



Highlights

- Toronto housing market sees largest declines
- Ontario Employment growth paused
- Unemployment rate rose to 7.5 per cent
- Canadian merchandise exports down in February while imports continued growing
- Canadian merchandise trade surplus with the US lessened in February
- Ontario merchandise exports and imports fall in February

Toronto housing market downturn persists

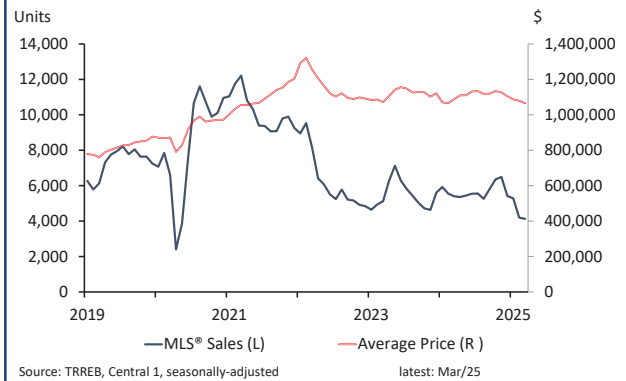
Bryan Yu, Chief Economist

Dismal housing market conditions in Toronto extended through March as the cratering of home sales continued, pushing closer to the depths of COVID-era lows. A deep decline in sales and home values points to a recessionary regional housing market. While tariff-related recession/job loss fears, and volatile equity markets have certainly been a factor sidelining buyers in recent months, impacts of realized tariffs and risks of a broader global economic downturn could prolong this weakness.

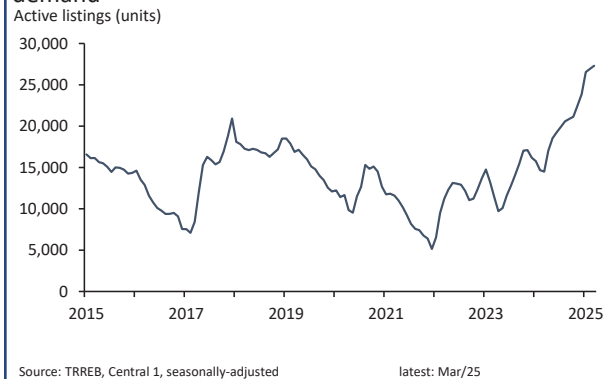
The latest TRREB MLS® data showed 5,011 sales in March which was nearly 24 per cent lower than a year ago. Seasonally adjusted sales nudged lower by 1.7 per cent month-over-month but came on the heels of the 21 per cent drop in February and 37 per cent below already tempered levels in November. Any momentum from the latter half of 2024 has dissipated. The severe drop in home sales aligns with sentiment measures like the CFIB business barometer which has plunged to record lows. This is a pretty good bet that weak confidence is playing out in housing, especially in pricier markets.

With sales being held back, inventory has ballooned. Active listings were up 88 per cent year-over-year, trending above levels last seen during the 2008/09 financial crisis, with new listings rising. Sellers have flooded the market and combined with low demand. This has created a buyers' market. Sellers will have a hard time

Dismal Toronto MLS® housing trends persist



Toronto inventory levels soar on new listings and weak demand



achieving their asking prices. The average price fell 1.3 per cent from February and 2.5 per cent year-over-year. Levels are about 20 per cent below the 2022 peak. Composition matters and benchmark values point to a 4 per cent year-over-year decline led by the saturated apartment market.

If confidence from tariff threats was the only concern, this period of weakness could be expected to pass quickly. That said, the quick evolution of the trade war means this downturn could deepen. Canada has been hit by tariffs, but adherence to CUSMA has limited the damage relative to the latest reciprocal tariffs slapped on other U.S. trading partners. Still, there is drag from 25 per cent tariffs on non-CUSMA covered items and steel/aluminum, while vehicles also face a 12.5 per cent tariffs. This is impacting exports and investment, triggering a slowdown.

Ongoing weakness in the housing market as potential buyers navigate the uncertainty and realized impacts of the trade war. Excess inventory and low sales do not change longer-term issues of lack of affordable supply which will need plenty more housing, but a deeper housing recession and price correction would not be a surprise if this trade war persists.

Ontario labour market reported a decline in hirings in March

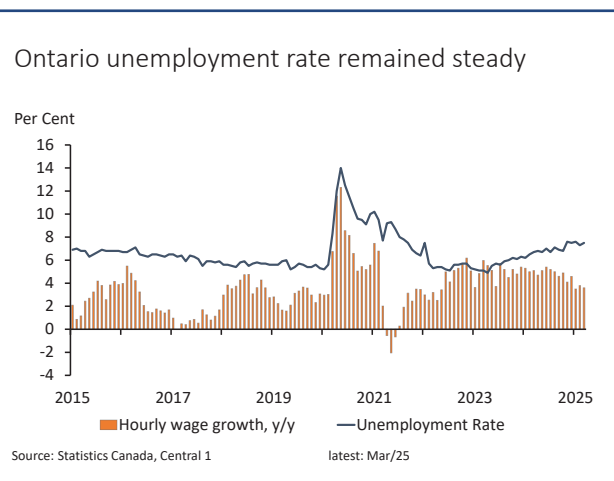
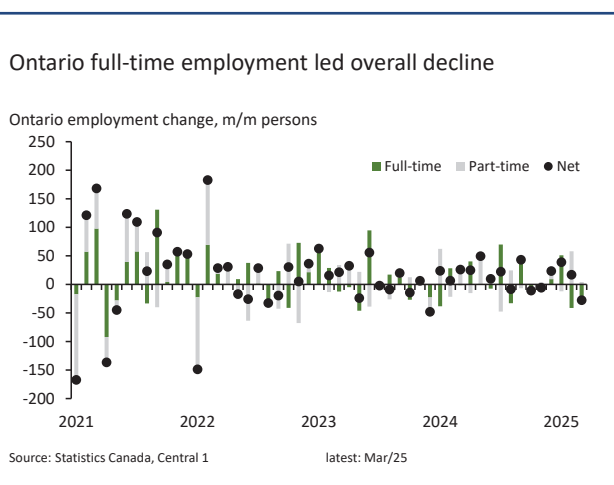
Ivy Ruan, Economic Analyst

Ontario's labour market pulled back in March following the three consecutive monthly increases as employment declined by 27,500 persons (-0.3 per cent). That said, Ontario's year-over-year employment growth of 1.7 per cent matched the national performance. The working age population also declined in Ontario (-0.2 per cent), while the provincial labour participation rate in March decreased slightly to 65.2 per cent from 65.3 per cent in February. The province's unemployment rate rose by 0.2 per cent to 7.5 per cent. March also reported a decline in employment rate to 60.2 per cent in the province, which was notably lower than last March's level (61.0 per cent).

In the Toronto Census Metropolitan Area, a labour force contraction of 0.5 per cent came along with a decrease in hiring (-0.8 per cent) during the same period. This resulted in the unemployment rate rising to 8.8 per cent in March from 8.5 per cent in February. During the same month last year, the region's unemployment rate was 7.8 per cent.

At the provincial level, decreased full-time hiring (-0.5 per cent or 31,700 persons) were partially offset by part-time employment growth (up 0.3 per cent or 4,200 persons).

On an industry level, employment declines were reported in both the goods-producing sectors (-0.1 per cent or 1,400 persons) and the services-producing sectors (-0.4 per cent or 26,000 persons). Specifically, employment decreased in construction (-1.2 per cent or 7,200 persons) led the decrease in goods-producing industry. Agriculture sector (-5.7 per cent or 4,200 persons) also reported notable declines in hirings while manufacturing sector had a modest growth in employment (0.3 per cent or 2,800 persons). In the services-producing sector, six out of the 11 industry classification saw employment declines with the decrease led by information, culture and recreation,



where employment lost 22,500 people (-6.2 per cent). Another classification with notable employment decline was reported in the business, building and other support services (-4.2 per cent or 12,700 persons). Partially offsetting the declining sectors was a growth in employment in other services (except public administration) (4.6 per cent or 12,800 persons) and professional, scientific and technical services (0.4 per cent or 3,700 persons).

The pullback in the labour market is consistent with weakening business sentiment, as reflected in recent reports from the Canadian Federation of Independent Business (CFIB), even though the direct impact of tariffs has been limited so far. The latest Liberation Day tariffs targeting several U.S. trading partners could further raise import-driven inflation from the U.S., while also weighing on global growth prospects. The removal of the carbon tax may help ease inflationary pressures. However, Ontario is likely to face greater strain than other provinces, given its significant reliance on the still-affected auto sector—even with some relief from exemptions.

Merchandise trade balance negative in Canada in February; Ontario sees lower exports

Eloho Ennah, Economic Analyst

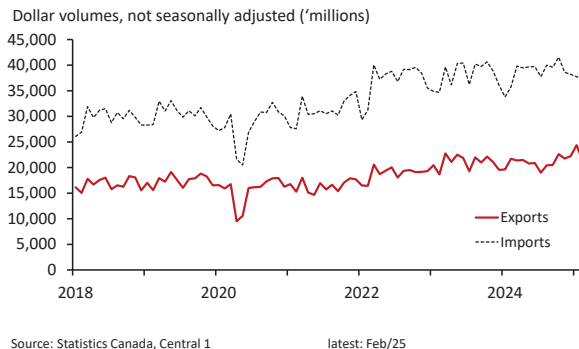
After recording a surplus in Canada's merchandise trade balance for two consecutive months, the trade balance shifted to a deficit in February as exports retreated significantly amidst tariff threats. Exports fell by 5.5 per cent on a seasonally-adjusted basis while imports increased by 0.8 per cent, bringing in a deficit of \$1.5 billion following the surplus of \$3.1 billion in January¹.

Declines were seen in nearly all export subcategories during the month. Aircraft and other transportation equipment and parts saw the sole monthly increase, up by 9.7 per cent. Energy exports saw the largest monthly decline, the first in five months, down by 6.3 per cent. Following peak export levels in January, motor vehicle and parts exports also fell by 8.8 per cent during the month. In addition, forestry products and building and packing materials exports also decreased by 10.8 per cent. On the other hand, imports increased for a third month due to higher imports of motor vehicles and parts, up 5.8 per cent while industrial machinery, equipment and parts and energy products exports also contributed to the monthly rise.

Canada's exports to the U.S. fell by 3.6 per cent in February after three consecutive monthly gains, shrinking the merchandise trade surplus from a record \$13.7 billion to \$10.6 billion. The U.S. remains Canada's top trading partner, accounting for nearly 74.6 per cent of total Canadian exports in February and serving as the source of 51.5 per cent of imports. Although Canada was relatively unaffected by the array of reciprocal tariffs announced by the U.S. on April 2, tariffs on products from major industries like the auto industry and those on steel and aluminum raise uncertainty in these sectors. Amongst the provinces, Ontario's manufacturing-based economy is at risk of a downturn given higher tariff exposure.

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 November 2024 to February 2025 and future revisions are likely.

Ontario exports and imports decline in February



Ontario saw lower merchandise exports, falling by 12.5 per cent month-over-month (-\$3.1 billion), after increasing by 9.7 per cent. While the data is unadjusted for seasonality, merchandise exports from the province were down by 1.8 per cent year-over-year. This was as a result of lower motor vehicle and parts exports (-13.2 per cent year-over-year or -\$822 million). Metal and non-metallic mineral products exports reduced by 2.8 per cent year-over-year (-\$146 million). In contrast, consumer goods imports increased by 11.4 per cent or \$393 million during the same period, while industrial machinery, equipment and parts exports also rose by 6.9 per cent or \$119 million.

Imports declined by 1.3 per cent to \$37.3 billion. On a yearly basis, imports to Ontario rose by 4.2 per cent, as motor vehicles and parts imports increased by 7.6 per cent (\$662 million) while metal ores and non-metallic minerals imports jumped by 38.7 per cent (\$337million) during the period. In contrast, aircraft and other transportation equipment and parts imports were down 26.2 per cent (\$215 million).

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