seen among the service-producing sectors (0.2 per cent) while the goods producing sectors reported a decline (-0.4 per cent). Specifically, a notable decrease in of -0.9 per cent in construction, following last month's rebound, led to the decrease in employment in the goods-producing sector. In the service-producing sector, growth was led by the accommodation and food services sector, where employment grew 16,700 people (4.1 per cent). Higher employment was also reported in the information, culture and recreation category (2.6 per cent). Among the rest of the service-producing sectors, a large proportional decline was seen in the business, building and other support services sector (-5.2 per cent).

Overall trade volumes decline

Alan Chow, Business Economist

In January 204, the value of Ontario exports was $19.5 billion. It was a decline of about 4.7 per cent from the same month last year but was an increase of 2.2 per cent compared to the previous month. For imports, the total value in January 2024 was $33.2 billion, which is down 4.7 per cent compared to the same month last year and down 8.8 per cent compared to the previous month. This marks the third consecutive month the value of imports has declined from the previous month.



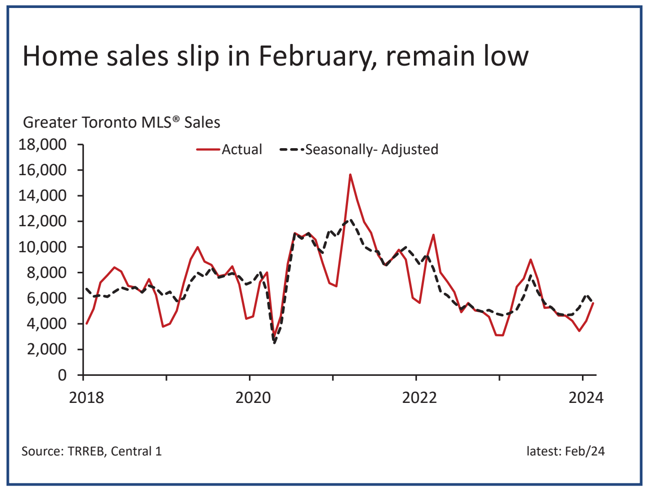
Year-over-year monthly decline in export volume was seen in nine out of the 12 categories. The decline was largest in metal and non-metallic mineral products, which decreased by10.1 per cent, followed by consumer goods, which decreased by 7.7 per cent, and energy products down 39.4 per cent. On a month over month basis, seven out of the 12 categories saw a lower volume of exports. Categories that saw a monthly decrease were farm, fishing and intermediate food products which declined by 20.5 per cent, motor vehicle and parts, which decreased by down 2.5 per cent, and energy products, which saw a decline of 31.8 per cent. More than offsetting these declines was an increase in metal and non-metallic mineral products which rose by 11.1 per cent, consumer goods, which increased by 12.3 per cent, and basic and industrial chemical, plastic and rubber products, which saw a rise of 11.7 per cent.

On the imports side, nine out of the 12 categories had year-over-year monthly declines while only one was unchanged and two saw an increase. The largest decline was seen in energy products, which decreased by 56.1 per cent, followed by metal and non-metallic mineral products, which saw a decline of 12.1 per cent, and electronic and electrical equipment and parts, which experienced a decrease if 6.6 per cent. The two categories that saw higher year-over-year monthly import volumes were industrial machinery, equipment and parts, which increased by 6.7 per cent, and aircraft and other transportation equipment and parts, which rose by 19.9 per cent. Month over month, seven out of the 12 categories saw lower import volumes. The largest decline was in special transaction trade, which decreased by 79.9 per cent. Followed by motor vehicle and parts, which saw a decline of 9.6 per cent, and consumer goods, which experienced a decrease of 4.8 per cent. Higher import volumes were seen in industrial machinery, equipment and parts increased 8.6 per cent, basic and industrial chemical, plastic and rubber products which rose by 8.0 per cent, and forestry products and building and packaging materials, which saw a rise of 9.9 per cent.

Greater Toronto home sales soften in February

Bryan Yu, Chief Economist

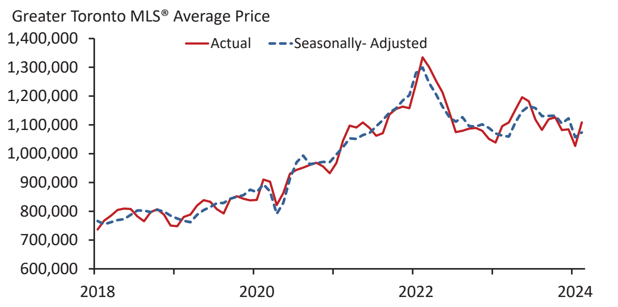
Toronto area home sales continued to track well above the sluggish pace of early 2023 but took a step back in February after two months of positive momentum. Total home sales reached 5,607 units according to the Toronto Regional Real Estate Board, which was up 17 per cent year-over-year and 33 per cent from January. That said, this increase was lower than the typical January to February increase, despite the additional sales day in February due to the leap year. Our estimate for seasonally- adjusted activity indicated a 10 per cent pullback, although the key point is that sales slowed. This could reflect a tempering of interest rate expectations, as hopes for an early year Bank of Canada rate cut have faded, with a mid-year commencement now appearing more likely.



With momentum cut short in February, sales conditions remain sluggish. Notwithstanding last year, this marked the fewest same-month sales since 2018 and 2019, when the market was impacted by policies aimed at slowing the housing market, including the non-resident buyers tax. Currently, there is a swell of potential buyers on the sidelines due to high immigration and delayed purchasing caused by financing constraints. However, many are waiting for interest rates to ease before jumping back in, given still challenging affordability levels.

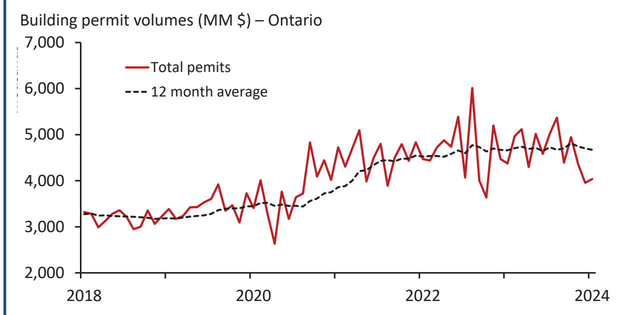
Low sales volumes and a modest pace of new listings have pushed inventory higher over the past year, despite a dip in February. Nonetheless, the sales-to-listings ratio remains at a level consistent with a balanced market. Sellers have let their listings expire in a slow market, cognizant of the strength of underlying demand and high rents, even as mortgage renewals put more pressure on some owners. Prices have been range-bound and eased over the past year, but they did pick back up in February to $1.11 million, reversing

Average home prices trend shallow, below peak



Source: TRREB, Central 1 latest: Feb/24

Building permits in Ontario increase in January



Source: Statistics Canada, Central 1 latest: Jan/24

January's slide and returning to a range observed for much of 2023. Nevertheless, this is about 10 per below the 2023 high and 20 per cent below the 2022 peak during the pandemic madness. Levels remain 18 per cent above pre-pandemic levels. Benchmark prices have shown a similar pattern.

Momentum in the Toronto housing market, like other large urban markets and the broader economy, depends on the path of interest rates. The surge in sales in recent months was triggered by buyers anticipating policy rate cuts by the Bank of Canada in early 2024, along with lower fixed rates. With rate cuts likely to be delayed to mid-year, near-term demand could stall. That said, there's a strong desire among potential buyers waiting to enter the market once interest rates decrease further, though prices are still constrained by low affordability.

Ontario building intentions back up in January

Eloho Ennah, Economic Analyst

After two back-to-back declines, Ontario building permits held steady to start 2024, with permit issuance up modestly in January. The total dollar volume of building permits increased 2.1 per cent to reach a seasonally-adjusted $4.0 billion. That said, year-over-year permits were down 7.7 per cent.

The monthly uptick was due to higher residential construction intentions, with permits issued in the sector rising by 8.6 per cent to $2.4 billion. In contrast, non-residential building permits dipped 6.3 per cent to $1.6 billion during the month. Building permit data is a good measure for the state of the construction sector and while monthly data can vary widely, the ongoing trend in permit issuances points to softening activity in the sector as construction intentions are moderated by high construction costs.

The rebound in the province's residential sector was spurred by greater multi-family unit permit issuances during the month. Multi-family permits issued increased by 29.1 per cent, reaching $1.4 billion. This also contributed to the national gain in the sector. On the other hand, the total value of single-family permit issuances fell by 10.6 per cent to $1 billion. Year-on-year, total residential permits also declined by 8.1 per cent.

The downtick of total permit values in the non-residential sector was due to lower industrial and institutional permits which fell by 13.5 percent and 11.1 percent, respectively. Commercial building permits increased by 2.3 per cent during the month. Overall permits' value in the sector had declined by 7.2 per cent compared to a year ago.

Regarding Ontario's census metropolitan areas, the total value of Toronto's building permits was up by 6.4 percent in January but down 17.1 percent year-over-year. Permits jumped in Kitchener-Cambridge-Waterloo region by 78.4 per cent and in London by 46.9 per cent during the month. In Windsor, permits rose by 20.4 per cent, while they increased by 37.8 per cent in St. Catharines-Niagara. In contrast, Ottawa permit values declined by 31.3 per cent in January. Oshawa dollar-volume of permits also decreased by 62.9 per cent.

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