Economics | Current Economic Trends

Ontario Economic Briefing

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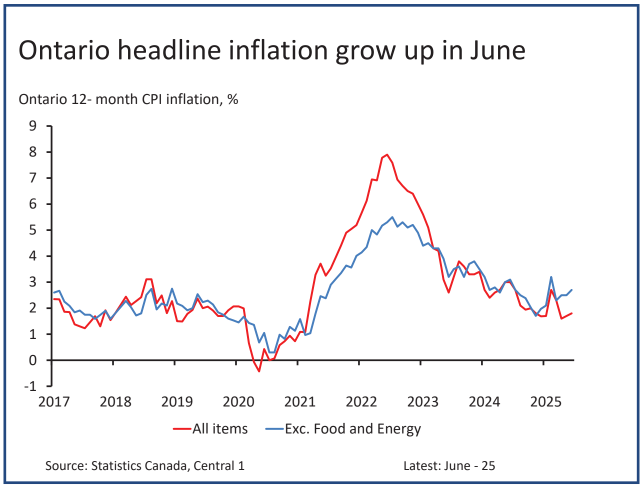
Highlights

- Ontario saw another modest inflation increase in June
- Ontario housing market sustained gains into June
- Home sales in Ontario rose by 5.3 per cent while prices increased by 0.7 per cent
- Multifamily housing starts fell in Ontario in June
- Non-durable and durable goods sales increased by 0.4 per cent and 0.3 per cent respectively



June inflation in Ontario is up modestly to 1.8 per cent as energy prices fall less

Alan Chow, Business Economist

Ontario's inflation rate inched up again to 1.8 per cent year-over-year growth in June 2025, from 1.7 per cent in May. However, excluding the most volatile components, food and energy, inflation rose from 2.5 per cent in May, to 2.7 per cent in June. Nationally, the inflation rate was slightly higher at 1.9 per cent, up from 1.7 per cent.

Energy prices declined 12.0 per cent year-over-year. That decline was lower than the previous month's, which was 13.1 per cent. Gasoline prices were also down 16.3 per cent in June, compared to 17.9 per cent in May. The lower decline was partially attributed to crude oil prices spiking in June due to the conflict between Israel and Iran. Elimination of the consumer portion of the carbon tax was still the biggest factor in the overall decline in energy prices.

Food prices rose by 3.0 per cent year-over-year in June, down from 3.6 per cent in May. Grocery price growth slowed to 2.4 per cent from 3.3 per cent. All categories saw price growth decline except for seafood, which is up to 3.0 per cent from 2.2 per cent. Bakery and cereal products and vegetables both saw year-over-year price declines of 1.4 per cent and 0.4 per cent. Restaurant food prices were up 4.2 per cent, a marginal increase from the previous month's 4.1 per cent gain.

Shelter costs rose 2.0 per cent year-over-year in June, marking another slowdown from May's 2.1 per cent and representing the smallest increase since February 2021. However, rented accommodation inflation growth accelerated up to 4.2 per cent after falling to 2.9 per cent. On the other hand, price growth for owned accommodation eased again to 2.0 per cent, which was the lowest year-over-year price growth in the last five years.

Household operations, furnishings and equipment prices grew by 1.9 per cent, up from 1.6 per cent. Clothing and footwear prices also grew 2.5 per cent, up from 2.2 per cent. Health and personal care prices grew by 3.0, up by 2.3 per cent while recreation, education and reading prices grew by 2.4 per cent, up from 1.8 per cent.

The cost of goods declined by 0.1 per cent, up from previous month's decline of 0.4 per cent. This is the third month in a row the price of goods declined. Within this category, durable goods prices rose 2.5 per cent (up from 1.5 per cent), and semi-durable goods climbed 1.7 per cent (up from 1.6 per cent). Non-durable goods saw prices fall 1.8 per cent, a slower rate of decline compared to April's 2.4 per cent. Service prices increased 3.1 per cent year-over-year, down from 3.2 per cent in the previous month.

Ontario home sales continued growing in June

Eloho Ennah, Economics Analyst

Ontario housing market activity sustained momentum through June, noting higher sales for the third straight month. On a seasonally adjusted basis, home sales increased by 5.3 per cent to 13,364 units sold in June, after the 9.3 per cent rise in May. The latest data points to improving consumer confidence while better borrowing conditions have enticed more buyers into the market. However, numbers are still short of normal figures.

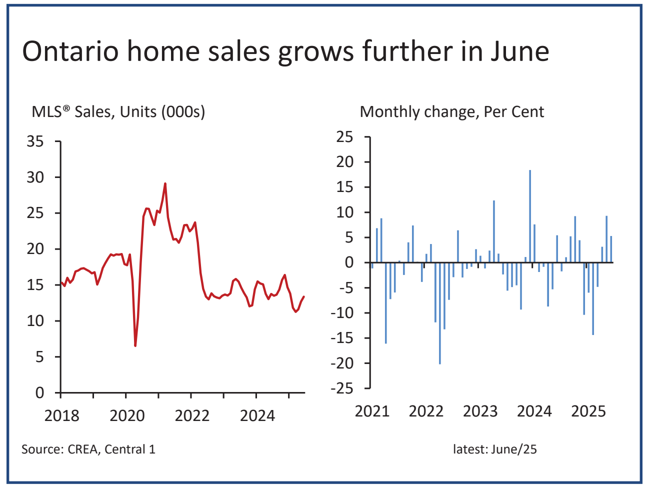
Looking at regional data, home sales continued to advance in the majority of areas. In Greater Toronto, home sales rose by 8.1 per cent following an 8.5 per cent gain in May. Kitchener-Waterloo home sales also increased by 6.9 per cent while Hamilton-Burlington sales grew by 2.5 per cent. In contrast, sales declined in Windsor-Essex by 4.0 per cent.

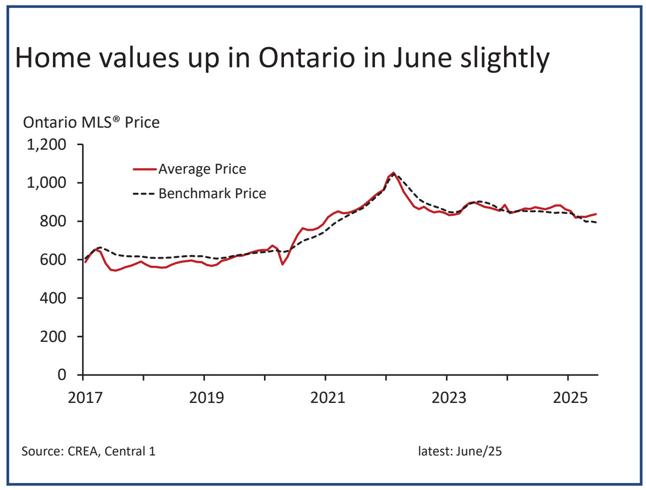
Year-over-year, sales were down in Greater Toronto by 4.7 per cent, while up in Hamilton-Burlington and Kitchener-Waterloo by 7.5 per cent and 3.7 per cent, respectively.

Average home values in the province increased by 0.7 per cent to $836,700 in June. Prices are now below peak in February 2022 by 20.5 per cent. Housing supply from residential new listings decreased by 4.3 per cent following a rise of 5.5 per cent. Sales-to-new listings ratio rose from 35.7 per cent to 39.3 per cent, pointing to market conditions favouring the buyers' side.

In York region, prices fell by 2.4 per cent while they also declined in Barrie by 4.5 per cent. That said, prices increased in Hamilton-Burlington by 3.0 per cent and in Windsor-Essex by 2.9 per cent. They were relatively unchanged in Kitchener-Waterloo and Greater Toronto.

Average prices can mask compositional sales effects. Considering home attributes and product composition, the benchmark price index decreased by 0.7 per cent and fell specifically in areas like London and St Thomas (-1.2 per cent), Greater Toronto (-0.9 per cent) and Kitchener (-0.8 per cent). However, benchmark prices increased in Hamilton-Burlington (0.6 per cent) and Ottawa (0.7 per cent).



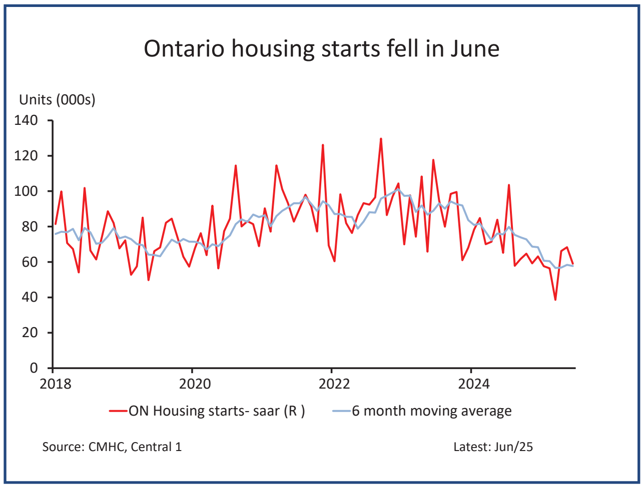


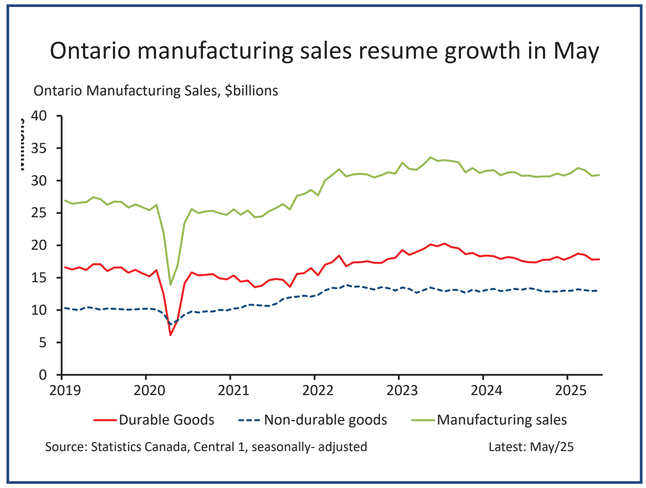
Although the Ontario housing market has shown resilience in the past three months, renewed tariff threats may cause consumer confidence to falter in the coming months, leading to lower sales. Even a minor threat of job loss can significantly cause buyers to retreat in higher-priced markets such as Ontario in the coming months due to an impact on mortgage affordability.

Ontario housing starts fell following two consecutive monthly increases

Ivy Ruan, Senior Analyst

Ontario housing starts fell in June following two consecutive monthly gains. On a seasonally adjusted annualized basis, housing starts fell 13.6 per cent to 59,042 units. Multifamily starts contributed to the overall decline, down 19.9 per cent to 46,830 units, while single-detached homes grew 23.3 per cent to 12,212 units. National housing starts were flat, with B.C.'s growth offsetting the declines in the rest of the





province. Ontario's overall trend has trended downward since 2023, consistent with the lagged impact of housing sales.

Of Ontario's 16 metro areas, seven recorded decreases in the seasonally adjusted annualized rate of housing starts in June. Toronto saw a notable decrease, with starts falling to 20,808 units (-51.5 per cent), following the increase recorded a month earlier. On the other hand, Ottawa reported a 66.1 per cent gain with housing starts jumping to 12,197 units from 7,342 units in May. London also reported notable growth, likely from the commencement of large multi-unit projects.

On an unadjusted basis, Ontario's year-to-date housing starts fell sharply, declining 24.8 per cent year-over-year. In the first half of 2025, 27,368 units were started compared to 36,371 units during the same period in 2024. Multifamily starts led the decline, falling 25.6 per cent to 22,956 units from 30,871 units the previous year. Single-family starts also dropped by 19.8 per cent, from 5,500 to 4,412 units. Toronto saw a notable 44.2 per cent decrease in year-to-date housing starts compared to June 2024. Ottawa bucked the trend, with 81.8 per cent more housing starts year-over-year. Across Canada, year-to-date housing starts grew 3.5 per cent year-over-year in June 2025. Multifamily starts increased by 4.0 per cent, while single-family starts rose 1.3 per cent from the level in last year.

Manufacturing sales in Ontario rose in May

Eloho Ennah, Economics Analyst

Ontario manufacturing sales increased in May after two prior monthly declines. On a seasonally adjusted basis, manufacturing sales in the province increased 0.4 per cent to $30.8 billion. The non-durable goods category saw a 0.4 per cent increase in sales to $13 billion while durable goods sales also grew by 0.3 per cent to $17.8 billion. Unadjusted for seasonality, year-to-date manufacturing sales decreased by 1.0 per cent. Manufacturing sales in the province have been range-bound since 2024. Temporary shutdowns, supply chain disruptions and recent significant tariffs in the dominant automotive sector have all acted as a drag on production and sales.

Within the durable goods sector, increases were seen in fabricated metal product manufacturing, with sales growing significantly in May by 6.2 per cent ($117.9 million), while furniture and related product manufacturing sales increased by 6.5 per cent. Tempering these gains were lower transportation equipment sales, which fell for a third month (-1.9 per cent of -$146.2 million) and, in particular, a drop in motor vehicle sales. In addition, computer and electronic product manufacturing sales fell by 3.8 per cent (-$32.9 million).

In the non-durable goods category, chemical manufacturing increased by 4.8 per cent ($118.5 million) while paper manufacturing sales rose by 2.6 per cent ($20.7 million). Offsetting these increases was a decline in the petroleum and coal product sales (-4.5 per cent or -$89.6 million), likely from refinery shutdowns during the month, and a drop in food manufacturing sales (-1.0 per cent or -$48.4 million).

Within the metro areas, manufacturing sales results were mixed. Ottawa-Gatineau recorded a decline of 3.9 per cent in manufacturing sales while sales also decreased in Kitchener-Cambridge-Waterloo by 3.3 per cent. On the other hand, Hamilton and Toronto manufacturing sales increased by 1.0 per cent each while sales in Windsor improved during the month, rising by 4.3 per cent.

A smaller number of manufacturers surveyed by Statistics Canada reported tariff-driven stress on sales in May compared to April. That said, they continued to note price increases and falling demand, as well as rising costs for raw materials, shipping and labour. Considering only the impact of tariff on sales, Ontario saw the highest tariff-induced decrease in sales during the month compared to other provinces. According to the most recent international trade data, 65.9 per cent of total exports from Ontario were destined for the U.S. in May, and although this has fallen from usual numbers, it still points to significant trade ties. This leaves major industries in the province exposed to new threats in light of potential additional tariffs in August. Sales in industries like transportation equipment, primary metal and fabricated metal will continue to suffer as a result of tariff impacts, leaving behind a trail of uncertainty for industry participants and the province's economy.

For more information, contact economics@central1.com.