

Manufacturing sales in Ontario declined in September, retracing most of the increase in August. Sales totaled \$21.0 billion, seasonally-adjusted (SA), down \$335 million (1.6%) from August. The decline was driven by durable goods sales, which fell \$457 million (3.5%), partly offset by a \$122 million (1.5%) increase in non-durable goods sales.

Despite September's decline, manufacturing sales remain on a slowly-rising trend that began in mid-2009. In the first nine months of 2010, manufacturing sales in Ontario totaled \$186 billion, up \$22 billion (13%) from the same period last year. The gain has been led by durable goods sales which climbed \$17 billion (18%), while non-durable goods sales increased \$5 billion (7%). Manufacturing sales still remain well below pre-recession levels and even further below the record high set in early 2005.

Looking ahead, Ontario's manufacturing industries are forecast to post relatively high GDP growth rates through to 2013, with productivity reaching new highs by then. Auto sector manufacturing output surges more than 30% off its depressed 2009 bottom, driven by final sales. New vehicle sales in the U.S. are forecast to increase to 11.5 million units this year, 12.6 million units in 2011, and to above 14 million units in 2013.

Forestry and related manufacturing in Ontario is also forecast to improve from its 2009 low. After falling to a record low in 2009, U.S. housing starts began rising in 2010 and will climb to about 1.3 million units in 2013. The demand for pulp and paper products will also increase with the U.S. economic recovery. However, the market for newsprint in the U.S. is not growing due to technological changes, though it is growing outside of North America.

Mining and related manufacturing rebounded from 2009's poor demand environment and from labour-management disputes affecting supply. Metals

prices are well up from their recession lows in most cases. The demand outlook is favourable, hinging on the pace of global economic recovery and largely on Asian consumption. The outlook for precious metals is positive, though there is a considerable divergence in views. For example, the COMEX futures market is currently pricing gold above \$1,400 USD while the Consensus Forecast puts it at less than \$1,200 USD in 2013.

New motor vehicle sales in Ontario increased in September, regaining some of the decline in August. Sales totaled 49,938 units, seasonally adjusted (SA), up 3,200 units (6.8%) from August. Dollar volume totaled \$1.70 billion SA in September, up \$134 million (8.5%).

Auto sales have been trended slightly downward since February this year after largely recovering from the recession low in December 2008. Central 1 Credit Union forecasts auto sales will inch down through late 2011.

International non-resident traveler entries to Ontario totaled 618,543 persons in September, seasonally-adjusted (SA), down 9,805 persons (1.6%) from August. Entries from the United States fell by 2,935 persons (0.6%) while entries from all other countries combined declined by 6,870 persons (5.0%). The United States is the origin of 78% of all international tourist entries to Ontario.

For the first nine months of this year, international visitors to Ontario totaled 5.97 million persons, down by a slight 5,450 (0.1%) from the same period last year. Some 4.65 million visitors came from the U.S., down by 82,154 (1.7%) year-over-year. Meanwhile, visitors from all other countries totaled 1.32 million persons, up by 76,704 (6.2%).

International tourism will likely continue to struggle for some time yet. The economic recovery is weak

and drawn out in most rich countries, limiting growth in business travel. Household and government debt levels are high, limiting discretionary travel. The relatively low U.S./Canadian dollar exchange rate also dampens the flow of U.S. visitors.

Ontario's **housing market** improved again in October and conditions are now well within the range of normal by historical standards. Housing sales via the Multiple Listing Service (MLS) totaled \$5.3 billion in October, seasonally-adjusted (SA), up 5.4% from September. Dollar volume increased as unit sales climbed 2.3% to 15,202 while the average sale price rose 1.7% to \$343,200.

Housing sales and prices are likely to continue to rise while fixed mortgage rates remain near all-time record lows and gross domestic product (GDP) continues to recover from the 2008-09 recession, albeit slowly. New listings increased in October, though by less than sales, lifting the sales-to-new-listings ratio for the fourth straight month. That ratio is a positively correlated, significant leading indicator of near term house price inflation. Housing prices appear to have quit declining in July and increased since then.

Sales volumes and sales-to-new listings ratios were more or less normal in 34 of Ontario's 43 real estate board areas in October, up from 25 in September (see table below). Of the remaining nine board areas, three were weak (oversupplied) in October, with unusually low sales-to-new listings ratios or unusually sharp declines in dollar sales volume. The remaining six board areas were strong (under-supplied) in October, with unusually high sales-to-new listings ratios or unusually sharp increases in dollar sales volume.

Three of the six strongest housing markets in October were in the GTA (Mississauga, Oakville-Milton and York Region) and one was adjacent (Hamilton-Burlington). Indeed, the Hamilton-Burlington, Mississauga and York region moved from weak in September to strong in October. Timmins was the only other board area with conditions improving that sharply.

Ontario's housing market activity is forecast to expand through 2011. The forecast is based on mortgage rates remaining near record lows, while moderate rates of job, income and population growth continue.

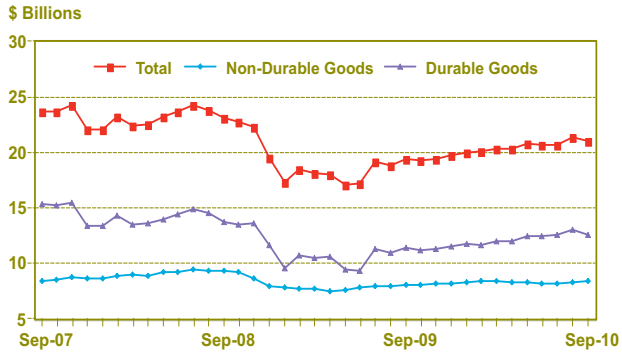
Resale Housing Market Conditions in October 2010		
Strong (Under Supplied)	Normal (Balanced)	Weak (Over Supplied)
Hamilton-Burlington	Bancroft District	Kawartha Lakes (Lindsay)
Mississauga	Barrie & District	Midland-Penetang
Oakville-Milton	Brantford Region	St. Catharines & District
Sault Ste. Marie	Cambridge	
Timmins	Chatham-Kent	
York Region	Cobourg-Port Hope	
	Cornwall & District	
	Durham Region	
	Georgian Triangle	
	Grey Bruce Owen Sound	
	Guelph & District	
	Huron Perth	
	Kingston & Area	
	Kitchener-Waterloo	
	London & St. Thomas	
	Muskoka & Haliburton	
	Niagara	
	North Bay	
	Ontario	
	Orangeville & District	
	Orillia & District	
	Ottawa-Carleton	
	Parry Sound	
	Peterborough	
	Quinte & District	
	Renfrew County	
	Sarnia-Lambton	
	Simcoe & District	
	Sudbury	
	Thunder Bay	
	Tillsonburg District	
	Toronto	
	Welland District	
	Windsor-Essex	
	Woodstock-Ingessoll	

Source: CREA MLS® data and C1CU Economics.

(Graphs on page 3)

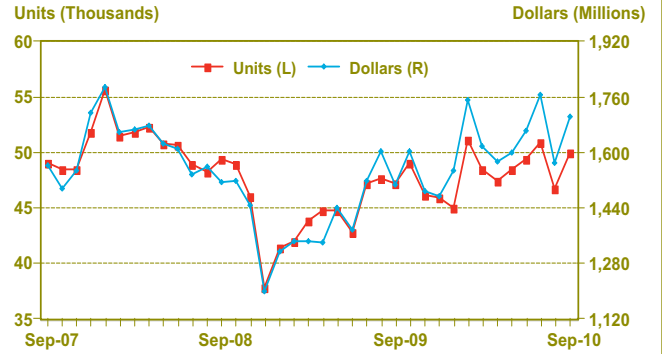
David Hobden, Economist
dhobden@central1.com

Manufacturing Shipments Ontario, Monthly, Seasonally Adjusted



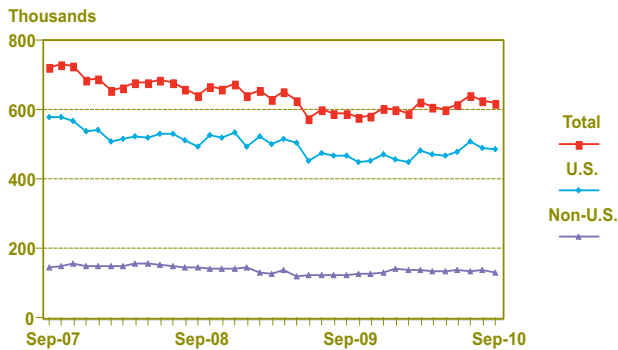
Source: Statistics Canada.

New Motor Vehicle Sales Ontario, Monthly, Seasonally Adjusted



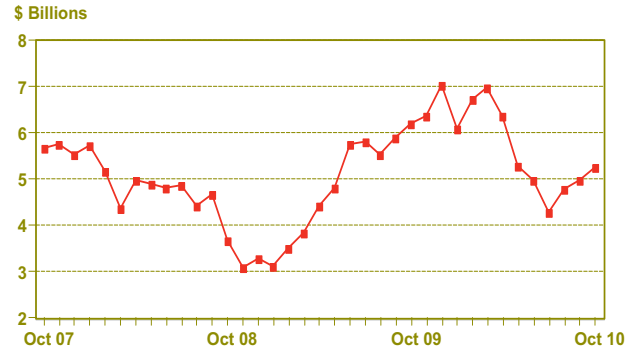
Source: Statistics Canada.

International Non-Resident Traveler Entries Ontario, Monthly, Seasonally Adjusted



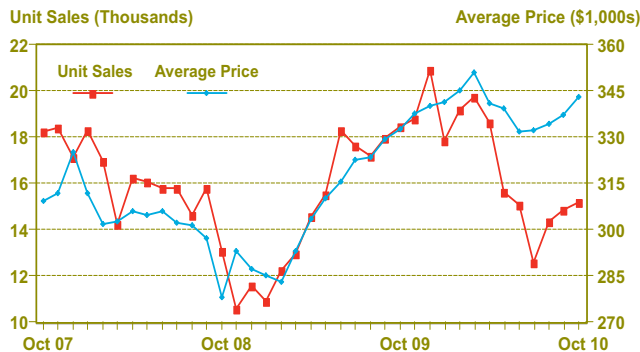
Source: Statistics Canada.

MLS® Residential Sales Volume Ontario, Monthly, Seasonally Adjusted



Source: CREA.

MLS® Residential Unit Sales and Average Price Ontario, Monthly, Seasonally Adjusted



Source: CREA.