Economics | Current Economic Trends

Ontario Economic Briefing

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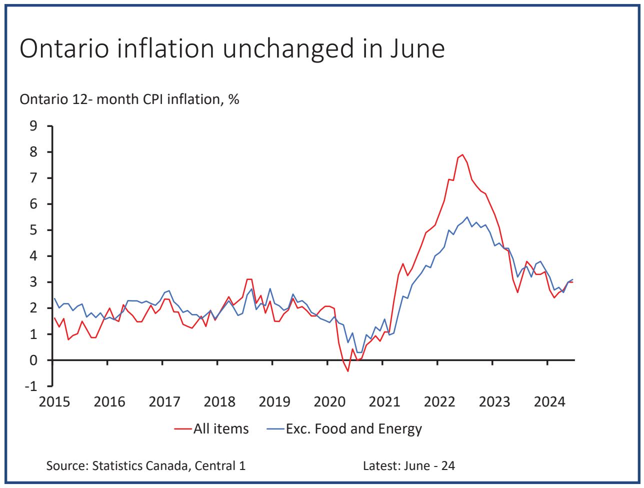
central 1 Economics

Highlights

- Ontario inflation rate came in at 3.0 per cent in June
- Retail spending slows in Canada and Ontario
- Ontario manufacturing sales edged up in May
- Housing starts down in Ontario



Inflation in Ontario unchanged in June

Eloho Ennah, Economic Analyst

Inflation in Ontario was unchanged in June at 3.0 per cent on a year-over-year basis, same as the prior month and above the national reading of 2.7 per cent. Growing shelter and services prices contributed mainly to the year-over-year growth. Core inflation, which excludes food and energy prices, also came in at 3.1 per cent, up slightly from 3.0 per cent in May.

Year-over-year, shelter prices grew by 5.8 per cent, although they slowed from 6.1 per cent in May. High rented and owned accommodation costs contributed to this gain. On a month-to-month basis, growth in prices for household operations, furnishings, and equipment also slowed. Year-on-year growth in gasoline prices decelerated significantly from May, up by 1.9 per cent after posting a 6.2 per cent gain. This was due to lower underlying oil prices and curbing of future OPEC production cuts. In addition, transportation and energy indices eased, up by 3.0 per cent and 2.1 per cent, respectively.

Food prices rose in May by 3.1 per cent. Prices of goods rose by 0.9 per cent while prices of services also remained elevated, growing by 4.6 per cent. Items related to recreation, education and reading posted a price increase of 1.0 per cent while alcoholic beverages, tobacco products and recreational cannabis prices also increased by 3.2 per cent. The price of health and personal care items also increased by 2.9 per cent.

Broad base slowdown in retail sales

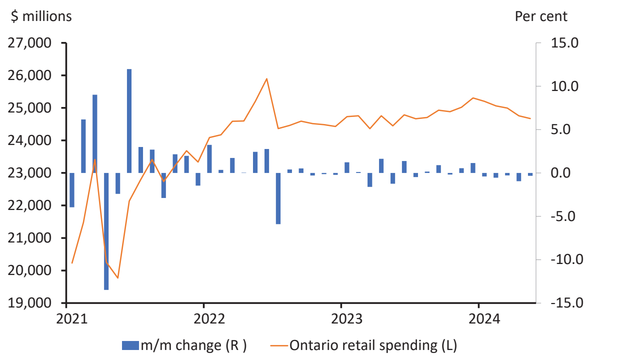
Alan Chow, Business Economist

Consumer demand weakened as real sales declined. Seasonally adjusted sales decreased 0.8 per cent in May from April to $66.1 billion. This was the lowest monthly sales this year and the lowest monthly sales since August 2023. Year to date, unadjusted sales are up 1.7 per cent, down from last month's 1.9 per cent.

In May, eight out of the nine subsectors saw lower sales compared to the previous month. The weakness was highest in food and beverage retailers, down 1.9 per cent, followed by building material and garden equipment and supplies dealers, down 2.7 per cent. Rounding out the top three is general merchandise retailers, down 1.0 per cent. The only subsector that saw an increase in sales was the motor vehicle and parts dealers, which were up 0.8 per cent.

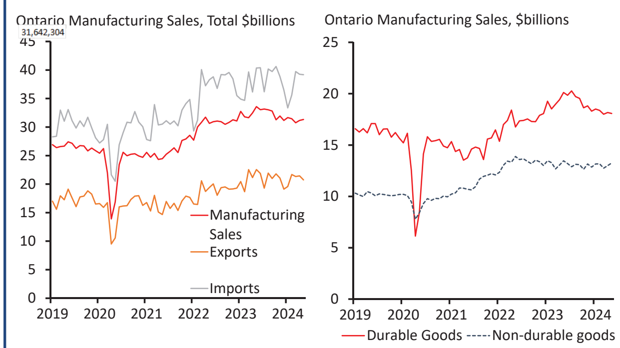
Ontario also saw weakness, but to a lower magnitude. Seasonally adjusted retail sales fell 0.3 per cent in May from April. This was the fifth month in a row seasonally adjusted retail sales declined, resulting in the provinc-es lowest sales month this year and the lowest since July 2023. Despite the recent decline, year to date unadjusted retail sales in Ontario are up 2.0 per cent over the same period compared to last year, although that's a slowdown from last month's 2.3 per cent.

Ontario retail sales slide again in May



Source: Statistics Canada, Central 1 Latest: Apr/24

Ontario manufacturing sales edged up in May



Source: Statistics Canada, Central 1, seasonally- adjusted Latest: May/24

Six out of the nine subsectors in Ontario reported higher year over year unadjusted sales in May. General merchandise retailers reported a year over year increase of 4.3 per cent to $3.9 billion. Motor vehicle and parts dealers also saw sales climb 1.8 per cent to $8.0 billion. Health and personal care retailers saw sales increase 7.2 per cent to $2.0 billion. Top subsectors that saw a monthly decline in sales was building material and garden equipment and supplies dealers, down 8.0 per cent to $1.8 billion, and sporting goods and hobby retails, down 9.5 per cent to $1.4 billion. Year to date, sales are down in five out of the nine subsectors.

Regionally, the Toronto metro area saw seasonally adjusted retail sales increase 0.3 per cent on a month-over-month basis in May 2024, although year over year unadjusted monthly sales decreased by 0.9 per cent. On the other hand, year to date unadjusted sales are up 0.8 per cent to $53.6 billion. Ottawa saw unadjusted monthly sales increasing 1.3 per cent year over year, with year-to-date sales up 4.4 per cent to $10.0 billion.

Advanced estimates for June suggested sales declined further but this figure is likely to be revised.

Non-durable goods sales led the May increase in manufacturing sales

Ivy Ruan, Economic Analyst

Ontario manufacturing sales rose by 0.5 per cent in May, following the minimum increase seen in April. On a seasonally adjusted basis, sales increased to $31.3 billion. Non-durable goods industries led the overall increase in sales as they were up 2.0 per cent while durable goods industry sales declined 0.5 per cent. On a year-over-year basis, Ontario manufacturing sales were 3.6 per cent lower than last May.

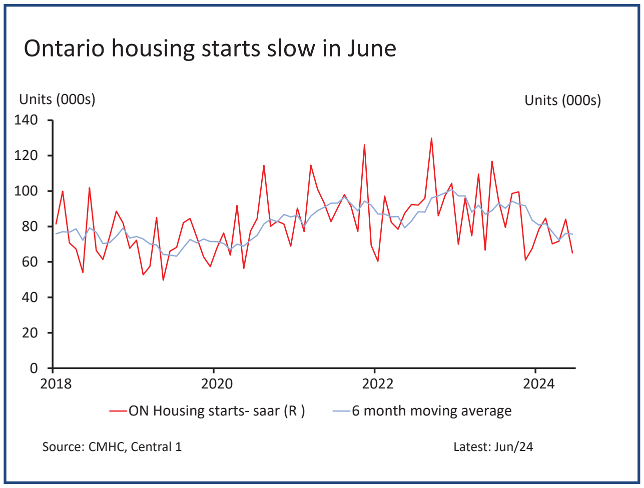
Within the durable goods industries, the monthly decline in manufacturing sales was led by the 4.3 per cent decrease seen in fabricated metal product manufacturing, the fourth largest manufacturing segment in the province. May marked the lowest sales level in fabricated metal product manufacturing since July 2022. Lower sales (-0.9 per cent) were also seen in transportation equipment manufacturing. Machinery manufacturing paused the growing momentum in 2024, with 1.4 per cent monthly decrease recorded in May. On a yearly basis, both durable goods (-9.7 per cent) and non-durable goods (-1.2 per cent) industries in Ontario posted lower manufacturing sales this May.

Within the metro areas, results in manufacturing sales were mixed across regions. Following the consecutive monthly growths, Hamilton reversed the monthly decline in April, with 7.5 per cent more manufacturing sales recorded in May. Windsor experienced a 1.0 per cent decline following last month's surge in sales. Manufacturing sales in Toronto slipped, with a decrease of 3.5 per cent following last month's increase. With the monthly changes, Toronto's sales level was down 10.6 per cent compared with last May.

Both single family homes and multifamily homes slow

Alan Chow, Business Economist

Ontario's urban centres housing starts plunged in June. On a seasonally adjusted basis and at an annual rate, Ontario saw 65,094 housing starts in May compared to the 84,097 seen in May 2023, which represents a 22.5 per cent decline. A weak resale and pre-sale housing market, high interest rates and elevated construction costs are holding back project starts. This month was also the lowest rate seen this year and brings down the 6-month average from 76,136 to 75,707. Single family units saw a monthly



decline of 7.0 per cent from 12,899 units to 11,992 units while multifamily units saw a decrease from 71,198 units to 53,102 units. Nationally, housing starts in June were 9.4 per cent lower than in May. For the second quarter, Ontario saw housing starts at an annualized rate of 72,632, down from first quarter's rate of 78,062 or 7.0 per cent, and down from 2023 second quarter's rate of 98,118 or 26.0 per cent. Nationally, second quarter housing starts were down 1.8 per cent compared to the first quarter but unchanged from a year earlier.

Of Ontario's 16 metro areas, nine saw a decline in housing starts for the month. Toronto recorded an annual rate of about 34,338 housing starts in June 2024, a decline of 36.7 per cent from 54,280. Ottawa saw 6,072 units started in June, down from the 8,215 units started in May. Hamilton saw its rate of housing starts fall back to 248 from the year high of 5,368 housing starts in May. On the other hand, London saw housing starts up from 1,792 units to 2,474 units. Oshawa saw 2,842 housing starts, up from last month's 1,891 starts. Kitchener-Cambridge-Waterloo bounced back and saw 6,937 housing starts, up from the 766 last month.

Year to date actual housing started (unadjusted) as June 2024 was 36,371 units, down 14 percent from the 42,209 units seen over the same period last year. The number of multifamily units started was 30,871, down from the 35,018 units seen last year. The number single detached homes started was down even more, with 5,500 housing units compared to 7,191 housing units started a year earlier. Only seven out of the 16 metro areas are showing more housing starts this year over last year. Nationally, housing starts are up 7.0 per cent year to date. Ontario is one of the four provinces seeing fewer housing starts year to date.

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