Economics | Current Economic Trends

Ontario Economic Briefing

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central 1 Economics

Highlights

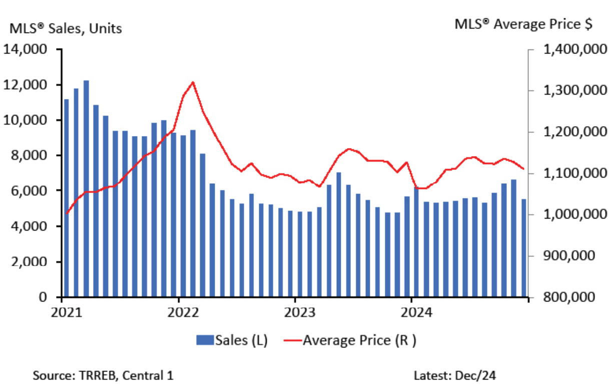
- Toronto home sales down 2.5 per cent y/y in December; home prices in region fell
- Employment growth outpaced labour force in December
- Unemployment rate dipped to 7.5 per cent
- Trade volume declined in November
- Canadian permits fell in November by 5.9 per cent as non-residential permits declined
- Ontario continued to lead non-residential permit declines in November; overall permits issued down during the month

Toronto housing market declined again to close 2024

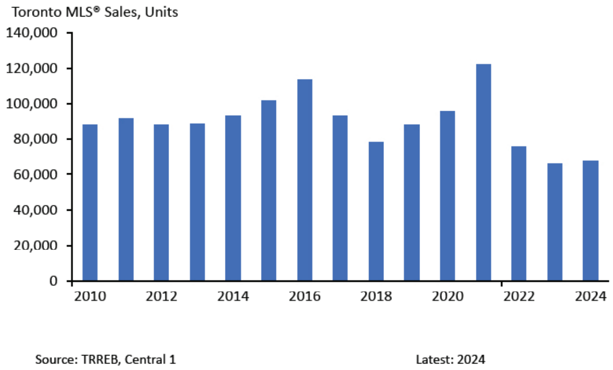
Bryan Yu, Chief Economist

Following several months of a sales upswing, Toronto area sales fell back sharply to end the year on a low note. Buyer optimism faded despite improvements in affordability and financing availability. The latest data from the Toronto Regional Real Estate Board showed 3,359 units as December sales, which was down 2.5 per cent year-over-year, compared to a 39 per cent increase in November. This marked a huge drop-off in monthly sales of 42 per cent, which was much steeper than the average 28 per cent November to December drop off. Adjusted for seasonal factors, sales fell 18 per cent and returned toward cycle lows.

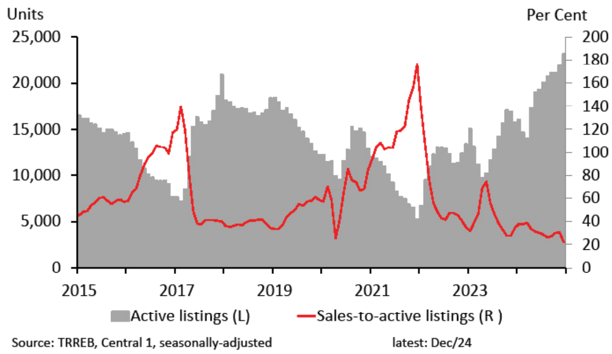
Toronto sales slump to end off 2024, prices weaken



Toronto sales remained near at multi-decade lows in 2024



Toronto housing inventory soars, buyers' market heading into 2025



This put an end to the significant momentum in recent months and the green shoots of pent-up demand transitioning into home sales. While sales have been buoyed by Bank of Canada rate cuts and new measures to boost affordability for younger buyers, such as the announced increase to the maximum price threshold to obtain mortgage insurance to $1.5 million from 1.0 million, and the availability of 30-year amortization products, buyers' sentiment has eroded. High unemployment rates, economic risks and fear of falling prices are holding back sales.

Indeed, Toronto's housing inventory has ballooned. New listings were 20 per cent higher than the previous year, and month-end standing inventory has risen by 50 per cent year-over-year. There is a wall of supply in Toronto, creating a buyers' market. Potential owners are reluctant to risk their equity in a down market, particularly in the condominium apartment space, where investment demand has decreased due to the federal government's U-turn on immigration policy.

The average price fell to $1.067 million in December, which was down 1.6 per cent year-over-year, and reversed a series of increases in recent months. Seasonally- adjusted, we calculated a 1.5 per cent monthly decline.

While average prices were driven in part by composition, and weakness in condominium markets was a drag, benchmark prices were also muted. The housing price index was unchanged both month-to-month and year-over-year. However, the multi-family market has declined. While steady month-to-month, the benchmark townhome value fell 1.3 per cent and apartment value fell 3.7 per cent year-over-year.

On a full-year basis, Toronto home sales rose 2.5 per cent in 2024 (notwithstanding collapsed sales) after falling to a two-decade low in 2023. That said, at 68,000 units, this remained exceptionally low, particularly due to robust population growth. The average price fell 0.8 per cent to $1.118 million. We expect higher sales and prices in 2025 as pent-up demand continues to lift sales, supported by more favourable financing conditions. Younger households will further be supported by wealth transfers. Price growth is likely to remain soft given high inventories at the start of the year.

There are negative risks to the recovery. Population growth is set to slow sharply following the federal government's immigration policy U-turn, although past population growth is still factored into demand. Weakness is likely to emerge in the rental market and investment demand. Potential U.S. tariffs would prove inflationary and lift U.S. interest rates, limiting downside for Canadian mortgage rates even as the Bank of Canada cuts its policy rate in response. This could also generate downside risk for the labour market and economy.

Toronto MLS® Activity, TRREB

	Actual			m/m % ch		s.a. m/m % ch		y/y % ch	
	2023M12	2024M11	2024M12	2024M11	2024M12	2024M11	2024M12	2024M11	2024M12
Unit Sales	3,444	5,875	3,359	-11.8	-42.8	3.9	-17.6	38.7	-2.5
Average Price	1,084,692	1,106,050	1,067,186	-2.6	-3.5	-0.7	-1.5	2.2	-1.6
New Listings	3,886	11,592	4,681	-24.4	-59.6	2.0	-6.4	9.9	20.5
Active Listings	10,370	21,818	15,393	-10.9	-29.4	4.0	5.5	30.2	48.4
Sales-to-Active Listings	33.2	26.9	21.8	n/a	n/a	n/a	n/a	n/a	n/a
Benchmark Price									
	Actual			m/m % ch		s.a. m/m % ch		y/y % ch	
	2023M12	2024M11	2024M12	2024M11	2024M12	2024M11	2024M12	2024M11	2024M12
Total	339.1	339.5	339.609	0.1	0.0	0.2	0.1	-1.2	0.2
Singles	351.7	355.7	354.936	0.1	-0.2	0.2	-0.0	-0.3	0.9
Townhome	381.6	377.6	376.716	-0.9	-0.2	0.4	-0.2	-1.7	-1.3
Apartment	359.1	347	345.885	-0.1	-0.3	0.0	0.3	-5.0	-3.7

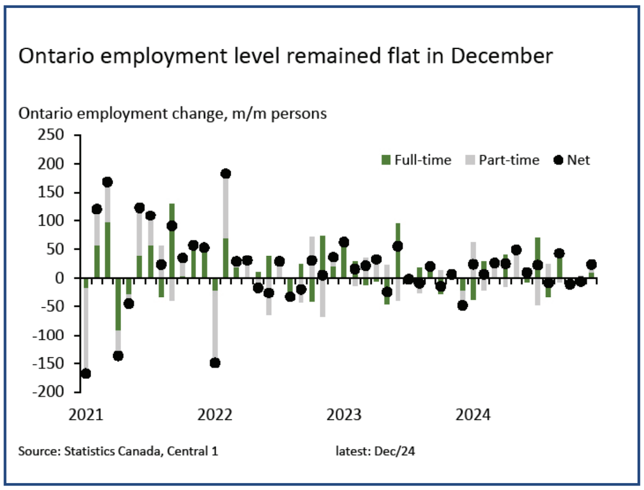
Toronto MLS® Activity, TRREB , Year-to-Date

	Actual			y/y % ch	
	2023M12	2024M11	2024M12	2024M11	2024M12
Unit Sales	66,315	64,625	67,984	2.8	2.5
Average Price	1,127,385	1,120,774	1,118,126	-0.8	-0.8
New Listings	140,756	160,197	164,878	17.0	17.1
Active Listings	13,488	19,596	19,246	42.3	42.7
Sales-to-Active Listings	44.0	32.8	31.9	na	na

Ontario labour market reported a dip in unemployment rate

Alan Chow, Business Economist

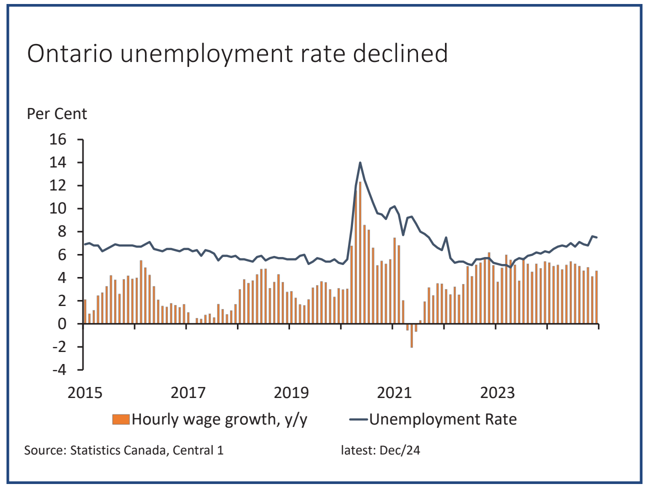
Ontario's labour market grew in December, following a negligible change in the previous month as employment edged up by 23,400 persons (0.3 per cent). Year-over-year employment growth of 2.6 per cent outpaced the national performance (2.0 per cent). The working age population continued to grow in Ontario (0.2 per cent), and the provincial labour participation rate in December declined slightly to 64.9 per cent from 65.0 per cent. The province's unemployment rate dipped slightly, down 0.1 per cent to 7.5 per cent as the labour force expanded by a slower pace than employment at 0.2 per cent from last month. December marked the second highest unemployment rate in Ontario since May 2014 (excluding 2020 and 2021).



In the Toronto Census Metropolitan Area, a labour force expansion of 0.1 per cent came along with an increase in hiring (0.7 per cent) during the same period, resulting in the unemployment rate declining from 9.2 per cent to 8.6 per cent in December. During the same month last year, Toronto Census Metropolitan Area reported an unemployment rate of 6.7 per cent.

At the provincial level, full-time hiring (up 0.1 per cent or 9,200 persons) was outpaced by part-time employment (up 1.0 per cent or 14,200 persons) from the previous month.

On an industry level, employment growth was concentrated in the goods-producing sectors (1.2 per cent or 17,800 persons), while the services-producing sectors reported a smaller increase in employment (0.1 per cent or 5,600 persons). Specifically, employment increased in manufacturing (1.9 per cent or 15,100 persons) led the growth in goods-producing industry.

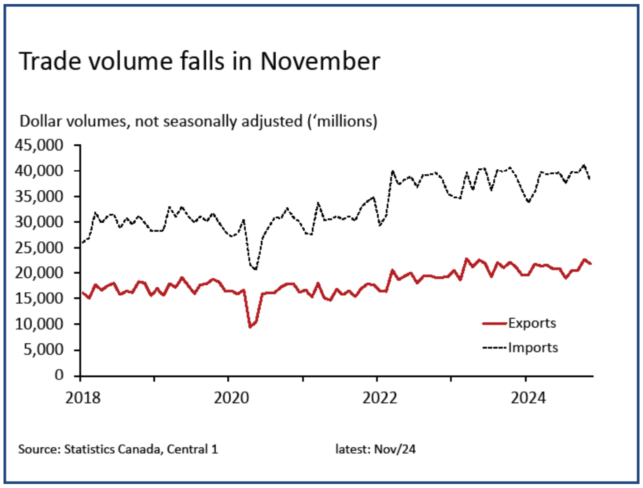


In the services-producing sector, seven out of the 11 industry classifications saw employment growth, led by information, culture and recreation, where employment gained 15,400 people (4.5 per cent). Another classification with notable employment growth was also reported in the educational services (0.9 per cent or 5,700 persons). Partially offsetting the growing sectors were declines in employment in wholesale and retail trade (-1.0 per cent or -10,900 persons), the health care and social assistance (-1.0 per cent or -9,800 persons).

Both exports and imports declined

Alan Chow, Business Economist

In November 2024, the value of Ontario exports declined 3.8 per cent monthly to $21.7 b while the volume of imports declined 7.9 per cent to $37.9 b. As a result, the trade deficit declined to $16.1 b, which is the narrowest deficit since February 2024 after revising historic numbers. Over the last 12 months, exports were down 0.9 per cent while imports were up 0.5 per cent. Year to date though, exports are down 1.5 per cent while imports are up by 0.4 per cent. Statistics Canada noted that the implementation of the Canada Border Service Agency Assessment and Revenue management digital initiative has resulted in delays in receiving merchandise import data. Estimates had to be made for October and November data to provide a complete picture of import activity in Canada. Much of the trade is conducted in USD and then converted to CAD for reporting purposes. For the months of October and November, the average value of the Canadian dollar depreciated 1.1 per cent for each month and as a result, the dollar volume of trade will appear higher even if the actual amount of goods flowing is the same. Entering 2025, trade could be negatively affected as the new Trump administration uses the threat of tariffs as a negotiating tactic.



A decline in monthly exports was seen in eight out of the 11 categories. Leading the way were

- Metal and non-metallic mineral products, down 12.9 per cent to $4.6 b. This is the result of lower shipments of nickel to Norway. Despite the decline, this is in line with the month average for 2024.
- Motor vehicle and parts, down 4.9 per cent to $5.7 b
- Energy products, down 32.1 per cent to $218 m

The top sector that saw growth was

- Consumer goods, up nine per cent to $4.4 b. Higher pharmaceutical products exports to the U.S. was a major contributing factor.

Year to date, seven categories are seeing higher volumes of exports, led by:

- Metal ores and non-metallic minerals, up 12.5 per cent or $5.6 b. Exports of unwrought gold, silver, and platinum group metals, and their alloys from Canada continue to be strong. Higher prices are a major contributing factor.
- Energy products, up 17.5 per cent or $441 m
- Electronic and electrical equipment and parts, up 3.7 per cent or $239 m

Lower volume of exports year to date were seen in:

- Motor vehicles and parts, down 11.2 per cent or $7.9 b
- Industrial machinery, equipment and parts, down 5.9 per cent or $1.2 b
- Aircraft and other transportation equipment and parts, down 10.2 per cent or $559 m

On the imports side, 10 out of the 11 categories declined on a monthly basis. The largest drop was in:

- Consumer goods, down 19.2 per cent to $7.3 b
- Basic and industrial chemical, plastic and rubber products, down 18.9 per cent to $2.1 b

The lone category to see growth was:

- Energy products, up 28.5 per cent to $400 m

Year to date, four categories are seeing higher volumes of imports, led by:

- Metal ores and non-metallic minerals, up 10.3 per cent or $1.1 b.
- Farm, fishing and intermediate food products, up 7.7 per cent or $1.0 b
- Electronic and electrical equipment and parts, up 1.5 per cent or $818 m

Year to date, lower volume of imports year to date was seen in:

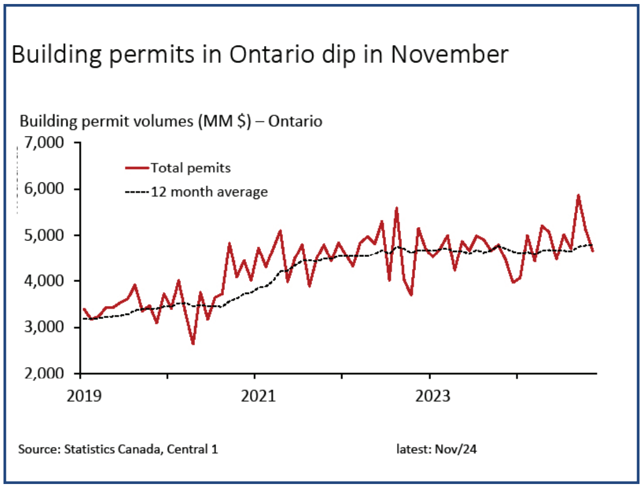
- Energy products, down 33.6 per cent or $3.0 b
- Motor vehicles and parts, down 1.3 per cent or $1.4 b
- Metal and non-metallic mineral products, down 3.5 per cent or $1.2 b

Ontario construction sector saw further declines in permit issuances in November

Eloho Ennah, Economic Analyst

Canadian building permits fell further in November, following the decline in the prior month. Total permits issued decreased by 5.9 per cent or $739.5 million, mainly due to lower permits issuances in both residential and non-residential sectors, down by 7.5 per cent and 3.2 per cent respectively. That said, unadjusted for seasonality, year-to-date permit issuances are up by 5.4 per cent, driven by greater permits issued in the residential construction sector (5.8 per cent), and particularly multi-family housing construction intentions. This category has seen higher investment and housing starts in 2024, in line with efforts to address undersupply in the housing market.

The 12-month moving average continued to trend higher, but the construction sector still awaits a larger uptick in activity. Significantly higher borrowing and input costs have weighed on sector performance for the last two years. As the effects of the recent interest rate cuts move through the economy, substantial gains in construction activity may materialize.



Declines in the non-residential permit issuances were driven by Ontario. Total permit issuances in the province fell by nine per cent to $4.7 billion, due to significantly lower non-residential permits (-18.4 per cent), while residential permits also dipped by 1.7 per cent. Ontario's permit issuances were lifted in previous months in 2024, but overall construction activity remains soft as the 12-month moving average has been relatively flat for the majority of the year.

In the residential sector, multi-family dwelling permits issued in November rose by 1.1 per cent, but this gain was offset by a 6.1 per cent drop in single dwelling permit issuances. Whitin the non-residential sector, industrial permits receded by 58.3 per cent while commercial permits also lessened by 15.7 per cent. That said, institutional/governmental permits increased by 19.8 per cent.

Most of the census metropolitan areas saw reductions in November. Total permits in Toronto declined by 27.1 per cent during the month but increased by 13.2 per cent year-over-year. Conversely, permit volumes in Ottawa rose by 24.1 per cent from the prior month and was up 41.7 per cent year-over-year.

For more information, contact economics@central1.com.