Economics | Current Economic Trends

Ontario Economic Briefing

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central 1 Economics

Highlights

- Ontario inflation held in January at 1.8 per cent
- Housing starts down in Ontario in January
- Retail spending marked largest increase in 2024 in December, up by 2.5 per cent in Canada
- Ontario retail sales rose by two per cent on higher motor vehicle and parts dealers' sales
- Home sales in Ontario decreased by 4.4 per cent; prices slide lower in January

Ontario inflation remained the same in January

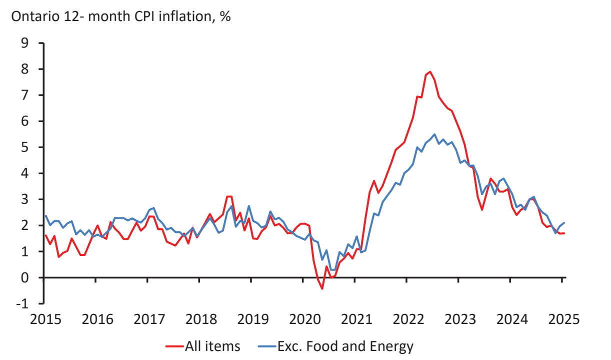
Alan Chow, Business Economist

Ontario inflation held steady in January 2025. The headline inflation rate remained identical to December at 1.7 per cent, year over year. However, excluding gasoline, inflation declined from 1.6 per cent in December 2024 to 1.5 per cent in January 2025. Core inflation, which excludes food and energy, grew from two per cent to 2.1 per cent. Nationally, headline inflation edged up to 1.9 per cent from 1.8 per cent.

Year over year, shelter prices growth moved up in January from 4.1 per cent in December to 4.2 per cent in January. This was the first time that it increased since May 2024. Food prices declined on a year-over-year basis by 1.8 per cent, due to the temporary GST/HST break which extends to February 15, impacting some taxed items and restaurant meals. Alcoholic beverages, tobacco products and recreational cannabis prices fell by 3.6 per cent as alcohol was also one of the items affected by the tax break. Clothing and food wear prices were also down by2.1 per cent. Clothing and footwear have declined since February 2024.

Gasoline prices also increased by 8.1 per cent on a year-over-year basis in January. They were also up 2.7 per cent over the previous month. Energy prices went up by five per cent while prices for transportation increased by 3.8 per cent. Goods prices were up 0.5 per cent while the price of services increased 2.6 per cent, although the year -over- year price growth has been declining since June 2024.

Ontario headline inflation flat in January



Source: Statistics Canada, Central 1 Latest: Jan - 25

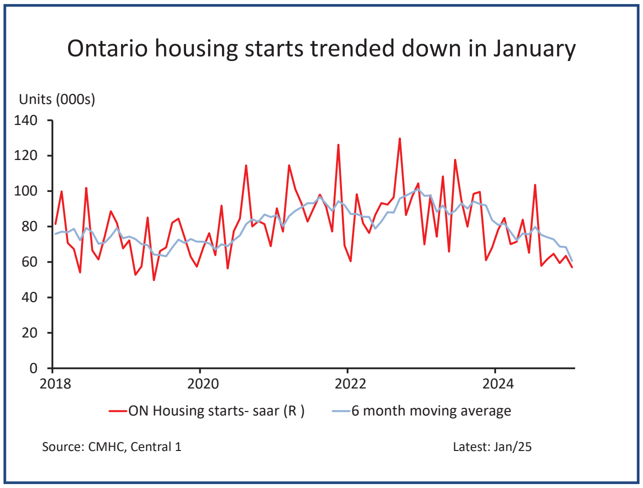
Multifamily and single-detached housing starts declined in Ontario

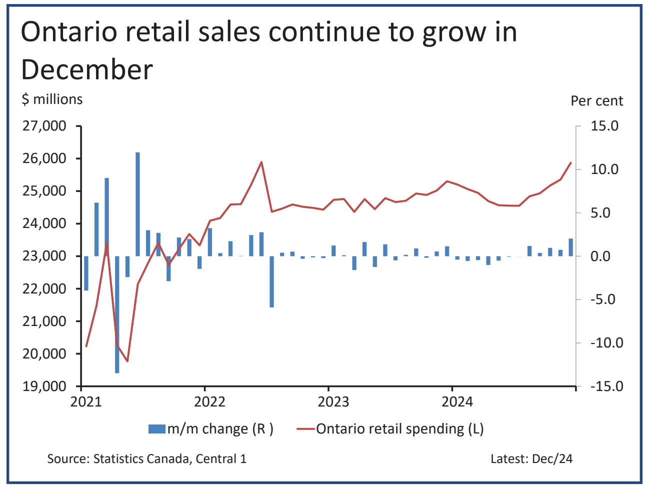
Ivy Ruan, Economic Analyst

Ontario experienced a slowdown in housing starts in January, following the gains recorded in December. On a seasonally adjusted annualized basis, housing starts fell 10.2 per cent to 56,997 units. Multifamily starts dropped 6.7 per cent to 47,571 units, while single-detached homes saw a sharper decline of 24.3 per cent, falling to 9,426 units. Nationally, housing starts increased by 3.1 per cent month-over-month, with multifamily starts rising by 3.9 per cent and single-family starts dipped 2.4 per cent. The national growth was led by Quebec, offsetting declines in B.C. and Ontario.

Of Ontario's 16 metro areas, 11 recorded declines in the seasonally adjusted annualized rate of housing starts in January. However, Toronto stood out with housing starts rebounding to 29,129 units, recovering from a three-year low recorded in December. Conversely, Hamilton saw a sharp drop, with starts plummeting to 424 units, after reaching its highest monthly rate in 2024 just a month earlier. London, Windsor, and Barrie also experienced significant declines. Brantford, however, posted a surge to 3,102 units, likely driven by the commencement of a large multi-unit project.

On an unadjusted basis, Ontario's housing starts fell sharply, declining 29.0 per cent year-over-year. In January 2025, 4,070 units were started compared to 5,734 units in January 2024. Multifamily starts





led the decline, falling 29.5 per cent to 3,575 units from 5,073 units the previous year. Single-family starts also dropped by 25.1 per cent, from 661 to 495 units. Toronto saw a notable 40.9 per cent decrease in housing starts compared to January 2024, while Ottawa bucked the trend, more than doubling its housing starts year over year. Across Canada, housing starts rose by seven per cent year over year in January 2025. Multifamily starts increased by 7.9 per cent, while single-family starts grew by 2.4 per cent.

Ontario monthly retail sales increased in December

Eloho Ennah, Economic Analyst

Canadian retail sales grew by 2.5 per cent to $69.6 billion on a seasonally adjusted basis in December, following several months of minor changes. The larger-than-expected gain also marked the highest monthly increase since early 2023, spurred by higher sales in all subsectors, particularly food and beverage retailers and motor vehicle and parts dealers. Core retail sales, which do not include gasoline stations and fuel vendors, motor vehicle and parts dealers also increased by 2.5 per cent.

In addition, price-adjusted retail sales were up 2.5 per cent during the month. The GST/HST holiday which went into effect during the busy holiday month likely drove the surge in sales seen in December. That said, economic uncertainty stemming from US-Canada trade tensions may suppress any bubbling momentum as consumer confidence retreats. Estimates for January 2025 retail sales suggest a 0.4 per cent decline during the month.

Retail sales sustained a positive trend for the most part of 2024. Yearly sales increased by 1.3 per cent due to higher sales at motor vehicle and part dealers (2.9 per cent). Four other subsectors recorded yearly gains.

All nine subsectors noted larger sales in December. Food and beverage retailers saw sales increase by 3.5 per cent while sales at motor vehicle and parts dealers rose by 1.9 per cent. Gains were also reported at gasoline stations and fuel vendors and clothing, clothing accessories, shoes, jewelry, luggage and leather goods retailers.

Retail sales were elevated in all provinces with Ontario being one of the provinces leading the national increase. Seasonally adjusted retail sales grew by two per cent to $25.9 billion in December from November. Ontario retail sales maintained positive momentum in the latter half of the year, and annually, unadjusted retail sales in Ontario were up 0.8 per cent compared to 2023.

Subsector data is unadjusted for seasonality but six out of nine subsectors in Ontario reported higher year-over-year unadjusted sales in December. Motor vehicle and parts dealers reported a 12.2 per cent year-over-year jump in sales, while health and personal care retailers' sales rose by 1.9 per cent. Clothing, clothing accessories, shoes, jewelry, luggage and leather goods retailers' sales increased by one per cent year-over-year. On the other hand, sales were down at building material and garden equipment and supplies dealers (-5.1 per cent), food and beverage retailers (-3.7 per cent) and gasoline stations and fuel vendors (-3.6 per cent).

Regionally, the Toronto metro area saw seasonally adjusted retail sales rise by 1.1 per cent on a month-over-month basis in December 2024. Yearly, unadjusted sales were flat in the area. Ottawa unadjusted retail sales saw no change year over year, while yearly sales were down by 1.5 per cent.

Ontario housing market activity weakened in January

Eloho Ennah, Economic Analyst

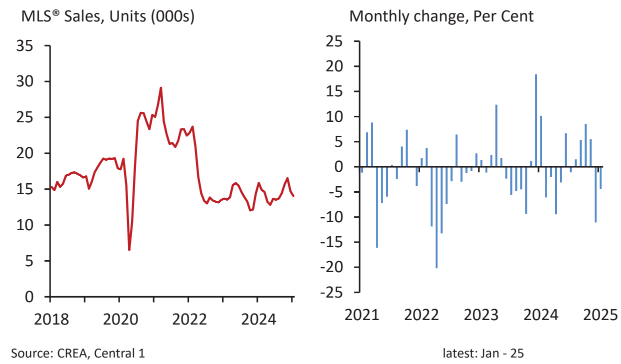
Housing market performance weakened in Ontario in January as home sales fell for a second consecutive month. On a seasonally adjusted basis, home purchases decreased by 4.4 per cent to 14,059 units sold, after the 11.1 per cent dive in December. Even with the accumulation of consecutive rate cuts and federal policies to address affordability, weaker numbers point to buyers' concern of economic stability as tariffs loom.

Most Ontario's economic regions recorded reduced sales in January, except for Toronto and Windsor-Sarnia economic regions, where sales increased by 5.7 per cent and 6.5 per cent, respectively. All other regions saw significant declines, including Kitchener-Waterloo-Barrie (-22.4 per cent), Hamilton-Niagara Peninsula (-16.6 per cent), London (-15.9 per cent), Stratford-Bruce Peninsula (-14.5 per cent) and Ottawa (7.8 per cent).

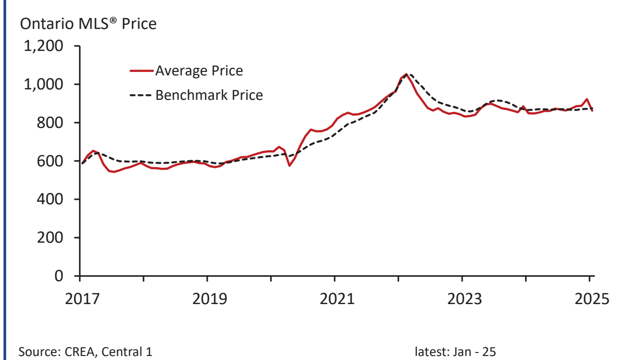
Home values in the province dropped in January by 6.5 per cent to $862,336. This was the sharpest decline since April 2020, with prices down from all-time high by 18.1 per cent, reflecting some compositional effects. The monthly price decrease was likely driven by a leap in supply as residential new listings went up by 9.5 per cent while demand pulled back. Subsequently, market conditions shifted in favour for buyers, reflected in the sales-to-new listings ratio down from 44.1 per cent to 38.5 per cent in January.

Price changes in Ontario's economic regions were mixed during the month. Prices remained the highest in the Toronto economic region at $1.1 million, falling by 4.7 per cent from the previous month. Prices in the region have trended lower for the past three months. A large decrease was recorded in the Northwest, down by 6.1 per cent. On the contrary, monthly price increases were seen in Ottawa, Kingston-Pembroke, London, Muskoka-Kawarthas and the Northeast.

Ontario home sales continue to fall in January



Home values decline in Ontario



Average prices can mask compositional sales effects. Considering home attributes and product composition, the benchmark price index rose by 0.3 per cent in January and was up specifically in areas like Guelph (1.2 per cent), Brantford (1.1 per cent) and Ottawa (0.6 per cent). Benchmark prices were unchanged in Toronto.

In the coming months, we expect a rise in housing activity due to lower interest rates and federal government policies to support financing availability. However, potential downside risks include consequential layoffs from a recession due to trade disruption, which would temper the economy and indirectly, the housing market.

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