Economics | Current Economic Trends

Ontario Economic Briefing

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central 1 Economics

Highlights

- Toronto MLS® home sales declined in February
- Employment growth continued in Ontario
- Unemployment rate fell to 7.3 per cent
- Canadian merchandise exports up more than imports in January; trade surplus widened to largest since May 2022
- More of Ontario exports were destined for the US in January
- Ontario exports rose by 9.4 per cent while imports down 6.3 per cent

Toronto housing market continued to slow in February

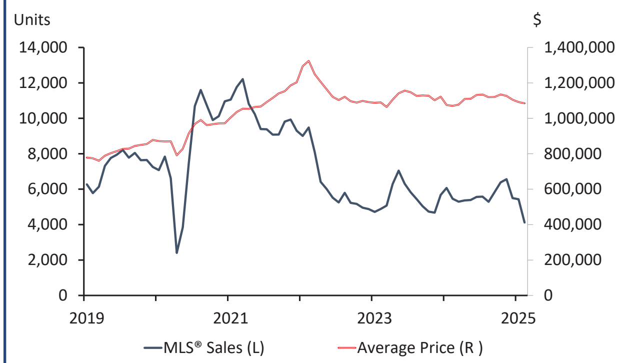
Bryan Yu, Chief Economist

Toronto's already reeling housing market was dealt another blow in February, as massive economic uncertainty around U.S. tariffs and a potential recession crushed home sales, pushing prices even lower. Snowstorms also put a chill on activity for both sales and listings. MLS® home sales in the Greater Toronto area reached only 4,037 units in February, which was 28 per cent lower than same- month 2024 compared to a flat January. Adjusting for normal seasonal variation, sales fell 24 per cent month-to-month to the lowest level since the trough of COVID- driven 2020. Sales fell 40 per cent below pre-COVID levels.

Animal spirits are working against housing market activity even as borrowing costs ease, and federal measures to support demand through financing availability support demand. Housing is one of, if not the largest purchase households make in their lifetime, and the risk of job loss can quickly derail confidence, particularly when buyers are already hesitant. Through the first two months, home sales fell 20 per cent in a subdued start to the year.

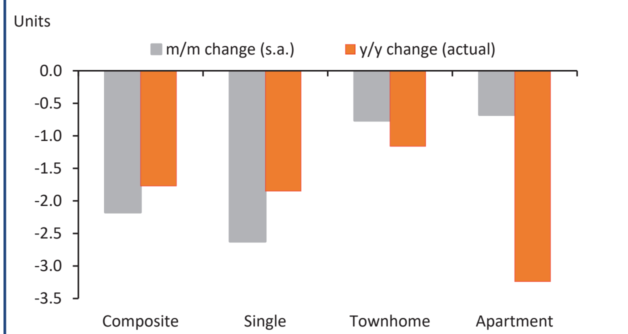
New listings flow slowed in February with levels up six per cent year-over-year, compared to 50 per cent in January, while seasonally-adjusted listings declined 15 per cent, consistent with inclement weather. That said, listings continued to outpace sales, lifting active inventory by 76 per cent year-over-year. Active listings have spiked and the highest going back to the 2008-09 financial crisis period, and the sales-to-active listings ratio of 16 per cent pointing to deep buyers' market.

Toronto sales plunge as economic uncertainty rises



Source: TRREB, Central 1, seasonally-adjusted latest: Feb/25

Composite price declines across markets led by apartments



Source: TRREB, Central 1, seasonally-adjusted latest: Feb/25

The market imbalance and elevated supply has put purchasing power into the hands of buyers, and those willing to jump in are seeing price declines. The average price reached $1,084 million, and while up due to normal seasonal activity, levels were 2.2 per cent lower than a year ago and the trend is declining. Prices are down three per cent since the summer and nearly 20 per cent from the 2022 peak, after adjusting for seasonal factors. Constant- quality housing price indices eroded across all segments on a seasonally-adjusted basis, down 1.8 per cent year-over-year. Apartment prices have been particularly hard hit with a 3.2 per cent decline as buyers and investors have shied away from micro-units, and entry level buyers still find affordability a challenge.

Toronto MLS® Activity, TRREB

	Actual			m/m % ch		s.a. m/m % ch		y/y % ch	
	2024M02	2025M01	2025M02	2025M01	2025M02	2025M01	2025M02	2025M01	2025M02
Unit Sales	5,607	3,847	4,037	14.5	4.9	-1.1	-24.2	-8.9	-28.0
Average Price	1,108,720	1,040,994	1,084,547	-2.5	4.2	-1.2	-0.7	1.4	-2.2
New Listings	11,396	12,392	12,066	164.7	-2.6	19.8	-15.1	49.1	5.9
Active Listings	11,102	17,157	19,536	11.5	13.9	11.2	1.9	70.0	76.0
Sales-to-Active Listings	50.5	22.4	20.7	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	
	2024M02	2025M01	2025M02	2025M01	2025M02	2025M01	2025M02	2025M01	2025M02
Total	349.6	342.2	343.412	0.8	0.4	-0.1	-2.2	0.4	-1.8
Singles	365.6	359	358.836	0.9	-0.0	-0.3	-2.6	1.3	-1.9
Townhome	386.9	379.4	382.412	0.7	0.8	-0.3	-0.8	-0.2	-1.2
Apartment	357.7	343.3	346.111	-0.8	0.8	-0.8	-0.7	-3.4	-3.2

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

	Actual			y/y % ch	
	2024M02	2025M01	2025M02	2025M01	2025M02
Unit Sales	9,830	3,847	7,884	-8.9	-19.8
Average Price	1,073,485	1,040,994	1,063,295	1.4	-0.9
New Listings	19,708	12,392	24,458	49.1	24.1
Active Listings	10,598	17,157	18,347	70.0	73.1
Sales-to-Active Listings	46.2	22.4	21.5	na	na

Housing market conditions will be contingent on U.S. policy going forward and its potential impacts on the local economy. If there are signs that tariffs will be delayed indefinitely, we expect buyers to return to the market given lower interest rates, federal policies to boost accessibility, and pent-up demand on the sidelines. If tariffs come back on, the opposite will be true. Broad uncertainty will likely remain a headwind for the housing market this year.

Ontario labour market reported a modest increase in February

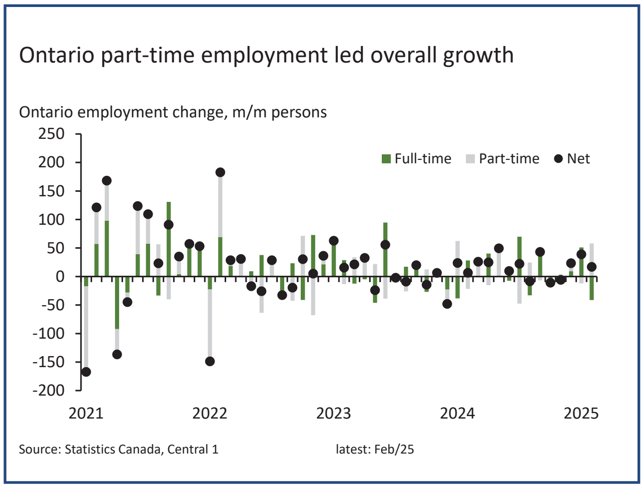
Ivy Ruan, Economic Analyst

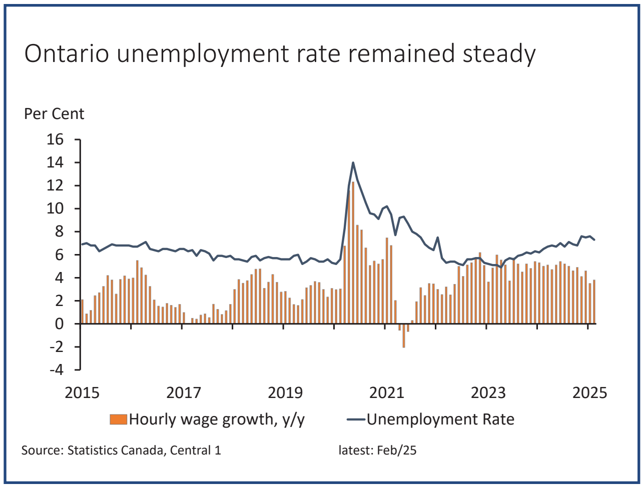
Ontario's labour market firmed in February following the two consecutive monthly increases as employment rose by 16,900 persons (0.2 per cent). Year-over-year employment growth of 2.4 per cent outpaced the national performance (1.9 per cent). The working age population continued to grow in Ontario (0.1 per cent), while the provincial labour participation rate in February decreased slightly to 65.3 per cent from 65.4 per cent in January. The province's unemployment rate fell by 0.3 per cent to 7.3 per cent as the labour force flattened from last month. February reported no change in employment rate (60.5 per cent) in the province, following the first increase since June 2023 seen in the previous month.

In the Toronto Census Metropolitan Area, a labour force expansion of 0.3 per cent came along with an increase in hiring (0.6 per cent) during the same period, resulting in the unemployment rate falling to 8.5 per cent in February from 8.7 per cent in January. During the same month last year, the region's unemployment rate was 7.5 per cent.

At the provincial level, decreased full-time hiring (down 0.6 per cent or 41,200 persons) were entirely offset by part-time employment growth (up 4.0 per cent or 58,100 persons) in February.

On an industry level, employment growth was reported in both the goods-producing sectors (0.4 per cent or 5,600 persons) and the services-producing sectors (0.2 per cent or 11,200 persons). Specifically, employment increased in manufacturing (1.3 per cent or 10,800 persons), continued to lead the growth in goods-producing industry. Utilities sector (-7.8 per cent or -5,000 persons) and agriculture sector (-3.0 per cent or -2,300 persons) both reported notable declines in hirings. In the services-producing sector, six out of the 11 industry classification saw employment growth with the increase led by wholesale and retail trade, where employment gained 23,000 people (2.1 per cent). Another classification with notable employment growth was reported in the finance, insurance, real estate,





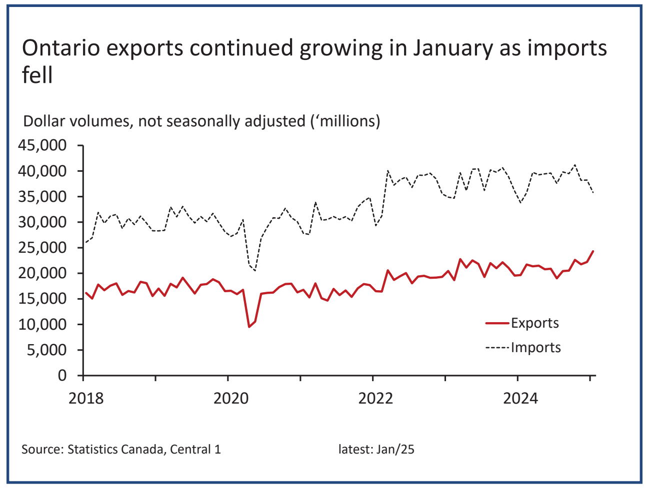
rental and leasing (1.5 per cent or 10,800 persons), reversing the decline in January. Partially offsetting the growing sectors was a decline in employment in professional, scientific and technical services (-2.6 per cent or -24,100 persons) and transportation and warehousing (-2.5 per cent or -10,300 persons).

Overall, this was a tame labour market report. Businesses was affected by weather impacts while awaiting trade policy outcomes. If anything, given these factors, performance was on the rosy side. While the waffling of the U.S. on tariffs points again to some short- term relief, uncertainty will continue, and investment will remain sluggish. Growth in the economy will slow, with tariff outcomes driving the magnitude.

Merchandise trade exports jumped in January amidst US tariff threats

Eloho Ennah, Economic Analyst

Canada's merchandise exports rose by 5.5 per cent on a seasonally adjusted basis to $74.5 billion in January, marking a fourth consecutive monthly rise, while imports also increased by 2.3 per cent to $70.5 billion.



Consequently, Canada's trade surplus widened from $1.7 billion in December to $4.0 billion in January, the largest surplus recorded since May 2022[1].

Amidst US-tariff threats in January, exports to the United States increased by 7.5 per cent to $58.2 billion while imports increased by 4.7 per cent, widening the trade surplus from $12.3 billion to a record high of $14.4 billion. The anticipation of tariffs likely served as the driver, with U.S. importers keen on increasing shipments prior to levy imposition. Exports of motor vehicles and parts saw the largest rise by 12.5 per cent in January as passenger cars and light trucks reached the highest export level since May 2019. The vehicle manufacturing industry in Canada is one with major exposure to tariffs, with 93.4 per cent of passenger cars and light trucks sent to the US in 2024. At the moment, tariffs have again been delayed on USMCA covered products until April 2, 2024, extending the period of uncertain trade terms between Canada and the US.

Ontario saw higher merchandise exports in January, increasing by 9.4 per cent monthly (+$2.1 billion) to $24.3 billion after the 2.1 per cent rise in December. This was due to of significantly higher consumer goods exports, which increased by 28.3 per cent (+$1.1 billion), as well as larger motor vehicle and parts and energy products exports which went up by 9.9

1 It should be noted that Statistics Canada cautions on the use of recent import data as the Canada Border Service Agency Assessment and Revenue Management system transition initiative has delayed the receiving of receipts. Estimate values were used for October to January 2025 and future revisions are likely. In addition, the CAD continued depreciating against the USD in January. Since most of the trade is conducted in USD then converted to CAD for reporting purposes, the depreciation of the Canadian dollar against the US dollar translates to a higher monthly trade value.

per cent (+$524.6m) and 39.7 per cent (+$138.5m), respectively. On the other hand, metal ores and non-metallic minerals exports dropped substantially by 70.0 per cent (-$98.7m). Farm, fishing, and intermediate food products exports also dipped by 2.2 per cent (-$18.4m). On a year-over-year basis, exports increased by 23.7 per cent, given higher energy product and metal ores and non-metallic minerals exports.

Ontario has strong trade ties to the US, as the major destination for province's total merchandise exports (rising to 80.7 per cent in January compared to 77.6 per cent in December). Exports destined for the US jumped by 13.8 per cent during the month, mostly on higher consumer goods exports (up 28.3 per cent or $1.0 billion), motor vehicle and parts exports (up 9.9 per cent or $522.2m).

Imports declined in January by 6.3 per cent to $35.8 billion, following relatively no change in the previous month. This was because of lower consumer goods imports (-8.1 per cent or -$703.5m), motor vehicle and parts exports (-7.3 per cent or -$540.7m), and electronic and electrical equipment and parts (-10.0 per cent or -$529.5m). In contrast, energy imports rose by 54.8 per cent (+$296.5m) while aircraft and other transportation equipment and parts imports jumped by 56.1 per cent (+$305.4m). Forestry products and building and packaging materials also went up by 20.3 per cent (+$703.5m).

Imports from the US decreased by 3.4 per cent in January as motor vehicle and parts imports and metal ores and non-metallic minerals dipped by 3.7 per cent. On a year- over- year basis, imports increased by six per cent, given higher energy product and metal ores and non-metallic minerals imports.

Although, US tariffs on some Canadian products have been suspended for an extra month, Ontario's manufacturing-based economy would suffer from these tariffs, leading to a drop in output and significant layoffs.

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