ONTARIO ECONOMIC UPDATE

Economic and Revenue Forecasting and Analysis Branch
Office of Economic Policy
Ministry of Finance

Ontario

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Economy

Ontario Economy Continues to Grow in Fourth Quarter

Ontario's real gross domestic product (GDP) grew by 0.3% in the fourth (October-to-December) quarter of 2004, down from a 1.0% pace in the third quarter. The Canadian economy grew at a 0.4% pace during the fourth quarter.

The largest source of Ontario fourth quarter growth was real consumer spending which increased by 1.1%. A record build-up in real non-farm inventories and strong real business investment also contributed.

Employment

Ontario Economy Gains 7,100 Jobs in March

The Ontario economy added 7,100 net new jobs in March. This followed a February gain of 19,100 jobs and together largely offset the 28,300 jobs lost in January. A 13,500 jump in the labour force resulted in a 0.1 percentage point increase in the unemployment rate to 6.9% in March.

In 2004, Ontario employment increased by 1.7% or 108,000 jobs. All of the new jobs in 2004 were full-time (+111,500) as part-time employment declined (-3,600). The unemployment rate declined to 6.8% from 7.0% in 2003.

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Inflation

Ontario CPI Inflation Rate Increases to 2.2% in February

The Ontario Consumer Price Index (CPI) inflation rate rose to 2.2% in February, year-to-year, from 1.6% in January. In 2004, the Ontario CPI inflation rate was 1.9%, down from 2.7% in 2003. The 2004 annual Canadian CPI inflation rate was also 1.9%, while the U.S. inflation rate was 2.7%.

Households

The Conference Board of Canada's **Index of Consumer Confidence** for Ontario rose 2.7% in March, rebounding from a 4.5% drop in February.

Ontario **housing starts** fell 2.0% in March, to a level of 76,800 units (seasonally adjusted annual rate). Over the first three months of 2005, housing starts are 6.6% lower than during the same period last year. In 2004, there were 85,114 housing starts in Ontario, down just 0.1% from 2003's 14-year high.

Ontario **home resales** advanced 1.3% in February from a year ago to a level of 13,871 units, making it the third busiest February on record. In 2004, home resales increased for the fourth consecutive year, hitting a record high of 197,354 units, up 7.0% from 2003.

The number of **new motor vehicles** sold in Ontario surged 18.5% to 56,492 units in February, reversing three consecutive monthly declines. With February's rebound, auto sales reached their highest level since May 2003.

Ontario **retail sales** climbed 2.3% to $11.2 billion in January, following two consecutive months of decline. This was the fastest pace of growth since February of last year. In 2004, Ontario retail sales rose 3.0% to $128.9 billion.

Business

According to Statistics Canada's *Private and Public* ***Investment Intentions*** *Survey*, Ontario businesses plan to increase investment by 9.4% in 2005 to $49.1 billion, the largest increase in business capital expenditures since 1997. Total investment, including public sector capital spending, is slated to rise by 5.9%, or $5.1 billion, to $90.7 billion in 2005.

Ontario **non-residential building construction** edged up 0.4% to $3.0 billion in the first quarter of 2005, led by continuing strength in business investment.

The value of Ontario **building permits** jumped 19.0% in February to $2.2 billion, the second highest level on record. Building permits issued for both residential (+6.9%) and non-residential (+47.2%) construction increased. Over the first two months of 2005, the value of building permits is 9.6% ahead of the same period in 2004.

Ontario **international merchandise exports** jumped 4.8% in February, the strongest growth in six months (Ontario Finance estimate). Exports of machinery and equipment led the increase. Ontario **imports** fell 1.3% in February.

The value of Ontario **manufacturing shipments** fell 1.2% to $26.5 billion in February, following strong 2.9% growth in January. Over the first two months of 2005, the value of manufacturing shipments is 8.0% higher than during the same period in 2004.