

This week's indicators of Ontario's economic activity are positive, as international goods exports and total manufacturing shipments increased in May.

International exports of Ontario-origin goods increased in May 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 \$12.6 billion in May, seasonally adjusted, up \$1.2 billion (10.4%) from April. The gain was largely due to increases in exports of machinery/equipment and automobiles/parts. In the first five months of 2010, international goods exports totalled \$58.5 billion, up \$6.6 billion (12.8%) 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 will 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, business and computer services, along with manufactured products, are the primary interprovincial exports without which Ontario's economy would incur an overall trade deficit.

Manufacturing sales in Ontario inched up in May, preserving the slow upward trend that began in early 2009. Even so, sales remain far below pre-recession levels and even further below the all time record high set in early 2005. According to the latest estimates from Statistics Canada, sales totalled \$21.2 billion in May, up \$385 million (1.8%) from April, seasonally adjusted. The gain was driven by non-durable goods sales, which climbed 4.9%, while durable goods sales were little changed from April.

In the first five months of 2010, manufacturing sales in Ontario totalled \$101.5 billion, up \$13.2 billion (15%) from the same period a year earlier. Growth was largely due to a rebound in manufacturers' sales of transportation equipment, almost entirely motor vehicles and parts. Sales of petroleum, coal and chemical products are also up materially so far this year.

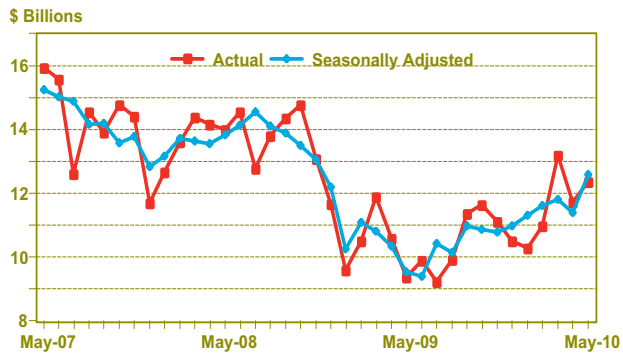
Ontario's manufacturing industries are weighed down by the high dollar and slow recovery of automobile and housing markets in the United States. Nonetheless, a cyclical upturn linked to the U.S. and global economic recovery will play out and lift their exports. Central 1 Credit Union forecasts this sector's gross domestic product (GDP) will edge up 1.3% this year, not including price changes, following an estimated 15.9% contraction in 2009. Growth is forecast at 4.5% in 2011 and 4% in 2012.

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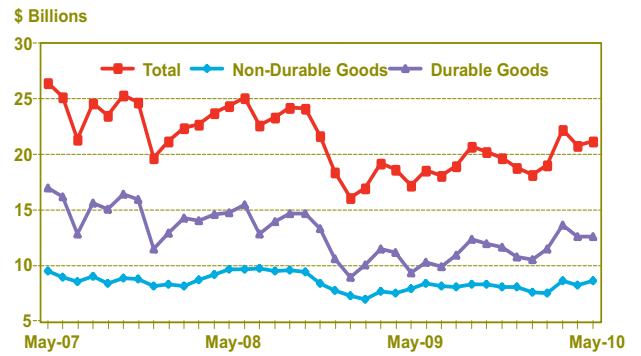


International Merchandise Exports Ontario-Origin, Monthly



Source: Statistics Canada and Central 1 Credit Union.

Manufacturing Shipments Ontario, Monthly, Seasonally Adjusted



Source: Statistics Canada.