

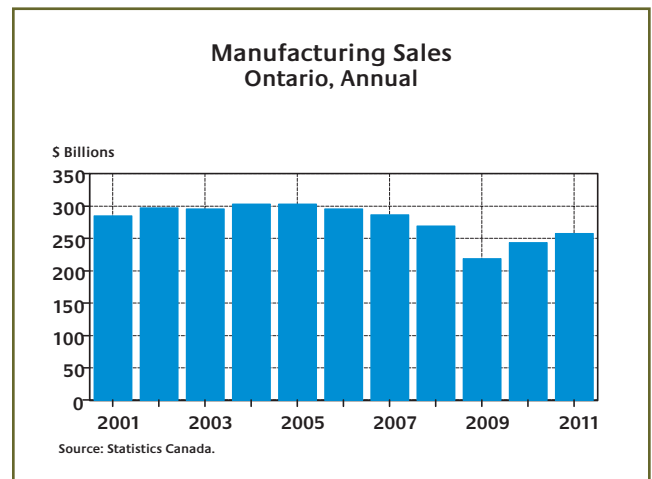
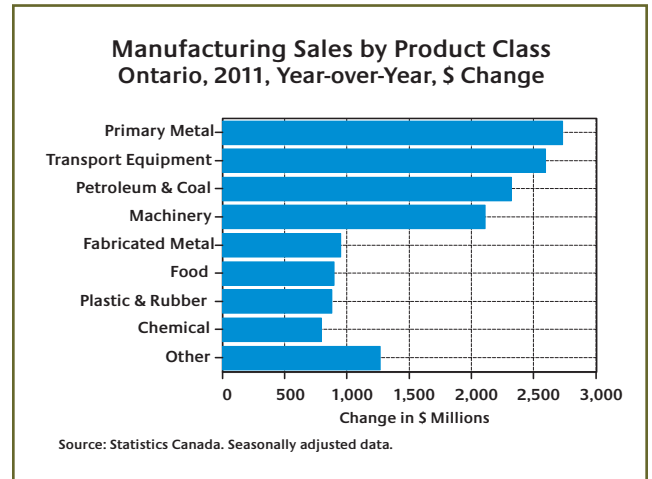
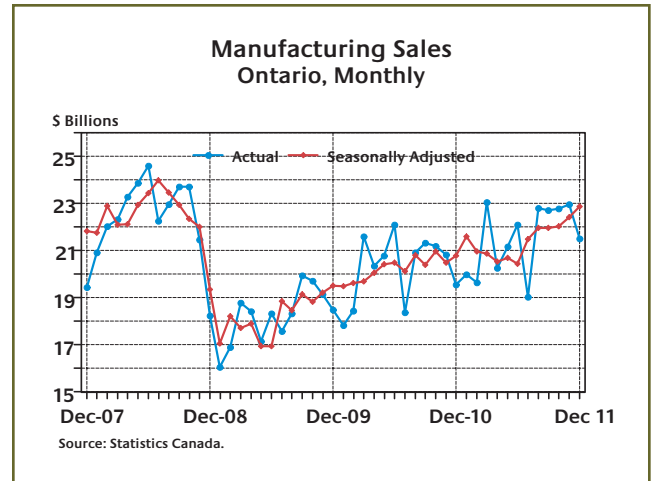
Consumer price inflation in Ontario increased in January as prices for fuel oil, vegetables, bakery products, gasoline, meat and public transportation climbed from 12 months earlier. The Consumer Price Index (CPI) registered a year-over-year increase of 2.4%, up from 2.0% in December. Excluding food and energy, the CPI rose a moderate 1.8%, up from 1.5% a month earlier. On a monthly basis, January's CPI increased 0.2% from December.

Consumer price inflation averaged 3.1% in Ontario last year, the highest rate since 2001. Most of the recent inflation pressures came from commodities, namely oil and agricultural products. With worldwide economic growth decelerating, futures markets are indicating oil and gasoline prices will decline. Central 1 forecasts Ontario consumers will see CPI inflation average 1.6% this year and 1.9% in 2013.

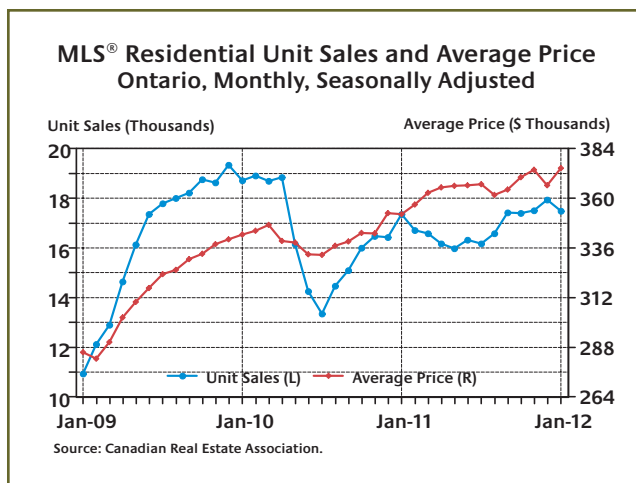
Manufacturing sales in Ontario totaled \$22.9 billion in December, seasonally adjusted, up 2% from November. Sales of transportation equipment (mostly new motor vehicles and parts), primary metals and machinery led the month-over-month growth. Unadjusted sales in December were up 10% from a year earlier.

Manufacturing sales totaled \$258 billion in 2011, unadjusted, up \$14.7 billion (6%) from 2010. Year-over-year growth was broadly based, led by primary metals, transportation equipment, petroleum/coal products and machinery.

Ontario's manufacturing sales continue to recover from a 2009 cyclical low, yet remain several years



away from reaching the 2005 record-high. Growth is expected to continue although at a slowing pace. The high Canadian dollar and international competition will restrain real output growth to just above 3% annually.



Housing market activity in Ontario inched down in January as sales via the Multiple Listing Service (MLS) totaled \$6.54 billion, down 1% from December. Lower dollar volume resulted from a 3% decrease in unit sales, offset by a 2% increase in the average sale price. All numbers are seasonally adjusted unless otherwise noted.

Sales totaled 17,494 dwelling units in Ontario in January, while the average sale price was \$373,477, a record high. The sales-to-new-listings ratio, a positively correlated, significant leading indicator of near-term house price inflation, was virtually unchanged as active listings and sales declined by similar amounts. Stable prices are likely over the next few months.

Changes in sales volume and the sales-to-new listings ratio were more or less normal in 24 of Ontario's 43 real estate board areas in January, indicating balanced supply and demand (see table below). Another 11 board areas posted strong results indicating under-supply. These markets had unusually high sales-to-new listings ratios or unusually sharp increases in dollar sales volume. The eight remaining board areas posted weak results indicating over-supply. These markets had unusually low sales-to-new listings ratios or unusually sharp decreases in dollar sales volume.

Housing sales in Ontario via the MLS totaled over \$73 billion in 2011, up almost 10% year-over-year. Unit sales totaled 200,323, up 2.4%, while sale prices averaged a record-high \$366,390, up 7.1%. Central 1 forecasts unit sales will inch up 1% in 2012, while the average sale price rises 3%.

Resale Housing Market Conditions in January 2012

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

Source: CREA and C1CU.

New motor vehicle sales in Ontario declined in December, ending five straight months of trending level. Sales totaled 47,268 units, down 6.7% from November. The average price was \$33,084 in December, down 1.4%. Preliminary data suggests sales increased substantially in January. All figures are seasonally adjusted unless otherwise noted.

New car and light truck sales in Ontario remain on a slowly rising trend, which is forecast to continue through 2013. Sales totaled 600,668 units in 2011, unadjusted, up 2.4% from 2010. Meanwhile, the

average price inched down 1% to \$33,400. Last year's sales growth was led by trucks, up 13,081 units (4.5%), while passenger car sales inched up 954 units (0.4%).

Vehicle sales are being stimulated by price discounts, low financing costs, pent up demand and employment growth. Vehicle sales are being dampened by rising household and government debt, uncertainty surrounding European sovereign debt and financial market volatility, all of which make consumers wary.

Central 1 forecasts new motor vehicle unit sales in Ontario will rise 3.6% this year and 1.2% in 2013. The average price is forecast to inch up 0.8% in 2012 and 1.5% next year.

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