

This week's indicators of Ontario's economic activity are mixed. Employment in several service industries jumped sharply in June, while building permits and housing starts declined.

Employment in Ontario spiked up in June, according to the latest seasonally adjusted estimates from Statistics Canada. An estimated 6.69 million persons worked during the week of June 13-19, up 60,300 (0.9%) from May. That is the largest monthly change since May 2009, when employment fell by a similar amount. June's rise in employment exceeded smaller growth in the labour force, thereby lowering Ontario's unemployment rate by 0.6 percentage points to 8.3%.

Job growth in June was robust for both full- and part-time workers. Self-employment and public-sector payroll jobs led the gain, while private-sector payroll jobs also increased. Industry-wise, employment growth was concentrated in retail/wholesale trade, up 2%, "other services" such as repair/maintenance and personal/household, up 5.9%, accommodation/food services, up 3.6%, and information/recreation services, up 3.5%.

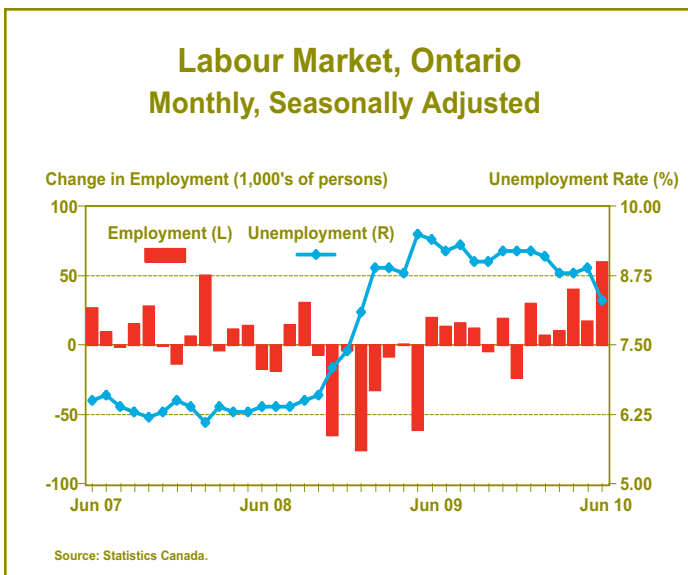
Men aged 25 years and over saw employment increase by 1.1% from May and, with no change in this group's labour force, the unemployment rate fell by 1.1% to 7.0%. Women aged 25 years and over saw both employment and the labour force grow by 0.6%, leaving the unemployment rate little changed at 6.7%.

Metropolitan Toronto experienced significant job growth, up by 34,300 persons (1.2%), which lowered the local unemployment rate by 0.6 points to 9.0%. Regionally, recent employment growth has been highest in Kitchener-Waterloo-Barrie, Ottawa, Northeast and London. Most other regions have seen notable job growth recently except for Muskoka-Kawarthas, where employment has slipped lately.

Central 1 Credit Union forecasts the average level of employment in Ontario will rise 1.5% this year, following a 2.4% decline in 2009. This outlook for below-average job growth reflects weakness in America's economic recovery. More favourable economic conditions after 2010 will lead to higher job growth and a declining unemployment rate.

The value of **building permits** issued by local governments in Ontario decreased in May, according to the latest seasonally adjusted measurement from Statistics Canada, following two straight monthly gains. Nonetheless, the upward trend that began around April 2009 is preserved. May's decline included both residential and non-residential building permits. Commercial and government-institutional permits declined, while industrial permits increased.

Building permits issued in May in Ontario totalled \$2.43 billion, down \$236 million (9%) from April. Over half of these permits were for residential buildings, which decreased \$74 million (5%). Meanwhile, non-residential building permits declined \$162 million (13%). Permits for commercial buildings fell \$213 million (35%) from April, while permits for government-industrial buildings declined \$80 million (20%). These declines were partly offset by a gain of \$131 million (50%) in industrial building permits.



Most of Ontario's larger urban areas saw lower building permits issued in May, led by Windsor, Toronto, Kitchener and Oshawa. Declines in these and other urban areas were partly offset by gains in St. Catharines-Niagara, Thunder Bay, Kingston and Sudbury.

Central 1 Credit Union forecasts residential investment spending will total \$41.5 billion in Ontario this year, up 12.1% from 2009. Gains will be largely due to new housing construction, while renovation spending remains more or less level. Non-residential construction spending is forecast to total \$12.6 billion, down 11.6% from 2009. Business investment spending is usually the last sector to recover after a recession and growth in Ontario's non-residential construction is not forecast until 2012.

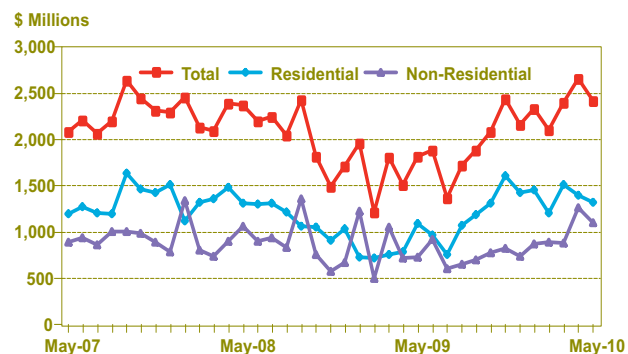
Housing starts in Ontario declined to a 10-month low in June, according to the latest estimates from Canada Mortgage and Housing Corporation. Starts fell in June in both the Toronto CMA and the rest of the province. Housing markets have tempered from a post-recession surge lately as financing terms have become less stimulative.

Construction was started on 52,600 housing units in June at a seasonally adjusted annualized rate (SAAR), down 17% from May. Starts totalled 27,100 units SAAR in the Toronto CMA, down 19% month-over-month. Elsewhere in Ontario, starts totalled 25,500 units SAAR, down 16%.

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.

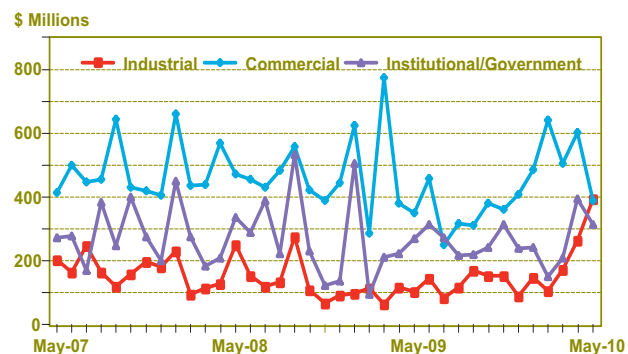
David Hobden, Economist
dhobden@central1.com
 604 737 5063

Building Permits by Structure Type Ontario, Monthly, Seasonally Adjusted



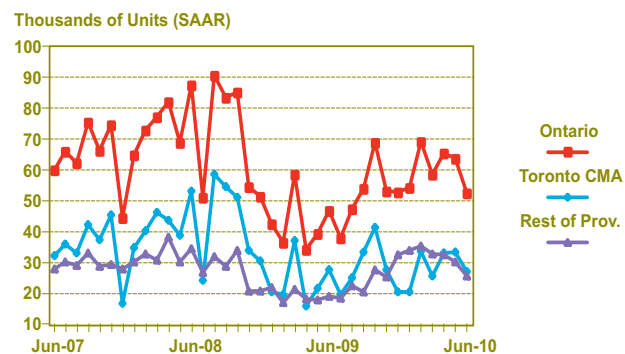
Source: Statistics Canada.

Non-Residential Building Permits Ontario, Monthly, Seasonally Adjusted



Source: Statistics Canada.

Housing Starts, Monthly Seasonally Adjusted Annual Rate (SAAR)



Source: Statistics Canada.