ONTARIO ECONOMIC UPDATE

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

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Economy

Ontario Economy continues to Grow in 2007

Ontario's real Gross Domestic Product (GDP) grew by 2.1% in 2007, following increases of 2.1% in 2006 and 2.9% in 2005. Real final domestic demand — the sum of consumer spending, business investment and government spending — rose by 3.6%, following a gain of 4.1% in 2006. Consumer spending was a major contributor to economic growth in 2007, with real personal expenditures rising 3.9%, the largest annual gain in seven years.

Canadian real Gross Domestic Product (GDP) grew 2.7% in 2007, matching its average growth rate over the past five years.

Employment

Ontario Employment Edges Lower in March

After strong gains in the first two months of the year, Ontario employment was essentially unchanged in March, slipping lower by 1,800 net jobs. The unemployment rate increased 0.3 percentage points to 6.4%, reflecting a strong increase in the labour force (+21,900).

Over the first three months of 2008, Ontario employment is up 1.8% from the same period last year for a gain of 118,300 jobs.

In 2007, the Ontario economy increased by 101,100 jobs (+1.6%), following a gain of 95,000 jobs (+1.5%) in 2006. The unemployment rate averaged 6.4% in 2007, up slightly from 6.3% in 2006. On an annual basis, full-time job gains of 64,300 accounted for about two-thirds of the overall gains in 2007.

Inflation

Ontario CPI Inflation Rate Down in March

The Ontario Consumer Price Index (CPI) inflation rate fell to 0.8% in March (year-to-year) from 1.5% in February, mainly due to a slower rise in gasoline prices. In March, gasoline prices increased 4.7% (year-to-year), down from 14.8% in February and 26.0% in January.

In 2007, the Ontario CPI inflation rate was 1.8%, unchanged from 2006. The Canadian CPI inflation rate was 2.2% in 2007, while the U.S. inflation rate was 2.9%.

Households

Ontario **housing starts** declined 2.2% in March to a level of 80,000 units (seasonally adjusted annual rate), following two months of strong gains. In 2007, Ontario recorded 68,123 housing starts, down 7.2% from 2006.

Ontario **home resales** fell 7.2% (year-to-year) in February to a level of 13,930 units. Over the first two months of 2008, home resales are 6.5% lower than during the same period in 2007.

Sales of Ontario **new motor vehicles** decreased 6.6% in February to a level of 51,108 units, following two months of strong gains. Over the first two months of 2008, Ontario auto sales are 8.8% ahead of the same period in 2007.

In February, Ontario **retail sales** slipped 1.6% to $12.5 billion, following four consecutive monthly increases. Over the first two months of 2008, retail sales are 9.4% higher than during the same period in 2007.

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 3.1%, or $3.2 billion, to $106.4 billion in 2008. In 2007, total actual investment increased by 4.7%.

On a year-to-date basis, the value of **non-residential building permits** issued in Ontario is 6.5% higher compared to the same period in 2007.

Over the first two months of 2008, the value of Ontario **international merchandise exports** (customs basis) is down 13.0% from the same period in 2007, while the value of **imports** is 4.8% lower.

Ontario **wholesale trade** decreased 4.9% in February to $20.7 billion. Over the first two months of 2008, Ontario wholesale trade is 0.4% lower than during the same period in 2007.

The value of Ontario **manufacturing sales** increased 2.4% in February to $23.5 billion, building on the 2.2% gain in January. Over the first two months of 2008, Ontario manufacturing sales are 5.5% lower than during the same period in 2007.

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