

# CUR'S GTHA Urban Digest

*"Promoting Better Urban Policy through Economic Understanding"*

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## Toronto introducing political correctness into its "economic indicators"?

The City of Toronto releases the **Toronto Economic Bulletin** monthly to provide a snapshot of how various economic variables (including jobs, CPI, retail spending) are performing. The report includes a dashboard that gives a symbol to each variable based on how it performed over the latest period compared to a year earlier. The symbol indicates whether the variable has been positive, negative or stayed relatively unchanged.

The average house price is on the list of variables. It is interesting to note that with the November 20, 2019 issue, the City decided not to characterize average home price movements as positive or negative. The reasoning given for making this change is as follows:

"Please note that directional symbols for Average House Price have been removed due to the variable possibly being interpreted as both positive or negative outside of other contextual indicators. For example, an increase to the average house price could be interpreted as a sign of market strength. At the same time, it could be viewed as a sign of growing unaffordability." (**Toronto Economic Bulletin, November 20, 2019**)

It should be noted the home price variable had a positive symbol in the October 11, 2019 bulletin, the last issue released before the change.

The City of Toronto's move to not rate home prices as an economic indicator is a divergence from the general practice elsewhere. For instance, a recent City of Winnipeg report stated that "Housing is usually the largest component of a household's wealth. When house prices go up, homeowners' net worth increases, and they tend to be willing to spend more and take on additional debt, which has a significantly positive impact on the economy." (**2019 Our City: A Peg Report on Winnipeg and the Sustainable Development Goals**)

### ***CUR Response (Frank Clayton)***

While the deterioration in housing affordability is a concern in Toronto, there is no denying that rising home prices are good for an economy through the knock-on effects to consumer spending and construction activity, all else constant. Rising prices also induce developers and builders to want to build more housing, providing of course there is a ready inventory of ready-to-go sites, and to submit planning applications for sites not ready to go.

It is the job of policy makers (councillors) to decide whether rising home prices or affordability is the primary concern. The dashboard is just a matter of fact economic update documenting latest housing price patterns.

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*This publication provides a commentary on what we are reading in regards to the performance of economies and real estate markets, as well as land-use policy issues across the GGH. Feel free to pass this issue to your colleagues and let us know your reactions to our observations.*