



Highlights

- Inflation edges down slightly, price levels flat over the month
- Housing starts kept growing in September, led by gains in multi-family sectors
- Retail trade volumes essentially flat in August, up 0.3 per cent

Ontario inflation slows to 6.9 per cent

Bryan Yu, Chief Economist

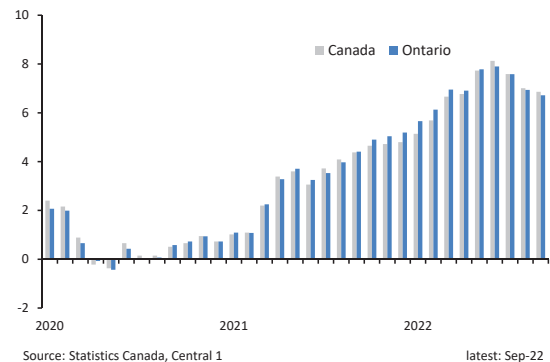
Inflation in Ontario slowed again for the month of September. Year-over-year saw prices increase only 6.7 per cent compared to the previous month, which saw a 6.9 per cent increase. The decline was larger than that seen nationally, which saw inflation fall from 7.0 per cent to 6.9 per cent. However, expectations were for a greater decrease.

The slowdown in the growth in energy prices was the biggest mover. They increased 13.8 per cent year-over-year as compared to the previous month, which saw an increase of 21.1 per cent. On a month-over-month basis, energy prices fell 5.7 per cent. Following that, gasoline prices were also up 8.1 per cent year-over-year, which was much lower than the previous month increase of 20.5 per cent. Month-over-month, they declined 9.9 per cent. Transportation prices increases also slowed to 6.8 per cent from the 9.0 per cent seen in the previous month and had declined 2.3 per cent on a month-over-month basis. Price growth of shelter was also lower year-over-year, down to 6.9 per cent from 7.1 per cent. However, month-over-month saw them increase 0.5 per cent. Similar growth was seen in health and personal care, which was up 4.7 per cent, down from the previous month of 5.0 per cent but up month-over-month at 0.4 per cent.

Food prices, on the other hand, increased 10.4 per cent year-over-year from 9.9 per cent and increased 0.6 per cent month-over-month. Household furnishing also increased 5.8 per cent from 5.1 per cent with a month-over-month increase of 0.4 per cent. And lastly, clothing and footwear increased 2.9 per cent from the previous month's 2.3 per cent and showed a month-over-month increase of 1.7 per cent. Alcohol, tobacco

Ontario inflation slows to 6.7%

Year-over-year change in consumer price index, per cent



and cannabis products and recreation and education services both showed flat changes in year-over-year growth, staying at 2.3 per cent and 5.5 per cent respectively. Month-over-month though, saw alcohol, tobacco, and cannabis products price increases up 0.2 per cent and recreation and education services down 0.3 per cent.

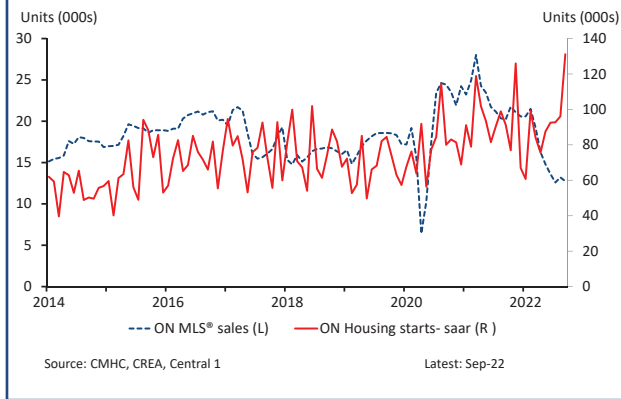
The growth in the price of goods slowed to 8.5 per cent from 8.9 per cent and the growth in the price of services also slowed to 5.2 per cent from 5.3 per cent compared to last year. All items, excluding the most volatile components (food and energy) increased to 5.3 per cent from 5.1 per cent. We expect inflation numbers to slow down considerably over the next few quarters. The rate at which this occurs will be the deciding factor as to whether rates will increase more, and monetary stimulus withdrawn.

Housing starts continued to grow in September

Ivy Ruan, Economic Analyst

Following an uptick in August, Ontario housing starts ripped higher in September and builders started a blockbuster pace of new units. Seasonally-adjusted urban-area starts reached an annualized pace of 131,124 units, up from 96,062 units (36.5 per cent) recorded the previous month. Moreover, the trend has strengthened since June despite a deep downturn in the housing market. It is likely that many projects were planned and pre-sold when market conditions were stronger. A pullback in coming quarters is expected.

Housing starts spiked in September



September's spike in housing starts was led entirely by the multi-family sector, which increased 48.1 per cent to an annualized 108,075 units following last month's modest gain. Detached units edged down 0.09 per cent to 23,049 units. Among Ontario's Census Metropolitan Areas (CMA), September results showed great activities in major areas. Toronto CMA continued its robust growing momentum since last month, with 25.3 per cent gain to 65,144 annualized starts. St. Catharines-Niagara CMA saw an almost threefold increase to annualized 9,699 starts, while Ottawa CMA (47.0 per cent), London CMA (98.8 per cent) and Barrie CMA (threefold) also reported sizeable growths.

Year-to-date, urban-area starts reached 67,300 units through the first nine months, continuing to narrow the year-over-year decline to 2.0 per cent following a robust 2021. Single-detached starts fell 14.0 per cent while multi-family starts were up 2.0 per cent given September's large gain. Toronto CMA had an overall year-to-date increase (6.0 per cent) in housing starts compared to last year thanks to its strong performance in the multi-family sector (10.0 per cent). However, Toronto's detached sector reported 12 per cent fewer starts from last year.

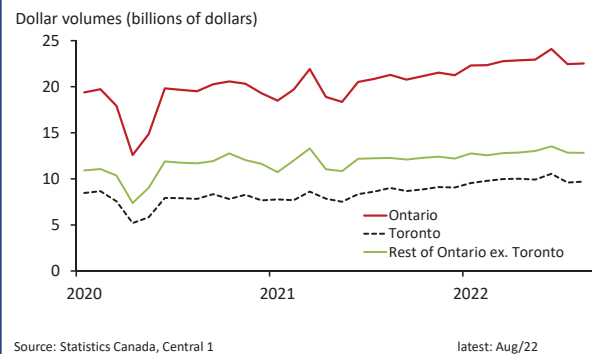
The strong performance in housing starts may reflect the implementation of earlier development plans in Vancouver, reflecting the robust demand from earlier this year and previous year. Moving into 2023, housing starts figures are expected to fall, showing the impacts of housing downturn on new constructions. That said, a pause in new constructions is likely to trigger a recovery in prices and housing activities as existing supply proves unable to support the strong population growth.

Retail sales volumes mixed across the board in August

Alan Chow, Business Economist

Retail sales were up slightly for the month of August, showing a small increase of 0.3 per cent over the previous month. While this is still down from the peak levels seen in June, it is still above the trailing 12-month average by 1.7 per cent. Toronto showed similar numbers, with a 1.0 per cent increase over the previous month, which resulted in a level that was 2.0 per cent above the trailing 12-month average. That said, given the fast-changing economic conditions we are experiencing, Statistics Canada has given preliminary estimates for September that show a slowdown occurring.

Retail sales essentially flat in August, up 0.3 per cent



Large increase in sales volumes was seen in electronics, which increased by 12.1 per cent. However, this level is still 6.8 per cent below the trailing 12-month average. Hobby stores also saw a sizable increase of 8.2 per cent, which brings it 3.0 per cent above the trailing 12-month average. Other sectors seeing increases in sales volume include furniture (5.7 per cent), gasoline (4.1 per cent), and clothing (3.7 per cent). The biggest declines were seen in food and beverage sales (4.7 per cent), and home and garden (3.4 per cent).

Of the 11 areas surveyed, six showed a monthly increase while the other five decreased. That said, all sectors were above their trailing 12-month average except for the previously mentioned electronics.

For more information, contact economics@central1.com.