# 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 First Quarter of 2006

Ontario's real Gross Domestic Product grew by 0.4% in the first quarter (January to March) of 2006, up from a 0.3% pace in the final quarter (September to December) of 2005. Ontario's economic growth was below that of Canada, which advanced 0.9%, and the U.S., which grew by 1.4% in the first quarter.

The increase in first quarter real GDP reflected positive contributions from consumer spending, residential construction and business investment spending. Final domestic demand continued to outpace GDP growth, advancing by 0.7%. Net trade dampened economic growth as exports were essentially unchanged while imports grew modestly.

## Employment

### Ontario Employment Down in July

The Ontario economy lost 5,800 jobs in July, following four months of employment growth. A 3,400 increase in full-time jobs partly offset a 9,300 decline in part-time employment. Over the first seven months of 2006, Ontario employment is up by 112,600 jobs (+1.8%) compared to the same period last year. The unemployment rate was 6.5% in July, up from 5.9% in June, 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 2.4% in June

The Ontario Consumer Price Index (CPI) inflation rate eased to 2.4% in June (year-to-year) from May's level of 2.8%.

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

Ontario **housing starts** advanced 3.6% in July to a level of 83,000 units. This is the third consecutive monthly increase and the highest level since January. Over the first seven months of 2006, housing starts are 7.5% below the same period in 2005.

Over the first six months of 2006, Ontario **home resales** are 1.5% higher than during the same period in 2005. In June, 20,424 existing homes were sold, down 3.8% from a year ago.

Over the first five months of 2006, Ontario **retail sales** are 4.8% ahead of the same period in 2005. In May, retail sales declined 1.9% to $11.6 billion, following two months of solid growth.

Over the first five months of 2006, Ontario **auto sales** are 0.9% higher than during the same period in 2005. In May, the number of new motor vehicles sold in Ontario fell 2.1% to 50,483 units, following a slight decline of 0.1% in April.

# 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.

Over the first six months of 2006, the value of **non-residential building permits** issued in Ontario is 0.8% lower than during the same period last year.

Over the first six months of 2006, the value of Ontario **international merchandise exports** (customs-basis) is 0.2% higher than during the same period last year.

Ontario **wholesale trade** rose 1.3% to $21.4 billion in May, following a 1.0% increase in March and no change in April. Over the first five months of 2006, wholesale trade is 10.1% higher than during the same period last year.

The value of Ontario **manufacturing shipments** fell 1.6% to $24.8 billion in May. Over the first five months of 2006, the value of shipments is 2.8% lower than during the same period last year.

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