



## Highlights

- Ontario saw inflation rise in September
- Canadian retail spending expanded in August following decline in July
- Ontario retail sales increased by 1.2 per cent in August
- Long term optimism indexes weaken in Ontario and Canada
- International travel through Ontario declines in August

### September inflation in Ontario went up on higher food prices and slower energy price decline

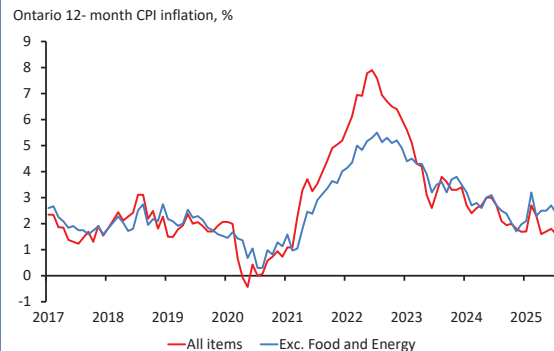
Alan Chow, Business Economist

Ontario 12-month inflation rate edged up to 2.0 per cent in September from 1.7 per cent in August. Core measures rose to 2.5 per cent from 2.4 per cent and when excluding food and energy, was unchanged from the previous month at a 2.2 per cent annual rate. Nationally, inflation rate changes were similar but moved by a larger magnitude with all-items inflation up from 1.9 per cent to 2.4 per cent.

In Ontario, energy prices fell 3.9 per cent year-over-year, a much slower decline than the 9.8 per cent drop the previous month and largely due to a base year effect. Gasoline prices were also similarly down 6.9 per cent in September compared to 15.7 per cent in August. From April to September, gasoline prices and energy prices were up 4.7 per cent.

Food prices rose by 3.8 per cent year-over-year in September, up from 3.6 per cent in August. Grocery price growth accelerated to 3.5 per cent from 3.2 per cent with meat prices up 5.9 per cent and vegetables up 3.5 per cent. Other food products and non-alcoholic beverages were also up 6.2 per cent. Restaurant food prices were up 4.4 per cent, an increase from the previous month's 4.2 per cent gain.

### Inflation Rate rises in Ontario



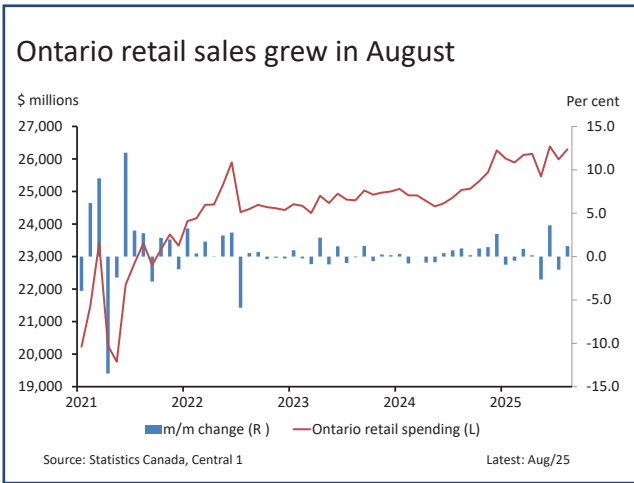
Source: Statistics Canada, Central 1

Latest: Sep - 25

Shelter costs growth slowed to 1.6 per cent year-over-year in September from 1.7 per cent in August. This is the lowest year-over-year increase since January 2021. Rented accommodation inflation, though, rose to 3.5 per cent from 3.2 per cent while price growth for owned accommodation also eased to 0.8 per cent from 1.2 per cent, which was the lowest year-over-year price growth in the last five years.

Household operations, furnishings and equipment prices grew by 3.0 per cent, up from 2.5 per cent. Clothing and footwear prices declined 0.3 per cent year over year, after rising 0.5 per cent year to year the previous month. Transportation costs were up 1.2 per cent year-over-year. This is first month in five months in which the year-over-year inflation rate was positive. Health and personal care prices grew by 2.1 in September, down from 2.5 per cent in August while recreation, education and reading material prices grew by 2.4 per cent, up from 1.1 per cent.

The cost of goods increased by 1.0 per cent year-over-year in September, up from 0.1 per cent in August, marking a sixth consecutive month of increased price of goods. Within goods, durable goods prices rose 1.7 per cent (down from 2.0 per cent), and semi-durable goods climbed 0.5 per cent (down from 0.7 per cent). Non-durable goods saw annual prices increases of 0.8 per cent, up from the previous months decline of 1.0 per cent. Service prices increased 2.9 per cent year-over-year in September, up from 2.7 per cent in the previous month.



## Ontario monthly retail sales rebounded in August

Ivy Ruan, Senior Analyst

Canadian retail sales increased 1.0 per cent in August to \$70.4 billion following a downward revised 0.7 per cent decline in the prior month. The largest increase was noted in the motor vehicle and parts dealers category, which saw a gain in sales of 1.8 per cent following the modest increase (0.3 per cent) in the previous month. Core retail sales, which exclude gasoline stations and fuel vendors and motor vehicle and parts dealers, reported 1.1 per cent increase.

Ontario led the national increase in retail spending, with a 1.2 per cent increase during the month on a seasonally-adjusted basis following the 1.5 per cent decline in July. This monthly growth was driven by higher motor vehicle and parts dealers' sales. Unadjusted retail sales in Ontario increased by 3.5 per cent compared to the same month in 2024. Year-to-date, retail sales have risen by 4.5 per cent, pointing to an economy still reliant on consumer spending to offset weakness in the trade sector.

Subsector data is unadjusted for seasonality, but year-over-year figures showed higher sales across almost all categories. Motor vehicle and parts dealers sector reported yearly growth of 1.3 per cent, although this was lower than the year-over-year gains reported in the previous month. Clothing and furniture goods retailers also reported higher sales compared with last August at 13.0 per cent and 9.4 per cent, respectively. In contrast, gasoline and fuel vendors saw a 4.0 per cent drop in the same period, likely due to lower prices.

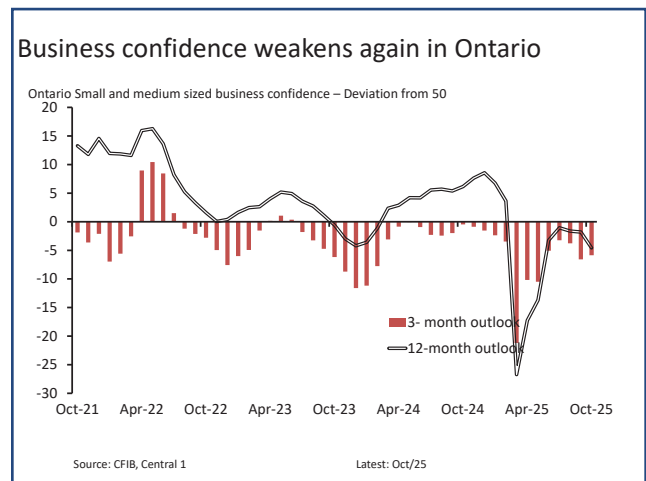
Regionally, the Toronto metro area saw seasonally-adjusted retail sales increase by 2.4 per cent on a month-over-month basis in August. Compared to a year ago, unadjusted sales were up 4.9 per cent. Ottawa unadjusted retail sales also increased by 6.6 per cent year-over-year.

## Long-run optimism in Ontario weakens along with hiring expectations

Alan Chow, Business Economist

The Canadian Federation of Independent Business (CFIB) Barometer Survey for October reported a weaker long-term outlook and a virtually unchanged short-term outlook. 12-month confidence declined by 3.9 points from a revised 50.3 points in September to 46.3 points in October. The short-term index though, was up marginally from a revised 44.6 points to 44.8 points. On balance, small businesses remained pessimistic about future business conditions which has coincided with recent sluggishness in the housing market and the increase in U.S. tariff threats.

Of the 12 sectors listed, five had higher long-term index values compared to the previous month. The highest jump was in professional business services, which moved from 46.4 points to 52.7 points. The largest decline was in information, arts, and recreation, which fell 9.4 points to 45.1. The industry with the highest value was health and education services with an index value of 55.4 whereas retail showed the lowest index value of 42.4. For the short-term index, six out of the 12 sectors saw a higher index value. The biggest jump was again in personal and other services, up 10.4 points to 54.8. The largest decline was in construction, which fell 7.5 points to 34.5 points. Respectively, these were also both the highest and lowest sectors for the month. Most long- and short-term index values for industries still sit below 50 points.



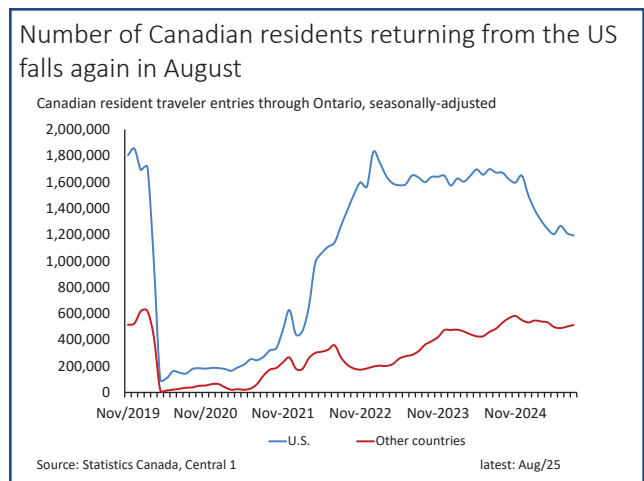
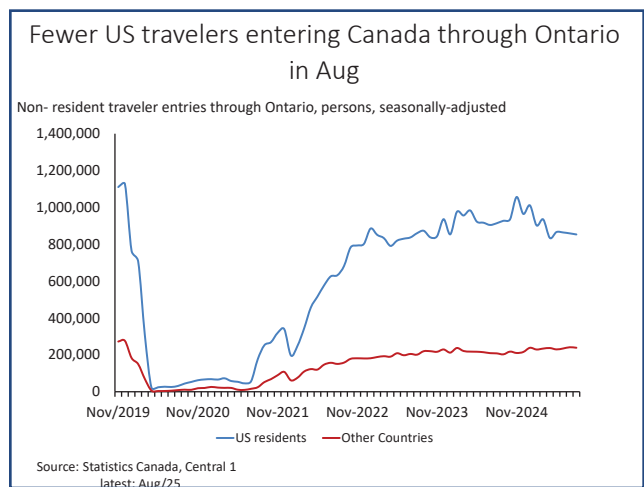
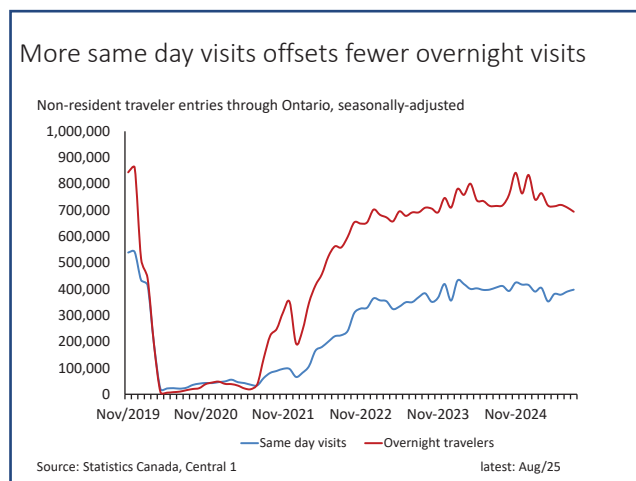
In Ontario, the long-term index marginally declined 2.8 points to 45.4 points while the short-term index rose 0.7 points to 44.2 points. The decline in the long-term index was the third largest decline among the provinces while the rise in the short-term index was the third largest. Both index values have been in the 40s over the past five months. Compared to other provinces, Ontario was on the lower end of optimism index values ranking eighth in the long run index and seventh in the short run index. 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. Tax, regulatory costs, insurance and wage costs were the top input cost constraints while occupancy, product input, fuel costs and electricity were also on this list of constraints. Business staffing plans slightly worsen with 20 per cent expecting to reduce staff, up from 18 per cent the previous month. Firms expected to increase staff remained unchanged at 10 per cent.

## Visitors entering Canada via Ontario decline in August

Alan Chow, Business Economist

In August, the number of non-resident visitors entering Canada through Ontario declined. On a seasonally-adjusted basis, entries fell by 0.8 per cent in August compared to the previous month. This is first time in three months the numbers have declined. There was a 1.8 per cent increase in the number of same-day excursions offset by a 2.2 per cent decline in overnight tourists.

The number of U.S. residents entering Canada via Ontario was down 0.7 per cent in August. This was the fourth consecutive month of decline. August's volume represents about 90.5 per cent of last year's average. The number of residents from countries other than the U.S. was down 1.1 per cent but the numbers are still about 10.8 per cent higher than they averaged last year.



Canadian residents returning to the country through Ontario declined by 0.3 per cent in August compared to the previous month. The driver of this decline is the number of returning residents from the U.S., down 1.4 per cent; a second consecutive monthly decline. The numbers this month represent about 72.6 per cent of the monthly average seen in 2024. Trade conflict with the U.S. continues to weigh heavily on the minds of Canadians when making travel plans. Meanwhile, Canadians returning from destinations other than the U.S. via Ontario grew 2.3 per cent in August. The months numbers are about 3.4 per cent above the average seen in 2024.

Unadjusted, there were 1,443,7236 U.S. resident visitors to Ontario in August. In contrast, the number of Canadians returning to Canada via Ontario was 1,458,038, which means there were more Canadian residents visitors returning from the U.S. via Ontario than there were U.S. residents entering Canada via Ontario, a reversal from the previous two months

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