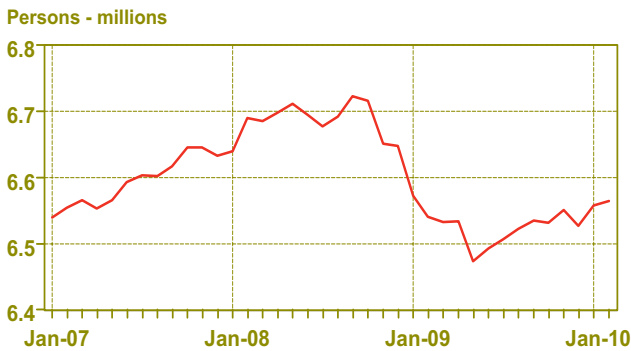
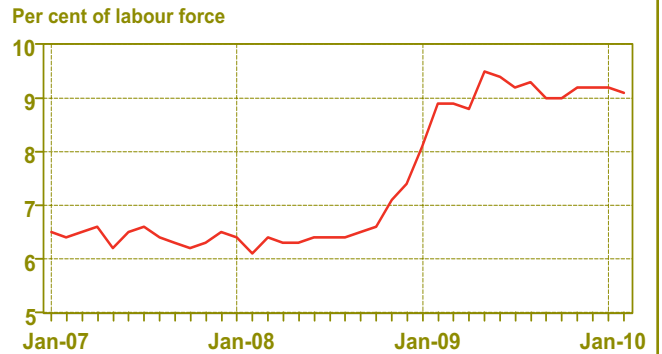


Employment, Ontario



Source: Statistics Canada. Note: Seasonally adjusted. Latest: Feb-10

Unemployment Rate, Ontario

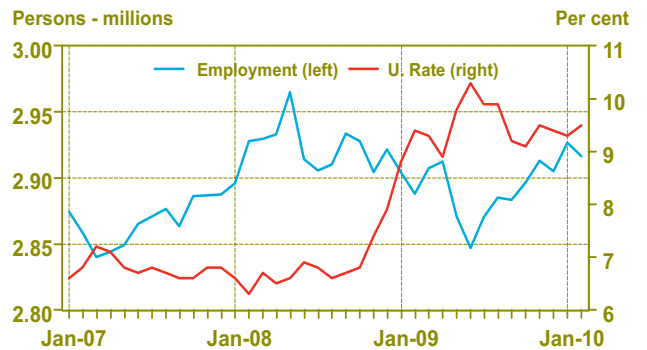


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Feb-10

A string of positive economic news for Ontario came out this week, all pointing to further economic growth in the year's first quarter. The all-important **Labour Force Survey (LFS)** revealed improvements in the labour market and exports saw gains in January. The housing market stayed on its roll, with new construction hitting a 17-month high in February. Ontario's economic recession is in the rearview mirror and the recovery is becoming entrenched. The all-clear cannot be given just yet, though, since a fallback in U.S. economic growth in the second half of the year is quite possible.

Employment edged higher in February, led by gains outside of the Toronto CMA. Total employment was up by a statistically insignificant 7,100 persons but it maintained the uptrend which began in April 2009. All of February's gain was in full-time employment. Agriculture, primary resources, and accommodation-food services posted significant gains while the finance-insurance-real estate industry saw a large drop of 30,700 persons. Related to that plunge is the overall job decline in the Toronto CMA, driving up its

Toronto CMA Employment and Unemployment Rate

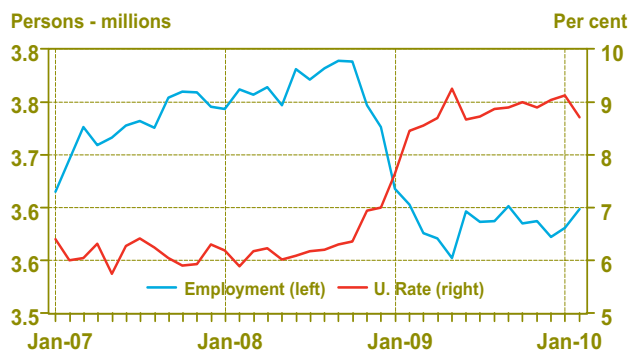


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Feb-10

unemployment rate to 9.5% from 9.3% in January. As a cautionary note, the LFS sample is too small to put much weight on a monthly movement, especially for industry data, and is best viewed over a three-month period.

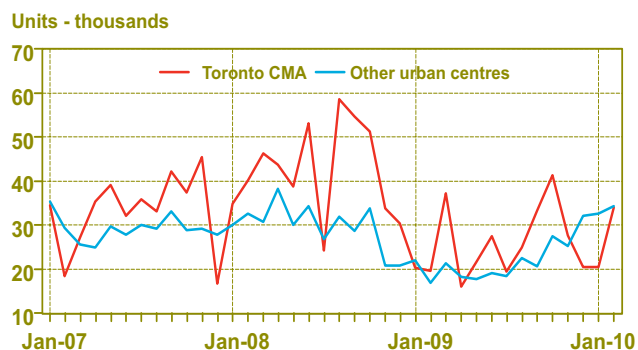


Ontario excluding Toronto Employment and Unemployment Rate



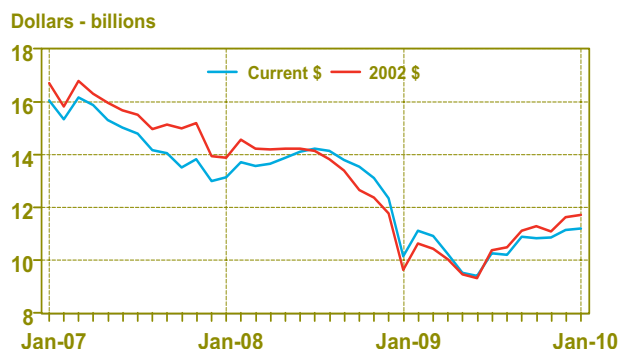
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Feb-10

Housing Starts, Ontario Urban Centres



Source: CMHC, C1CU. Note: Seasonally adjusted at annual rate. Latest: Feb-10

International Merchandise Exports, Ontario



Source: Statistics Canada, C1CU. Note: Seasonally adjusted.

Outside of Toronto, **employment** rose just above 15,000 persons and the unemployment rate declined to 8.7% from 9.1% in January. The labour market clearly reflects the divergence in economic performance between Toronto and the rest of the province. Toronto's employment is roughly back to pre-recession levels, while in the rest of Ontario, employment remains well below its March 2009 low but on a modest uptrend.

Turning to **exports**, Ontario posted another monthly gain during January, with exports up 0.6% in seasonally adjusted current dollars and 0.9% in 2002 dollars. January's gain was fairly well distributed across the main commodity groups with automotive and industrial goods and material underpinning the

gain. Machinery and equipment exports slipped back after two consecutive monthly increases.

The Canadian dollar's rise to above \$0.98 US on March 12 is a concern for exporters since it cuts into their bottom-line revenue and reduces competitiveness with U.S. firms. A move to above parity with the USD seems a given, as long as the Canadian economy performs well and the Bank of Canada raises rates before the U.S. Federal Reserve does. Higher oil prices will also give our dollar a lift.

One source of growth in the Canadian economy is residential investment. National **housing starts** in February hit their highest level since October 2008. Ontario contributed to the nation's gain with starts rising to 68,400 units seasonally adjusted at annual rate, up from 53,200 units in January. Practically all of the growth was in the Toronto CMA, which saw starts jump to 34,100 units from 20,500 in January.

Domestic strength and trade sector sluggishness or outright weakness summarizes the outlook not only for Ontario's economy but Canada's as well. There is considerable momentum in the domestic economy that carries into the first half of this year, but concerns heighten thereafter. For example, some policy changes will bring forward second-half activity into the first half and in the U.S. there are similar concerns of an economic slowdown in second half.

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