Economics | Current Economic Trends

Ontario Economic Briefing

Volume 32 • Issue 21 • Week of May 19 2025 - May 23 2025 | ISSN: 1981-355

central 1 Economics

Highlights

- Ontario inflation fell to 1.6 per cent in April
- Canadian retail spending rose in March
- Ontario retail sales up by 0.6 per cent in March
- Short- and long-term optimism indexes improved a bit in Canada and Ontario
- Non-residents arrivals through Ontario grew by 4.1 per cent in March
- Ontario saw more non-resident arrivals from U.S.

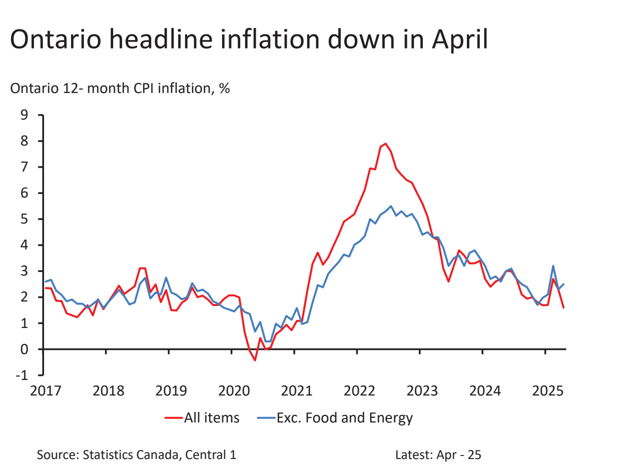
Ontario inflation slowed on lower gasoline prices

Ivy Ruan, Senior Analyst

Ontario year-over-year inflation declined to 1.6 per cent in April 2025, down from 2.3 per cent in March. Lower gasoline prices helped as they were down 21.0 per cent year-over-year due to the removal of con-sumer carbon tax. Excluding energy, inflation increased 2.8 per cent in April, up from 2.5 per cent in March. Further excluding food, inflation was 2.5 per cent higher than it was the previous month (2.3 per cent).

Ontario shelter prices rose 3.0 per cent year-over-year in April, easing from 3.4 per cent in the previous month. Transportation prices declined by 2.0 per cent, largely due to a 21.0 per cent drop in gasoline prices. As previously noted, the sharp decline in gasoline costs was primarily driven by the removal of the consumer carbon price. Lower global crude oil prices also played a role, as international trade slowed amid rising tariffs, dampening global oil demand. At the same time, supply from OPEC and its partners (OPEC+) increased. Overall, Ontario energy prices fell 15.0 per cent year-over-year.

In Ontario, food prices rose 3.8 per cent year-over-year, with food purchased from stores up 3.5 per cent. Within this category, meat prices climbed 6.4 per cent, while dairy products and eggs increased 1.6 per cent. Food purchased at restaurants rose 4.2 per cent. Prices for alcoholic beverages, tobacco products, and recreational cannabis also increased by 1.6 per cent.



Overall, the price of goods fell 1.0 per cent—the first decline since last December. While durable goods prices rose 1.2 per cent, this was offset by a 2.4 per cent decline in non-durable goods. Meanwhile, service prices increased 3.5 per cent, up from 3.0 per cent growth in the previous month.

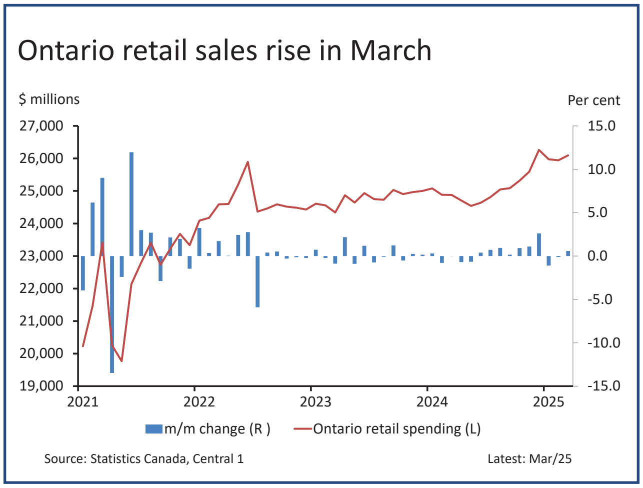
Ontario monthly retail sales grew in March on higher motor vehicle and parts sales

Eloho Ennah, Economic Analyst

Canadian retail sales increased by 0.8 per cent on a seasonally adjusted basis in March to $69.8 billion, due to higher sales at motor vehicle and parts dealers (+4.8 per cent), following two prior monthly declines. Core retail sales, which exclude gasoline stations and fuel vendors, motor vehicle and parts dealers, increased by 0.2 per cent. In addition, retail sales rose by a modest 0.2 per cent quarter-over-quarter.

Price-adjusted retail sales increased by 0.9 per cent during the month. In March, tariff threats likely led to more motor vehicle sales as Canadian's anticipated future price increases of these items. Early April estimates suggest a 0.5 per cent rise in retail sales in the month. That said, growth is likely to be temporary as consumer confidence remains significantly subdued in the near term.

Ontario retail spending increased by 0.6 per cent in March following flat sales in the prior month, due to larger motor vehicle and parts dealers' sales during the month on a seasonally-adjusted basis. Unadjusted retail sales in Ontario were also up 5.6 per cent compared to the same month in 2024.



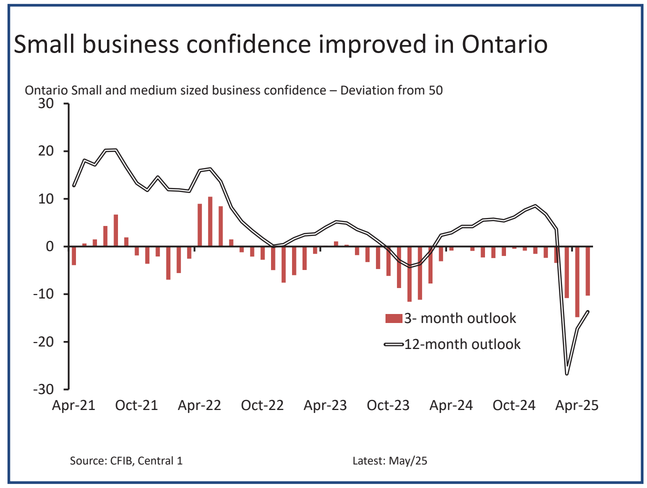
Subsector data is unadjusted for seasonality, but year-over-year figures showed slightly higher sales at motor vehicle and parts dealers, up by 11.2 per cent. Health and personal care retailers' sales increased by 12.8 per cent in the same period as well while clothing, clothing accessories, shoes, jewelry, luggage and leather goods retailer sales also increased by 11.7 per cent. On the other hand, building material and garden equipment and supplies sales decreased by 3.6 per cent year-over-year. Gasoline and fuel vendors also reported a 7.2 per cent drop in the same period due to lower crude oil prices.

Regionally, the Toronto metro area saw seasonally adjusted retail sales fall by 1.0 per cent on a month-over-month basis in March. Compared to a year ago, unadjusted sales were up 0.2 per cent. Ottawa unadjusted retail sales grew by 2.4 per cent year-over-year.

Tariff de-escalation continued to drive meagre improvement in optimism in Ontario and Canada

Ivy Ruan, Senior Analyst

The Canadian Federation of Independent Business (CFIB) Barometer Survey further recovered in May, following an increase in sentiment amongst Small and Medium-sized Enterprises (SMEs). The long-term 12-month confidence index improved by over 5.0 points from 34.7 in April to 40.0 in May. The short-term index also improved slightly by 1.9 points to 42.4 points from 40.5 points. That said, business confidence still remained below the neutral benchmark of 50 for both the short and long term. Canadian exporters and importers reported improved sentiment following consecutive monthly declines, as the ongoing tariff de-escalation helped ease trade tensions. May saw



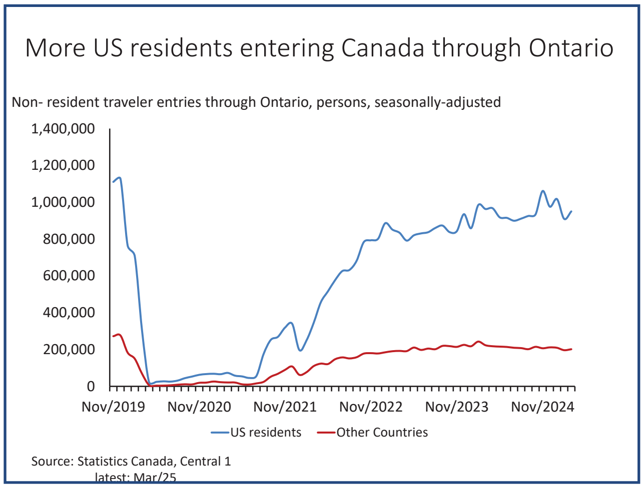
exporter sentiment increase to 26.4 points from 25.3 points while importer sentiment edged up to 28.9 points from 28.0 points. Despite the slight improvement, both indices had values in the 60s at the end of 2024. The finance, insurance and realty sector saw the largest decline in business confidence, coming in at 39.2 points based on the 12-month index and 41.8 points on the three=-month index. Meanwhile, the construction sector also had a large dip in both long-term and short-term confidence in May.

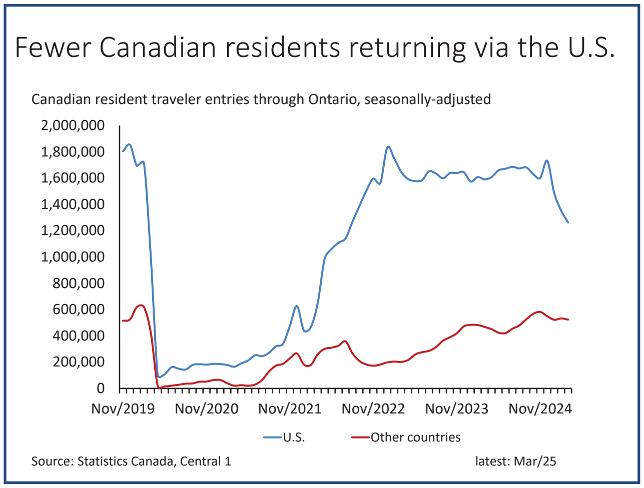
In Ontario, the long-term index improved 3.6 points to 36.3 points while the short-term index edged down 0.1 points to 39.7 points. Compared to other provinces, Ontario has one of the lower optimism index values with the long run index being ranked fourth lowest, while its short-term index figure was the sixth lowest. Insufficient demand and shortages of skilled labour continued to be the most noted constraints to sales or production growth for businesses in the province. Shortage of working capital ranked third, above limited physical space. Regulatory costs, insurance and wage costs were the top input cost constraints while fuel, product input, and electricity costs were also on this list of constraints. Business staffing plans pulled back slightly this month, with 10 firms expecting to increase staff and 17 anticipating reductions.

Non-resident arrivals in Ontario rise in March

Eloho Ennah, Economic Analyst

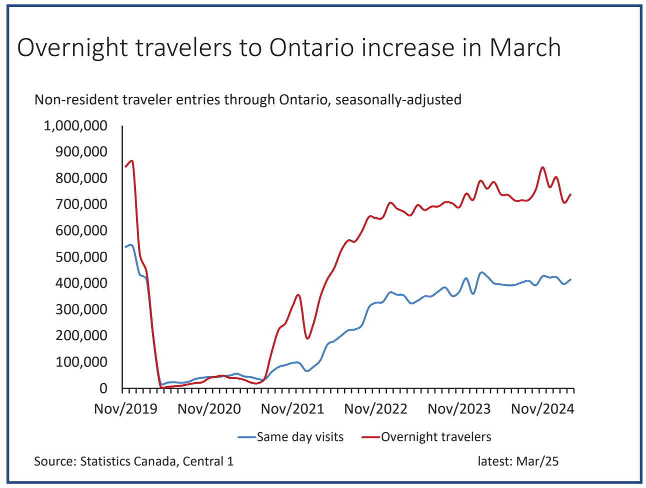
The number of non-resident visitors entering Canada through Ontario increased in March following the decline in the prior month. On a seasonally adjusted basis, total non-resident arrivals into Canada through Ontario increased by 4.1 per cent to 1.2 million during the month. The number is still around 99.2 per cent





of the monthly average of the previous 12 months. Overnight tourist arrivals increased by 4.1 per cent while the number of same-day excursions rose by the same amount.

The number of U.S residents visiting Canada through Ontario was the main driver as it increased by 4.5 per cent during the month, compared to 2.6 per cent of residents of other countries arriving in Canada. U.S. overnight tourists' arrivals increased by 4.9 per cent while the number of same-day excursionists also increased but by 3.8 per cent.



Canadian resident visitors returning to Canada via Ontario declined by 5.3 per cent this March. This was the third consecutive monthly decrease and brought it down to levels not seen since November 2022. This was largely led by a decline in those returning from the U.S., as it was down 6.8 per cent to its lowest level since August 2022 when international travel was still recovering from the pandemic's impact. Canadian resident visitors returning to Canada from places other than the U.S. decreased by 1.7 per cent. The recent trade dispute between the U.S. and Canada has affected travel between both countries. As many Canadians reconsider travel plans due to political tensions, we expect the number of Canadian residents returning to continue to fall.

For more information, contact economics@central1.com.