

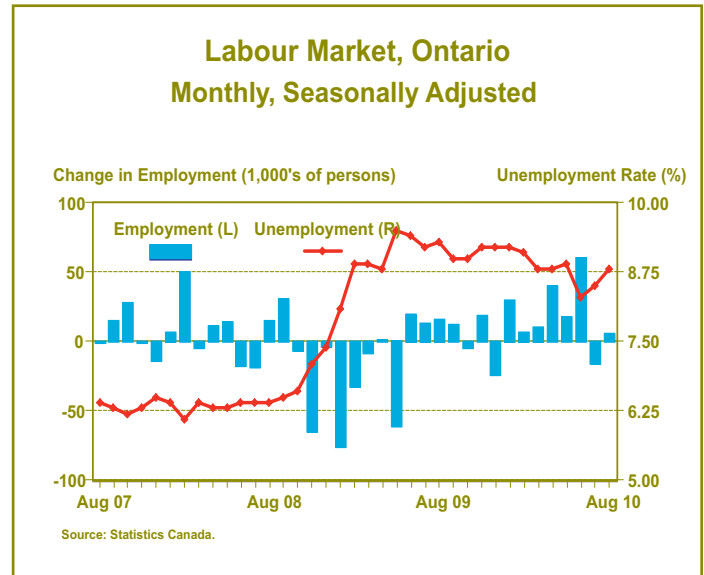
This week's key indicators of Ontario's economy reveal recent growth has been concentrated in public sector activity and in metro Toronto, offset by weakness in private sector activity and most regions. Overall employment growth stalled in August, as did export growth in July. Building permits increased in July, as did housing starts in August.

Total **employment** in Ontario was little changed in August, according to the latest seasonally adjusted estimates from Statistics Canada. The number of people working inched up by an estimated 6,300 (0.1%) compared with July, which is too small to be statistically significant. Employment growth in Ontario stalled in July and August following steady gains through the first half of this year.

Ontario's unemployment rate increased 0.3% to 8.8% of the labour force as more people looked for work. The total labour force increased by an estimated 24,200 persons (0.3%), mostly men aged 25 years and over and younger workers of both sexes aged 15 to 24 years. The unemployment rate among younger workers jumped 1.1% to 17.1% of the labour force as virtually no net job growth occurred among this group.

The total number of public sector employees increased by an estimated 30,400 persons (2.4%) in August. This was offset by a decline in private sector employees of 27,100 (0.6%), while total self employment was little changed. There was no statistically significant change in the proportion of full-time or part-time employment in August.

Industry-wise, employment increased in August in educational services, construction and public administration. This was offset by job declines in information/recreation and miscellaneous services as well as agriculture.



Metropolitan Toronto's labour market expanded robustly in August. The labour force climbed by an estimated 62,500 persons (1.9%) while employment increased by 35,600 persons (1.2%). The unemployment rate jumped 0.7% to 9.5% of the labour force. Over the last three months, employment growth has been concentrated in metro Toronto, Kitchener-Waterloo-Barrie, Hamilton-Niagara and the Northeast region. Other regions in Ontario have seen employment decline recently, especially Muskoka-Kawarthas, Stratford-Bruce and the Northwest.

Central 1 Credit Union forecasts the average level of employment in Ontario will rise 1.7% this year, following a 2.4% decline in 2009. The provincial unemployment rate will average 8.7% in 2010 compared with 9% last year. More favourable economic conditions next year will lead to 1.9% growth in employment and an 8.4% unemployment rate.

Ontario's **goods exports** inched down in July for the second straight month following a steady rebound from the recession low in June 2009. Deterioration in



current and forecast U.S. economic growth rates does not bode well for the province's export growth rate. July's decline was mainly in consumer goods and automobiles/parts, although energy exports dipped as well. These declines were partly offset by gains in exports of industrial goods and materials.

Automotive exports, which powered the rebound in total exports out of the recession, recorded their second straight monthly decline in July. With manufacturer production and dealer inventories becoming more closely aligned with sales, the initial rebound will continue to ease. U.S. new vehicle sales have been range-bound and aided by incentives in recent months. The 2011 sales outlook is somewhat higher than this year's. Even so, automobile/parts exports from Ontario will not likely regain pre-recession highs for several years.

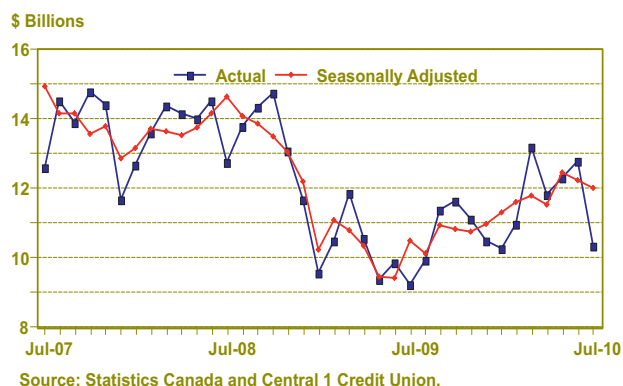
Central 1 forecasts Ontario's exports will grow at an anemic pace, averaging about 5% annually in current dollars. The U.S. economic recovery and higher export prices are positive developments, but the high Canadian dollar and only a moderate upturn in U.S. vehicle and housing sales will restrain export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

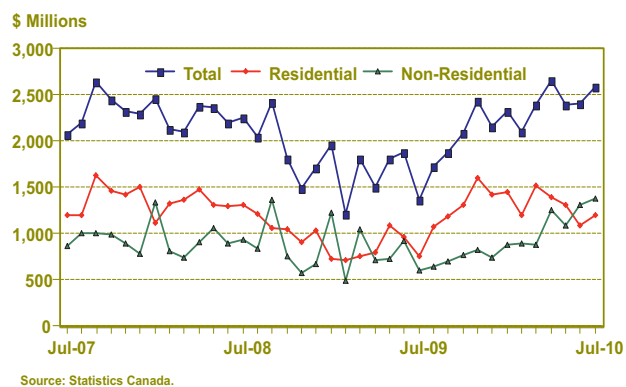
The total dollar value of **building permits** issued by local governments in Ontario increased in July on the strength of government/institutional and residential building intentions. Monthly changes in permit values are highly variable due to the irregular flow of large scale projects. The current trend in building intentions is essentially level, with sharp gains in public sector projects offset by declines in residential and commercial projects.

Gains in public sector building intentions are driven by fiscal stimulus spending. Declines in residential and commercial building intentions reflect the slowdown in spending by recession-scarred workers and

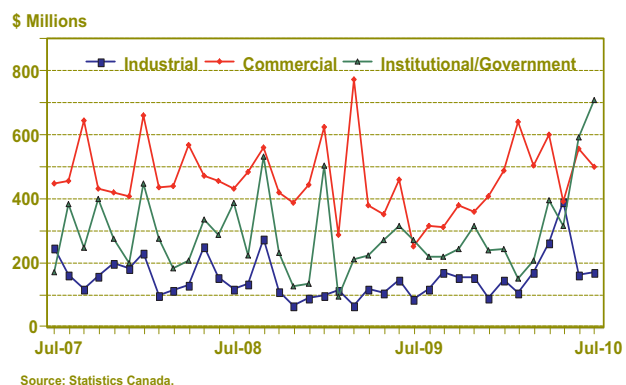
### International Merchandise Exports Ontario-Origin, Monthly



### Building Permits by Structure Type Ontario, Monthly, Seasonally Adjusted



### Non-Residential Building Permits Ontario, Monthly, Seasonally Adjusted



financially-scarred investors. Ballooning government deficits must result in higher taxes, lower spending or higher inflation, all of which negatively impact current and future consumer spending and business investment.

Central 1 Credit Union forecasts **residential building permits** will continue to trend lower through early next year. Even so, total residential investment in 2010 will exceed that in recession dampened 2009. Non-residential building permits are forecast to continue to rise through the end of this year before waning early next year as government deficits are reigned in.

**Housing starts** in Ontario increased in August, partly recovering from declines in June and July. August's gain was entirely in metro Toronto, while starts were little changed elsewhere in the province overall. Lower housing investment has been evident in the resale housing market for a number of months and new construction has been trending down from a post-recession peak in February.

Housing markets have tempered as financing terms have become less stimulative and the HST was implemented. Central 1 Credit Union forecasts the decline in residential investment spending in Ontario will continue through the first half of next year. Even so, housing starts this year overall will be 15% higher than recession dampened 2009. A further 7% increase is forecast for 2011.

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