Economics | Current Economic Trends

Ontario Economic Briefing

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Highlights

- Ontario home sales decreased by 0.7 per cent in October
- Ontario saw inflation slow in October
- Ontario home starts decreased in October
- Canadian retail spending falls in September
- Ontario retail sales declined by 1.2 per cent in September
- Long term optimism indexes weaken in Ontario and Canada

Ontario home sales continued to fall in October

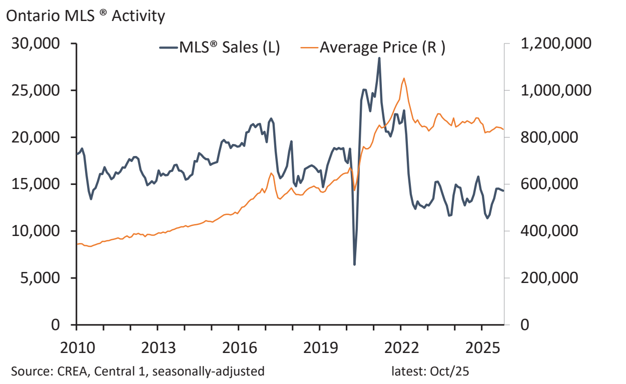
Eloho Ennah, Economic Analyst

Ontario home sales continued to decline in October, marking a second consecutive month of lower sales. Seasonally-adjusted MLS® sales decreased by 0.7 per cent to 14,300 units after a 0.8 per cent decline in September. Year-over-year, sales were 5.1 per cent lower as slower economic conditions and a weakened labour market continued to weigh on housing market activity.

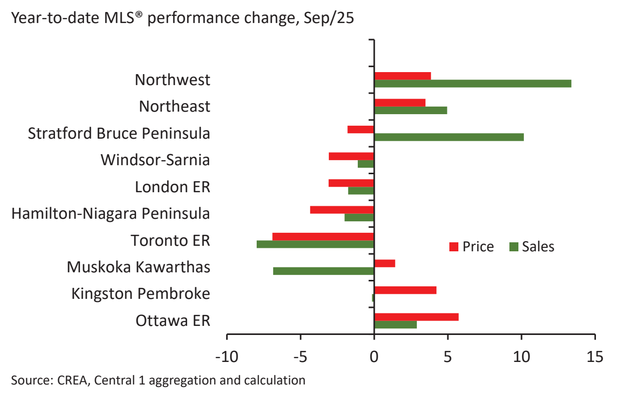
Based on our aggregation by real estate board area, monthly losses were concentrated in the three economic regions with the highest home values: Toronto (-1.2 per cent), Hamilton-Niagara Peninsula (-8.2 per cent), and Muskoka-Kawarthas (-6.3 per cent). On the other hand, sales increased in other markets, including Ottawa (5.5 per cent), Windsor-Sarnia (5.5 per cent), and Stratford Bruce Peninsula (8.3 per cent), amongst other areas.

Conditions are suppressing price growth, with the average home price down 0.8 per cent month-over-month, and 5.5 per cent year-over-year. Values are 20.7 per cent below the February 2022 peak, and most economic regions recorded further declines. The average price in Toronto fell by 1.5 per cent, while also down in London and Windsor-Sarnia by 0.9 per cent and 0.8 per cent, respectively. Benchmark prices, which tend to trail average prices, have fallen in some markets but are still unchanged in the vast majority of markets.

Ontario home sales declined further in October



Southwest markets underperform other regions in 2025



Market conditions are in favour of buyers' even with the sales-to-new listings ratio within the balanced range at 42.5 per cent at the provincial level. New listings fell of 1.9 per cent during the month. Weaker conditions are observed in areas such as Greater Toronto, St. Catharines, and Oakville-Milton, with relatively balanced conditions in Ottawa and Brantford.

Market activity is still significantly weak in Ontario with year-to-date home sales lower than a year ago and a trend significantly beneath pandemic levels. Slowing immigration, elevated prices, and a weak labour market are factors that will continue to limit sales going forward.

Note: Kitchener-Waterloo Barrie economic region sales and price figures are unavailable for October 2025. Figures are likely to be revised.

October inflation in Ontario is down on lower energy, gasoline, and natural gas prices

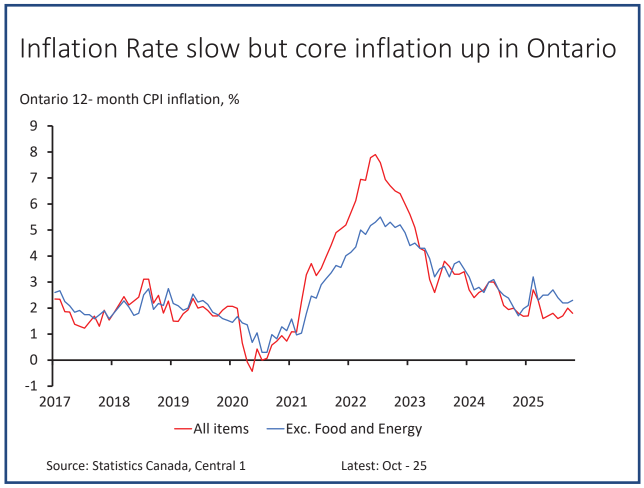
Alan Chow, Business Economist

Ontario's 12-month inflation rate slowed to 1.8 per cent in October from 2.0 per cent in September. Core measures though were mixed with the inflation rate excluding energy remaining the same at 2.5 per cent while excluding food and energy was up slightly, going from 2.2 the previous month to 2.3 per cent. Nationally, inflation was similar to the all-items inflation rate, down from 2.4 per cent to 2.2 per cent. Inflation excluding energy rose from 2.7 per cent to 2.8 per cent, while inflation excluding food and energy rose from 2.4 per cent to 2.7 per cent.

In Ontario, energy prices fell 9.6 per cent year-over-year after only seeing a decline of 3.9 per cent the previous month. Gasoline prices were also down 12.5 per cent in October compared to 6.9 per cent in September. A switch to cheaper winter blends and falling crude prices amid concerns about oversupply was the driver. Natural gas prices in Ontario also declined by 17.3 per cent year-over-year following a 2 per cent increase in September as commodity prices fell, and rates were adjusted accordingly. Month-over-month, the price for natural gas fell 22.3 per cent.

Food prices rose by 3.3 per cent year-over-year in October, a slowdown from 3.8 per cent in September. Grocery price growth decelerated to 2.9 per cent from 3.5 per cent, with bakery and cereal products falling 0.2 per cent and vegetables falling 0.7 per cent. On the other hand, meat prices accelerated, increasing by 8.3 per cent year-over-year. Food from restaurants saw price growth decelerated to 4.2 per cent from 4.4 per cent.

Shelter costs growth slowed to 1.2 per cent year-over-year in October from 1.6 per cent in August. This is the lowest year-over-year increase since May 2020. Rented accommodation inflation though rose to 4.4 per cent from 3.5 per cent, while price growth for owned accommodation also eased to 0.6 per cent from 0.6 per cent, which was the lowest year-over-year price growth in the last five years. Homeowners' replacement cost has been the main driver as its price level has declined by 3.5 per cent, reflecting declining home values. The monthly year-over-year price change for this has been negative since May



2023. Mortgage interest cost growth also continues to decline, now at 2.9 per cent, down from 3.6 per cent last month.

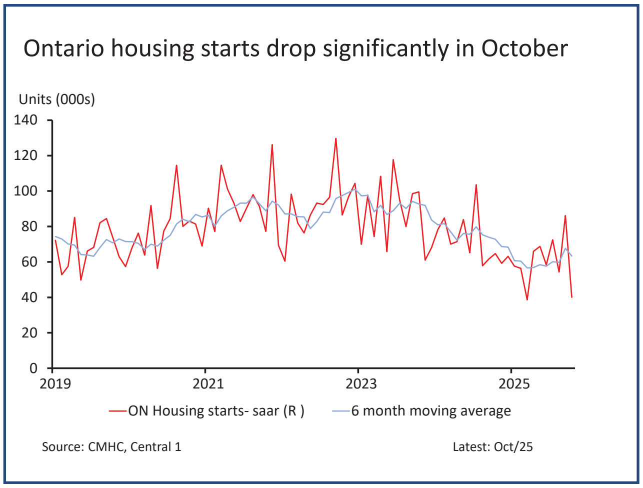
Household operations, furnishings, and equipment prices grew by 3.6 per cent, up from 3.0 per cent. Clothing and footwear prices declined 0.9 per cent lower than last month's 0.3 per cent decline. Transportation costs were up 0.1 per cent year-over-year, down from 1.2 per cent. Health and personal care prices grew by 1.5 in October, down from 2.1 per cent in September while recreation, education and reading material prices grew by 2.3 per cent, down from 2.4 per cent.

The cost of goods increased by 0.1 per cent year-over-year in October, down from 1.0 per cent in September. This is ended six months of a rising rate for the cost of goods. Within goods, durable goods prices rose 2.3 per cent (up from 1.7 per cent), and semi-durable goods prices grew by 0.2 per cent (down from 0.5 per cent). Non-durable goods saw annual prices decline by 0.9 per cent, down from the previous month's growth of 0.8 per cent. Service prices increased 2.9 per cent year-over-year in October, unchanged from September.

Housing starts on the decline in Ontario

Eloho Ennah, Economic Analyst

Ontario housing starts declined significantly in October following the substantial gain in September. On a seasonally-adjusted annualized basis, home starts decreased by 53.5 per cent (down from 86,119 units to 40,054 units) as multi-family home starts fell by 60.4 per cent while single family starts increased by 3.3 per cent on the contrary.

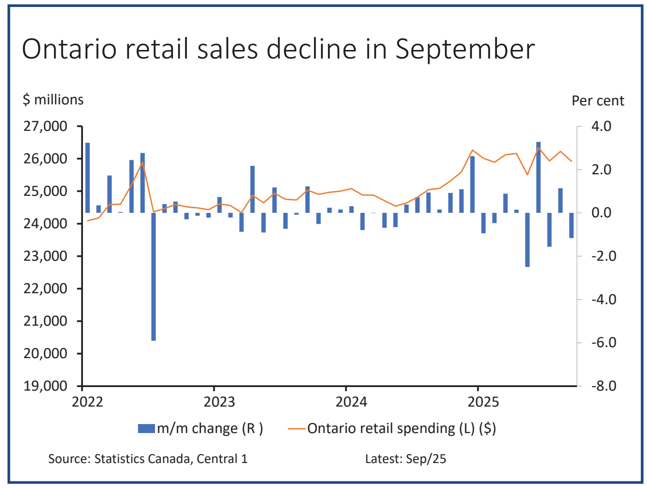


It should be noted that home start values tend to swing widely on a monthly basis, and October's retreat followed a significant spike in the prior month. The six-month average declined in October but was still elevated in comparison to lower figures seen earlier this year. That said, Ontario housing market has shown significant weakness throughout 2025, with retail home sales down and both pre-sales and new sales substantially downbeat. These factors have contributed to a weak construction cycle, and activity is likely to slow further in the near term given the weakening economy, slowing population growth, and challenging real estate market conditions that may persist for months to come.

Of Ontario's 16 metro areas, ten recorded lower home starts in the seasonally-adjusted annualized rate of housing starts in October. Large declines were noted in areas like Toronto (-61.7 per cent), Kitchener-Waterloo-Barrie (-91.1 per cent), and London (-82.9 per cent), amongst other areas. In contrast, home starts were more than four times higher in Hamilton and St Catharines Niagara, while they also increase in Ottawa, Kingston, Barrie and Greater Sudbury.

On an unadjusted basis, housing starts in the province are substantially weak year-to-date and Ontario is one of three provinces continuously reporting lower year-to-date housing starts in 2025. Year-to-date starts declined by 19.4 per cent (49,678 units vs 61,629 units), after decreasing by 17.3 per cent in the previous months. Single family starts fell by 24.8 per cent during the period while multi-family starts also declined by 18.2 per cent.

Year-to-date, home starts in Toronto decreased by 37.4 per cent, while they fell in London by 26.3 per cent. On the other hand, home starts increased by 21.9 per cent in Ottawa and by 18.1 per cent in St. Catharines-Niagara. Across Canada, year-to-date housing starts grew 4.5 per cent year-over-year as of October 2025. Multifamily starts increased by 6.4 per cent, while single-family starts have declined by 3.3 per cent.



Ontario monthly retail sales reversed in September

Alan Chow, Business Economist

Canadian retail sales slipped 0.7 per cent in September to $69.8 billion, following a 1.0 per cent uptick in the prior month. The largest decline was noted in the motor vehicle and parts dealer's category, which saw sales decline by 2.9 per cent, following the increase (1.6 per cent) in the previous month. Core retail sales, which exclude gasoline stations and fuel vendors and motor vehicles and parts dealers were unchanged. Retail sales for the third quarter are up 0.2 per cent, but volume is down 0.3 per cent.

Ontario led the national decline in retail spending with a 1.2 per cent decrease to $25.9 billion during the month on a seasonally-adjusted basis following the 1.1 per cent increase in August. The $25.9 billion for September is the third lowest monthly sales so far this year. This monthly decline was driven by lower motor vehicle and parts dealers' sales. Unadjusted retail sales in Ontario increased by 4.4 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 international trade sector

Subsector data is unadjusted for seasonality, but year-over-year figures showed higher sales across almost all categories. The motor vehicle and parts dealers' sector reported a yearly growth of 2.1 per cent compared to previous months' 5.3 per cent decline. Clothing and general merchandise retailers also reported higher sales compared with last September at 12.6 per cent and 6.1 per cent, respectively. The only category to see a year-over-year September decline was building material and garden equipment supplies dealers saw a 0.6 per cent drop in the same period.

Regionally, the Toronto metro area saw seasonally adjusted retail sales decline by 2.3 per cent on a month-over-month basis in September. Compared to a year ago, unadjusted sales were up 2.7 per cent with year-to-date sales up 2.8 per cent. Ottawa unadjusted retail sales also increased by 11.5 per cent year-over-year with year-to-date sales up 2.9 per cent.

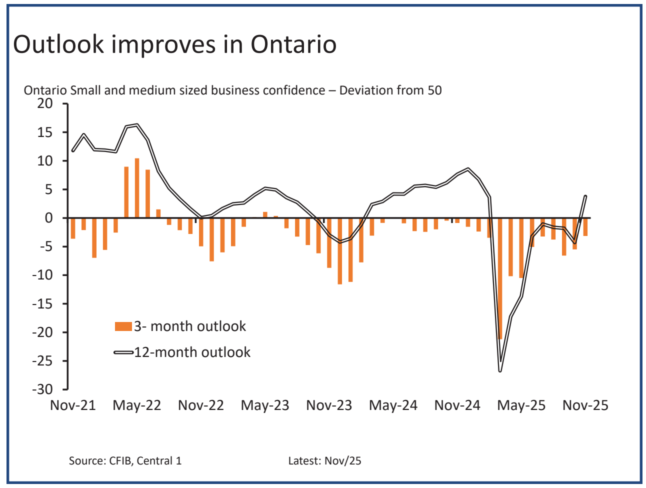
Long run optimism in Ontario weakens along with hiring expectations

Alan Chow, Business Economist

The Canadian Federation of Independent Business (CFIB) Barometer Survey for November reported both an improved long-term and short-term outlook. The 12-month confidence index was up by 8.7 points from a revised 46.7 points in October to 55.5 points in November. This is the highest level it's been since December 2024 when it was 56.5 points. The short-term index was only marginally up from a revised 44.8 points to 46.0 points. A value above 50 points means on net, more businesses are optimistic than pessimistic for the period ahead. On balance, while the outlook has improved in recent months, uncertainty is still at the top of mind for small businesses with the current state of business health remaining below its historical averages.

Of the 12 sectors listed, 10 had higher long-term index values compared to the previous month. The highest increase was a tie between construction (up 15.1 points from 45.3 to 60.4) and hospitality (up 15.1 from 44.3 to 59.4). The largest decline was in agriculture, falling 3.6 points to 50.7. The industry with the highest value was professional services with an index value of 60.9. The industry with the lowest value was transportation and warehousing with an index value of 45.8. 10 out of the 12 industries also had long term index values above 50 points.

For the short-term index, six out of the 12 sectors saw a higher index value. The biggest jump was again in construction, up 9.2 points to 45.5. The largest decline was in hospitality, which fell 8.1 points to 32.9 points. This was also the industry with the lowest index value. The one with the highest value was professional services at 54.9 points. Only three out of the 12 industries had short-term index values above 50 points.



In Ontario, the long-term index marginally increased by 8.0 points to 53.8 points while the short-term index rose 2.3 points to 46.9 points. The increases in both the long-term index and the short-term index were the third largest increase among the provinces. Ontario ranked sixth highest in the long-term index and fifth highest in the short-term index. All provinces had long-term index values above 50, but only two had short-term index values above 50. For Ontario, 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 results were unchanged from the previous month with 20 per cent expecting to reduce staff and 10 per cent expecting to increase staff.

For more information, contact economics@central1.com.