

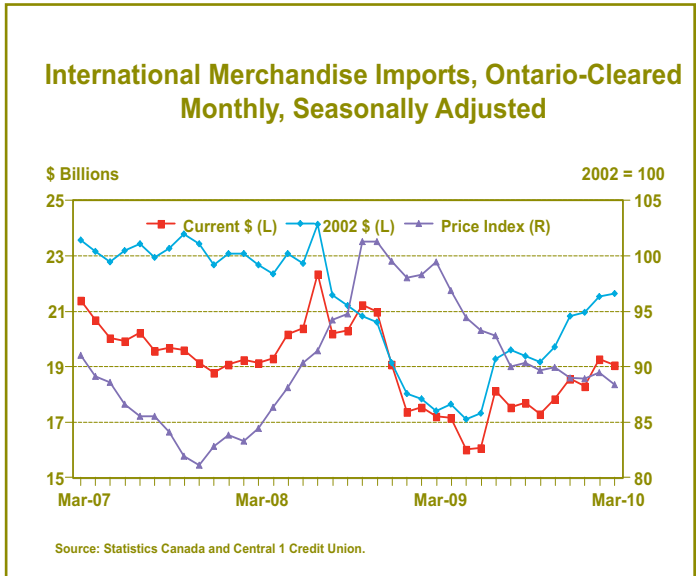
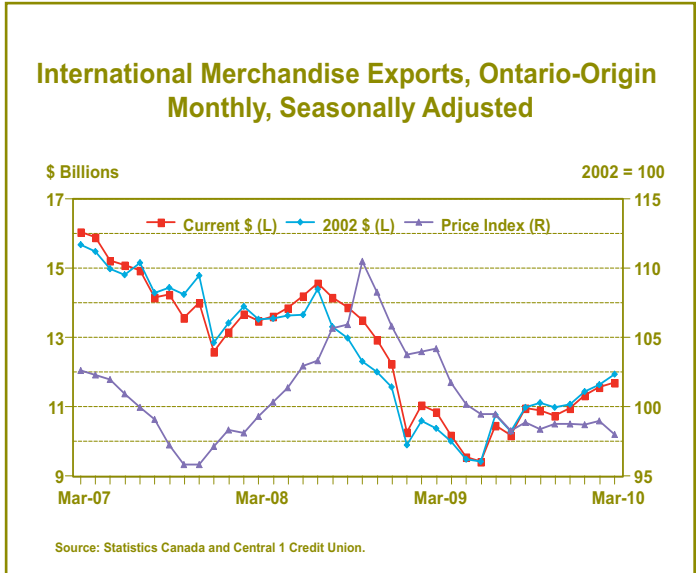
This week's indicators of Ontario's economic activity are generally positive. International trade flows continued to expand in the first quarter, although the merchandise trade deficit is rising. Housing starts resumed their upward trend in April, although they remain far below pre-recession levels. New motor vehicle sales declined in March, but have already rebounded to pre-recession levels.

The latest **international merchandise trade** statistics for Ontario show imports and exports are continuing to recover slowly from their recession lows in the late spring of 2009. The global recession hammered trade flows in late 2008 and early 2009, but since then the world economy has been on an upward trend.

International exports of Ontario-origin goods have slowly trended upward since July 2009, driven entirely by quantity gains, as the trend for prices has been more or less level. The current dollar value of exports increased \$2 billion (5.8%) in the first quarter of 2010 from the fourth quarter of 2009, seasonally adjusted (SA). The gain resulted almost entirely from rising quantities of automobiles/parts and industrial goods/materials, as prices were little changed.

International imports of Ontario-destined goods have been slowly trending upward since July 2009, with gains in quantity partly offset by lower prices. The current dollar value of imports increased \$2.9 billion SA (5.5%) in the first quarter of 2010 from the fourth quarter of 2009. The gain can be attributed mostly to rising quantities of automobile/parts and, to lesser extents, quantities of industrial goods/materials, energy products and machinery/equipment. Overall, prices were little changed in the first quarter.

Ontario's international merchandise trade deficit has been on an upward trend since July 2009, as imports have grown faster than exports. The deficit increased from \$20.6 billion SA in the fourth quarter to \$22.0 billion SA in the first quarter. Import quantity increased more than export quantity in the first quarter, offset only slightly by a small



improvement in Ontario's international terms of trade; that is, export prices rose 0.6% more than import prices.

Central 1 Credit Union forecasts the current dollar value of Ontario's exports, including international and interprovincial goods and services, will rise by an



anemic 1.5% in 2010 following a 16.1% plunge last year. Meanwhile, imports are forecast to rise 4.5% this year after a 12.7% drop in 2009. The province's overall trade deficit will thus balloon to \$15.8 billion this year from \$7.3 billion in 2009 and a surplus of \$4.8 billion in 2008.

The global economic recovery and higher commodity prices are positive factors for exports, but the high Canadian dollar and weak recovery in U.S. automobile and housing sales will restrain growth.

Housing starts in Ontario in April resumed their upward trend from the cyclical trough in April 2009, according to the latest estimates from Canada Mortgage and Housing Corporation. April's growth was concentrated in the Toronto CMA, while starts in the rest of the province declined.

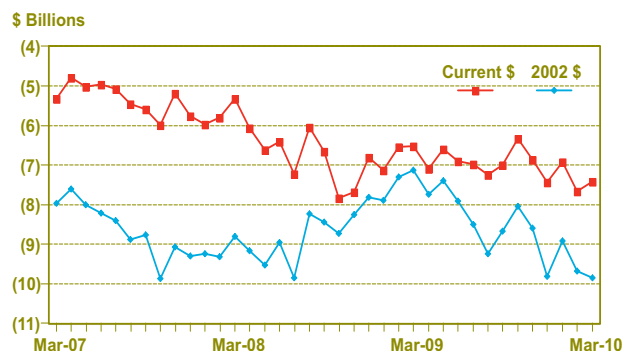
Construction began on 62,400 housing units at a seasonally adjusted annualized rate (SAAR) in April, up 4.5% from March. Starts totalled 32,800 units SAAR in the Toronto CMA, up 25.2%. Elsewhere in Ontario, starts totalled 39,600 units SAAR, down 11.6%.

Central 1 Credit Union forecasts housing starts in Ontario will jump more than 20% in 2010 from last year's low and climb to about 77,000 units in 2011. The path to 2014 is not a straight upward line, but housing starts will approach 87,000 units by then.

Unit sales of **new motor vehicles** in Ontario declined 4.2% SA in March from February, according to the latest measurement by Statistics Canada. Despite March's decline, new automobile sales have been trending upward from their cyclical bottom in December 2008 and are now back to pre-recession levels. In the first three months this year, sales totalled 145,628 units SA, up 2.9% from the fourth quarter of 2009 and up 14.2% from the same period a year earlier.

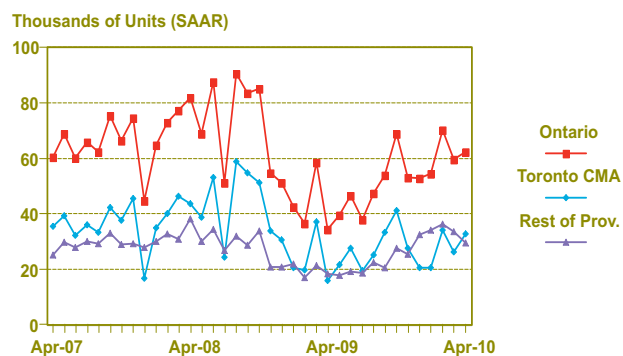
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International Merchandise Trade Balance Ontario, Monthly, Seasonally Adjusted



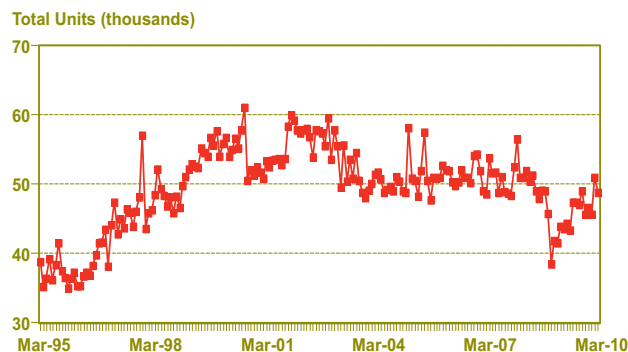
Source: Statistics Canada and Central 1 Credit Union.

Housing Starts, Monthly Seasonally Adjusted Annual Rate (SAAR)



Source: Statistics Canada.

New Motor Vehicle Sales Ontario, Monthly, Seasonally Adjusted



Source: Statistics Canada and Central 1 Credit Union.