ONTARIO ECONOMIC UPDATE

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

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Economy

Ontario Economy Grows 0.7% in January to March Quarter of 2007

Ontario's real Gross Domestic Product (GDP) grew 0.7% in the first quarter of 2007, matching its rate of growth in the fourth quarter of 2006. The largest contributor to the increase in real GDP was a sharp jump in net trade, as exports (+2.4%) outpaced imports (+1.5%). Final domestic demand grew 0.3%, reflecting a 0.5% growth in household expenditures and a 0.6% decline in business investment.

Employment

Ontario Employment Edges Higher in June

Ontario employment rose by 5,700 net new jobs in June, following an increase of 11,900 in May. The unemployment rate drifted up to 6.5% from 6.3% in May, as the Ontario labour force grew by 21,300 people. Over the first six months of 2007, Ontario employment is up 1.3% from the same period last year, for a gain of 84,100 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 1.6% in June

The Ontario Consumer Price Index (CPI) inflation rate was 1.6% in June (year-to-year), down from 1.9% in May. Excluding energy prices, the CPI inflation rate was 2.1% in June.

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** decreased 18.2% in June to a level of 62,000 units (seasonally adjusted annual rate), following a 20.1% surge in May. Over the first six months of 2007, housing starts are 15.8% lower than during the same period last year.

In May, 25,217 existing homes were sold in Ontario, up 15.1% from a year ago, the highest monthly level on record. Over the first five months of 2007, Ontario **home resales** are 7.8% higher than during the same period in 2006.

Ontario **new motor vehicle sales** declined 3.2% in May to a level of 51,970 units, following a 10.3% surge in April. Over the first five months of 2007, auto sales are 0.3% lower 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%).

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 five months of 2007, the value of **non-residential building permits** issued in Ontario is 32.9% above the same period in 2006.

Over the first five months of 2007, the value of Ontario **international merchandise exports** (customs-based) is 6.0% higher than during the same period in 2006, while the value of **imports** is 7.5% higher.

Ontario **wholesale trade** rose 0.8% in May to $21.6 billion. Over the first five months of 2007, wholesale trade is 4.8% higher than during the same period in 2006.

The value of Ontario **manufacturing shipments** edged down 0.2% in May to $23.9 billion. Over the first five months of 2007, shipments are 0.7% lower than during the same period in 2006.

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