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Ontario Economic Briefing

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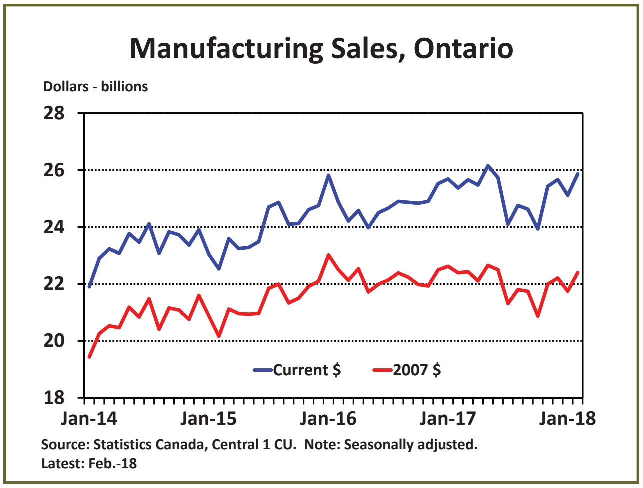
HIGHLIGHTS:

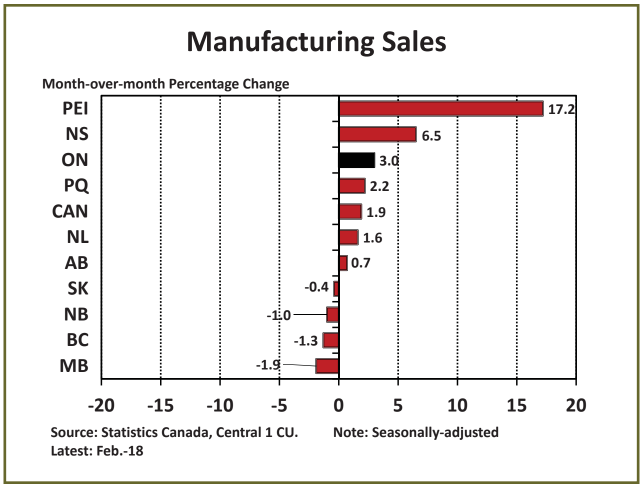
- Ontario manufacturing sales grew by three per cent in February, well above the historical average for the month
- EI claims dropped in almost all of Ontario's large centres in February
- Ontario prices increased 2.4 per cent year-over-year in March
- Retail sales came in at 0.7 per cent higher in February

Ontario's manufacturing sales volume increased in February due to a strong pick-up in transportation equipment sales

Ontario posted the third highest manufacturing sales growth figures in February, of all provinces, at three per cent growth to $25.9 billion. Manufacturing sales growth in February halted the slide reported in January, moreover, February's manufacturing sales volume was 11 per cent above the average historical sales for the month. Nationally, manufacturing sales increased 1.9 per cent to $55.8 billion in February.

In February 14 of 21 manufacturing sectors reported sales gains month-over-month, which pulled up both non-durable and durable goods sales by 0.2 and 4.7 per cent respectively. Key sectors in non-durable and durable goods that posted strong sales growth include: food manufacturing (0.9 per cent growth), plastic and rubber products manufacturing (4.1 per cent growth), paper manufacturing (2.2 per cent growth), transportation equipment manufacturing (7.2 per cent growth), primary metal manufacturing (6.4 per cent growth), and fabricated metal product manufacturing (two per cent growth).





Ontario's manufacturing sales were sluggish in January due to atypical auto plant closures that have since been re-opened their doors as evidenced by the strong pick-up in production and sales from transportation equipment manufacturing in February. Domestic demand for automobiles and parts should continue to support transportation equipment manufacturing. A possible headwind for the remainder of 2018 to the automobile sector would be U.S. demand for new automobiles. Gasoline prices in the U.S. continue to climb significantly year-over-year and are slowly eating away larger chunks of consumer's wallets at a time when average household debt loads keep climbing. The automobile stock in the U.S. is primed for renewal given that there are many older cars still in circulation, however, higher gasoline prices may keep consumers on the sidelines shunning gasoline-only vehicles and waiting for the price point of hybrid fuel automobiles or other related technology to decline.

EI claim drops widespread across many regions in February

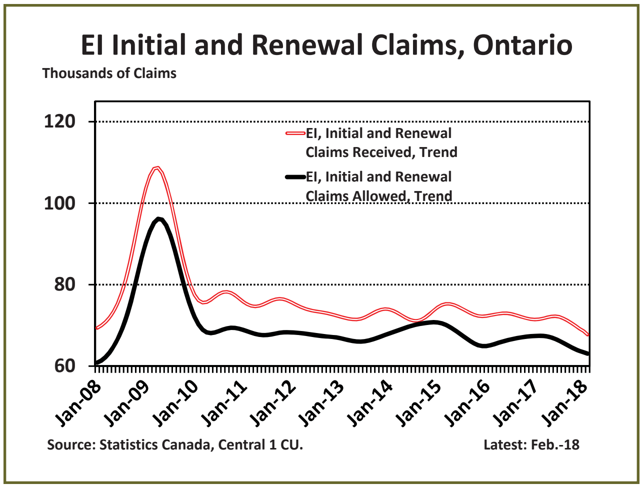
Employment Insurance (EI) beneficiary claims declined in February due to a decline in claims across workers of all ages. The largest drop in number of claims in the month occurred for workers 25 to 54 years of old (down 3,300 claims) followed by workers 55 years old or more (down 690 claims), and, workers 15 to 24 years old (down 490 claims)

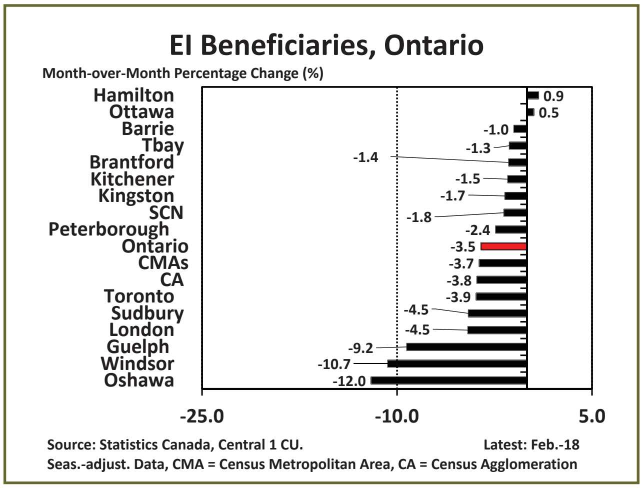
Seasonally-adjusted initial and renewal received claims declined in February by 9.1 per cent (to 68,840 claims). The decline in February stopped two consecutive months of increases. Claims this month are in line with the historical average for the month.

EI claims in Ontario's metropolitan centres decreased significantly in February by 3.7 per cent (to 87,010 claims), due to fewer claims in almost all its census metropolitan areas with only Ottawa and Hamilton posting small increases (50 more claims each). The largest decrease in claims in February occurred in Toronto, Oshawa, Windsor, London, Sudbury, and Guelph.

By occupation, manufacturing and utilities posted a significant 23.2 per cent claims drop in February, undoing the jump in claims from January. Other occupations that helped push down claims in February include: natural resources and agriculture (down 1.4 per cent), trades, transport, and equipment operators (down 8.2 per cent).

Declines in EI claims were widespread in Ontario in February. This coincides with news this week that a significant number of industries are at or near capacity, necessitating employers' need to bring back workers or hire new ones. An instance of employers bringing back workers can be seen in the numbers posted by manufacturing and utilities workers. Atypical auto plant closures in January left many of those workers idle. Now that auto exports have partially recovered, employers in this sector are recalling workers and potentially hiring additional workers.

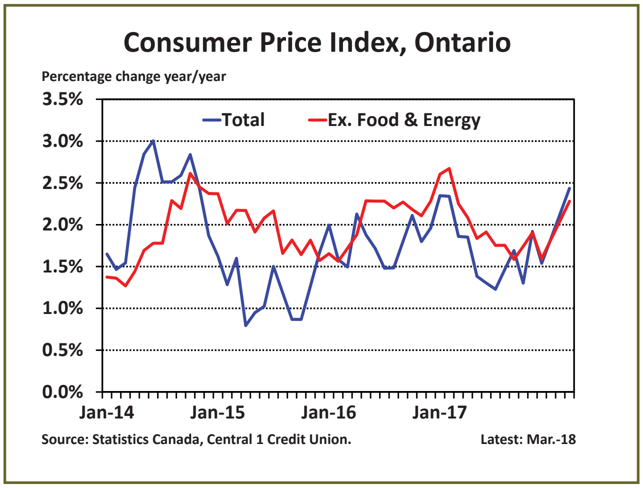


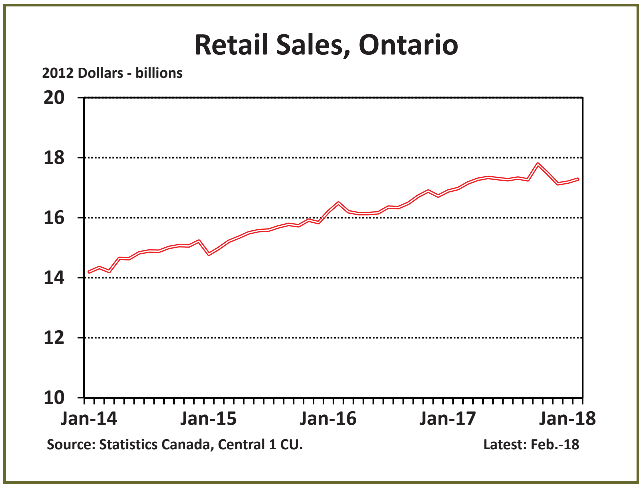


Strong gasoline price growth drove CPI higher in March

The Consumer Price Index (CPI) increased in March by 0.2 per cent over February; this followed a robust growth the previous month. The CPI has increased significantly during each month of this year's first quarter. Year-over-year, the CPI was up 2.4 per cent in March. The CPI, excluding food and energy, increased 0.1 per cent in the month and was up 3.2 per cent year-over-year.

Both goods and services prices increased in March month-over-month and year-over-year. A significant jump in service prices, which outstripped the gains in goods prices, continued to lift the overall CPI in March. Service prices increased 0.6 and 3.3 per cent month-over-month and year-over-year respectively, compared to goods price gains of 0.3 and 1.3 per cent. Most of the push to goods came from non-durables such as food and alcohol and tobacco.





Gasoline prices during March increased a torrid pace going up by 2.2 per cent month-over-month and by 20.2 per cent year-over-year. Natural gas prices by comparison remained unchanged month-over-month and increased year-over-year by a relatively muted 3.5 per cent.

Prices in the Toronto Census Metropolitan Area (CMA) increased in March by 2.8 per cent year-over-year due to strong shelter costs both for owned and rented housing.

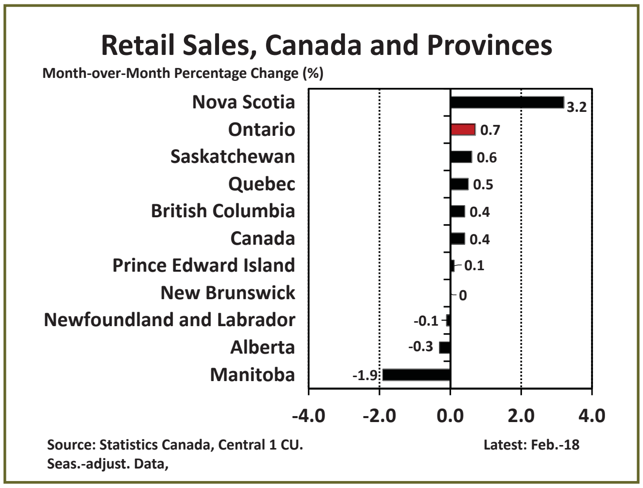
In the nation's capital region, Ottawa-Gatineau CMA, prices increased year-over-year by 2.5 per cent in March while in Thunder Bay CMA prices increased 1.9 per cent during the same period.

Gasoline prices' torrid growth continues to lift overall prices. The Organization of Petroleum Exporting Countries (OPEC)'s decision to cut production in 2016 to lift profits continues to bear fruit, furthermore, many Canadian refineries either extended or went into their spring-time maintenance shutdown, putting further upward pressure on prices for gasoline.

Strong retail sales growth in Ontario helped push national sales growth up in February

Seasonally-adjusted Ontario retail sales increased 0.7 per cent in February over January to $18.3 billion. The gains in Ontario helped pushed Canadian retail sales up by 0.4 per cent. Year-over-year retail sales increased 4.2 per cent, up from 3.6 per cent in January.

In February, Ontario's retail sales were lifted by growth in the following sub-sectors: building materials and gardening, food and beverages,



sporting goods and recreation, and general merchandise.

In Toronto, seasonally-adjusted retail sales increased by 0.4 per cent in the month to $7.5 billion and up 1.7 per cent year-over-year. Of Canada's three largest cities only, Toronto posted retail sales gains in March while sales dipped in Montreal and Vancouver.

Retail sales remain strong in Ontario. At this pace, any increased costs to business owners from the minimum wage hikes at the start of 2018 will quickly dissipate and not substantially affect profit margins. The increased retail sales will also have positive effects for employment, as brisk business may motivate business owners to hire more workers or move current part-time workers to full-time hours to meet the increased demand.

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