ONTARIO ECONOMIC UPDATE

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

Ontario

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Economy

Economy Maintains Moderate Growth in Second Quarter of 2006

Ontario's real Gross Domestic Product grew by 0.2% in the second quarter (April to June) of 2006, down from a 0.4% pace in the first quarter (January to March).

The increase in second quarter real GDP reflected growth of consumer spending, business investment and increased inventory accumulation. Final domestic demand, which advanced 0.7%, continued to outpace GDP growth. Net trade dampened economic growth as exports fell, while imports were unchanged.

Employment

Ontario Employment Up in November

The Ontario economy created 19,100 jobs in November, ending four consecutive months of job losses. The unemployment rate remained unchanged at 6.4% in November. Over the first eleven months of 2006, Ontario employment is up by 93,000 jobs, a gain of 1.5%.

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 1.1% in November

The Ontario Consumer Price Index (CPI) inflation rate was 1.1% in November (year-to-year), up from 0.6% in October.

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** edged down 3.5% in November to 68,400 units (seasonally adjusted annual rate). Over the first eleven months of 2006, housing starts are 6.4% below the same period in 2005.

Ontario **home resales** remain at relatively high levels by historical standards, but are down 1.2% over the first ten months of this year. In October, 15,515 existing homes were sold, down 1.3% from a year ago.

Over the first ten months of 2006, the number of **new motor vehicles** sold in Ontario is 0.2% less than the same period in 2005. In October, auto sales fell 2.2% to 49,229 units.

Over the first nine months of 2006, Ontario **retail sales** are 4.5% ahead of the same period in 2005. In September, retail sales declined 1.9% to $11.7 billion.

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 ten months of 2006,

- the value of **non-residential building permits** issued in Ontario is 6.3% lower than during the same period last year.
- the value of Ontario **international merchandise exports** (customs-basis) is 1.6% lower than during the same period last year.
- the value of Ontario **manufacturing shipments** is 4.2% lower than during the same period last year. In October, shipments fell 0.4% to $23.0 billion.

Over the first nine months of 2006, Ontario **wholesale trade** is 8.6% higher than during the same period last year. In September, wholesale trade fell 2.2% to $21.0 billion.

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