



Highlights

- Ontario inflation fell slightly in November, down to 1.8 per cent
- Home sales in Ontario up by 2.2 per cent; prices rise by 0.5 per cent
- Housing starts slows in Ontario
- Ontario non-farm payroll down by 0.2 per cent in October
- Job vacancies fell to the lowest since December 2016
- Results for long-term and short-term optimism mixed in Ontario; overall business optimism still subdued in province
- Country-wide business optimism dips in December

Ontario inflation dipped marginally in November

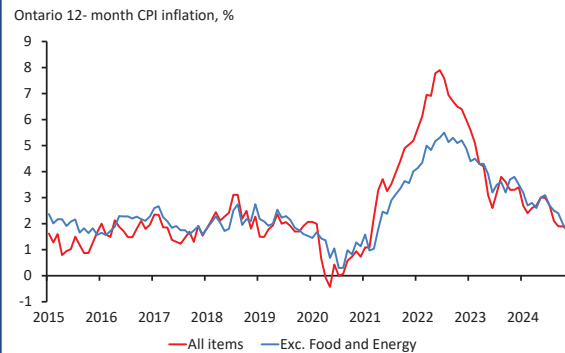
Eloho Ennah, Economic Analyst

Inflation in Ontario slipped in November. Headline inflation rate fell to 1.8 per cent, slightly below the 1.9 per cent noted in the prior month. Core inflation, which excludes food and energy, slowed from two per cent to 1.7 per cent in November. Nationally, headline inflation was 1.9 per cent.

Shelter prices are still elevated, growing by 4.4 per cent, same as in October. That said, there has been a downward trend in year-over-year inflation since May 2024. Food prices grew on a year-over-year basis to 3.2 per cent after the 3.5 per cent increase in October. Prices for health and personal care items increased by 2.9 per cent, while services prices increased by 3.3 per cent.

Gasoline prices also increased by 2.1 per cent on a year-over-year basis in November, after declining by 1.1 per cent in October. Energy prices were relatively unchanged while prices for transportation increased by 2.1 per cent. Goods prices were unchanged while prices of items related to recreation, education and reading fell by 2.1 per cent. Conversely, alcoholic beverages, tobacco products and recreational cannabis prices also increased by 2.1 per cent.

Ontario inflation falls in November



Source: Statistics Canada, Central 1

Latest: Nov - 24

Ontario housing market momentum continued into November

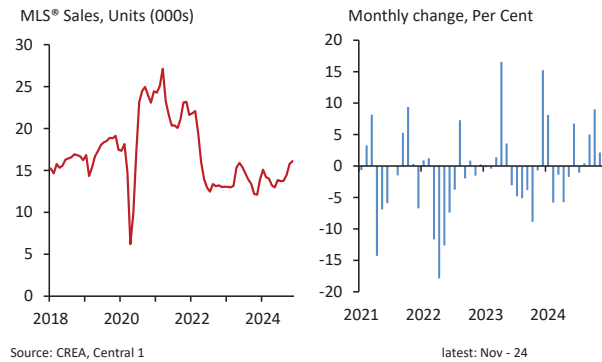
Eloho Ennah, Economic Analyst

Ontario housing market activity firmed in November as home sales continued to rise. Home purchases in the province grew by 2.2 per cent, up to 16,101 units during the month. Although this slowed from nine per cent in October, the three-month trend remained positive. Year over year, sales jumped by 33.0 per cent. Consecutive Bank of Canada rate cuts is driving more activity in the housing market and strengthening demand as buyers hop back into the market.

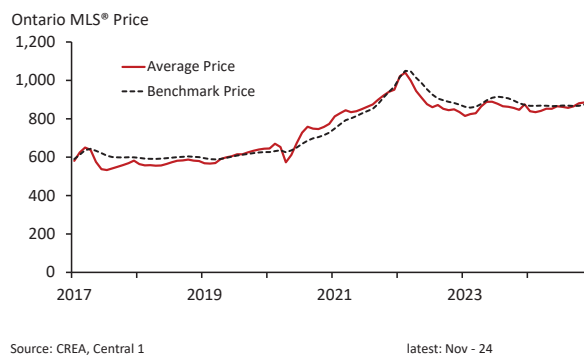
Activity was largely positive in Ontario's economic regions where the monthly sales figures were provided. Toronto saw home sales increase by 2.6 per cent, after a 12.1 per cent gain in October. Home purchases also increased in Muskoka-Kawarthas (5.6 per cent), Kitchener-Waterloo-Barrie (8.0 per cent), Windsor-Sarnia (5.1 per cent), Stratford-Bruce Peninsula (14.4 per cent) and the Northwest (7.3 per cent). In contrast, sales fell in London and the Northeast, down 5.9 per cent and four per cent, respectively. That said, year-over-year numbers in all regions were significantly higher in November and the three-month trend maintained a positive pace. Year-to-date, home purchases are higher in almost all regions, except for Muskoka-Kawarthas.

Home values held firm in Ontario, up by 0.5 per cent to \$884,782. However, this was still 15 per cent lower than the February 2022 peak. Ontario's economic regions noted mixed trends in home price changes

Ontario home sales continue to rise in November



Home values increase in Ontario



during the month. Prices remained the highest in the Toronto economic region but fell by 0.6 per cent to \$1.12 million. Prices in the region have trended lower for the past three months. Monthly price declines were also seen in Muskoka-Kawartha, Kitchener-Waterloo-Barrie and the Northwest. Other areas saw higher prices.

Average prices can mask compositional sales effects. Considering home attributes and product composition, the benchmark price index showed a 0.7 per cent gain in November and was up specifically in areas like Toronto (0.8 per cent), Kitchener-Waterloo (1.2 per cent) and London & St. Thomas (1.1 per cent). Over a year, Ontario benchmark prices have lessened by 0.8 per cent.

Residential new listings in Ontario fell for a second month, by 0.9 per cent in November. Market conditions are still balanced with the sales-to-new listings ratio at 48.6 per cent. We anticipate continued growth in home sales through 2025 in tandem with further rate cuts during the year. In addition, new measures to support housing sales such as availability of 30-year amortization products for first-time home buyers and higher mortgage insurance caps will also sustain an uptick

in sales. That said, affordability constraints are still prevalent, and housing supply is still insufficient and likely supporting uplifted prices in the near term.

****Note:** November data not provided for Ottawa, Kingston-Pembroke, and Hamilton-Niagara Peninsula economic regions as some real estate board did not report for the month. May be revised at a later date.

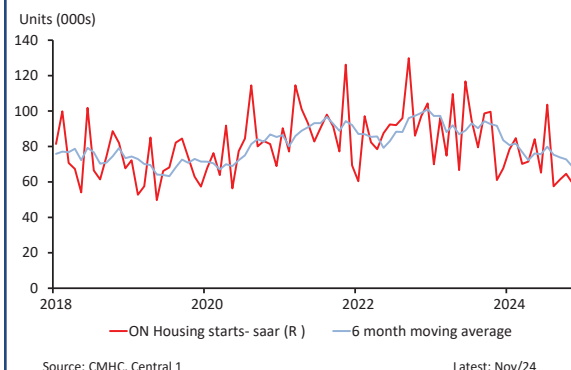
Both multifamily units and single-family units starts declined in November

Alan Chow, Business Economist

Ontario housing starts slowed in November. On a seasonally adjusted annualized basis, 59,350 homes were started in November, down 8.1 per cent from the previous month. This is the second slowest month so far this year. The second half of the year has been particularly slow, with a monthly average of 69,280. Removing the month of July, the figure drops down to 60,701. Multifamily dwelling starts were down 9.9 per cent to 44,399 units while single detached homes were down 2.4 per cent to 14,951 units. Nationally, housing starts rose 9.1 per cent from the previous month. Housing starts have been particularly strong in Alberta and Quebec.

Despite the overall decline, 10 out of the 16 metro areas in Ontario saw an increase in housing starts this month. Toronto saw the rate of housing starts decline to 26,716 units. This was the third slowest rate of monthly housing starts this year. Ottawa saw 8,957 units started in November. Starts has been strong in the second half of the year for the metro area with a monthly average of 10,423 vs 5,840 in the first half of the year. Hamilton saw a rate of 952, the lowest rate in the last five months. London saw housing starts drop to a rate of 2,150 while Kitchener-Cambridge-Waterloo saw housing starts fall to 944. Both numbers represent the second lowest monthly rate this year for the metros.

Ontario housing starts slow in November, trend continues downward



Year-to-date actual housing started (unadjusted) as November 2024 was 67,111 units, down 16.5 per cent from the 80,389 units seen over the same period last year. The number of multifamily units started was 54,745 units, down 17.5 per cent from the 66,353 units seen last year. The number of single detached homes started was down to 12,366 housing units, compared to 14,036 housing units started a year earlier, representing a 11.9 per cent decline. Only five out of the 16 metro areas are showing more housing starts compared to last year. Those areas are Greater Sudbury, London, Peterborough, Thunder Bay and Windsor. Ontario is one of the two provinces seeing fewer housing starts year-to-date compared to the previous year. The other province is B.C. Nationally, housing starts are up 2.9 per cent year to date.

Ontario payroll counts declined slightly in October

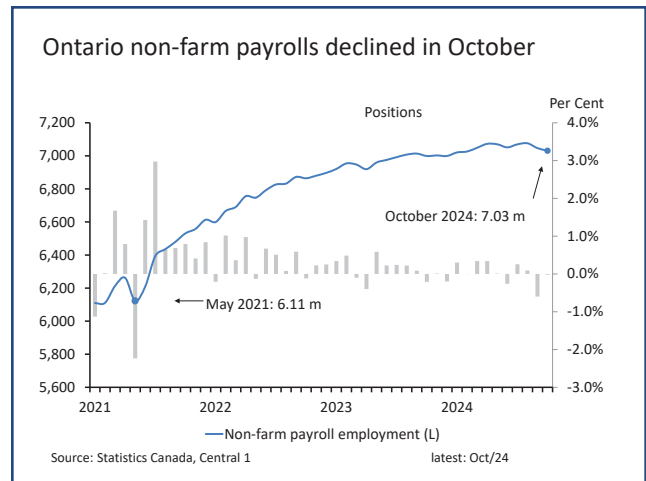
Ivy Ruan, Economic Analyst

Employee headcount in Ontario declined modestly in October following the decrease in the previous month. According to the latest Survey of Employers, Payroll and Hours (SEPH), payroll counts decreased by 0.2 per cent or 15,530 positions, bringing the total number of payrolls to 7.03 million in the province, the lowest level since this February. Services sector payrolls lost 12,124 positions (-0.2 per cent) while the goods sector saw a minimum decrease of 1,359 positions (-0.1 per cent).

The job vacancy rate in Ontario remained at 2.5 per cent in October, representing 168,665 vacant positions. The job vacancy rate has seen a sustained downtrend since early 2024, falling towards pre-pandemic levels and October marked the lowest job vacancies December 2016.

The Labour Force Survey (LFS) recorded a minimum decrease in employment of 0.1 per cent (month-over-month (-10,900 persons) and 0.2 per cent labor force decrease in October. It is important to note that while multiple job holders are counted once in the LFS, they appear as multiple entries in payroll records. That said, trends from both the SEPH and LFS align in the long run.

Amongst the goods producing industries, the manufacturing sector reported a decline of 3,620 positions or 0.5 per cent while the construction sector added 1,883 more positions (0.5 per cent) during the month. Within the services sector, the educational service sector saw the largest decline, with 5,424 fewer positions (-1.0 per cent) following the notable decline during the previous



month, while the professional, scientific and technical services sector also noted 3,190 fewer positions (-0.6 per cent). In contrast, public administration sector recorded 2,649 more payroll counts during the month.

On the wage front, seasonally adjusted average weekly earnings in Ontario went up 0.4 per cent to \$1,316.90 in October. On a year-over-year basis, September's average earnings in Ontario were 5.8 per cent higher.

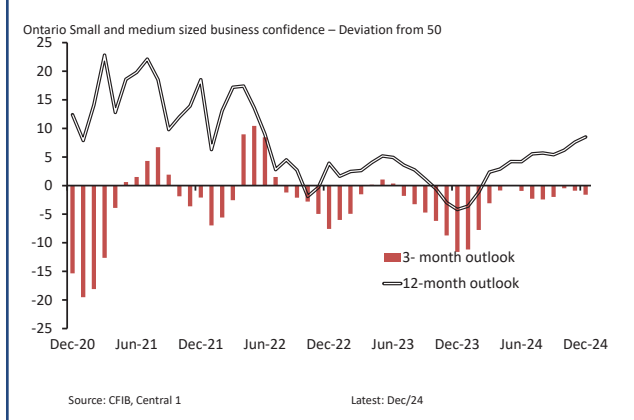
Small business optimism still tamped in Ontario in December

Eloho Ennah, Economic Analyst

Optimism among Small and Medium-sized Enterprises (SMEs) in Canada worsened in December, according to the Canadian Federation of Independent Business (CFIB) Barometer Survey. The long-term 12-month confidence index fell by 3.4 points to 56.4 points and is still below the historical average of 60.0 points. The short-term index also declined by 4.7 points to 46.6 points. Business owners' expectations have dampened following news of potential US tariffs, uncertainty around the temporary GST holiday and the Canada Post strike. The general state of business health reported by most SMEs was "satisfactory". 51 per cent of businesses continue to report insufficient demand as the main limitation to sales growth, trending up since early 2023. Inadequate levels of skilled and unskilled labour still weigh on business sales and production as well.

The survey also noted that national average price expectations increased marginally from 2.5 per cent to 2.6 per cent. This has grown since September 2024, when price growth expectations were the lowest in the year at 2.3 per cent. That said, average wage increases plans continued to moderate, falling from 2.5 per cent to 2.2 per cent in December.

Small business long-term still dampened in Ontario



Levels of optimism, for both the short- and long-term varied across provinces as most business owners remain cautious. Ontario reported stagnant optimism amongst small businesses with both confidence indices seeing modest change in December. The 12-month confidence index rose by 0.9 points to 58.5 points while the short-term index also declined by 0.7 points to 48.4 points.

Nevertheless, more businesses in the province reported good state of business health, up from 30 per cent to 34 per cent while those planning to employ more staff increased. Insufficient demand, shortages of skilled labour were top of the f constraints to sales or production growth for businesses in the province. Limited working capital and physical space also limited sales growth. Tax/regulatory costs, insurance and wage costs were the top input cost constraints while fuel, occupancy and borrowing costs were also on this list of constraints.

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