ONTARIO ECONOMIC UPDATE

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

Ontario

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Economy

Economy Continues to Grow in 2005

The Ontario economy grew by 2.8% in 2005, slightly stronger than the 2.7% increase in 2004.

Ontario domestic demand remained strong in 2005, increasing by 3.8%. Consumer spending was a major contributor to economic growth last year, with real personal expenditures rising 3.6%, the largest annual gain since 2002.

Employment

Ontario Creates 23,800 New Jobs in April

Ontario employment continued to grow strongly in April, adding 23,800 net new jobs, following a gain of 31,200 jobs in March. Over the first four months of 2006, employment is up by 105,300 jobs (+1.7%) compared to the same period last year. The unemployment rate edged up to 6.2% in April, a reflection of a strong increase in the labour force.

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 2.3% in April

The Ontario Consumer Price Index (CPI) inflation rate was 2.3% in April unchanged from March. Higher gasoline prices remain the major contributor to inflation.

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 rose 3.4% in April, following a 0.6% increase in March. Since December of 2005, the Ontario consumer confidence index is up nearly 10%.

Ontario **retail sales** rose 2.9% in March to a record high of $11.7 billion. In the first quarter of 2006, retail sales increased 1.2%, following a 0.6% gain in the previous quarter.

Ontario **home resales** reached a level of 18,812 units in March, a 6.9% increase from a year ago and the second busiest March on record. In the first quarter of 2006, home resales advanced 7.4% from the same quarter a year ago.

Over the first four months of 2006, Ontario **housing starts** are 2.5% below the same period in 2005.

Ontario **new motor vehicles sales** advanced 1.4% in March to a level of 52,119 units, rebounding from February's 1.1% decline. Sales in the first quarter of 2006 were 2.5% ahead of the previous quarter.

Investment and Business Activity

According to Statistics Canada's *Private and Public Investment Intentions Survey*, Ontario businesses and public sector institutions plan to increase investment by 6.5% to $95.5 billion in 2006. This would be the strongest increase in capital spending since 1999.

The value of Ontario **non-residential building permits** issued in March advanced 29.8%, following an 11.5% increase in February.

Over the first three months of 2006, Ontario **international merchandise exports** (customs-basis) are 3.5% higher than the same period last year.

The value of Ontario **manufacturing shipments** rose 0.4% to $25.4 billion in March. Over the first three months of 2006, the value of shipments is 1.8% lower than the same period last year.

Ontario **wholesale trade** rose 0.6% to $21.1 billion in March. In the first quarter of 2006, wholesale trade increased 3.6%, following a 3.1% gain in the previous quarter.

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