Ontario Economic Briefing

Volume 26 • Issue 7 • Week of February 17 - 21 2020 | ISSN: 1981-355

Highlights:

- Ontario posted the largest retail sales gains of all Canadian provinces in 2019
- Headline inflation remained unchanged but gasoline prices are climbing aggressively
- Manufacturing sales increased only 0.2 per cent in 2019
- Employment insurance **beneficiaries** increased in large metro markets in December

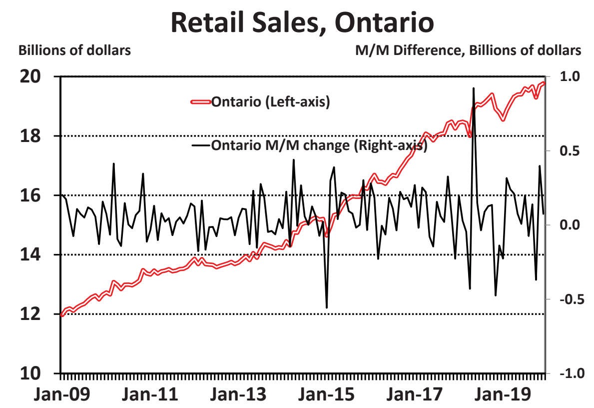
Retail sales up 2.8 per cent in 2019, but growth slower than in 2018

Ontario retail sales in 2019 came in 2.8 per cent above the previous year. This was the highest rate of all the provinces but was a much slower pace of retail sales growth from the 4.4 per cent posted in 2018. Sales in Toronto increased 3.7 per cent in 2019 - up from the 3.1 per cent posted in 2018, while in all areas excluding Toronto sales increased 2.3 per cent in 2019 which was a much slower pace of growth than the 5.3 per cent posted in 2018.

On a month-by-month basis, Ontario retail sales increased by 2.1 per cent in November, followed by a marginal increase of 0.4 per cent in December. Sales in Toronto increased by 1.8 per cent in December but ths was a much slower pace of growth than November when sales increased 3.1 per cent. Sales in all other parts of Ontario excluding Toronto declined in December by 0.6 per cent, a relatively large slow down from the 1.3 per cent growth posted in November.

Sales volumes increased due to higher prices for goods and services in 2019. Motor vehicles and parts (a large sector of retail sales) increased in 2019 by 6.8 per cent based on higher prices for passenger vehicles.

Food and beverage sales moved up a subdued 0.8 per cent in 2019. Lower sales at convenience stores weighed on this sector despite receipts at supermarkets and other grocery stores rising due to higher prices for foodstuffs caused by exchange rate pressures and supply issues in the countries which provide imported products.



Source: Statistics Canada, Central 1 CU.
Note: Seasonally-adjusted, M/M = month-over-month
Latest: Dec.-19

Headline inflation remained unchanged at in January

Headline inflation remained at 2.1 per cent in January, unchanged from the pace of price growth in December. Price growth stayed unchanged since the general acceleration of prices of goods and services cancelled each other out. Goods increased a smidge from 2.4 per cent in December to 2.6 per cent in January, while services prices slowed down slightly from 1.7 per cent in December to 1.5 per cent in January. Within the goods sector, the price of durable goods accelerated while semi-durable price growth decelerated and the pace of non-durable goods stayed unchanged.

Overall, the pace of price growth across many specific goods and services slowed down in January over December, among them the following:

- Food (prices slowed down 0.2 percentage points to 2.4 per cent)
- Shelter (prices slowed down 0.6 percentage points to 2.8 per cent)
- Clothing and footwear (prices slowed down 0.1 percentage points to 1.9 per cent)
- Fresh fruit and vegetables (prices slowed down 2.4 per cent to 2.9 per cent)

Transportation costs increased in January (by 0.9 percentage points to 5.2 per cent) due to a jump in energy prices, particularly gasoline. Gasoline prices rose with oil prices at the beginning of January 2020, due to concerns over global oil supplies in response to international political events. Later in the month, global oil prices fell following the novel coronavirus outbreak, which caused uncertainty about demand for oil.

In Toronto and Ottawa-Gatineau the general pace of price growth slowdown in January, while in Thunder Bay prices continued to accelerate. Ottawa-Gatineau has the highest inflation of the three cities at 2.6 per cent followed by Toronto at 1.6 per cent and Thunder Bay at 1.3 per cent.

Manufacturing sales affected by trade uncertainty

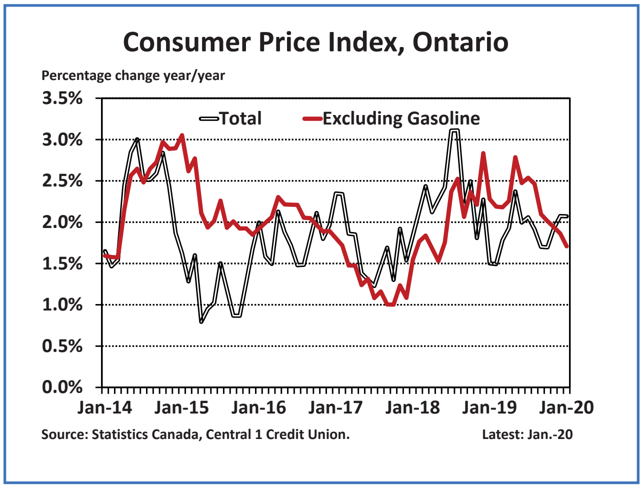
Ontario's manufacturing sales fell by 1.1 per cent in December – a reversal of the 0.8 per ent growth witnessed the previous month. Over the last three months this has been the trend of flip flop activity. Durable goods contracted significantly, falling by two per cent month-over-month, offsetting the 0.5 per cent growth in non-durables. In 2019, now with December data in the books, manufacturing sales had a difficult year. During 2019, sales declined or grew meekly eight of the 12 months. As a result, sales moved up by 0.2 per cent over 2018. Durable goods increased 1.5 per cent in 2019 while non-durable goods declined 1.9 per cent.

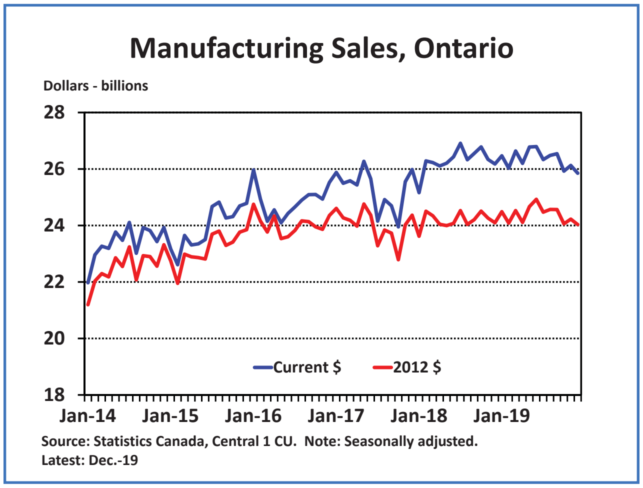
In 2019, the following sectors posted robust activity (either up or down):

- Food manufacturing (up 1.1 per cent)
- Petroleum and coal product manufacturing (down 12.4 per cent)
- Chemical manufacturing (down 0.9 per cent)
- Plastics and rubber products manufacturing (up 2.1 per cent)
- Transportation equipment manufacturing (up 2.1 per cent)
- Primary metal manufacturing (down 5.8 per cent)
- Machinery manufacturing (up 5.3 per cent)

Ontario's recovery in transportation equipment sales was partly fueled by a modest recovery in Ontario's motor vehicle manufacturing, following two consecutive years of falling sales. Aside from transportation equipment manufacturing Ontario's manufacturing sector in general was affected by trade uncertainty for most of 2019.

In 2019, sales in Ontario's three metro centres fell 0.7 per cent. This was caused by a 1.1 per cent drop in sales in Toronto that could not be offset by gains in Ottawa-Gatineau (up 0.5 per cent) and Hamilton (up 1.4 per cent) due to the scope of Toronto's market share. Outside of these big three markets, manufacturing sales in Ontario increased 0.9 per cent.





Employment insurance beneficiaries declined marginally in December

December Employment Insurance (EI) beneficiaries declined by 0.1 per cent or 80 net beneficiaries. This was due to an increase of 630 net new beneficiaries in census metropolitan areas which partially offset the decline of 710 beneficiaries in census agglomerations and rural areas combined.

In Toronto, EI beneficiaries increased 1.3 per cent. Among the province's large metro markets, the following posted fewer net EI beneficiaries in December:

- Ottawa-Gatineau (down 1.2 per cent)
- Peterborough (down 3.5 per cent)
- Hamilton (down 0.5 per cent)
- St. Catharines-Niagara (down 0.2 per cent)
- London (down 3.3 per cent)
- Greater Sudbury (down 2.2 per cent)
- Barrie (down 0.5 per cent)

By age, and additional 1.3 per cent of individuals 55 years of age or older took up EI benefits. The gains to this group were offset by fewer net new beneficiaries for workers 15 to 24 years of age (down 3.4 per cent) and those 25 to 54 years of age (down 0.2 per cent).

In December, Ontario's seasonally adjusted initial and renewal EI claims received declined by 2.9 per cent to 75,580 claims down from 77,840 in November. Compared to the long-term average, December's tally stood 1.2 per cent below the long-term trend.

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