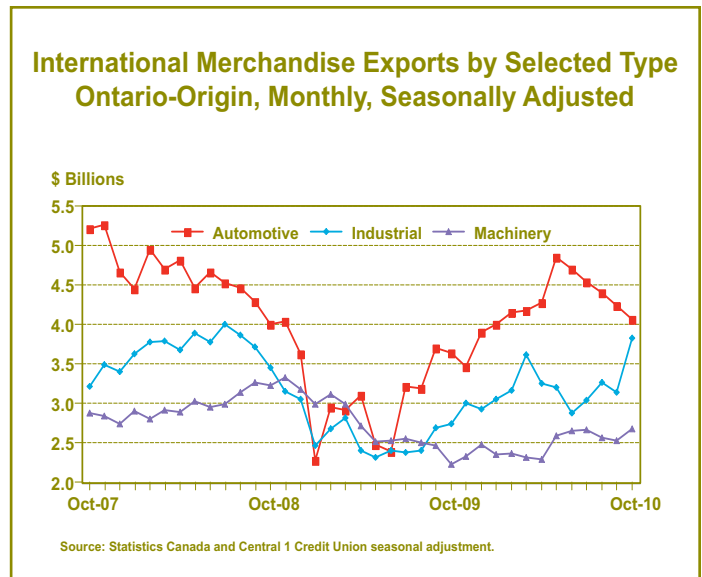
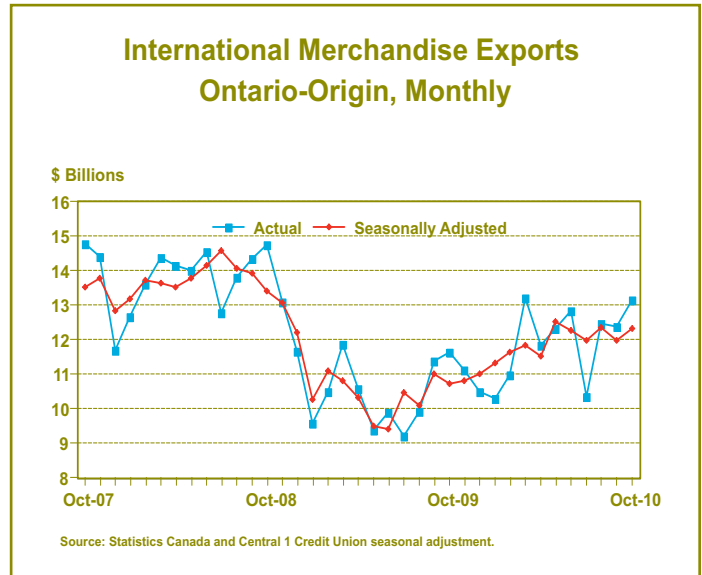


Ontario's **international goods exports** increased in October, according to the latest estimates from Statistics Canada. Exports totaled \$12.3 billion seasonally-adjusted, up \$352 million (2.9%) from September. Growth was led by a jump in industrial goods-materials (up \$687 million or 22%) and machinery-equipment (up \$160 million or 6%). This was partly offset by notable declines in automotive products (down \$171 million or 4%) and other consumer goods (down \$113 million or 19%).

Despite October's increase, Ontario's export volume has been range-bound since February. However, this year is an improvement over 2009. In the first 10 months of 2010, international exports of domestically-produced goods totaled \$120 billion, up \$16 billion (15%) from the same period last year. Year-to-October, year-over-year growth was led by exports of automotive products (up \$13 billion or 44%) and industrial goods-materials (up \$7 billion or 28%). This was partly offset by notable declines in exports of machinery-equipment (down \$2 billion or 6%) and non-automotive consumer goods (down \$2 billion or 22%).

Automotive exports, which powered Ontario's rebound in total exports out of the recession, recorded their fifth straight monthly decline in October. New vehicle sales in the U.S. remain far below pre-recession levels. Weak employment growth and consumer sentiment will not support much gain in vehicle sales in the U.S. through 2011. Ontario's automobile/parts exports are unlikely to regain pre-recession highs before 2013.

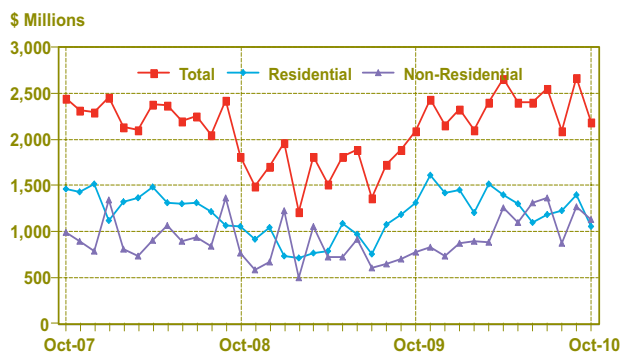
Central 1 forecasts Ontario's exports will grow about 5% annually in current dollars through 2013. The U.S. economic recovery and slightly higher export prices support the province's export growth while the high Canadian dollar and slow recovery in U.S. new vehicle sales will restrain growth. Services exports, mostly financial, business, informa-



tion, transportation and wholesale, outperform goods exports since a large portion serves the Canadian market.

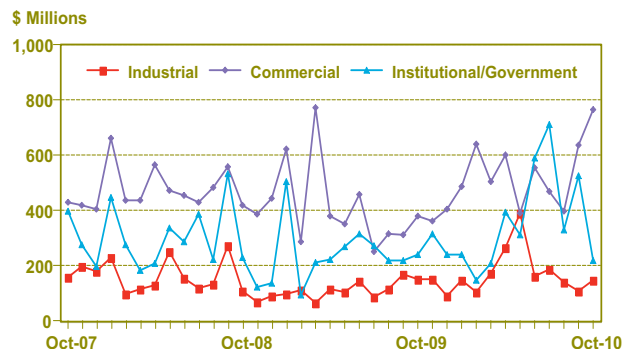
Building permits issued by local governments in Ontario decreased in October after reaching a post-recession high in September. Permits totaled \$2.2 billion, seasonally-adjusted, down \$480 million

Building Permits by Structure Type Ontario, Monthly, Seasonally Adjusted



Source: Statistics Canada.

Non-Residential Building Permits Ontario, Monthly, Seasonally Adjusted



Source: Statistics Canada.

(18%) from September. Month to month changes of this magnitude are not uncommon in building permits due to the irregular frequency and indivisibility of large projects.

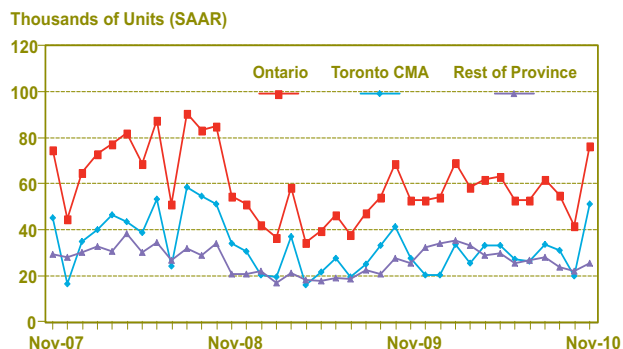
Permits for both residential and non-residential buildings decreased in October. Residential building permits totaled \$1.06 billion, down \$342 million (40%) from September. Meanwhile, non-residential building permits totaled \$1.14 billion, down \$136 million (11%).

October's decline in non-residential building permits was driven by government projects while commercial and industrial projects increased. Permits for government/institutional buildings totaled \$218 million, down \$308 million (59%) from September. Permits for commercial buildings totaled \$768 million, up \$132 million (21%), while, industrial building permits totaled \$149 million, up \$40 million (37%).

Central 1 forecasts construction will be among the fastest growing industries in Ontario through 2013. Industry GDP will increase 23% in real terms between 2009 and 2013, with residential and government-funded construction the initial sources of growth, later boosted by private non-residential construction.

Housing starts in Ontario jumped to a post-recession high in November, according to the latest esti-

Housing Starts, Monthly Seasonally Adjusted Annual Rate (SAAR)



Source: Statistics Canada.

mates from Statistics Canada. Starts totaled 76,600 units at a seasonally-adjusted annual rate (SAAR), up 83% from October. Growth was almost entirely in metro Toronto, where starts increased 157% to 31,200 units SAAR. Meanwhile, housing starts in the rest of Ontario increased 16% to 25,500 units SAAR.

Central 1 forecasts housing starts will total 61,000 units in 2010, up 21% from 2009. Starts are forecast to increase 5% to 10% annually through 2013.

*David Hobden, Economist
dhobden@central1.com*