Economics | Current Economic Trends

Ontario Economic Briefing

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Highlights

- Ontario housing market maintained a higher pace through July
- Home sales in Ontario increased by 7.7 per cent while prices increased by 1.1 per cent
- Non-durable and durable goods sales decreased by 0.6 per cent and 3.4 per cent respectively
- Canadian permits declined in June
- Ontario reported lower non-residential permits, while residential building permits increased

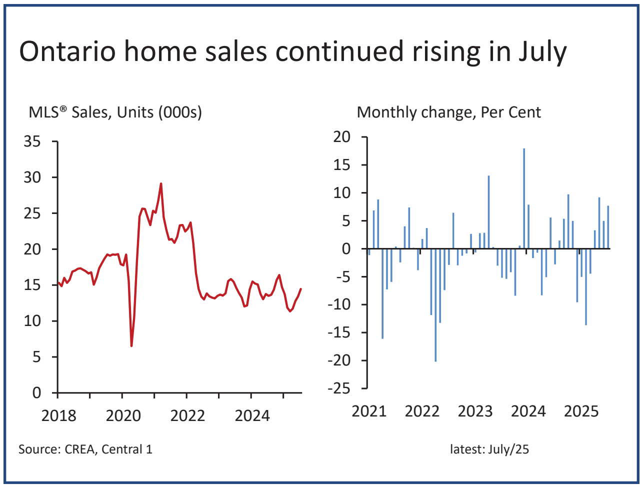
Ontario home sales pace accelerated in July

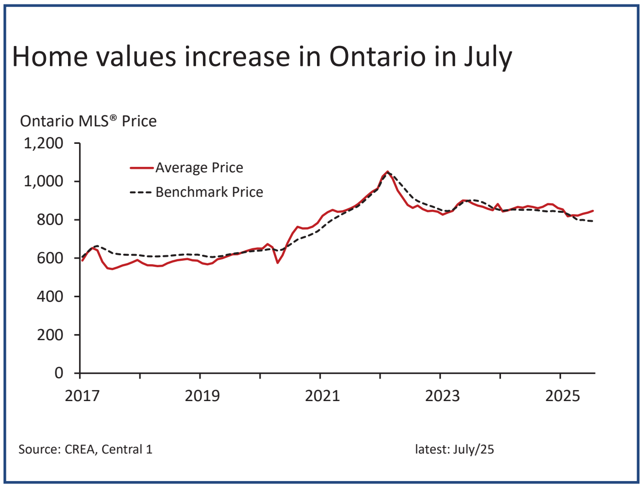
Eloho Ennah, Economic Analyst

Ontario housing market activity saw accelerated gains through July as home sales came in even higher during the month. On a seasonally adjusted basis, home purchases increased by 7.7 per cent to 14,464 units in July, following the 5.0 per cent gain in June. This also marked the fourth consecutive increase in monthly home sales in the province as consumer confidence remained steady, prompting the long-awaited sales recovery from pent-up demand.

Looking at regional data, home sales accelerated in many regions. In Greater Toronto, home sales rose by 13.0 per cent following an 8.2 per cent gain in June, subsequently contributing to the lift in overall provincial sales. Kitchener-Waterloo home sales also increased by 5.3 per cent while Hamilton-Burlington sales grew by 10.6 per cent after the 1.5 per cent decline in June. Home sales in Windsor-Essex also increased by 6.4 per cent while rising in London and St. Thomas by 7.0 per cent. In contrast, sales decreased for a second month in Ottawa (-0.4 per cent).

Year-over-year, sales were up in Greater Toronto by 11.1 per cent, in Hamilton-Burlington by 22 per cent and Kitchener-Waterloo by 4.5 per cent. They were also higher in London and St .Thomas by 28.3 per cent and in Ottawa by 6.0 per cent.





Average home values in the province continued to rise during the month as demand ticked higher, while supply from new listings was relatively unchanged. The average home price increased by 1.1 per cent to $846,368 in July. Prices are now below peak in February 2022 by 19.5 per cent. Sales-to-new listings ratio rose from 39.5 per cent to 42.5 per cent, pointing to market conditions coming into balance.

In Greater Toronto, prices increased by 0.3 per cent, also rising in London and St. Thomas by 1.4 per cent, and in Windsor-Essex by 2.0 per cent. On the other hand, prices decreased in Hamilton-Burlington by 0.6 per cent, in Kitchener-Waterloo by 1.2 per cent, and in Ottawa by 1.3 per cent.

Average prices can mask compositional sales effects. Considering home attributes and product composition, the benchmark price index decreased by 0.2 per cent and fell specifically in areas like Greater Toronto (-0.2 per cent) and Hamilton-Burlington (-0.5 per cent), while increasing in Kitchener (-0.3 per cent) and Ottawa (0.4 per cent).

The Ontario housing market has remained resilient. This momentum may be sustained in the coming months given trade uncertainty, soft economic conditions, and affordability challenges do not suppress buyer confidence. Bank of Canada rate cuts would also support increased activity in the market.

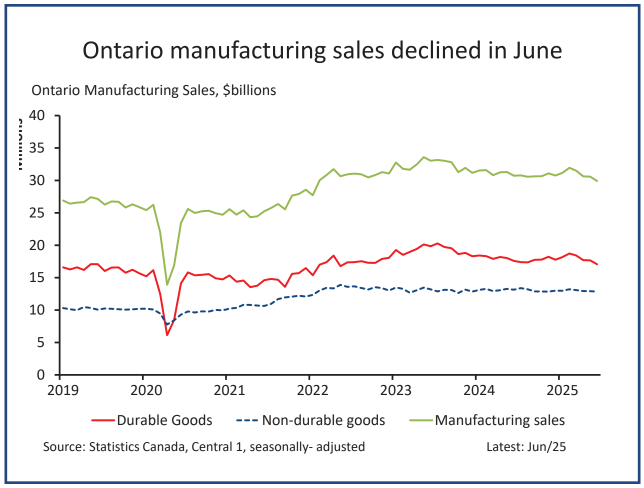
Manufacturing sales in Ontario declined in June

Ivy Ruan, Senior Analyst

Ontario manufacturing sales decreased 2.2 per cent in June following three consecutive monthly declines. On a seasonally adjusted basis, manufacturing sales dropped to $29.9 billion, the lowest level since January 2022. The non-durable goods category saw a 0.6 per cent decrease in sales to $12.8 billion while durable goods sales also declined by 3.4 per cent to $17.1 billion. Unadjusted for seasonality, year-to-date manufacturing sales have decreased by 1.1 per cent.

Within the durable goods sector, the decrease was concentrated in transportation equipment manufacturing sales, which reported a 7.5 per cent monthly decrease on a seasonally adjusted basis. Within the sector, the decline was led by the motor vehicle industry group (-11.3 per cent) in response to the U.S. tariffs on motor vehicles. In addition, decreases were seen in primary metal product manufacturing, with sales dropping in June by 2.7 per cent ($55.0 million), while computer and electronic product manufacturing sales also decreased by 6.4 per cent ($39.4 million).

In the non-durable goods category, chemical manufacturing decreased by 12.1 per cent ($304.3 million), reversing the gains from the previous two months. Following these consecutive monthly declines, food manufacturing sales in Ontario reported a notable gain at 5.6 per cent, reaching $5.1 billion, the highest level since August 2023.



Within the metro areas, manufacturing sales results were mixed. Ottawa-Gatineau (Ontario and Quebec) recorded a decline of 15.5 per cent in manufacturing sales while sales also decreased in Kitchener-Cambridge-Waterloo by 5.3 per cent. Toronto posted a 0.4 per cent decline during the same period. On the other hand, Hamilton and Windsor manufacturing sales increased by 8.6 per and 3.6 per cent respectively.

Responses from manufacturers surveyed by Statistics Canada continued to highlight the impact from U.S. tariffs on Canada's manufacturing sector. About 40 per cent of manufacturers reported being impacted by tariff-related changes, including price increases, higher expenses for raw materials, shipping or labour, and changes in demand for products. Considering only the impact of tariffs on sales, Ontario saw the highest tariff-induced decrease in sales during the month compared to other provinces. According to the most recent international trade data, Ontario noted lower merchandise exports in June, down 6.4 per cent or $1.4 billion to $21.1 billion, with 2.3 per cent lower Ontarian exports to the U.S. While more goods traded with the U.S. become CUSMA-compliant, sales in industries such as transportation equipment, primary metal and fabricated metal sectors' sales will continue to suffer as a result of emerging tariff impacts.

Ontario construction sector permit volumes decrease in June

Eloho Ennah, Economic Analyst

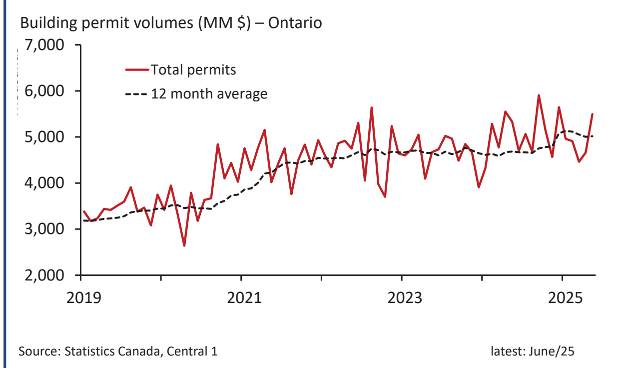
The total value of building permits issued in Canada declined in June following a significant gain in the prior month. On a seasonally adjusted basis, permits fell by 9.0 per cent to $12.0 billion, with the monthly decline prompted by lower industrial permits issued in Ontario. Year-to-date, unadjusted permits are up by 6.7 per cent.

It is worth noting that building permits tend to fluctuate monthly, but the 12-month moving average has continued to trend higher. That said, builders in the construction sector are noting rising costs as per the most recent results in Statistics Canada's building construction price index. This can be partly attributed to ongoing US-Canada trade dispute, while labour shortages are a strong contributing factor as well. Uncertainty and cost pressures may persist in the coming months in the sector.

Ontario led the national decline in building permit issuances in June, reversing all the gains from the prior month. Permits decreased by 18.0 per cent to $4.5 billion after a 17.9 per cent increase in May, which also pushed national permits higher during the month. Year-to-date, unadjusted permits have increased by 5.2 per cent due to significant gains in the residential sector (13.7 per cent).

Declines in the non-residential sector (-34.3 per cent to $2.2 billion) were entirely driven by the institutional and governmental sector component, which saw permits fall by 71.9 per cent. That said, the category's value had more than tripled in the prior month, pointing to June's decline most likely being a normalization. By contrast, industrial and commercial building permits increased by 13.5 per cent and 15.6 per cent, respectively.

Building permits in Ontario decline in June



Residential sector permits increased by 8.0 per cent to $2.3 billion. Within the sector, single dwelling building permits decreased 10.6 per cent while a 20.8 per cent rise in multiple dwelling building permits more than offset this decline.

In Ontario's metro areas, Ottawa permits increased by 44.1 per cent while they grew in Toronto by 11.0 per cent. In Kitchener-Cambridge-Waterloo, permits increased by 33.4 per cent. In contrast, permits in St. Catharines-Niagara declined by 48.0 per cent while down in Windsor by 51.0 per cent.

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