



Highlights

- Ontario's inflation rate falls from 3.4 per cent to 2.7 per cent in January
- Retail spending in Ontario was unchanged in November, better than the decline seen nationally
- Number of travelers entering Ontario increased in December

Inflation in Ontario slowed in January

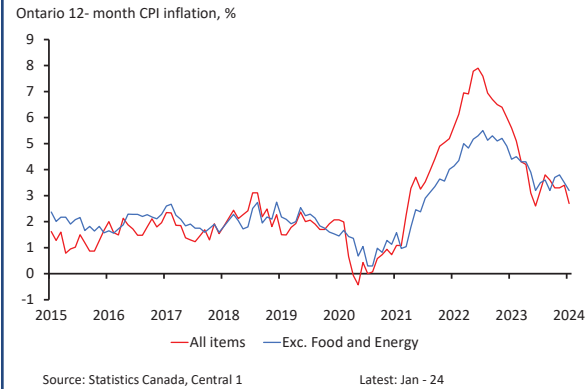
Eloho Ennah, Economic Analyst

January brought good news as consumer price inflation slowed in Ontario. The consumer price index (CPI) rose 2.7 per cent on a year-over-year basis, decelerating sharply from the 3.4 per cent pace seen in December. This also marked the shallowest reading since June 2023. On a monthly basis, the price level declined slightly by 0.1 per cent, although this is unadjusted for seasonality. Core CPI, which excludes food and energy, also slowed, now reaching 3.2 per cent.

Among CPI components, gasoline prices experienced the most significant pullback on a year-over-year basis, falling by 3.1 per cent, following a 1.9 per cent uptick led by the base year in December. However, transportation costs still increased by 1.8 per cent year-on-year, energy costs declined 4.0 per cent. Price growth in food slowed yearly to 3.3 per cent in January. In addition, growth in year-over-year shelter prices decelerated from 5.4 per cent to 5.2 per cent. That said, monthly shelter prices increased 0.3 per cent. Prices for household operations, furnishings and equipment also rose by 0.2 per cent during the month.

Goods prices increased in January by 1.4 per cent on a year-over-year basis while prices of services increased by 3.8 per cent. Prices of items related to recreation, education and reading were unchanged and alcoholic beverages, tobacco products and recreational cannabis prices increased 4.2 per cent.

Ontario Inflation falls to 2.7 per cent in January

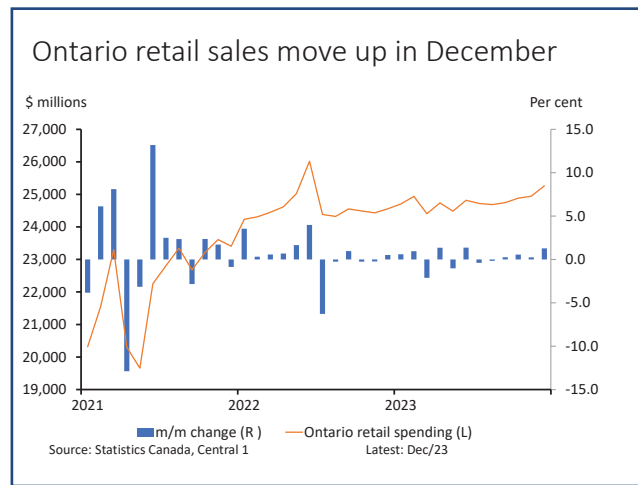


On the national front, this month's soft reading was better than consensus forecast of 3.3 per cent, signaling a reduction in inflationary pressure in Canada. Headline CPI reached 2.9 per cent, a sharp decline from 3.4 per cent in December. The deceleration was as a result of lower year-over-year prices for gasoline, food products, airfares, and travel tours. On a monthly basis, the seasonally-adjusted CPI decreased 0.1 per cent and was the first monthly downtick since May 2020.

Ontario retail spending flat in November

Alan Chow, Business Economist

Retail spending in Canada reported a surprisingly robust end to 2023. Seasonally-adjusted retail sales rose 0.9 per cent for the month to \$67.3 billion. Five out of the nine subsectors saw higher sales. The increase was led by a large growth in automobile and parts sales as well as sales at general merchandise stores, which were up 1.9 per cent and 2.7 per cent respectively. On the other hand, lower sales were seen at furniture, home furnishing, electronics and appliance retailers (down 2.7 per cent), and health and personal care retailers (down 1.6 per cent). In 2023, total retail sales increased by 2.1 per cent from 2022 at \$793 billion, with motor vehicle and parts sales rising by 7.0 per cent and health and personal care sales increasing 8.6 per cent. Offsetting these gains was a 9.9 per cent decline in sales from gasoline stations and fuel vendors and an 8.0 per cent decline in building material and garden equipment and supplies. Five out of the nine subsectors saw higher sales for the year.



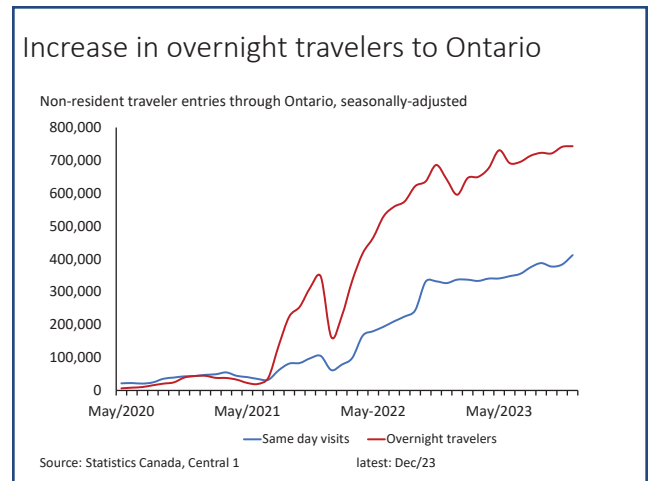
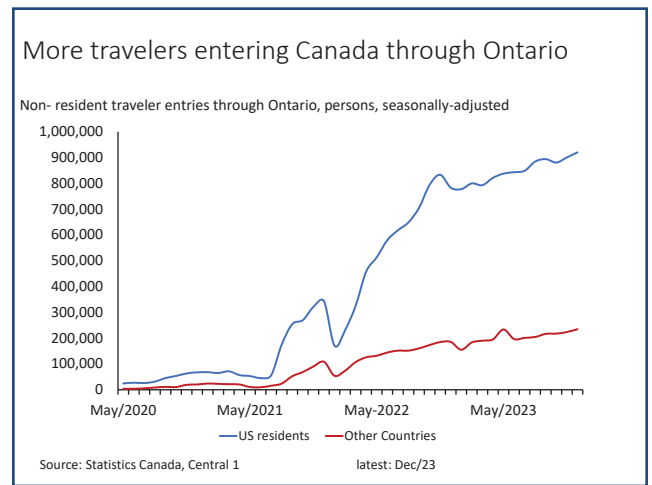
In Ontario, seasonally-adjusted retail sales rose 1.3 per cent from November to \$25.3 billion. This was the fourth month in a row that retail sales increased. That said, full-year sales were sluggish and up only 0.6 per cent to \$297 billion with five out of the nine subsectors seeing higher sales as economic conditions lagged. Leading the way were higher sales among motor vehicle and parts dealers, which were up 5.5 per cent. This was followed by higher sales for health and personal care retailers, up 9.8 per cent, and then by food and beverage retailers, up 3.7 per cent. Conversely, lower sales for the year were seen at gasoline stations and fuel vendors, down by 9.8 per cent, and building material and garden equipment dealers, down 10.1 per cent.

Regionally, the Toronto metro area reported a seasonally-adjusted retail sales decline of 0.8 per cent on a month-over-month basis in December. For entire year of 2023, there was no change in retail sales compared to 2022. In contrast, retail sales in Ottawa rose by 1.2 per cent in 2023; however, only four out of the nine subsectors reported higher sales.

Same day excursions increase while overnight tourist numbers remain flat

Alan Chow, Business Economist

In December, the number of non-resident visitors entering Canada through Ontario increased for the second consecutive month. On a seasonally-adjusted basis, there were 2.7 per cent more non-resident visitors in December than in November, reaching a total of 1.15 million people. The increase in December was primarily driven by same-day excursions, which rose 7.4 per cent, while overnight tourists also saw an increase, albeit by only 0.3 per cent. The count of non-resident visitors to Canada constituted 86.1 per cent of the average monthly seasonally-adjusted figures in 2019.



The number of U.S. residents visiting Canada through Ontario was up 2.1 per cent from November to December and represents about 919,982 persons, which is about 85.6 per cent of the monthly average seen in 2019. Over the same period, the number of residents from countries other than the U.S. increased by 4.9 per cent, totaling 234,768 persons, which accounts for approximately 88.1 per cent of the monthly average observed in 2019. Among U.S. residents, there was a decline in overnight tourists of 1.5 per cent, which was more than offset by the 7.4 per cent increase in U.S. residents going same-day excursions. Air travel from U.S. residents to Ontario declined 5.6 per cent while automobile and other modes increased 4.0 per cent and 4.4 per cent respectively. Residents from countries other than the U.S. saw a 4.9 per cent increase, with same-day excursions rising by 7.5 per cent and overnight tourist numbers increasing by 4.8 per cent. The number of non-residents from countries other than the U.S. who arrived by air during the month increased by 4.1 per cent, while over the same period, there was a 7.6 per cent increase in those who arrived by land and sea.

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