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 in Second Quarter of 2008

Ontario's real Gross Domestic Product grew 0.3% in the second quarter of 2008, rebounding from a 0.4% first quarter decline. The increase in constant dollar GDP was largely due to an increase in business inventories together with gains in household and business spending. Final domestic demand increased 1.2%, rebounding from a flat 0.1% first quarter gain. In 2007, Ontario's GDP rose by 2.2%, following growth of 2.5% in 2006.

Canada's real Gross Domestic Product edged up by 0.1% (0.3% annualized) in the second (April to June) quarter of 2008, following a (revised) 0.2% decline in the first quarter.

Employment

Ontario Employment Up in September

Ontario employment surged by 52,200 net new jobs in September, following a gain of 14,000 jobs in August. The unemployment rate was 6.4% in September, up from 6.3% in August.

Over the first nine months of 2008, the Ontario economy has created 113,300 net new jobs (+1.7%), compared to the same period a year ago.

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 August

The Ontario Consumer Price Index (CPI) inflation rate was 3.5% in August (year-to-year), down from 3.6% in July. Higher gasoline prices (up 28.4% year-to-year) continue to be the primary contributor to the overall increase in consumer prices.

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 6.3% in September to 84,500 units (seasonally adjusted annual rate), following a 71.2% surge in August. On a year-to-date basis, Ontario housing starts are up 18.9% so far in 2008, compared to the same period in 2007. Ontario recorded 68,123 housing starts in 2007, down 7.2% from 2006.

Ontario **home resales** were down 19.0% in August from the same month a year ago to 15,594 units. Over the first eight months of 2008, home resales are 11.4% lower than during the same period in 2007.

Sales of Ontario **new motor vehicles** declined 2.2% in August to 49,588 units *(seasonally adjusted)*, following a 0.9% decrease in July. Over the first eight months of 2008, Ontario auto sales are unchanged from the same period in 2007.

Ontario **retail sales** edged up 0.1% in July to $12.8 billion, following a 0.4% gain in June. Over the first seven months of 2008, retail sales are 5.4% 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 over the first eight months of 2008 is up 3.6%, compared to the same period in 2007. A record $11.1 billion in non-residential building permits were issued in 2007.

Over the first eight months of 2008, the value of Ontario **international merchandise exports** (customs basis) is 10.5% lower than during the same period in 2007, while the value of **imports** is 2.3% lower.

Ontario **wholesale trade** decreased 6.5% in August to $21.7 billion, following five months of gains. Over the first eight months of 2008, Ontario wholesale trade is 1.0% lower than during the same period in 2007.

The value of Ontario **manufacturing sales** declined 3.1% in August to $24.1 billion, following four consecutive monthly increases. Over the first eight months of 2008, Ontario manufacturing sales are 4.8% lower than during the same period in 2007.

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