

**Manufacturing sales continue to rise**

Manufacturing sales in Ontario increased in October, reaching a new post-recession high. Sales totaled \$21.3 billion, seasonally-adjusted (SA), up \$385 million (1.8%) from September. Growth was led by durable goods sales, which increased \$256 million (2.1%), while sales of non-durable goods increased \$121 million (1.5%).

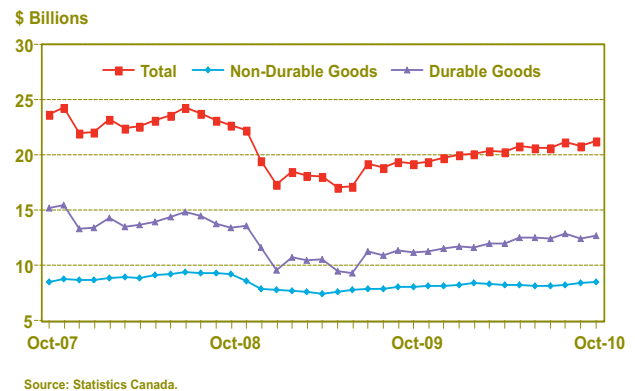
Manufacturing sales remain on a slowly-rising trend that began in mid-2009. In the first 10 months of 2010, sales totaled \$207 billion, up \$23 billion (12.4%) from the same period last year. The gain was led by durable goods sales which climbed \$18 billion (16.8%), while non-durable goods sales increased \$5 billion (6.4%). However 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 competition from new media technologies, though it is growing outside of North America.

**Manufacturing Shipments  
Ontario, Monthly, Seasonally Adjusted**



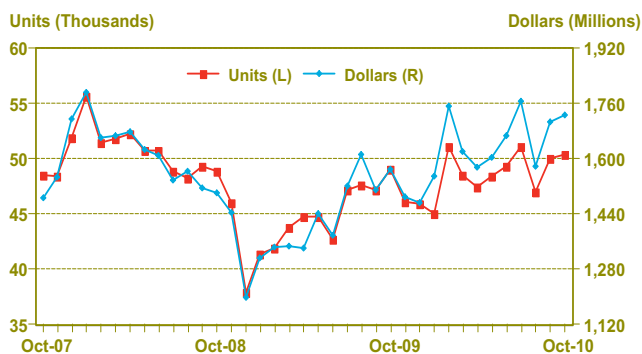
Mining and related manufacturing rebounded from low demand in 2009 and from labour-management disputes affecting supply. Metals prices are well up from their recession lows in most cases. The demand outlook is favourable, hinging on the pace of the global economic recovery and largely on Asian consumption. 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 vehicle sales see small improvement in October**

New motor vehicle sales in Ontario inched up in October, following September's much larger gain. Sales totaled 50,418 units in October, seasonally-adjusted (SA), up 383 units (0.8%) from August. Dollar volume totaled \$1.73 billion SA, up \$20 million (1.1%).

New vehicle sales have trended more or less level in 2010 but are much higher than last year's

### New Motor Vehicle Sales Ontario, Monthly, Seasonally Adjusted



Source: Statistics Canada.

sales. Sales totaled \$16.7 billion through the first 10 months of this year, up \$2.1 billion (14.5%) from the same period last year. Consumer spending on durable goods has rebounded this year, while business investment in machinery is forecast to grow more robustly in 2011.

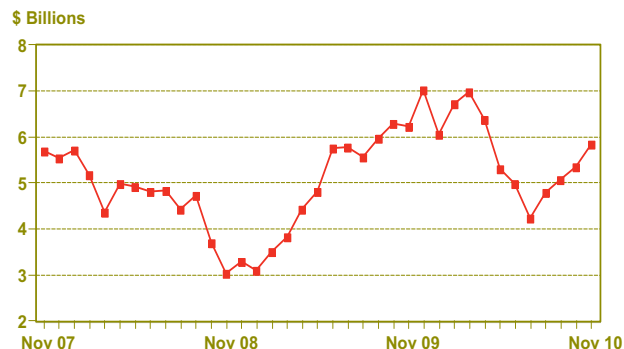
### Housing sales up from October

Ontario's housing market continued to improve in November, although a few local markets bucked that trend. Housing sales via the Multiple Listing Service (MLS) totaled \$5.9 billion in November, seasonally-adjusted (SA), up 9.4% from October. As the average sale price was virtually unchanged, the rise in dollar volume was almost entirely due to higher unit sales

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 November, though by less than sales, lifting the sales-to-new-listings ratio for the fifth straight month. That ratio is a positively-correlated, significant leading indicator of near term house price inflation. Housing prices appear to have stopped their decline in June and increased since then.

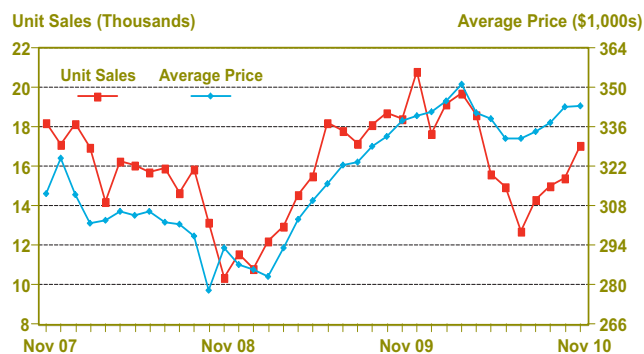
Sales volumes and sales-to-new listings ratios were more or less normal in 26 of Ontario's 43 real estate board areas in November, down from 34 in

### MLS® Residential Sales Volume Ontario, Monthly, Seasonally Adjusted



Source: CREA.

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



Source: CREA.

September (see table below). Twelve other board areas were strong (undersupplied) in November, up from 6 in October. These markets had unusually high sales-to-new listings ratios or unusually sharp increases in dollar sales volume. The five remaining board areas were weak (oversupplied) in November, up from three in October. These markets had unusually low sales-to-new listings ratios or unusually sharp declines in dollar sales volume.

Local markets that improved in November were Brantford, Durham, Guelph, Huron-Perth, Orangethorpe, Renfrew, Thunder Bay, Toronto, Kawartha and St. Catharines. Local markets that weakened in November were Tillsonburg, Sarnia-Lambton, Parry Sound, Georgian Triangle, Sault Ste. Marie and

Hamilton-Burlington. Housing markets in almost the entire central region of Ontario were strong (under-supplied) in November, including those in Durham, Mississauga, Oakville-Milton, Orangeville, Toronto and York.

Central 1 forecasts housing sales in Ontario will trend upward into 2011, before taking a breather in the second half of the year. Year-over-year, unit sales will increase almost 10% compared to no gain in 2010. Higher mortgage rates in 2011 will dampen sales enthusiasm later on and, together with rising prices, will delay purchases by low equity and first-time buyers. Housing prices are forecast to reach new highs each year through 2013, encouraging more supply and investor activity. This housing up-

cycle will last through 2013, with some market ebbs and flows, as long as the economy keeps growing and mortgage rates do not climb too high, which is not expected.

*David Hobden, Economist  
dhobden@central1.com*

#### Resale Housing Market Conditions in November 2010

Strong (Under Supplied)	Normal (Balanced)	Weak (Over Supplied)
Brantford Region	Bancroft District	Georgian Triangle
Durham Region	Barrie & District	Midland-Penetang
Guelph & District	Cambridge	Parry Sound
Huron Perth	Chatham-Kent	Sarnia-Lambton
Mississauga	Cobourg-Port Hope	Tillsonburg District
Oakville-Milton	Cornwall & District	
Orangeville & District	Grey Bruce Owen Sound	
Renfrew County	Hamilton-Burlington	
Thunder Bay	Kawartha Lakes (Lindsay)	
Timmins	Kingston & Area	
Toronto	Kitchener-Waterloo	
York Region	London & St. Thomas	
	Muskoka & Haliburton	
	Niagara	
	North Bay	
	Ontario	
	Orillia & District	
	Ottawa-Carleton	
	Peterborough	
	Quinte & District	
	Sault Ste. Marie	
	Simcoe & District	
	St. Catharines & District	
	Sudbury	
	Welland District	
	Windsor-Essex	
	Woodstock-Ingersoll	
Source: CREA and C1CU.		