Economics | Current Economic Trends

Ontario Economic Briefing

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central 1 Economics

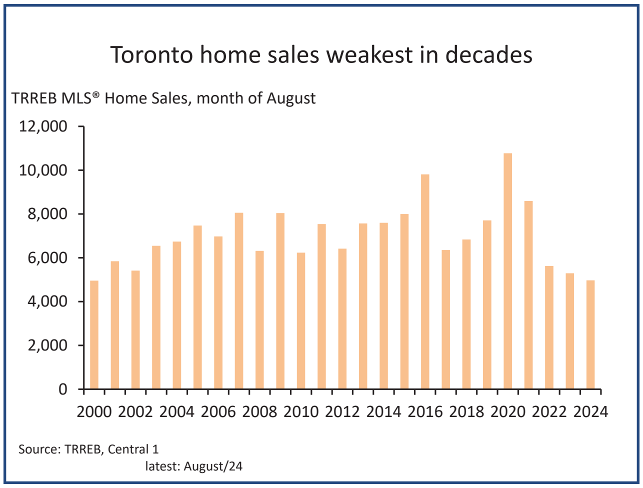
Highlights

- Toronto housing market downturn persists, sales fell 6 per cent year-on-year in August
- Ontario employment level edged down in August
- Full-time employment contributed to the hiring loss
- Exports and imports up decline

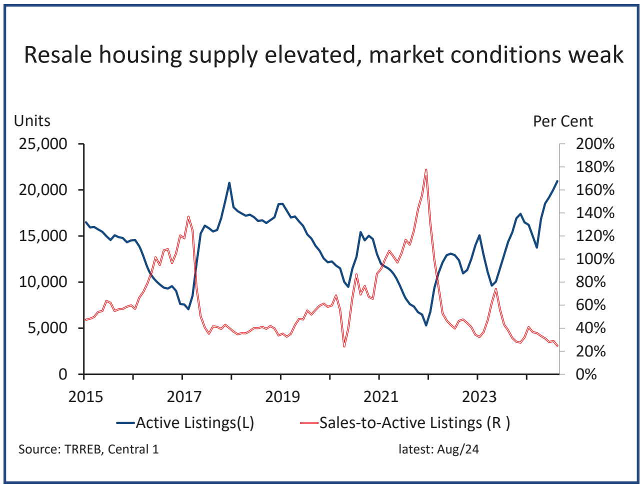
Dismal conditions continue for Toronto housing market

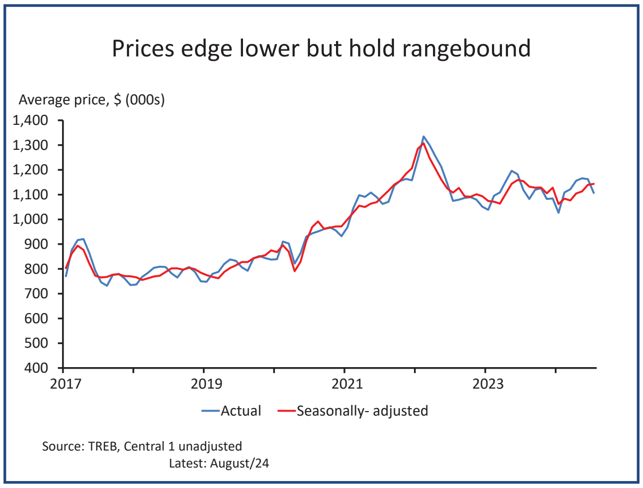
Bryan Yu, Chief Economist

In August, Toronto's housing market remained in its deep low level as sales declined from already low levels and values continued to grind lower amidst the highest level of existing home inventory in more than a decade. According to the latest data from the Toronto Regional Real Estate Board (TRREB), sales fell to 4,975 units in August, which was six per cent lower than a year ago, and a stunning 24 year-low in same-month home sales. On a seasonally-adjusted basis, sales were more in lines with levels in recession periods. Potential home buyers are shunning the market at this point, waiting for interest rates to drop further and sellers to drop their home values, which could happen given the listing acceleration.



Listings are piling up amidst the low sales flow. New listings growth slowed from the double-digit year-over-year increases in recent months but were still two per cent higher in August and elevated in relation to normal levels. Active listings have climbed to 23,000 units, up by 46 per cent from a year ago at the highest since about 2008. There is plenty of choice for buyers with a sales-to-active listings ratio of 25 per cent, which is consistent with a buyer's market given historical Toronto area patterns.



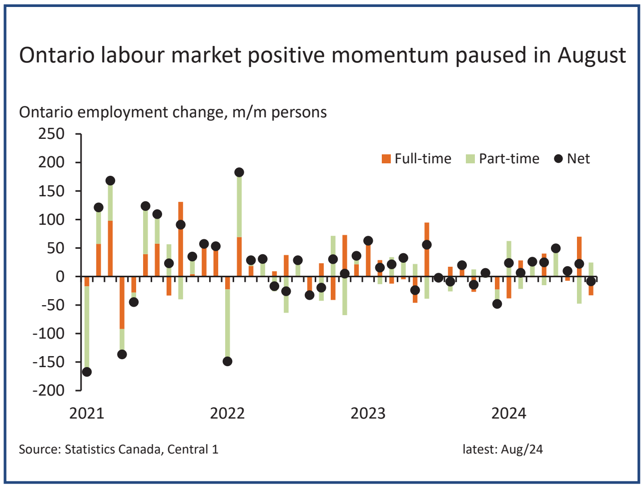


That said, sellers have remained steadfast with expected prices, contributing to a low volume and high-priced market. The average price has declined over the past two months, including 2.9 per cent in August to $1.07 million, which was the lowest in over a year but held rangebound over the past year and was unchanged on a 12-month basis. Composition effects are in play and averages may be skewing higher. Constant- quality prices showed weaker conditions with the price index down more than four per cent from a year ago, with townhomes and apartment condominiums down five per cent.

The market is weak in Toronto, and short-term prices are likely to decline further. That said, housing markets have a tendency to turn quickly. We anticipate sales to pick up with vigor as mortgage rates decline, and ultimately drive prices higher.

Ontario labour market growth paused

Ivy Ruan, Economic Analyst

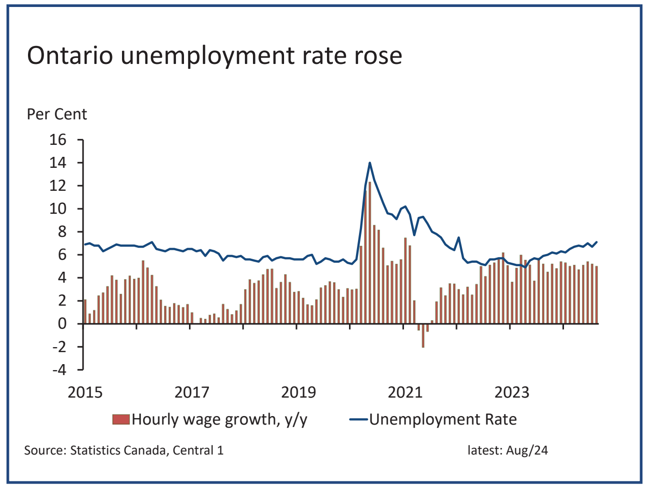


Ontario's labour market saw a pause in momentum in August following consecutive employment gains, as employment edged down by 8,400 persons (-0.1 per cent). Year-over-year employment growth of 1.6 per cent was in line with the national performance. Population continued to grow in Ontario (0.3 per cent), and the provincial labour participation rate in August remained at 65 per cent. The province's unemployment rate rose 0.4 per cent to 7.1 per cent, as labour force rose 0.3 per cent from last month, representing excess slack.

In the Toronto Census Metropolitan Area, a labour force expansion of 1.4 per cent came along with a smaller increase in hiring (0.2 per cent) during the same period, resulting in the unemployment rate surging 1.1 per cent to 8.8 per cent in August. During the same month last year, Toronto Census Metropolitan Area reported an unemployment rate at 6.6 per cent.

At the provincial level, the increases in part-time hiring (1.7 per cent or 24,500 persons) was offset by the decline in full-time employment. Full-time employment decreased by 32,900 people (-0.5 per cent).

On an industry level, employment decline was concentrated in the service-producing sectors (-0.1 per cent), while the goods producing sectors reported no change



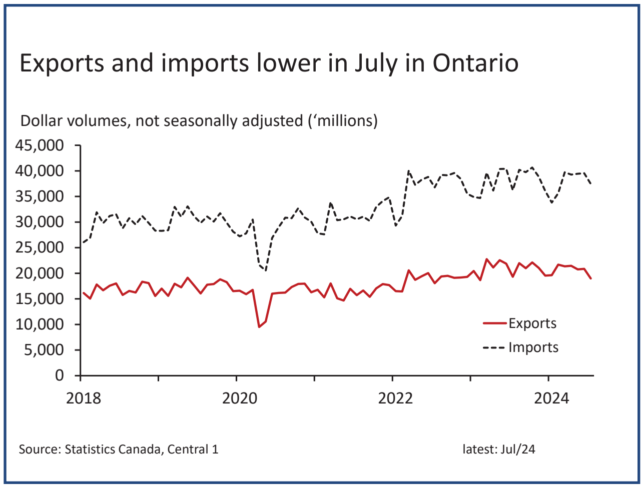
in employment. Specifically, employment decreases in utilities (-3.7 per cent) and natural resources (-2.2 per cent) were offset by the increases in construction (0.3 per cent) and manufacturing (0.1 per cent). In the service-producing sector, decrease was led by professional, scientific and technical services sector, where employment dropped 17,800 people (-1.9 per cent), following the increase last month. Lower employment was reported in the other services (except public administration) category (-4.6 per cent or 13,900 persons). Among the rest of the service-producing sectors, notable growths in employment were seen in the health care and social assistance sector (1.4 per cent or 14,300 persons) and educational service sector (2.1 per cent or 12,300 persons).

Trade deficit nudges down in Ontario

Alan Chow, Business Economist

In July 2024, the value of Ontario exports declined by nine per cent on a monthly basis to $19.0 billion. This was the lowest monthly volume since February 2023. The volume of imports was also down 5.3 per cent at $37.4 billion, compared to the previous month. As a result, the trade deficit declined slightly to $18.5 billion. Over the last 12 months, exports were up three per cent while imports were up only 1.3 per cent. Year to date though, exports are down 1.3 per cent while imports are up by 0.9 per cent.

A decrease in monthly exports was broad based and seen in 10 out of the 11 categories. Leading the way was a decline in motor vehicles and parts, down 21.8 per cent. Also seeing a monthly decrease were metal and non-metallic mineral products, down 8.7 per cent, and basic and industrial chemical, plastic and rubber products, down nine per cent. The lone category that saw a monthly increase in exports was consumer goods, up 8.6 per cent. Year to date, seven out of the 11 categories recorded lower exports. The two largest declines were in motor vehicle and parts, down 6.9 per cent or $2.9 billion, and consumer goods, down



4.6 per cent or $1.1 billion. This was partially offset by higher year-to-date exports of metal and non-metallic minerals, up 8.3 per cent or $2.4 billion, of which a significant portion is in precious metals, such as gold.

On the imports side, seven out of the 11 categories saw a monthly decrease. The largest decline was in motor vehicle and parts, down 24.6 per cent. This was followed by industrial machinery, equipment and parts, down 9.5 per cent and farm, fish and intermediate food products, down 9.0 per cent. Offsetting these monthly declines were a monthly increase in consumer goods, up 7.1 per cent, metal ores and non-metallic minerals, up 13.8 per cent, and electronic and electrical equipment and parts, up 2.4 per cent. Year to date, seven out of the 11 categories are seeing higher imports. Growth was led by motor vehicles and parts, up 3.2 per cent or $2.0 billion, consumer goods, up 2.1 per cent or $1.1 billion, and farm, fishing and intermediate food products, up 8.1 per cent or $693 million. The highest year-to-date declines in imports were in energy products, down 29.4 per cent or $1.7 billion and metal and non-metallic products, down 7.5 per cent or $1.6 billion.

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