Economics | Current Economic Trends

Ontario Economic Briefing

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central 1 Economics

Highlights

- Ontario inflation jumps to 2.7 per cent in February
- Ontario housing market sees a sharp downturn in sales as buyers hesitant amidst trade tensions and economic uncertainty
- Home sales in Ontario plummet by 20.4 per cent in February; prices decline by 3.6 per cent.
- Housing starts increased in Ontario in February
- Canadian retail spending decline after six months of growth
- Ontario retail sales dropped 0.9 per cent on lower motor vehicle and parts dealers' sales
- Non-residents arrivals rosein January after Christmas dip

Ontario inflation rises on end of HST holiday

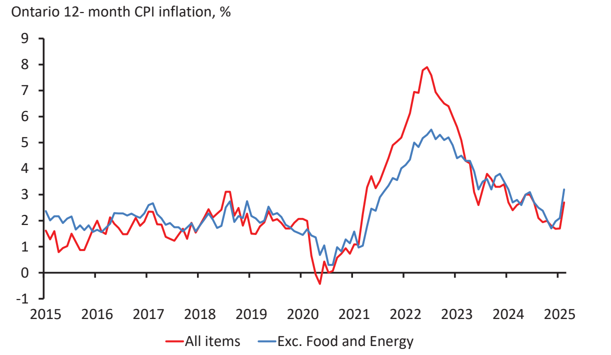
Alan Chow, Business Economist

Ontario year-over-year inflation jumped to 2.7 per cent in February 2025, up from 1.7 per cent in January. This acceleration was partially due to the mid-February expiration of the Federal GST/HST holiday. If you exclude food and energy, inflation was even higher at 3.2 per cent annual increase.

Year-over-year shelter prices slowed 4.2 per cent in January to 4.0 per cent in February, the lowest in three years. Food prices increased by 0.8 per cent while alcoholic beverages, tobacco, and recreational marijuana declined 1.3 per cent. Clothing and footwear increased by 1.9 per cent, the first month year over year price growth was positive since January 2024 . Household operations, furnishings, and equipment prices also increased 1.9 per cent, the first positive year over year price growth since August 2024.

Gasoline prices also increased by 4.3 per cent on a year-over-year basis in February, lower than January's 8.7 per cent increase due to a base year effect. Higher oil prices from February 2024 led to higher gas prices, but the year-over-year growth rate in February 2025 was lower. Energy prices rose by 2.6 per cent, while prices

Ontario headline inflation trends up in February



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

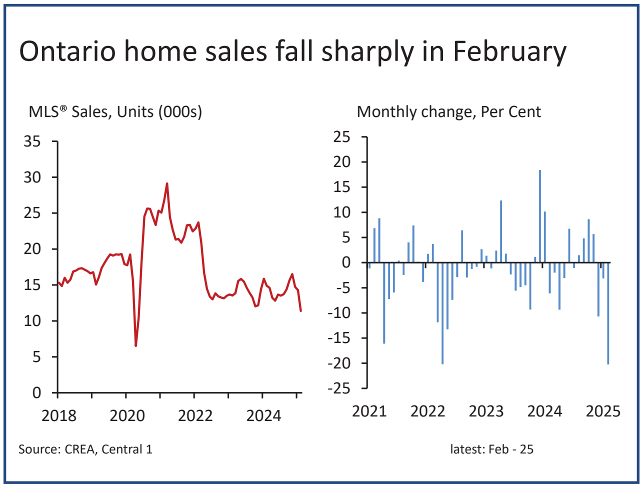
for transportation increased by 3.3 per cent. Goods prices were up 1.4 per cent, which is the highest year-over-year price growth this year. The price of services increased 3.7 per cent. This is the first time the year-over-year price growth in services increased in seven months.

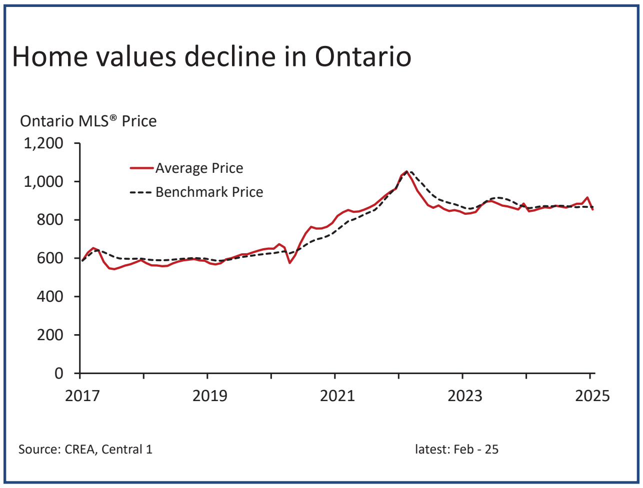
Ontario home sales retreat sharply in February

Eloho Ennah, Economic Analyst

Ontario housing market reported poorer sales results in February as economic uncertainty from unsteady trade relations continued to erode consumer confidence. On a seasonally-adjusted basis, home purchases plummeted by 20.4 per cent to 11,390 units sold, following the 3.1 per cent decline in January. The was also the sharpest decrease amongst the Canadian provinces, contributing to the overall national decrease in home sales.

Most economic regions in Ontario reported lower sales figures , contributing to the slowdown in sales since December 2024. The Toronto economic region saw sales plunge by nearly 29.7 per cent, after an 8.5 per cent rise in sales in January. In Muskoka-Kawarthas, home sales declined by 24.9 per cent while they fell by 19.6 per cent in Kitchener-Waterloo-Barrie. Other declines include Hamilton-Niagara Peninsula (-16.8 per cent), Kingston-Pembroke (-16.5 per cent), the Northeast (Ottawa (-8.4 per cent), London (-3.5 per cent), and Stratford-Bruce Peninsula (-2.2 per cent).





Home values in the province declined in February by 3.6 per cent to $823,273, following a 6.8 per cent dip. Prices are also down from an all-time high from three years prior by 21.8 per cent. Housing supply pulled back significantly during the month, as residential new listings fell by 18.6 per cent. As pent-up demand remains hesitant, market conditions are still on the buyers' side, given the sales-to-new listings ratio of 36.6 per cent in February.

Prices fell in the majority of Ontario's economic regions during the month, with the exception of Toronto, where prices increased by 8.7 per cent to counter the dip in the prior month, and the Northwest (5.0 per cent). Prices are still the highest in the Toronto at $1.1 million while the Northwest remains the most affordable region in the province. Home values were unchanged in London while notable decreases were seen in areas such as Ottawa (-1.1 per cent), Kingston-Pembroke (-4.0 per cent), Muskoka-Kawarthas (-4.8 per cent) and the Northeast (-8.4 per cent).

Average prices can mask compositional sales effects. Considering home attributes and product composition, the benchmark price index decreased by 1.3 per cent and went down in areas like Toronto (-1.5 per cent), Brantford (-2.0 per cent) and Hamilton-Burlington (-2.9 per cent).

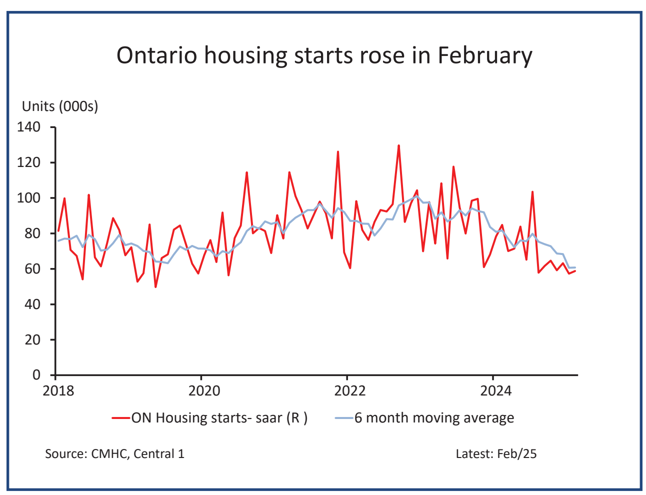
Although interest rates are falling, activity in the Ontario housing market with be dictated to an extent by the impact of macro-factors in the coming months. Ontario is one of the provinces with the greatest ties to the United States in terms of trade, making exposure to tariffs more pronounced, with potential layoffs major industries. This will likely keep potential buyers reluctant to re-enter the market, especially in a relatively costly housing market like Ontario's.

Multifamily housing starts led the overall February increase in Ontario

Ivy Ruan, Economic Analyst

Ontario experienced a rebound in housing starts in February following a January decline. On a seasonally-adjusted annualized basis, housing starts rose 2.6 per cent to 58,771 units. Multifamily starts increased 4.2 per cent to 49,762 units, while single-detached homes continued to decline by 5.4 per cent, falling to 9,009 units. Nationally, housing starts decreased by 4.7 per cent month-over-month.

Of Ontario's 16 metro areas, six recorded declines in the seasonally-adjusted annualized rate of housing starts in February. Toronto stood out with housing starts falling to 18,506 units, following the large increase in January. On the other hand, Ottawa saw a notable gain, with starts jumping to 12,987 units, doubling the volume recorded a month earlier. Bel-



leville, Hamilton, and St. Catharines-Niagara also experienced significant growths, likely driven by the commencement of large multi-unit projects.

On an unadjusted basis, Ontario's year-to-date housing starts fell sharply, declining 32.6 per cent year-over-year. In the first two months of 2025, 8,176 units were started compared to 12,136 units during the same period in 2024. Multifamily starts led the decline, falling 33.6 per cent to 7,215 units from 10,871 units the previous year. Single-family starts also dropped by 24.0 per cent, from 1,265 to 961 units. Toronto saw a notable 55.2 per cent decrease in year-to-date housing starts compared to February 2024, while Ottawa defied the trend, more than doubling its starts year-over-year. Across Canada, year-to-date housing starts declined 6.0 per cent year-over-year in February 2025. Multifamily starts decreased by 7.3 per cent, while single-family starts edging up 1.3 per cent.

Ontario monthly retail sales fall in January

Eloho Ennah, Economic Analyst

Canadian retail sales decreased by 0.6 per cent on a seasonally adjusted basis in January as a result of lower sales at motor vehicle and parts vendors, and more than the anticipated 0.4 per cent drop. This followed a prior monthly gain of 2.6 per cent and was the first downtick since June 2024. Core retail sales, which do not include gasoline stations and fuel vendors, motor vehicle and parts dealers also decreased by 0.2 per cent.

Price-adjusted retail sales showed a steeper fall, down by 1.1 per cent during the month. As economic uncertainty due to US-Canada trade tensions continues to repress consumer confidence, retail sales are likely to decline even further in the coming months, especially in provinces more vulnerable to tariff impacts. Estimates suggest a 0.4 per cent decline for February 2025.

Amongst the subsectors, motor vehicle and parts sales led the monthly decline, down 2.6 per cent with new car sales falling 3.2 per cent and automotive parts, accessories and tire retailers dropping 2.8 per cent drop. That said, unadjusted year-over-year motor vehicle and parts sales showed an increase in sales of 9.4 per cent. Notable increments during the month include a 3.4 per cent gain at gasoline stations and fuel vendors, likely due to higher prices, and 3.0 per cent higher sales at furniture, home furnishings, electronics and appliances retailers.

Ontario was one of three provinces to report lower sales in January, as total retail sales declined by 0.9 per cent after a 2.6 per cent rise in sales in December. Unadjusted retail sales in Ontario were up 4.0 per cent compared to the same month in 2024.

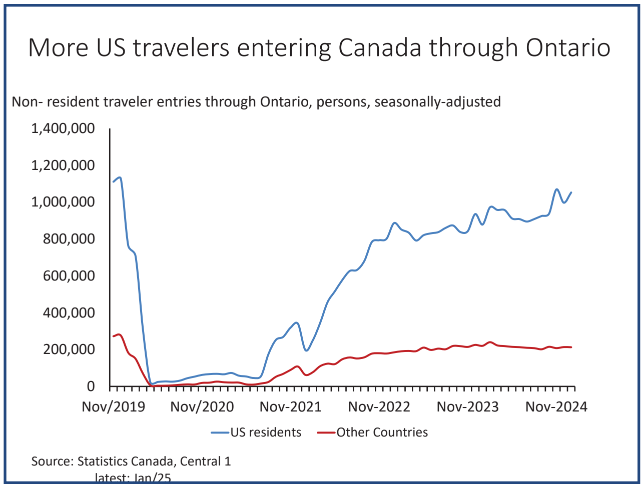
Subsector data is unadjusted for seasonality, but this month's decline was due to lower sales at motor vehicle and parts dealers, although year-over-year unadjusted sales in the category increased by 5.9 per cent. Building material and garden equipment and supplies sales decreased by 5.8 per cent year-over-year. On the contrary, clothing, clothing accessories, shoes, jewelry, luggage and leather goods retailers' sales increased by 11.2 per cent year-over-year while food and beverage retailers' sales increased by 3.5 per cent.

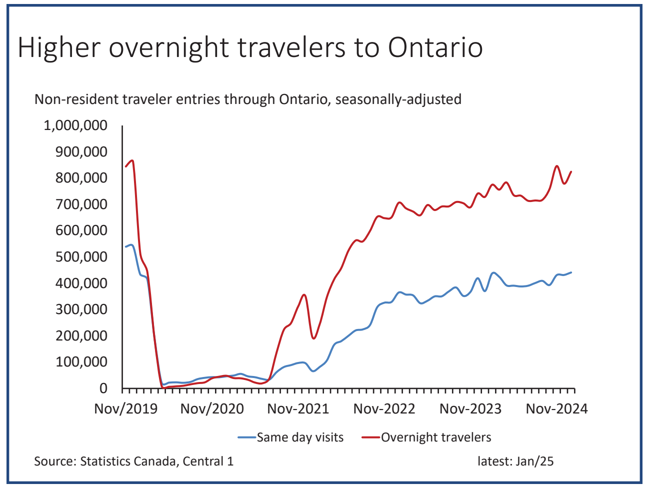
Regionally, the Toronto metro area saw seasonally adjusted retail sales fall by 1.7 per cent on a month-over-month basis in January. Compared to January 2024, unadjusted sales were up 3.2 per cent. Ottawa unadjusted retail sales edged down 0.5 per cent year over year.

Manufacturing sales climb in Ontario in January

Alan Chow, Business Economist

The number of non-resident visitors entering Canada through Ontario grew in January. On a seasonally adjusted basis, there were 4.5 per cent more non-resident visitors in January 2025 than in December 2024. The number of overnight tourists grew by 5.8 per cent, while the number of same day excursions increased by 2.2 per cent. Both are the second highest monthly value since COVID, only trailing November 2024. The number of non-resident travelers this month is around 97.1 per cent of that seen on average in 2019 with same-day excursions at around 85.9 per cent and overnight tourist at around 104.3 per cent.





The number of U.S residents visiting Canada through Ontario rose, up 5.6 per cent from December 2024 to January 2025. Amongst the U.S. residents, there was a rise in overnight tourist of around 7.9 per cent along with 2.3 per cent increase in same day excursions. While the number of overnight tourists from the U.S. this month is exceeded the monthly average seen in 2019 at 106.8 per cent, the number of same day excursions is only at 83.6 per cent. Overall U.S. visitor numbers are at 95.9 per cent of 2019 monthly averages. The weak Canadian dollar vs the US dollar is likely a contributing factor.

Residents from countries other than the U.S. saw a 0.4 per cent monthly decrease with overnight excursions declining by 0.3 per cent while same day excursions declined by 1.8 per cent. Overall, the number of residents from countries other than the U.S. visiting Canada through Ontario is at 77.7 per cent of that seen on average in 2019 with same day excursions at 80.1 per cent and overnight tourist at 77.5 per cent.

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