ONTARIO ECONOMIC UPDATE

Macroeconomic Analysis and Policy Branch
Office of Economic Policy
Ministry of Finance

Ontario

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Economy

Ontario Real GDP Growth Continues in the Third Quarter

Ontario's real Gross Domestic Product grew by 1.0% in the third (July to September) quarter of 2004, slightly above the second quarter gain of 0.9%. Ontario's third quarter growth was stronger than Canada's 0.8% advance and matched U.S. growth of 1.0%.

Household spending, residential construction and business investment all grew more strongly in the third quarter. Trade was a significant drag on growth as exports fell while imports rose.

Employment

Ontario Economy Gains 8,600 Jobs in December

The Ontario labour market closed out 2004 on a positive note with 8,600 net new jobs, allowing the unemployment rate to drop 0.2% to 6.8% in December. Average annual employment rose by 106,000 jobs in 2004 for a gain of 1.7% over 2003.

In 2004, all of the new jobs were full-time (+111,700) as part-time employment declined (-5,300).

Note: Statistics Canada will release extensive revisions to its Labour Force Survey estimates on January 26, 2005. At that time, all LFS estimates for 2004 will change including the annual averages.

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Inflation

Ontario CPI Inflation Rate Edges Up to 2.2% in November

The Ontario Consumer Price Index (CPI) inflation rate edged up to 2.2% (year-to-year) in November from October's rate of 2.1%. In 2003, the Ontario CPI inflation rate was 2.7%, up from 2.0% in 2002. The Canadian CPI inflation rate was 2.8% in 2003, while the U.S. inflation rate was 2.3%.

Households

The Conference Board of Canada's **Index of Consumer Confidence** for Ontario edged up 0.1% in December, following a 2.4% advance in November. The proportion of households who felt their family finances would improve or remain the same over the next six months rose to 82.3%.

Ontario **housing starts** fell 4.5% in December, to a level of 78,700 units (seasonally adjusted annual rate). In 2004, housing starts were down by just 0.9% (estimated) from the level in 2003 which was a 14-year high.

Ontario **home resales** jumped 8.1% in November, from the same month in 2003, with 13,880 homes changing hands. Over the first eleven months of 2004, home resales are 7.3% ahead of the same period in 2003. The 187,771 Ontario homes sold to that point had already surpassed 2003's all-time record annual total.

Ontario **retail sales** rose 1.5% to a record high of $11 billion in October, largely due to a rebound in auto sales. Over the first ten months of 2004, retail sales are 2.3% ahead of the same period in 2003.

The number of **new motor vehicles** sold in Ontario fell 4.3% to 49,736 units in November, following a 9.7% advance in October.

Business

The Conference Board of Canada's **Index of Business Confidence** rose 3.9% in the third quarter of 2004, following a 0.6% increase in the second quarter. Over 93% of businesses expect overall economic conditions to improve or remain the same over the next six months. A majority of businesses (over 64%) believe that it is a good time to invest in plant and equipment and nearly 61% of the respondents expect to make the majority of their investments in Ontario.

In its October survey of **business conditions for manufacturers**, Statistics Canada reported that Ontario companies remain positive about their production prospects for the fourth quarter of 2004. Ninety-three percent of manufacturers plan to maintain or increase their production in the fourth quarter, up from 86% in the third quarter.

Over the first eleven months of 2004, the value of all Ontario **building permits** issued is 1.3% ahead of the same period in 2003.

Over the first eleven months of 2004, Ontario **exports** and **imports** are respectively, 6.6% and 3.7% higher than during the same period of 2003.

Despite the recent retreat, over the first ten months of 2004, Ontario **manufacturing shipments** were 6.6% higher than during the same period of 2003.

Over the first ten months of 2004, Ontario **wholesale trade** is 5.5% ahead of the same period in 2003.