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 Grows 0.6% in Second Quarter of 2007

Ontario's real Gross Domestic Product (GDP) grew 0.6% in the second quarter (April to June) of 2007, following growth of 0.8% in the first quarter. Growth was boosted in the quarter by Ontario household and business investment spending, and by a further build up in inventories. Final domestic demand increased by 0.7% in the second quarter, leading growth of the overall economy.

Employment

Ontario Employment Continues to Rise in October

Ontario employment surged for the second month in a row, adding 32,300 net new jobs in October, following a gain of 29,700 in September. This is the best back-to-back job gain in more than five years. The strong job growth pushed the unemployment rate down 0.2 percentage points to 6.0% in October, matching its lowest rate over the past six years.

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 Higher in September

The Ontario Consumer Price Index (CPI) inflation rate rose to 2.3% in September (year-to-year) from 1.6% in August. Over the first nine months of 2007, Ontario inflation has averaged 1.7%.

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** increased 21.5% in September to a level of 84,200 units (seasonally adjusted annual rate). However, over the first nine months of 2007, housing starts are 9.2% lower than during the same period last year.

Ontario **home resales** advanced 1.2% (year-over-year) in September to a level of 15,837 units, the second-busiest September on record. Over the first nine months of 2007, Ontario home resales are 10.0% higher than during the same period in 2006.

The number of **new motor vehicles** sold in Ontario in August advanced 4.3% to 52,107 units. Over the first eight months of 2007, however, Ontario auto sales are 0.4% lower than during the same period in 2006.

In August, Ontario **retail sales** rose 2.0% to $12.3 billion, following two consecutive months of decline. Over the first eight months of 2007, Ontario retail sales are 4.0% higher 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 October that Ontario manufacturers remain optimistic about production prospects for the fourth quarter of 2007, with 76% of firms planning to increase or maintain production volumes in the coming quarter, down from 87% in July. Forty-five percent of firms plan to maintain current production volumes in the next three months, down sharply from 67% in the previous survey to the lowest level since early 2001. Of the remaining firms, 31% plan to increase production, while 24% expect to reduce production.

Over the first nine months of 2007, the value of **non-residential building permits** issued in Ontario is 3.5% above the same period in 2006.

Over the first eight months of 2007, Ontario **international merchandise exports** are 4.3% higher than during the same period in 2006 while **imports** (customs-based) are 5.2% higher.

Over the first eight months of 2007, **wholesale trade** is 3.9% higher than during the same period in 2006.

The value of Ontario **manufacturing shipments*** dropped 4.6% in August to $24.2 billion, reversing a 4.7% increase in July. Over the first eight months of 2007, shipments are 0.1% lower than during the same period last year.

*Note: Statistics Canada has changed the name of "manufacturing shipments" to "manufacturing sales." In the next Ontario Economic Update, the new naming convention will be adopted.

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