Ontario Economic Briefing

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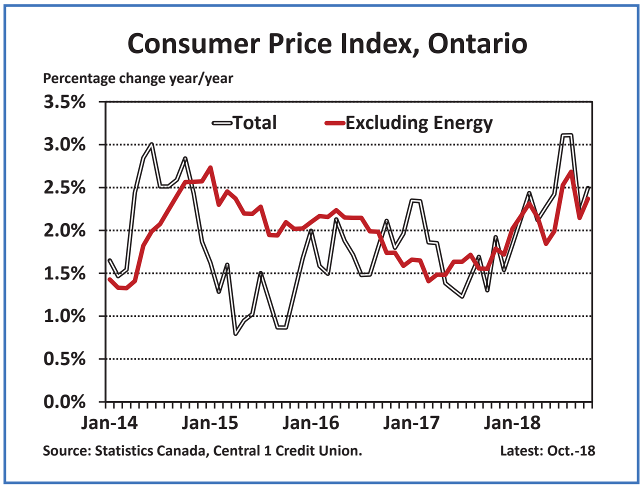
Highlights

- Prices grew by 2.5 per cent year-over-year in October
- Retail sales unchanged in September
- Tourist visits down by 2.1 per cent in September
- Large drop in manufacturing sector claims pulls down total Employment Insurance numbers in September



Services and goods contributed to price growth

Headline inflation increased to 2.5 per cent in October following a 2.2 per cent increase in September. Growth rates are year-over-year changes in the consumer price index. October's uptick in prices was due to higher prices for goods and services. Goods prices increased by two per cent (+0.4 percentage points from September's growth) mostly due to growth in semi-durable prices, which increased by 2.6 per cent (+0.6 percentage points from September's growth). Non-durable goods prices increased by 2.5 per cent (+0.2 percentage points from September's growth). Services increased 2.8 per cent (+0.1 percentage points from September's growth).

Non-durable goods such as food, alcohol and tobacco products contributed to October's price appreciation, while clothing price growth contributed to semi-durable goods price growth.

The price of food purchased from restaurants, which increased a further six per cent in October (-0.4 percentage points from September's growth), contributed largely to food price increases of three per cent (+0.3 percentage points from September's growth). Moreover, fresh fruit and vegetables increased by a substantial 7.8 per cent (+1.1 percentage points from September's growth).

Alcohol and tobacco products prices increased a further 5.9 per cent (-0.1 percentage points from September's growth) due to growth in tobacco products and smokers' supplies (12 per cent growth) and alcoholic beverages (three per cent growth).

Clothing prices continued to climb in October moving up an additional 3.6 per cent from September's growth (+1.1 percentage points).

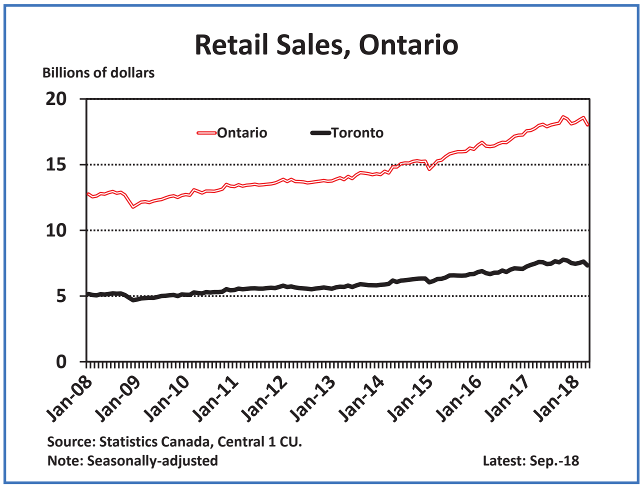
Energy prices—particularly gasoline, fuel, oil and other fuels—contributed largely to the 3.9 per cent growth in energy prices (unchanged from September's growth) and fueled the gains in transportation prices both public (6.1 per cent growth) and private (2.9 per cent growth). Price growth in Ottawa (2.7 per cent) and Toronto (2.7 per cent) remain higher than Ontario's growth. In Thunder Bay prices increased a more modest, by comparison, 2.1 per cent.

Finally, the average price of regular fuel at self-serve gas stations grew by 2.8 per cent to 118.1 cents per litre in Ottawa-Gatineau (Ontario only) and by 7.9 per cent to 124 cents per litre in Toronto. Thunder Bay recorded the highest average price in Ontario where it jumped by 18.8 per cent to 142.3 cents per litre. The highest absolute prices for gas in Canada are in Vancouver at 155.2 cents per litre and Victoria at 148.3 cents per litre.

Retail sales relatively unchanged

Ontario's seasonally-adjusted retail sales remained nearly unchanged in September inching up 0.1 per cent to $18.98 billion due to decreased retail sales growth in most categories. Among large sectors the following posted lower retail sales in September:

- Motor vehicle and parts (0.7 per cent down)
- Food and beverage (2.6 per cent down)
- Gasoline stations (2.6 per cent down)
- Clothing (2.7 per cent down)



A general decline in sales activity in motor vehicle-related goods, particularly cars at car dealerships, pulled down motor vehicle and parts sales. Decreased sales at convenience stores, specialty food stores and beer and liquor stores pulled down food and beverage sales. Decreased clothing store sales pulled down overall clothing sales volumes.

Year-to-date, retail sales are 4.2 per cent above last year's pace.

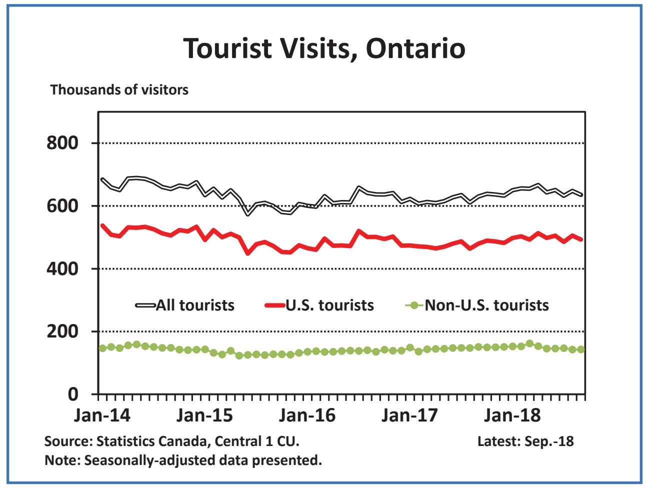
Retail sales volumes suffered as households tightened their belts and waited out the economic uncertainty, particularly around trade.

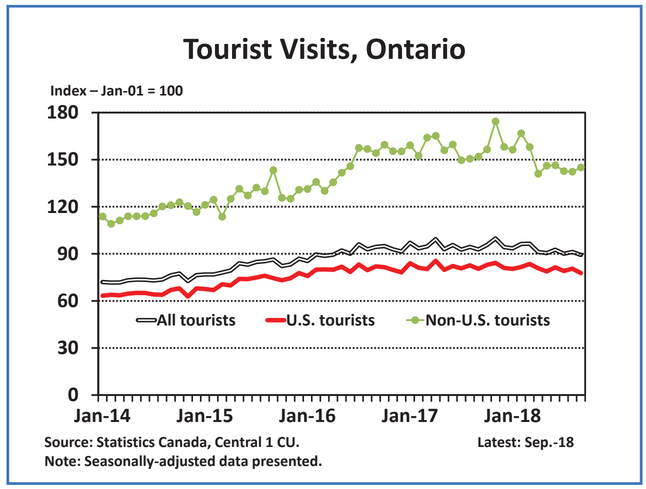
Toronto Census Metropolitan Area's (CMA) retail sales volumes inched up another 0.7 per cent in September to $7.8 billion. Year-to-date sales volumes continued to track higher than 2017 by 1.7 per cent.

Ontario tourism declined in September

Ontario's tourism numbers decreased in September by 2.1 per cent (all figures seasonally-adjusted) to 762,838 persons due to fewer U.S. residents visiting. The decrease was not offset by the rise in non-U.S. residents coming to Ontario for a holiday or business function. In September, U.S. residents visiting declined by 3.5 per cent month-over-month to 548,920 persons while non-U.S. visitors increased by 1.9 per cent month-over-month to 213,919 persons. Tourism numbers have fluctuated between periods of growth and decline since May. September's non-U.S. tourist visits were lifted by a 2.1 per cent increase in tourists from Asia and a 3.6 per cent increase in tourists from the Caribbean.

While tourism in Canada has increased for most months of 2018, the share of tourists visiting Ontario has eased.





Over the first nine months of 2018, visits to Ontario fell by 2.6 per cent with fewer visitors from the U.S. and non-U.S. countries.

Year-over-year the value of the U.S. dollar increased from $1.23 Canadian in September 2017 to $1.30 Canadian in September 2018, which remains supportive of tourism. Some of this benefit has been eroded by higher U.S. gasoline prices, which were up 15.6 per cent year-to-date.

Employment Insurance (EI) beneficiaries fell in manufacturing in large urban centres

The number of EI beneficiaries in Ontario declined by 2.3 per cent in September or 2,790 recipients and follows an additional one per cent decline in August. The decline in recipients was due to a significant 3.8 per cent drop (3,270 recipients) in Ontario's census metropolitan areas (CMAs) that more than offset the 2.2 per cent increase in rural areas (430 recipients). EI recipients in Ontario's census agglomerations (CAs) remained nearly unchanged from last month moving up by only 50 new recipients.

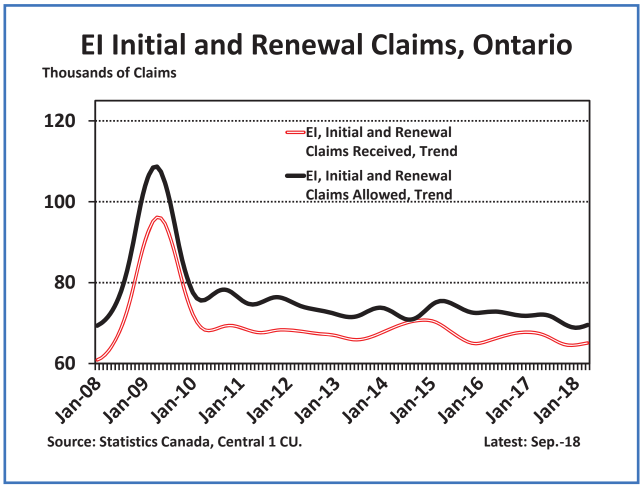
Toronto led the decline in EI recipients in CMAs with a 6.2 per cent drop or 2,770 fewer people receiving benefits. Other CMAs that posted declines included:

- Barrie (4.1 per cent drop)
- Guelph (13.8 per cent drop)
- Hamilton (-0.5 per cent drop)
- Kitchener-Cambridge-Waterloo (2.8 per cent drop)
- London (1.9 per cent drop)
- Oshawa (9.4 per cent drop)
- Peterborough (7 per cent drop)

A significant drop in beneficiaries from manufacturing and utilities occupations put significant downward pressure on the number of Ontarians on benefits. In September, recipients from these occupations decreased by 20.4 per cent or 2,340 recipients. Manufacturing is an area that has faced headwinds this year, particularly the auto-sector and related manufacturing. Sluggish growth stems from trade uncertainty, unexpected plant closures for retooling, and weaker exports. With plants back 'online' and many of those uncertainties removed—auto plants are recalling workers back to the assembly lines.

Another area that posted a strong decline in beneficiaries was education, law, and social community and government services. In September beneficiaries in these roles declined by 2.3 per cent or 360 recipients. With schools back in session the need for instructors increased.

Seasonally-adjusted initial and renewal-received claims declined for the first time in five months in September by 2.8 per cent. With the decline the current number of claims (73,510) is 4.1 per cent lower than the long-term monthly average from January 2018 to September 2018.



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