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 Continues to Grow in 2006

Ontario's real Gross Domestic Product grew by 1.9% in 2006, following increases of 2.8% in 2005 and 3.2% in 2004, according to Statistics Canada. Final domestic demand — the sum of consumer spending, business investment and government spending — remained strong in 2006, rising by 4.0%, following a gain of 3.8% in 2005. Domestic growth was led by healthy business investment and strong consumer spending. A strong Canadian dollar, along with weaker U.S. demand and restructuring in the auto sector, slowed Ontario exports in 2006.

Employment

Ontario Gains 11,900 Jobs in May

Ontario employment improved by 11,900 net new jobs in May, while the unemployment rate declined by three-tenths of a per cent to 6.3%. Over the first five months of 2007, Ontario employment is up 1.4% from the same period last year, for a gain of 88,800 jobs.

In 2006, the Ontario economy generated 95,000 jobs (+1.5%), following a gain of 81,200 jobs (+1.3%) in 2005. This was the fourteenth consecutive year of job gains for the province. The unemployment rate averaged 6.3% in 2006, down 0.3 percentage points from 2005 and the lowest annual rate in five years. On an annual basis, full-time job gains of 98,200 dominated a small loss of 3,200 part-time positions in 2006.

Inflation

Ontario CPI Inflation Rate 1.9% in May

The Ontario Consumer Price Index (CPI) inflation rate was 1.9% in May (year-to-year), up slightly from 1.8% in April. Excluding energy prices, the CPI inflation rate was 2.0% in May.

In 2006, the Ontario CPI inflation rate was 1.8%, down from 2.2% in 2005. The 2006 annual Canadian CPI inflation rate was 2.0%, while the U.S. inflation rate was 3.2%.

Households

Ontario **housing starts** jumped 20.3% in May to a level of 72,400 units (seasonally adjusted annual rate), the highest level since January. Over the first five months of 2007, housing starts are 15.4% lower than during the same period last year.

In April, 21,195 existing homes were sold in Ontario, up 11.8% from a year ago. Over the first four months of 2007, Ontario **home resales** are 5.3% higher than during the same period in 2006.

Over the first four months of 2007, Ontario **retail sales** are 3.2% higher than during the same period in 2006. In April, retail sales edged down by 0.3% to $12.1 billion, following strong increases in February (+0.8%) and March (+1.8%).

Ontario **new motor vehicle sales** jumped 11.8% in April to a level of 54,265 units, the highest monthly sales level since July 2005. Despite April's strong sales, auto sales over the first four months of 2007 are 1.4% lower than during the same period in 2006.

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 4.1%, or $3.9 billion, to $100.9 billion in 2007. In 2006, total actual investment increased by 6.3%, the strongest rate of growth since 1999.

Statistics Canada reported in April that Ontario manufacturers are more optimistic about production prospects for the second quarter of 2007 with 65% of firms planning to maintain production volumes in the coming quarter, up from 60% in January.

Over the first four months of 2007, the value of **non-residential building permits** issued in Ontario is 44.1% above the same period in 2006.

Over the first four months of 2007, the value of Ontario **international merchandise exports** (customs-based) is 6.1% higher than during the same period in 2006, while the value of **imports** is 8.9% higher.

The value of Ontario **manufacturing shipments** declined 2.0% in April to $23.9 billion, following a jump of 4.0% in March. Over the first four months of 2007, shipments are 1.2% lower than during the same period in 2006.

Over the first four months of 2007, Ontario **wholesale trade** is 5.0% higher than during the same period in 2006. In April, wholesale trade declined 2.6% to $21.4 billion, following strong increases in February (+0.6%) and March (+1.9%).

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