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 Grows 0.7% in Third Quarter

Ontario real GDP grew by 0.7% in the third quarter (July to September) of 2005, up from a 0.6% rate in the second quarter (April to June). The Canadian economy grew by 0.9% in the third quarter while U.S. economic growth was 1.0%.

Ontario growth was led by strong machinery and equipment investment expenditures, solid household spending and a rebound in exports. Final domestic demand increased by 0.8% in the third quarter, double the second quarter pace of 0.4%.

Employment

Ontario Gains 82,600 Jobs in 2005

Ontario added 82,600 net new jobs in 2005 for a gain of 1.3%. Full-time employment dominated job gains in 2005 with 72,700 net new jobs (+1.4%), while part-time employment increased by 9,800 jobs (+0.9%). The unemployment rate averaged 6.6% in 2005, the lowest annual level since 2001.

In December, Ontario employment dropped by 17,700 jobs, following a cumulative gain of almost 50,000 jobs in the previous four months. All of the job losses in December were part-time employment (-28,000 jobs) as full-time employment increased by 10,400 positions. The Ontario unemployment rate was 6.2% in December.

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Inflation

Ontario CPI Inflation Rate was 2.1% in December

The Ontario Consumer Price Index (CPI) inflation rate edged up to 2.1% in December 2005, year-to-year, from 2.0% in November.

In 2005, the Ontario CPI inflation rate was 2.2%, up from 1.9% in 2004. The 2005 annual Canadian CPI inflation rate was also 2.2%.

Households

In December, Ontario **housing starts** advanced 4.1% from November to 83,700 units, the highest level since July. In 2005, Ontario recorded 78,795 housing starts, down 7.4% from the near-record level of 2004.

Ontario **home resales** rose 3.5% in November from the previous year to a level of 14,667 units, making it the best November on record. Over the first eleven months of 2005, home resales were just 0.1% below 2004's record-setting pace.

Ontario **new motor vehicles sales** continued to improve in November, advancing 3.9% to a level of 51,384 units, following an increase of 3.6% in October. Over the first eleven months of 2005, auto sales were up 2.7% compared with the same period of 2004.

Ontario **retail sales** advanced 1.0% in October to $11.3 billion. Over the first ten months of 2005, retail sales were 4.7% ahead of the same period of 2004.

Investment and Business Activity

Over the first eleven months of 2005, the value of **non-residential building permits** issued in Ontario was up 7.3% from the same period one year earlier.

Ontario **international merchandise exports** (customs-basis) rose 10.4% in November from a year earlier, while **merchandise imports** were up 7.4%. Over the first eleven months of 2005, Ontario exports were up 0.3% compared with the same period of 2004, while imports were up 3.5%.

Over the first eleven months of 2005, the value of Ontario **manufacturing shipments** was 0.8% higher than during the same period of 2004.

Over the first eleven months of 2005, Ontario **wholesale trade** was 2.1% ahead of the same period one year earlier. In November, wholesale trade fell 1.0% to $20.2 billion.

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 planned investment, including public sector capital spending, was projected to rise by 5.9%, or $5.1 billion, to $90.7 billion in 2005.

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