Economics | Current Economic Trends

Ontario Economic Briefing

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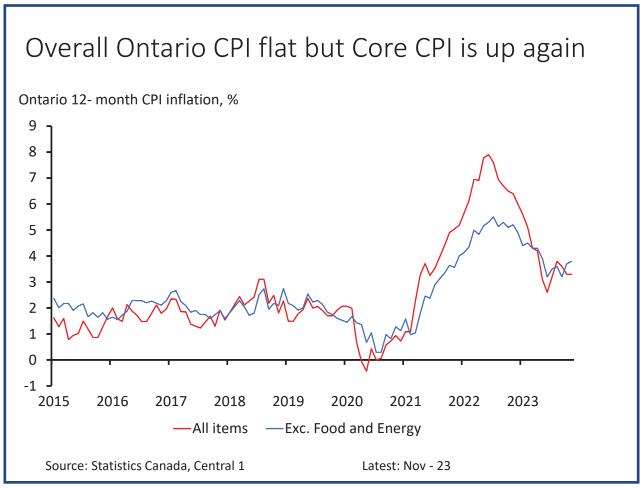
Highlights

- Annual CPI stays at 3.3 per cent.
- Core CPI moves up slightly to 3.8 per cent.
- Retail spending in Ontario increased in October by 1.0 per cent, boosted by elevated general merchandise sales
- Non-farm payroll sizes fall in October
- Number of U.S. travelers entering Ontario fell in October
- Economy growth flat in October



Ontario CPI steady, but core figure moves up

Alan Chow, Business Economist

The Consumer Price Index (CPI) in Ontario maintained its course in November, holding with a year-over-year increase of 3.3 per cent, mirroring the same change as last month. While this is lower than the national CPI rate of 3.1 per cent, it aligns both indices showing no change. On monthly basis, the Ontario CPI moved up 0.2 per cent, compared to a national increase of 0.1 per cent. Core CPI (excluding energy and food) in Ontario also rose by 0.2 per cent monthly, resulting in a year-over-year increase of 3.8 per cent in October-- a slightly slower annual growth rate than the 4.0 per cent seen in October. The price of goods rose 0.1 per cent from last month with an annual increase of 1.8 per cent. Meanwhile, the price of services rose twice the amount, with a 0.2 per cent increase for the month and annual increase of 4.6 per cent.

Non-durable goods saw an annual increase of 1.8 per cent in November, down from the 2.4 per cent annual increase seen in October. Durable goods prices increased 0.7 per cent annually, up from 0.5 per cent while semi-durable goods prices increased 1.6 per cent annually, down from 2.9 per cent. Food prices increased by 0.8 per cent for the month but the annual increase declined to 5.1 per cent from 5.7 per cent. Energy prices, however, experienced1.0 decline on a monthly basis and 6.5 per cent decline on a yearly basis. Shelter costs rose by 0.5 per cent for the month and 5.9 per cent for the year, driven by a 0.4 per cent monthly increase and 7.3 per cent annual increase in rented accommodation. Owned accommodation also saw a 0.5 per cent monthly increase and 6.8 per cent annual increase.

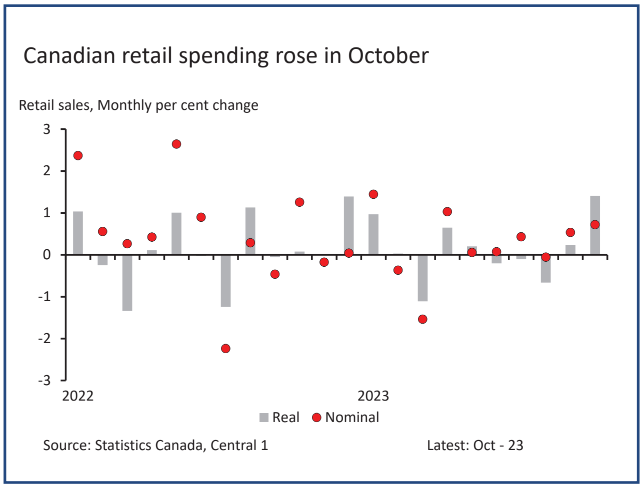
Ontario retail spending nudged higher in October

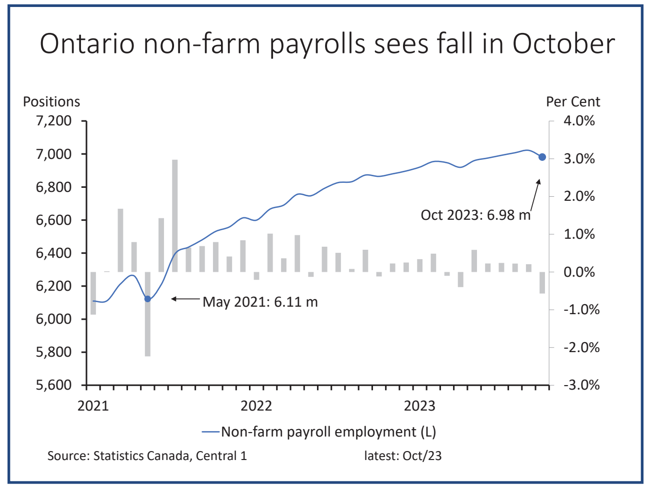
Eloho Ennah, Economic Analyst

In Canada, the retail spends continued in an upward trajectory following the rebound in the prior month. Adjusted for seasonality, retail sales edged up 0.7 per cent, reaching $66.9 billion, marking an acceleration from the 0.5 per cent increase in September. This was only faintly lower than the consensus forecast of 0.8 per cent. Retail sales had maintained range-bound figures mid-year and October's rise marked the highest monthly change since April 2023. Higher receipts at motor vehicle and parts dealers lead the increase, offsetting a significant dip in sales at gasoline stations and fuel vendors.

Core retail sales, which exclude gasoline stations and fuel vendors, and motor vehicle and parts dealers, were up 1.2 per cent in October following two consecutive monthly declines. Price-adjusted retail sales were up 1.4 per cent during the month. Early estimates from Statistics Canada for November suggests that retail sales remained unchanged, holding steady at 0.7 per cent. This suggests that consumers are tightening their purse strings due to the financial strain of high costs living costs and elevated interest rates.

In Ontario, retail sales in Ontario increased by 1.0 per cent, reaching$25 billion, primarily driven by higher receipts at general merchandise retailers. This was also the largest provincial increase during the month. Retail sales in Ontario have increased 0.4 per cent year-to-date. Although store level data is unadjusted for seasonality, motor vehicle and parts dealers reported an 8.5 per cent increase in sales, ahead





of the 1.9 per cent gain the prior month. In addition, general merchandise retailers' sales increased 4.3 per cent during the month. Food and beverage retailers' sales rose 0.7 per cent while health and personal care retailers' sales grew 14.4 per cent. In contrast, gasoline stations and fuel vendors recorded a steep decline of 13.7 per cent. Sales of building materials, garden equipment, and supplies dealers further declined by 5.1 percent, aligning with the deteriorating conditions in the province's housing market. Clothing and related item sales dipped 1.2 per cent while sporting goods, hobby, musical instrument, book, and miscellaneous retailers' sales fell 3.1 per cent.

Adjusted for seasonal factors, Toronto metro area retail sales rose 0.2 per cent on a month-over-month basis, however year-to-date sales pulled back 0.5 per cent. Ottawa retail sales data is unadjusted for seasonality, but year-over-year sales grew by 7.4 per cent.

Ontario vacancies rates fall again

Alan Chow, Business Economist

Ontario employers experienced a decline in non-farm payrolls in October. From the latest Survey of Employers, Payroll and Hours (SEPH), October reported a seasonally-adjusted decline of 0.6 per cent positions, bringing the numbers back to 6.98 million. Both goods producing industries and service producing industries reported fewer positions, with goods producing industries reporting a 0.9 per cent reduction while service producing industries reported 0.5 per cent fewer positions. The seasonally-adjusted job vacancy rate in Ontario decreased further to 3.1 per cent from 3.2 per cent, representing 211,580 unfilled positions.

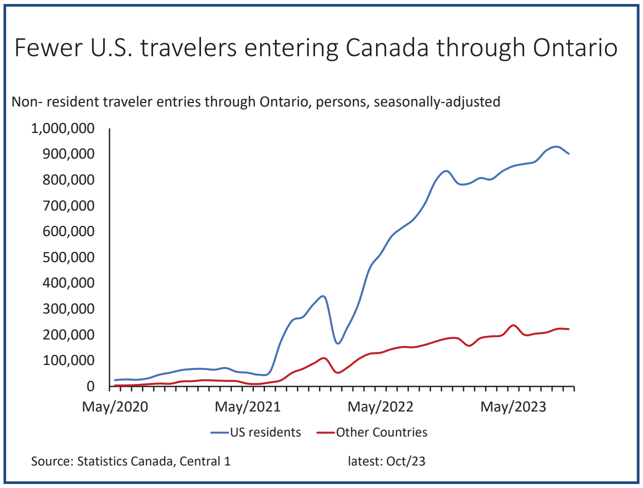
SEPH reported fewer positions in all goods producing industries. Construction industries reported 0.9 per cent or 3,600 fewer positions while manufacturing industries also reported 0.9 per cent or 6,000 fewer positions. Utilities industries also reported 0.8 or 441 fewer positions. Amongst the service producing industries, fewer positions were reported in eight of the 12 industries. Leading the way was the trade industry with 0.6 per cent or 7,100 fewer positions reported in the followed by accommodation and food services with a 1.2 per cent decline or 5,900 fewer positions. Administrative and support waste management and remediation services also experienced declines of 1.2 per cent or 4,400 fewer Offsetting these slightly, was an increase in positions reported in finance and insurance (0.7 per cent or 2,600) and health care and social assistance (0.2 per cent or 1,300).

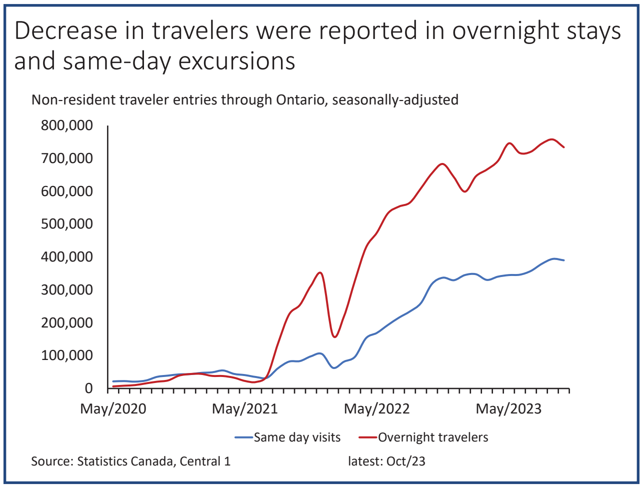
On the wage front, seasonally-adjusted average weekly earnings grew 3.7 per cent to $1,247.25 on a year-over-year basis, up 3.3 per cent from the revised numbers in September. Month-over-month average weekly earnings were also up 0.3 per cent. The annual increase in weekly average wages was lower than the national annual weekly average wage increases of 4.0 per cent.

Non-U.S. travelers to Canada through Ontario declined in October

Ivy Ruan, Economic Analyst

The number of non-resident visitors entering Canada through Ontario declined in October, pausing the positive momentum experienced over the last few months. On a seasonally-adjusted basis, there were 1.8 per cent fewer non-resident visitors in October than in September, reaching 1.123 million people. The decrease in October was driven by both same-day excursions, which were down 1.1 per cent, and by overnight stays which were down -2.1 per cent. The count of non-resident visitors to Canada constituted 88.3 per cent of the figure recorded in October 2019, marking a recovery from the impact of the COVID-19 pandemic.





The number of U.S residents visiting Canada through Ontario was down 2.3 per cent from September to October while over the same period, the number of residents from other countries edged up 0.3 per cent. Amongst the U.S. residents, the decrease in travelling was reported across travel modes. Arrivals by automobile from U.S. residents was down 2.1 per cent while the number of those who arrived by airplane dropped 1.0 per cent. Other modes of transportation were also down 11.2 per cent following an increase in previous months. Residents from other countries saw a 4.8 per cent decline when coming by air and saw a 13.8 per cent drop when coming by land or water. Despite the monthly decline, the results in Ontario were aligned with the national trend as tourism recovered well for both U.S. visitor and travelers from other countries.

Overall manufacturing up, but finance sector and transportation manufacturing down

Alan Chow, Business Economist

Canada's real industry gross domestic product (GDP) experienced no growth in the month of October. Goods producing sectors and services producing sectors saw virtually no change. Advance estimates for the month of November suggest similar with only a 0.1 per growth in GDP.

The finance and insurance sector remained flat in October. However, on a year-over-year basis it was up 0.8 per cent. Financial investment services saw some growth, increasing by 0.5 per cent. But because this sector only contributes about 16 per cent of the GDP in the financial and insurance sector, and the other sectors showed no change, the overall growth was less than 0.1 per cent.

Manufacturing saw a monthly decrease of 0.6 per cent, reversing last month's increase and continuing the decline that it has now experienced in four out of the last five months. Chemical manufacturing saw a monthly increase of 3.1 per cent. However, transportation equipment manufacturing saw a monthly decline of 1.9 per cent, driven by weaknesses in motor vehicle parts manufacturing (down 1.6 per cent), and overall motor vehicle manufacturing (down 1.2 per cent). Contributing factors include shutdowns in plants in the US for retooling, leading to g in lower exports. These factors are likely to persist over the next few months and may remain closed through the holiday season.

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