TORONTO

STAFF REPORT
ACTION REQUIRED

Economic Dashboard

Date:	October 24, 2012
To:	Economic Development Committee
From:	General Manager, Economic Development and Culture
Wards:	All
Reference Number:	P:/2012/Cluster A/EDC/ECON DEV/November/ed1211-039

SUMMARY

This report updates the Toronto Economic Dashboard. It provides a summary of the most recent data available at the time this report was prepared for key economic indicators benchmarking the City's economic performance.

RECOMMENDATION

The General Manager, Economic Development & Culture recommends that:

The Economic Development Committee receive this report for information.

Financial Impact

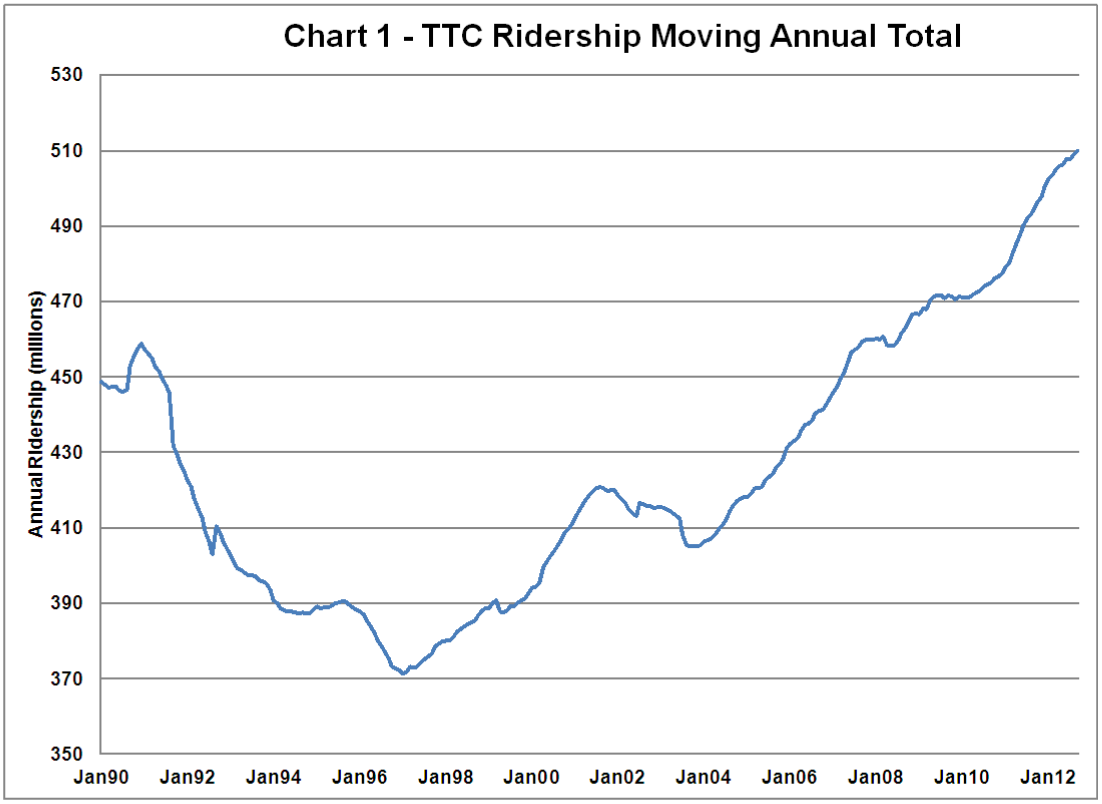
There are no financial implications resulting from this report.

DECISION HISTORY

At the January 28, 2011 meeting of the Economic Development Committee (EDC), staff made a presentation providing an overview of various trends and issues affecting Toronto's economy. After discussion among the committee members, the Committee Chair requested staff to submit a report updating the key indices that benchmark Toronto's economic health at each subsequent EDC committee meeting.

COMMENTS

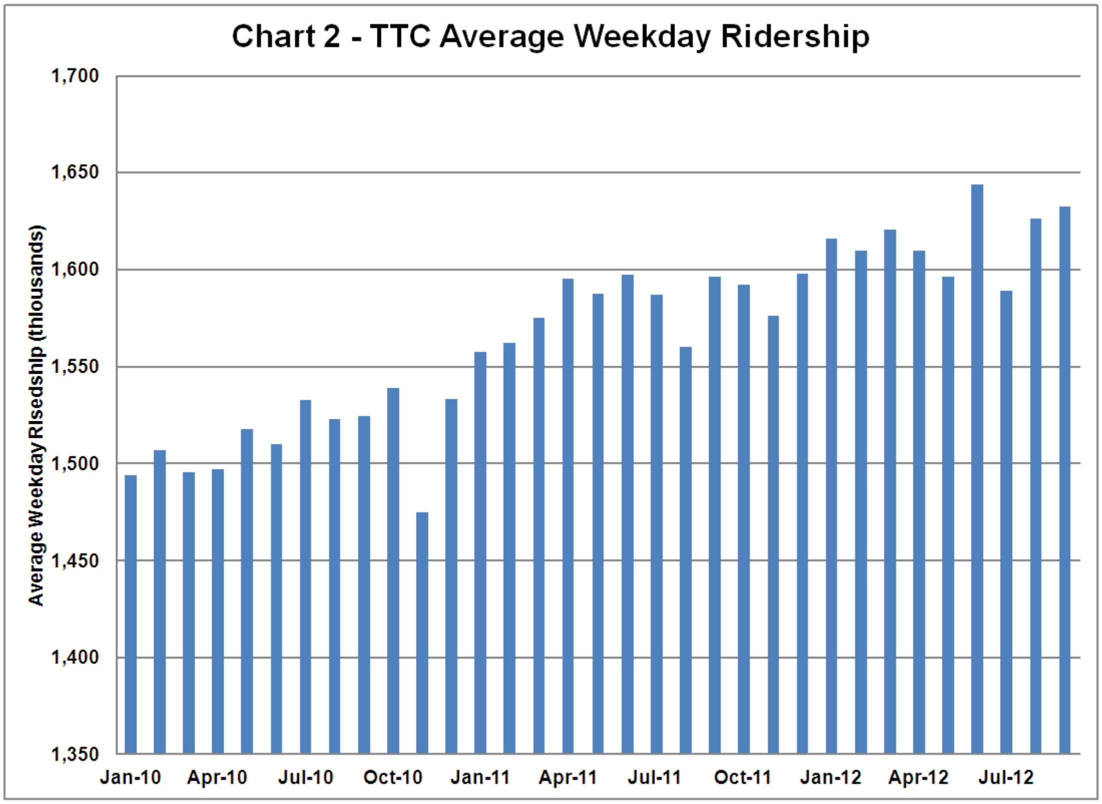
Most of the national/global economic news in the past few weeks has been depressing; however, many local indicators continue to show considerable strength. For example, on Oct 17, the Toronto Transit Commission announced another new 12 month ridership record.



Annual TTC ridership now stands at slightly more than 510 million passengers, which is 10% higher than its previous peak (460 million) in 1990. Even more remarkable is that total TTC ridership barely budged at all in 2008/09. The 2008/09 recession has been described as the Great Recession in the United States and it pushed up the seasonally adjusted U.S. unemployment rate from 4.4% to 10.0%

Chart 2 shows the seasonally adjusted average weekday ridership on a monthly basis for the last two years. It shows that the rise in TTC ridership is not an old phenomenon, and that it is showing no signs of abating. Growth may have slowed a little bit in the last 12 months, but it is still very strong.

TTC ridership is an important indicator for the City, since we do not have a monthly measure of employment by place of work. TTC ridership serves as a good proxy for economic activity in the City of Toronto.



Recent Economic Events

European leaders have taken major steps towards a banking union. On September 12, 2012, the European Commission (EC) established a single supervision mechanism (SSM) for banks led by the European Central Bank (ECB) in order to strengthen the Economic and Monetary Union. The ECB, on September 6, 2012, also announced a plan to purchase unlimited amounts of government bonds issued by the Euro countries that applied for a bailout and accepted austerity measures.

On October 19, 2012, Spanish bond yields hit their lowest levels in half a year (5.297%). Just a few days later, on October 23, 2012, Reuters reported that Spanish bond yields were back up to 5.66 percent. On that same day, Italian bonds were yielding 4.90% and Portuguese bond yields were 7.80%.

On October 9, 2012, the International Monetary Fund (IMF) downgraded its outlook for global growth in 2012 and 2013. Even worse, the IMF revised upwards its earlier estimates of the fiscal drag caused by government deficit reductions. The IMF now estimates that the short-term fiscal multiplier is between 0.9 and 1.7, which means that if the government cuts spending or raises taxes by 1% of GDP, then GDP will decline between 0.9 and 1.7%. This means that the vicious circle of spending cuts (or tax increases) leading to GDP reductions, which causes debt to GDP ratios to rise, which in turn creates the need for more fiscal retrenchment, is even more vicious that previously expected. http://www.imf.org/external/pubs/ft/weo/2012/02/pdf/text.pdf

On Oct 18th, the Macdonald-Laurier Institute warned that a European debt crisis could happen here in Canada and that "the most vulnerable (province) in the 10-20 year window is Ontario, due to its large annual deficits." (page 5)
http://www.macdonaldlaurier.ca/files/pdf/Provincial-Solvency-October-2012.pdf

The most recent, quarterly, Bank of Canada Business Outlook Survey (Oct 15, 2012) shows less strength than previous surveys. Firms are still planning to increase investment and employment, but at a lower rate than in the past surveys.
http://www.bankofcanada.ca/wp-content/uploads/2012/10/bos-autumn2012.pdf

Also on Oct 15, 2012, Statistics Canada published revisions to the national accounts data, which revised the Canadian household debt to disposable income ratio upwards from 150.6% to 161.7%. This ratio is now higher in Canada than in the United States or the U.K. The same revisions to the national accounts, however, also increased the estimated assets of Canadian households.

In the United States, the unemployment rate decreased from 8.1% in August to 7.8% in September, and total employment, based on the population survey, went up by 873,000 persons. However, based on the U.S. establishment survey, which is usually considered more accurate, total employment increased by only 110,000 in September 2012.

We also added two pages to the Toronto Rankings section of the attached Economic Dashboard presentation (pages 8-9). On October 10, 2012, Price Waterhouse Coopers (PWC) released their fifth annual comparison of 27 global cities across 10 dimensions. Toronto ranks third overall this year, behind London and New York City.

Gross Domestic Product

Two firms (the Conference Board of Canada and Moody's) produce quarterly economic forecasts for the Toronto CMA. Please see Attachment 1, slides 3 & 4.

According to the Conference Board of Canada's most recent estimate (August 22, 2012), the regional economy grew at 0.70% (after inflation), which is equal to an annualized rate of 2.8%, in the first quarter of 2012. This is slightly higher than the Toronto CMA's average quarterly growth rate (0.63% per quarter, or 2.6% at annual rates) over the last 25 years.

On October 17, 2012, Moody's released revised figures showing that the Toronto CMA economy expanded by 0.60% in 2012q1 and 0.54% in 2012q2. Both figures are slightly lower than the Conference Board's forecasts.

Looking forward, the Conference Board of Canada projects the Toronto CMA's growth rate falling below 0.50% in 2012q3 and then bouncing back to the 0.80-0.90% range. Moody's is more pessimistic, predicting three quarters of growth below 0.50% (2012q3-2013q1).

Even with continued positive economic growth, the Conference Board of Canada predicts that the unemployment rate for Toronto CMA residents will continue to rise until the third quarter of 2012, before starting to decline. Part of the projected increase in the unemployment rate is caused by rising labour force participation rates and is not therefore necessarily a bad news story.

Labour Force – September 2012

At the time of writing this report, October 2012 labour force survey (LFS) results were not yet available. October 2012 LFS data will be released by Statistics Canada on Friday, November 2, 2012.

Overall, the unemployment rate for City of Toronto remains substantially higher than the rest of the Toronto region and the rest of Canada. In September 2012, on a seasonally adjusted monthly basis, the unemployment rate for the residents was 2.5% higher than for all Canadian residents.

In September 2012, the seasonally adjusted monthly unemployment rate for City of Toronto rose by 0.1% compared to a month ago, and it now stands 1.1% higher than in the same month last year. All of the monthly increase in the unemployment rate in September is, however, explained by an increase in the labour force participation rate for City residents. The labour force participation for City of Toronto residents increased from 66.2% in August to 66.8% in September. Total employed residents in the City of Toronto also increased by 11,000 persons in September.

In the "905" region, the seasonally adjusted number of employed residents increased by 31,000 in September, which pushed the monthly unemployment rate down by 0.4% to 7.5% in September, and pushed up the 905 participation rate from 68.5% in August to 69.2% in September.

Employment in Establishments

The City of Toronto Planning Division has been collecting data about business establishments in the City of Toronto (formerly Metro Toronto) since 1983. Detailed results from the 2011 survey were reported in the April 2012 Dashboard report. As previously reported, total jobs in the City of Toronto increased by 19,000 from 2010 to 2011. Half of this increase was in full-time employment and half was part-time.

Building Activity

The City of Toronto continues to lead the rest of North America by a considerable margin in the number of high-rise buildings under construction. With 183 buildings under construction, there are more than twice as many in the City of Toronto as in our nearest rivals in North America.

Building activity in the City appears, however, to be beginning to slow down. The total value of building permits issued in the City of Toronto has declined over the last four months and now stands at half of the total value issued in the 905 municipalities.

After 10 consecutive months of exceeding permit levels achieved in the 905, the value of Industrial/Commercial/Institutional permits issued in the City of Toronto has also slipped below the 905 total in the last two months.

Office Market

The overall office vacancy rate within the City of Toronto has been trending downward for the last two years and it now stands at 5.4% (2012q3). Despite the recent completion of several large downtown office buildings, the third quarter downtown vacancy rate stands at 4.3%, according to Cushman & Wakefield, which is well below its level a year ago (5.0%).

The vacancy rates for the suburban office nodes in the City of Toronto are similar to the 905 vacancy rate (10.0%), except for the North York City Centre, which has a vacancy rate of 4.4%.

Another major real estate firm (Colliers) released their third quarter office space results in October. Colliers notes that:

> The “flight to the suburbs” trend has been overly exaggerated. In fact, reverse migration has been prevalent. There are many companies outside the Core that are now considering relocating downtown due to the close proximity to Union Station. In addition, location can be a key factor in drawing new talent that reside in the Core and increase employee retention.
>
> From 2013 to 2018, new office supply could add a potential 13.5 million square feet to the Downtown Core office inventory, with 14 projects in the planned/proposed phase in addition to the eight developments currently under construction.
> www.collierscanada.com/~/media/Files/Research/2012/GTA_Office_Fall2012_web.ash

Housing

The Toronto Real Estate board reported 2,282 house sales in August 2012, at an average price of $497,769. Total sales are down by 21% from the same month last year.

Housing starts in the City show considerable strength. After a tremendous 2012q2, housing starts in the City declined a bit in July, and then surged ahead in August 2012.

Future starts are expected to moderate in the City, as fewer units are being pre-sold. September 2012 data from the Building Industry and Land Development Association show that presales in the City are down substantially compared to a year ago.

With 52,695 residential condominium units under construction in the Toronto CMA (Urbanation, 2012q2) and various press reports speculating about a housing bubble in Toronto, it is not unexpected and perhaps even a bit welcome that the frantic pace of condominium construction in Toronto starts to slow down a bit.

Retail Sales

Total retail sales in 2012q2 in the Toronto region was $17.5 billion, which is a small increase compared to the same period in the previous year. July 2012 retail sales are up a little bit compared to a year ago and August is down a bit on the same basis. Note that retail sales data, unlike GDP data, are not adjusted for inflation

CONCLUSION

Despite some indications that the Toronto area economy is starting to slow down, most of the key economic indicators for the Toronto area continue to show considerable strength.

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SIGNATURE

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ATTACHMENT

Attachment: Economic Dashboard Presentation