Economics | Current Economic Trends

Ontario Economic Briefing

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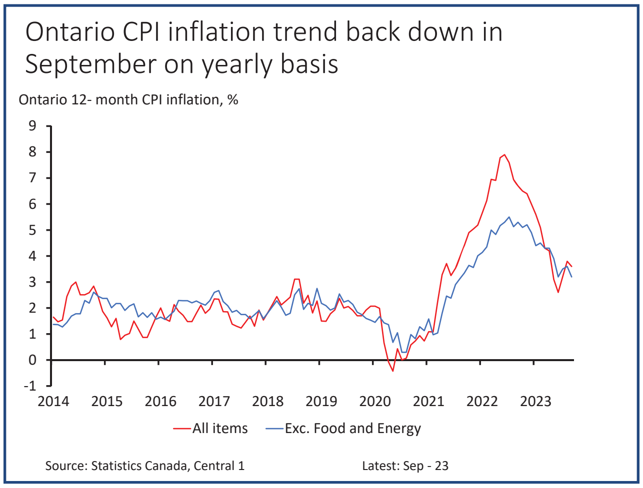
Highlights

- Annual CPI decelerates to 3.6 per cent
- Core CPI unchanged for third month in a row
- Housing starts rebounded in September with increases in both single-detached and multi-family home starts
- Ontario manufacturing sales declined in the month of August
- Ontario retail sales unchanged in August; national spending flattened



Ontario CPI readings back up on yearly basis along with monthly figures

Alan Chow, Business Economist

September's reading for the Consumer Price Index (CPI) in Ontario declined to 3.6 per cent year-over-year compared to 3.8 per cent during the previous month. This was below the national reading of 3.8 per cent but marked a similar deceleration on a monthly basis, with the provincial CPI falling 0.1 per cent. Core CPI (excluding energy and food) in Ontario was unchanged for the third month in a row. Year-over-year core CPI was down to 3.2 per cent in September from 3.6 per cent in August. The price of goods declined 0.2 per cent from last month while the price of services also declined 0.1 per cent.

The deceleration of the CPI was relatively broad-based, although a few product categories did see a monthly increase in prices. Energy prices were down 1.2 per cent monthly. Transportation costs were down 1.0 per cent with gasoline prices also down 2.1 per cent. Food prices were down 0.2 per cent monthly with the year-over-year price increase falling from 6.3 per cent in August to 5.5 per cent in September. Durable and non-durable goods prices also declined 0.4 per cent and 0.5 per cent respectively but semi-durable goods prices increased by 1.0 per cent. Other product groups that saw a monthly increase in prices were clothing and footwear (up 1.2 per cent), shelter (up 0.3 per cent), and health and personal care products (up 0.3 per cent).

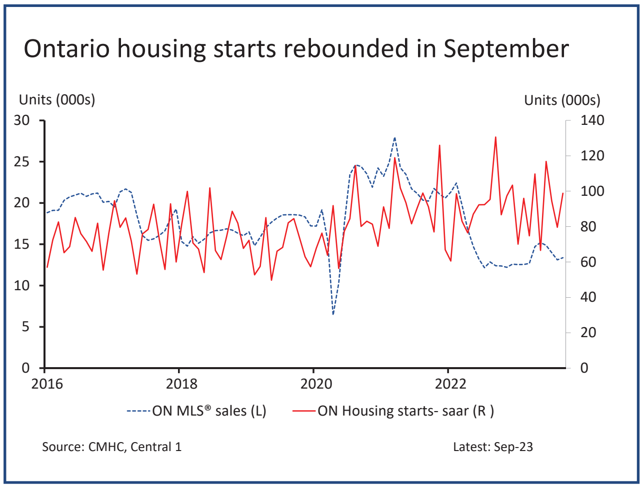
Ontario housing starts jumped higher in September following the fall last month

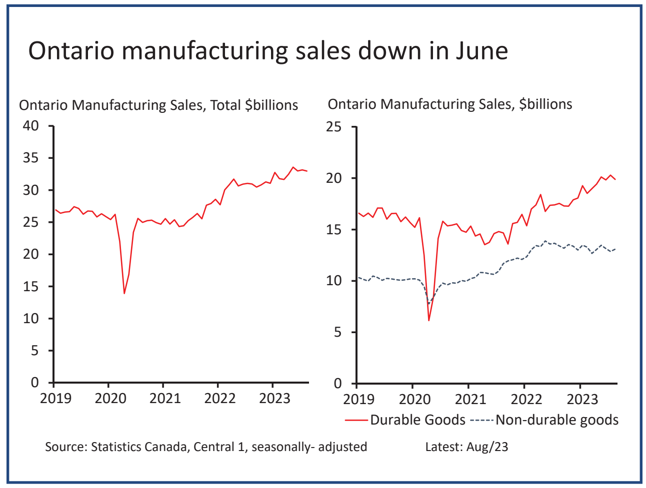
Ivy Ruan, Economic Analyst

After retreating in August, Ontario urban-area housing starts reported a surprising bounce through September, reaching a seasonally adjusted annualized pace of 98,801 units compared to 79,592 units in August. With the latest increase, provincial housing starts in September moved above the six-month moving average of 94,335 units. Both multi-family home starts (27.1 per cent) and single-detached starts (8.9 per cent) contributed to the provincial increase in housing starts.

Among census metropolitan areas (CMAs), Toronto saw an increase of 20.1 per cent in housing starts in September to an annualized 58,477 units. Meanwhile, Kitchener-Cambridge-Waterloo housing starts almost tripled in September while Ottawa also saw an increase of 33.5 per cent more housing starts during the same period. Hamilton, Windsor and Thunder Bay all reported declines of one thousand or a few hundred units, likely due to the starts of large multi-unit complexes from last month. While a variety of changes in housing starts results were reported among the rest of the regions, the number of starts among those areas was much smaller compared to the major cities.

Volatility in monthly housing starts is not unusual given the scale of multi-family projects. Despite the most recent surge, Ontario's actual unadjusted urban-area housing starts in the first nine months of





2023 decreased by 1.5 per cent to 66,295 units when compared to the same period in 2022, driven entirely by the decrease in single-detached starts (-33.5 per cent). Meanwhile, multi-family unit starts rose by 9.3 per cent to 55,038 units compared to the same period last year. In Toronto, total housing starts from January to September 2023 was up 21.5 per cent in comparison to 2022. In contrast, Ottawa recorded fewer total housing starts, down 28.0 per cent. Declines were also seen in other CMAs, such as London and Kitchener-Cambridge-Waterloo, down by 29.6 per cent and 8.8 per cent respectively.

Substantial growth in starts is somewhat surprising given market demand but largely reflects projects planned years in advance that have moved to the construction stage. High mortgage rates will continue to limit any momentum. We anticipate starts to turn lower given fewer pre-sales in the past year and high interest rates impacting the ability of buyers to purchase in the short term.

Manufacturing sales in August are down from lower durable goods sales

Alan Chow, Business Economist

Manufacturing sales edged down in the month of August. On a seasonally adjusted basis, sales were down 0.6 per cent in August when compared to July. Durable goods industries led the decline with a 2.0 per cent decline but this was partly offset by an increase of 1.7 per cent in sales of non-durable goods industries. Year to date, were still 7.2 per cent higher over the same period last year with durable goods industries up 13.9 per cent, more than enough to offset the lower level of non-durable goods sales, which are down 1.5 per cent.

Within the durable goods industries, the largest monthly decline in sales was seen in fabricated metal product manufacturing (down 8.3 per cent), miscellaneous manufacturing (down 18.3 per cent) and transportation equipment manufacturing (down 1.2 per cent). On the other hand, higher sales were seen in primary metal manufacturing (up 3.1 per cent) and machinery manufacturing (up 2.7 per cent).

Non-durable goods sales were led by higher sales in petroleum and coal products (up 9.6 per cent), plastics and rubber products manufacturing (up 6.5 per cent) and food manufacturing (up 1.8 per cent). On the other hand, chemical manufacturing saw a 5.0 per cent decline in monthly sales.

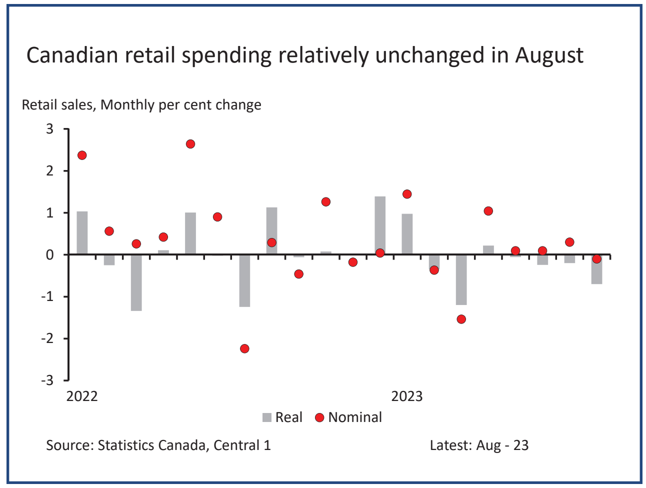
Within the metro areas, Toronto saw a 2.3 per cent increase in monthly manufacturing sales. Kitchener-Cambridge-Waterloo also saw a 6.5 per cent increase. Ottawa, Hamilton and Windsor though saw manufacturing sales decline by 4.8 per cent, 5.0 per cent and 4.5 per cent, respectively.

Ontario retail spending flat in August

Eloho Ennah, Economic Analyst

Canadian retail spending growth was tepid in August with a 0.1 per cent month-to-month decline to reach $66.1 billion. Sales decreased in six of nine subsectors, led by lower auto-related sales but year-over-year sales increased 1.6 per cent. Accounting for inflationary pressures, real spending fell 0.7 per cent. The overall trend in retail has remained rangebound since the latter months of 2022, however slackening economic activity could prompt an even stronger deceleration in consumer spending. Early estimates provided by Statistics Canada for September suggest retail sales were unchanged during the month.

Ontario's retail sales performance was listless in August. Retail sales totaled $24.7 billion and was unchanged from the previous month. Year-to-date sales were also relatively flat with only a minor increase of 0.1 per cent. Store segment data is unadjusted for seasonality, but motor vehicle and parts dealers reported an increase of 7.9 per cent in year-over-year sales in August, accelerating from the 3.6 per cent gain in the prior month. Health and personal care retailers' sales grew 10.0 per cent year-over-year. Food and beverage retailers' sales increased 5.9 per cent while clothing, clothing accessories, shoes, jewelry, luggage and leather goods retailers' sales were up by 5.1 per cent. Balancing these increases was a decline in gasoline stations and fuel vendors' sales, down 7.7 per cent, although not as much as the 15.0 per cent decline in the prior month. Building material and garden equipment and supplies dealers saw sales fall 9.5 per cent for the second month, likely in line with the slowing of activity in the province's housing market.



Adjusted for seasonal factors, Toronto metro area retail sales increased 0.3 per cent. Year to date, sales fell 0.3 per cent. Ottawa retail sales data is unadjusted for seasonality, but year-over-year sales were lessened by 3.0 per cent.

For more information, contact economics@central1.com.