Economics | Current Economic Trends

Ontario Economic Briefing

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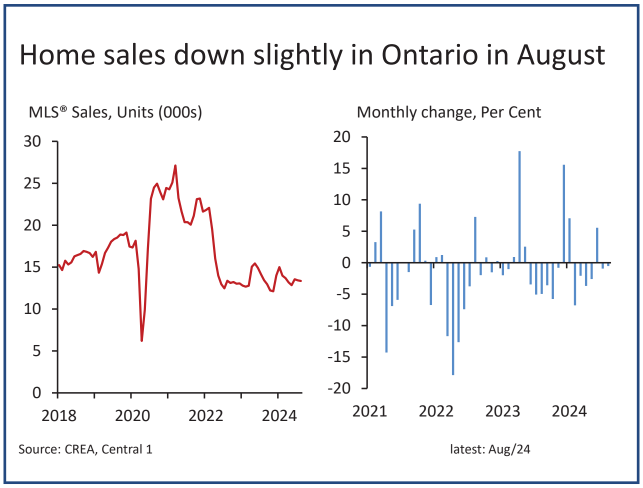
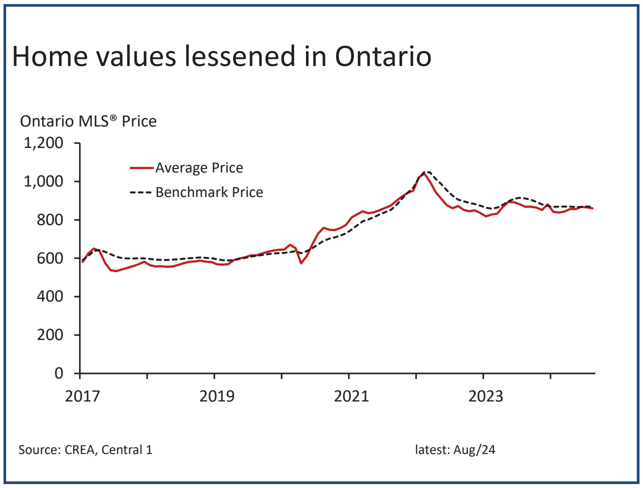
central 1 Economics

Highlights

- Home sales in Ontario dropped moderately in August, down by 0.5 per cent
- Housing starts declined in Ontario.
- Ontario inflation rate came in at 2.1 per cent in August, lowest in three years
- Ontario manufacturing sales fell in July





Ontario home sales fall in August

Eloho Ennah, Economic Analyst

Ontario housing market remained lackluster in August as home sales slipped for another month. On a seasonally adjusted basis, MLS® home sales reached 13,354 transactions, a 0.5 per cent dip from July. Sales volume was still near recessionary lows and continued declining year-over-year, down by 0.7 per cent. The missing vigor may be attributed to potential buyers postponing home purchases until more rate cuts materialize.

Amongst the province's economic regions, sales numbers differed. The Toronto economic region's sales went up by 0.7 per cent following the decline of 0.9 per cent in the prior month. Home purchases also increased in Ottawa by 2.1 per cent while up in Windsor Sarnia by 0.9 per cent. The Northwest reported a gain of 2.3 per cent during the month as well. Sales were fl at in the Kitchener-Waterloo Barrie and Northeast economic regions. Muskoka-Kawarthas home purchases lessened the most, down by 8.9 per cent in the region while they fell by four per cent in Hamilton-Niagara Peninsula. Other regions noting reductions were London (-3.2 per cent), Kingston-Pembroke (-2.5 per cent), and Stratford Bruce Peninsula (-2.8 per cent).

Home values in Ontario fell for another month, down by 0.7 per cent to reach $859,669, remaining rangebound since the spring months. Compared to a year ago, this was 0.9 per cent lower, while also below the historical peak in February 2022 by 17.4 per cent. That said, monthly home values continued to grow in almost all economic regions. Toronto economic region home values went up by 1.5 per cent while increasing in Kitchener-Waterloo Barrie by 1.3 per cent. Similarly, prices in Ottawa economic region increased by 1.1 per cent. The largest monthly price increase was recorded in Hamilton-Niagara Peninsula, up by 4.4 per cent. Prices were also higher in Windsor-Sarnia (3.0 per cent), Kingston Pembroke (2.7 per cent), Muskoka-Kawarthas (2.4 per cent), and London (0.7 per cent). Price declines were only seen in the Northeast (-7.6 per cent) and the Northwest (-0.8 per cent).

Average prices can mask compositional sales effects. The benchmark price index, which accounts for home attributes and product composition, marked was relatively unchanged in August (-0.1 per cent) Within Ontario, the index was flat in Toronto (0.0 per cent), while increasing in London & St. Thomas (1.4 per cent), Huron Perth (1.7 per cent), Windsor-Essex (1.0

per cent). However, declines were seen in Kingston (-2.5 per cent), Oakville-Milton (-1.5 per cent) and Guelph (-0.5 per cent).

Residential new listings in Ontario fell for the first month in 2024, down slightly by 0.2 per cent while market conditions were still balanced with the sales-to-new listings ratio staying at 42.7 per cent. With multiple rate cuts on the way, market conditions will likely gain speed in the last months of 2024 and into 2025. We see a risk that home prices will move sharply higher in 2025 amidst higher demand and constrained housing supply.

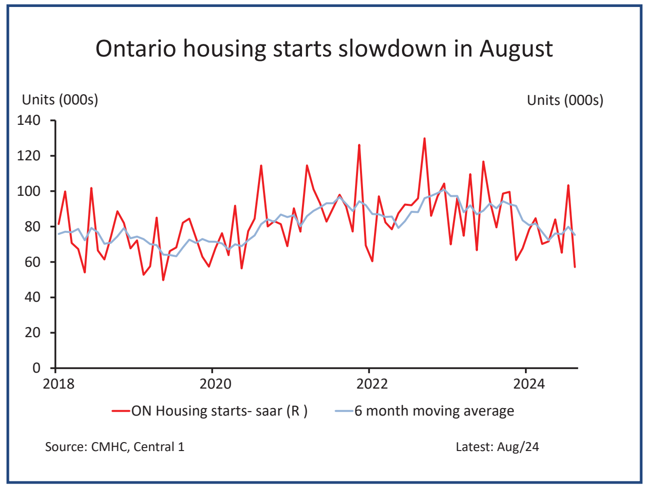
Multifamily starts decline but single-family homes increase

Alan Chow, Business Economist

After experiencing a surge in housing starts in July, Ontario's urban centres housing started to take a nosedive in August. On a seasonally adjusted annualized basis, Ontario saw 57,108 housing starts in August compared to the 103,369 seen in July 2024, representing a 44.7 per cent decrease. This was the lowest monthly rate seen in the last three years. The six-month average declined from 79,881 to 75,277. Single family units saw a monthly increase of 5.3 per cent from 12,716 units to 13,397 units while multifamily units saw a decrease from 90,653 units to 43,711 units. Nationally, the monthly change in total housing starts was also negative, down 23.6 per cent with multifamily housing down 28.9 per cent but single-family housing up 2.7 per cent.

Of Ontario's 16 metro areas, seven saw an increase in housing starts for the month. Toronto recorded an annual rate of about 24,625 housing starts in August 2024. This was fewest monthly housing starts this year. Ottawa saw 7,358 units started in August, down from last month's yearly high of 10,829 units started. Hamilton saw its rate of housing starts at 1,373 in August while London saw housing starts up drop back down from 7,162 to 5,563. Oshawa saw a bump in housing starts to 3,312, which is the second highest monthly amount this year. Kitchener-Cambridge-Waterloo saw 3,937 housing starts. Barrie saw 1,987 housing starts this month, the highest this year. St Catharines-Niagara saw 2,325 housing starts this month, which was the second highest rate this year.

Year -to -date actual housing starts (unadjusted) as August 2024 was 50,717 units, down 12 percent from the 57,689 units seen over the same period last year.

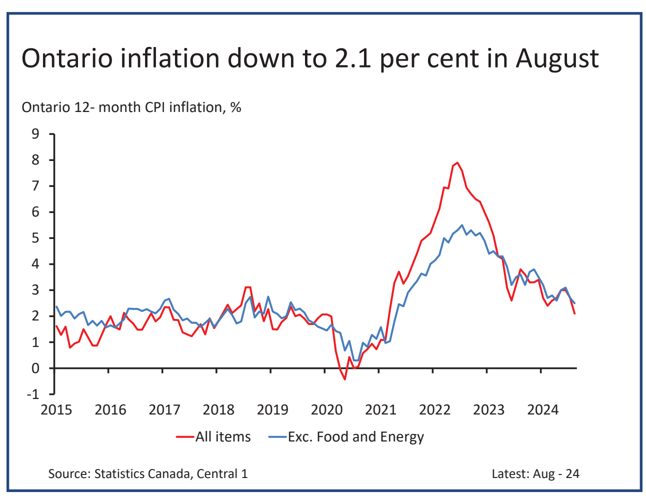


The number of multifamily units started was 42,573 units, down from the 47,772 units seen last year. The number of single detached homes was down even more, with 8,144 housing units compared to 9,917 housing units started a year earlier, representing an 18 per cent decline. Only five out of the 16 metro areas are showing more housing starts this year over last year. Those are Kitchener-Cambridge-Waterloo, London, Peterborough, Oshawa and Windsor. Nationally, housing starts are up five per cent year to date. Ontario is one of the four provinces seeing fewer housing starts year to date.

Ontario inflation slows significantly in August

Eloho Ennah, Economic Analyst

Inflation in Ontario slowed from year-over-year 2.7 per cent in July to 2.1 per cent in August. which was the slowest pace since February 2021. Although this was higher than the national figure of two per cent, Ontario's reading has held below three per cent since January 2024. In addition, core inflation (excluding food and energy) declined from 2.7 per cent to 2.5 per cent.



Declining gasoline prices were the main reason for the slowdown in all-items CPI. On a year-over-year basis, gasoline prices declined by 4.9 per cent. The decline in crude oil prices can be attributed to several factors, including economic uncertainty in the U.S. and decreasing demand in China. Energy prices also dropped by 2.9 per cent while transportation costs decelerated from 2.6 per cent in July to 0.5 per cent in August.

That said, still-high shelter and services prices continued to put upward pressure on consumer prices growth on a year-over-year basis. The former rose by 5.2 per cent in August, slowing just slightly from the 5.4 per cent gain in July. Contributing to elevated growth were high rented and owned accommodation costs. Services prices, while remaining uplifted, went down from 4.2 per cent to 4.0 per cent.

Growth in food prices was same as in the prior month, sitting at 2.9 per cent year-over-year in August. Prices of items related to recreation, education and reading were unchanged from a year ago. Alcoholic beverages, tobacco products and recreational cannabis prices also increased by 2.9 per cent; the price of health and personal care items was up by the same magnitude.

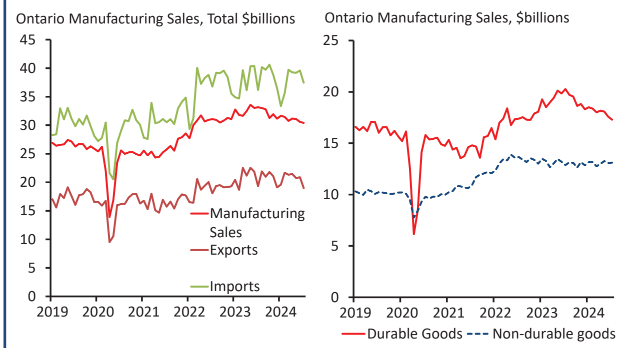
Transportation equipment sales led the July decrease in manufacturing sales

Ivy Ruan, Economic Analyst

Ontario manufacturing sales dropped 0.6 per cent in July, adding to June's decrease. On a seasonally adjusted basis, sales decreased to $30.4 billion. Manufacturing of durable goods industries led the overall decrease with a 1.5 per cent drop while non-durable goods industry sales rose 0.7 per cent. On a year-over-year basis, Ontario manufacturing sales were 7.9 per cent lower than last July.

Within the durable goods industries, the monthly decline in manufacturing sales was led by the 2.2 per cent decrease seen in transportation equipment manufacturing, the largest manufacturing segment in the province. July marked the lowest sales level in transportation equipment manufacturing since November 2022. Notable decline in sales (-8.2 per cent) was also seen in computer and electronic product manufacturing. Primary metal manufacturing had a 1.8 per cent growth in manufacturing sales in July, while miscellaneous manufacturing recorded a 3.1 per cent decline. On a yearly basis, durable goods (-14.5 per cent) industries in Ontario posted lower manufacturing sales this July while non-durable goods recorded a 2.5 per cent yearly growth.

Ontario manufacturing sales fell in July



Source: Statistics Canada, Central 1, seasonally- adjusted Latest: July/24

Within the metro areas, results in manufacturing sales were mixed across regions. Hamilton recorded a second consecutive monthly decline, with 7.5 per cent fewer manufacturing sales recorded in July. Windsor experienced a 6.2 per cent decline following last month's decrease in sales. Manufacturing sales in Toronto edged up, with an increase of 0.3 per cent following last month's decrease. With the monthly changes, Toronto's sales level was down 7.1 per cent compared to last July.

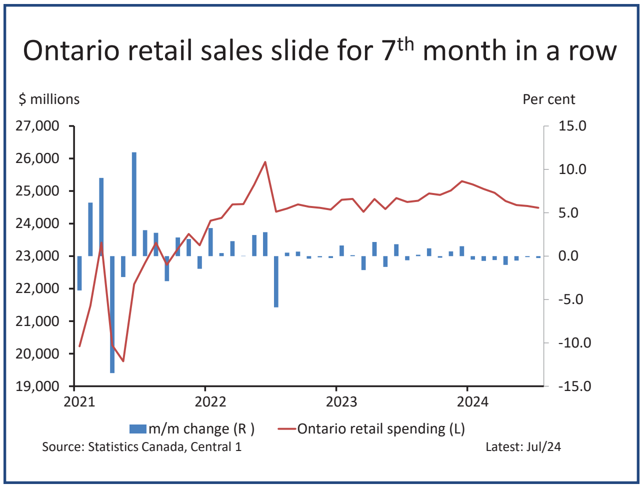
Ontario retail sales continue to slide

Alan Chow, Business Economist

Retail sales increased in Canada in July. Seasonally adjusted sales increased 0.9 per cent in July, reaching$66.4 billion, bouncing back up from a monthly year low. Year to date, unadjusted sales are up 1.0 per cent, up from last month's 0.9 per cent.

In July, seven out of the nine subsectors saw higher sales compared to the previous month. The growth was highest in motor vehicle and parts dealers, up 2.2 per cent, followed by health and personal care retailers, up 1.3 per cent, and then clothing, clothing accessories, shoes, jewelry, luggage and leather goods retailers, up 1.3 per cent. The two subsectors that saw lower seasonally adjusted sales were building material and garden equipment and supplies dealers, down 1.4 per cent, and gasoline stations and fuel vendors, down 0.6 per cent.

Ontario, on the other hand, saw some weakness. Seasonally adjusted retail sales fell 0.2 per cent in June from July. Sales have slid every month since December 2023. Despite the recent declines, year to -date unadjusted retail sales in Ontario were up 0.8 per cent over the same period last year, although that's a slowdown from last month's 1.0 per cent.



Three out of the nine subsectors in Ontario reported higher year over year unadjusted sales as of July. Health and personal care retailers reported a year-over -year increase of 10.7 per cent to $2.0 billion. Motor vehicle and parts dealers also saw sales climb 3.5 per cent to $6.8 billion. General merchandise retailers saw sales increase 2.3 per cent to $3.6 billion. Top subsectors that saw a year-over -year monthly decline in sales were food and beverage retailers, down four per cent to $4.7 billion, and sporting goods and hobby retails, down 8.9 per cent to $1.4 billion. Year to date, sales are down in five out of the nine subsectors.

Regionally, the Toronto metro area saw seasonally adjusted retail sales decrease 1.2 per cent on a month-over-month basis in July 2024 and saw a year- over-year unadjusted monthly sales decrease of 2.3 per cent. Year- to- date unadjusted sales were also down 0.5 per cent to $76.0 billion. Ottawa saw unadjusted monthly sales decrease 4.6 per cent year over year, although year-to-date sales were up 1.5 per cent to $14.2 billion. Advanced estimates for August suggested sales increased 0.5 further but this figure is likely to be revised.

For more information, contact economics@central1.com.