

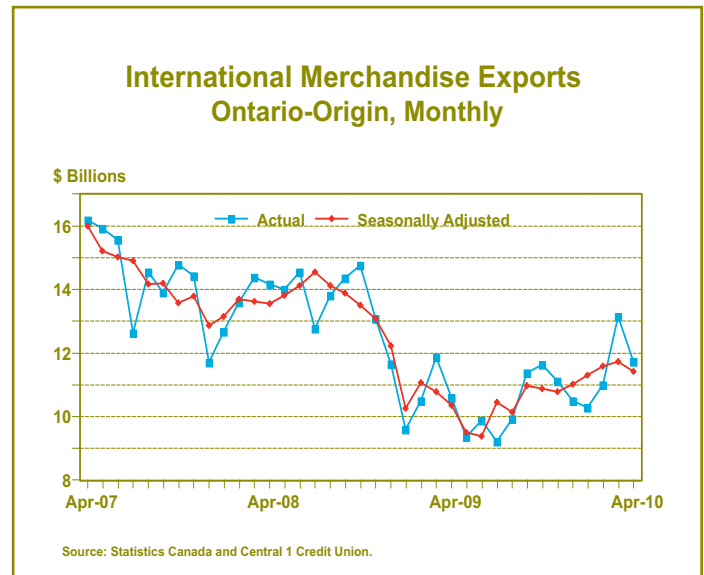
This week's indicators of Ontario's economic activity are consistent with a below-normal economic rebound. International goods exports declined in April, while housing starts inched down in May.

International exports of Ontario-origin goods decreased in April following four straight monthly gains, according to Central 1 Credit Union's seasonal adjustment of the latest estimates from Statistics Canada. Ontario's exports have been trending upward since the cyclical trough in mid-2009, as the world's economy continues to recover slowly from the recession sparked by the 2008 U.S.-led financial crisis. Even so, international merchandise export volume remains far below pre-recession highs.

Ontario-origin goods exported internationally totalled \$11.4 billion in April, seasonally adjusted, down \$297 million (2.5%) from March. The decline was largely due to lower shipments of industrial goods and materials, which include bulk commodities such as metallic and non-metallic ores. Most other major classes of merchandise exports also fell in April, including miscellaneous consumer goods, energy products, agricultural products and forest products. Declines were slightly offset by small increases in exports of machinery/equipment and automobiles/parts.

In the first four months of 2010, international goods exports totalled \$46.1 billion, up \$3.6 billion (8.4%) from the same period of 2009. The increase has been led by shipments of automobiles/parts and industrial goods/materials. Partly offsetting these year-to-date, year-over-year gains were declines in shipments of machinery/equipment, miscellaneous consumer goods and agricultural/fishing products.

The trade sector remains a weak growth source in Ontario's economy on account of the high Canadian dollar and the province's great dependence on U.S. markets. Related to the latter is the important role autos play in the trade flows between Ontario and the U.S., and the health of



this export industry largely determines the province's export performance. Ontario's interprovincial trade generates considerable surpluses and recently has more than offset large international trade deficits.

Central 1 forecasts Ontario's exports are forecast to grow at an anemic pace, averaging about 5% annually in current dollars. The U.S. economic recovery and higher export prices are positive developments, but the high Canadian dollar and only a moderate upturn in U.S. vehicle and housing sales will restrain export growth.

While international exports will struggle under the high currency, interprovincial exports will grow at a robust pace, comparatively, as the rest of Canada recovers from the recession. Financial, trade, and business and computer services, along with manufactured products, are the primary provincial exports -- without them, Ontario's economy would incur an overall trade deficit.

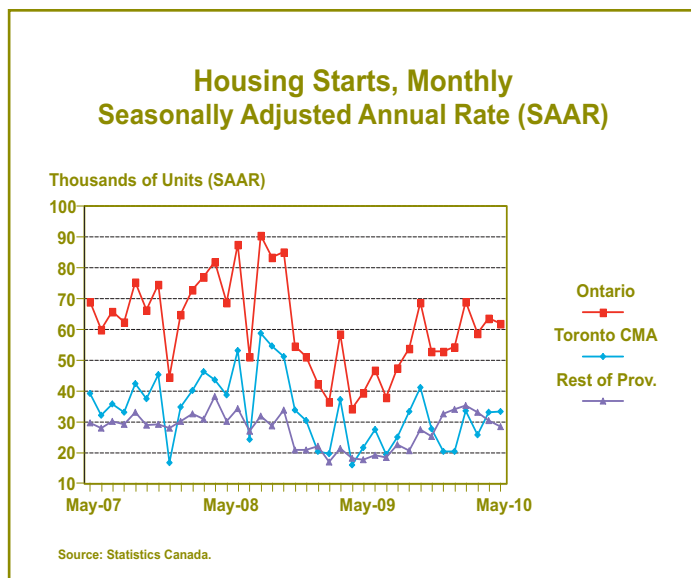
Housing starts in Ontario inched down in May from April, but preserved their upward trend from the cyclical trough in April 2009, according to the latest estimates from



Canada Mortgage and Housing Corporation. May's small decline was entirely driven by housing starts outside the Toronto CMA, which saw little change from April.

Construction was started on 61,900 housing units at a seasonally adjusted annualized rate (SAAR) in May, down 2.7% from April. Starts totalled 33,400 units SAAR in the Toronto CMA, up 1.0% month-over-month. Elsewhere in Ontario, starts totalled 28,500 units SAAR, down 6.6%.

Central 1 Credit Union forecasts housing starts in Ontario will jump by 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.



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