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 Creates 15,600 New Jobs in January

Ontario employment increased by 15,600 jobs in January, reversing small job losses in the previous two months. Since January of last year, Ontario employment is up by 1.9% for a gain of more than 120,000 jobs. The Ontario unemployment rate increased to 6.5% in January, as 37,800 Ontarians entered the labour market.

In 2005, Ontario added 81,200 net new jobs for a gain of 1.3%. Full-time employment dominated job gains in 2005 with 71,000 net new jobs (+1.4%), while part-time employment increased by 10,200 jobs (+0.9%). The unemployment rate averaged 6.6% in 2005, the lowest annual level since 2001.

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%, while the U.S. inflation rate was 3.4%.

Households

The Conference Board of Canada's **Index of Consumer Confidence** for Ontario rebounded in January, up 8.6%, following a decline of 6.2% in December.

In January, Ontario **housing starts** rose 10.4% from December to 92,400 units. This is the third consecutive monthly increase and the highest level since July 2004. In 2005, Ontario recorded 78,795 housing starts, down 7.4% from the near-record level of 2004.

In 2005, 197,024 Ontario homes changed hands, down just 0.2% from 2004's record level, making it the second best year for Ontario **home resales**. In December, home resales fell 1.2% from a year earlier to 9,175 units.

Ontario **retail sales** advanced 1.1% in November to $11.5 billion, the highest level since July. Over the first eleven months of 2005, retail sales were 4.7% ahead of the same period of 2004.

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.

For further information contact:
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Investment and Business Activity

In 2005, the value of **non-residential building permits** issued in Ontario increased 5.4% to a record $9.2 billion. In December, permits value for non-residential construction rose 1.1% to $723 million.

In 2005, Ontario **international merchandise exports** (customs-basis) rose 0.8%, while **merchandise imports** were up 3.2%. In December, Ontario exports increased 5.5% from a year earlier, while imports were up 2.4%.

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.

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