



Highlights

- Ontario long-term business confidence fell in January
- Ontario sees uptick in inflation rate, up to 2.1 per cent in December
- Canadian retail spending increased in November
- Ontario retail sales rise in November

Canadian small businesses remain cautiously optimistic

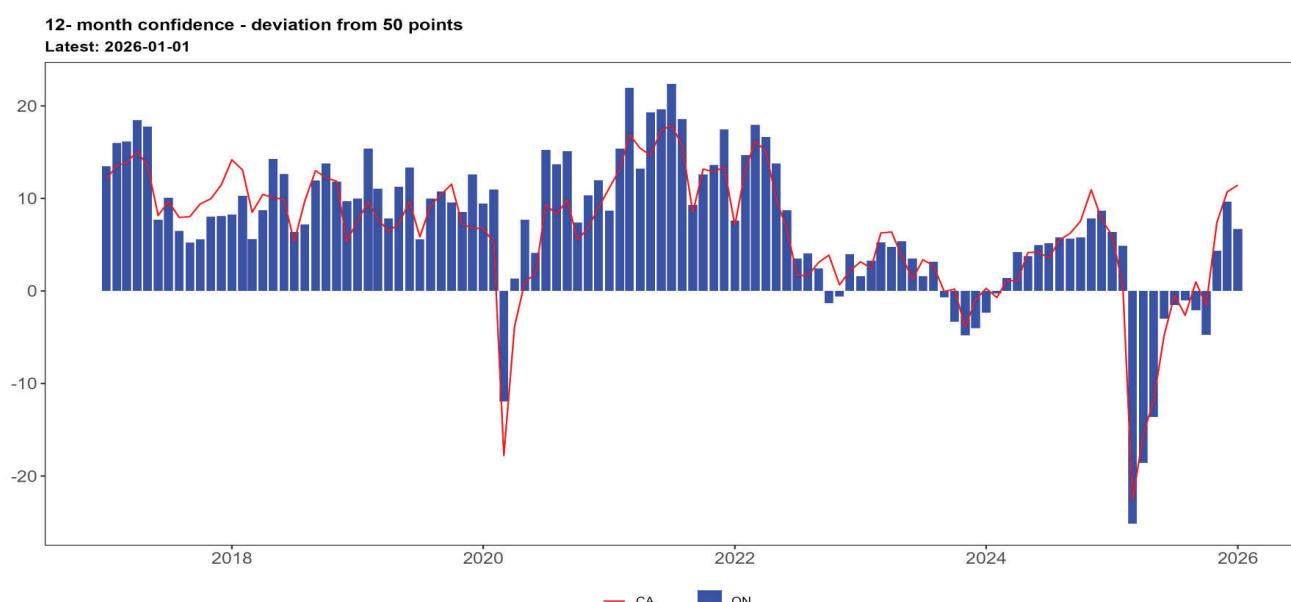
Bryan Yu, Chief Economist

Small business confidence was roughly unchanged in January, according to the latest readings from the Canadian Federation of Independent Business (CFIB). The Canadian 12-month outlook remained unchanged at 59.5 points, with a value above 50 indicating net business optimism. This was highest level since November 2024 and suggests businesses are cautiously upbeat about the year ahead, although confidence remains relatively low given slow economic growth and trade uncertainty. On a shorter three-month basis, businesses remain very cautious with an index value of 52.8 points after holding below 50 for the prior 12 months.

A scan of national indicators points to higher confidence in segments such as professional and business services (64.9 points) and health and education (61.3 points), with a low in manufacturing (53 points). This is not entirely surprising given ongoing trade risks impacting the latter, while greater optimism in the former may reflect increased AI adoption, while demand for health services likely remains stable. Manitoba (65.1) and New Brunswick (63.3) have the highest index readings. Firms generally view the current business environment as satisfactory, with wage growth at 2.1 per cent over the next and 2.6 per cent price growth.

Ontario 12-month confidence retraced after a December increase. The index fell from 60.1 to 56.6, with the 3-month index steady at 48.4 points but still in negative territory. Confidence was low for much of 2025 due to trade sector risks, but the latest 12-month index is consistent with year ago levels. It remains to be seen how the Canada-China trade agreement will impact provincial sentiment given an increase in future electric vehicle imports from China which has rattled the auto sector. Survey results point to insufficient demand as the primary constraint on production, while hiring expectations look to have stabilized with 13 per cent hiring, and 14 per cent looking to reduce head count over the next year.

Ontario, CFIB 12-month sentiment



Food prices continued higher in December, energy prices fall

Eloho Ennah, Economic Analyst

Ontario's inflation rate continued up, rising from 1.9 per cent to 2.1 per cent year-over-year in December. Core measures were mixed, with the inflation rate excluding food and energy remaining unchanged at 2.1 per cent, while the measure excluding energy alone increased from 2.5 per cent year-over-year to 3.0 per cent year-over-year. December's increase was driven by base effects of temporary GST/HST exemptions that covered about 10 per cent of goods the prior year.

Food prices showed the largest gain on a year-over-year basis, rising by 7.5 per cent and accelerating from November's 4.1 per cent. Substantial growth in price of food purchased from restaurants (+12.3 per cent) supported higher prices of the category. Grocery prices also accelerated (+4.8 per cent in December vs +4.1 per cent in November), with meat prices up by 8.6 per cent, fish and seafood prices up 5.4 per cent and fruits prices up by 5.8 per cent.

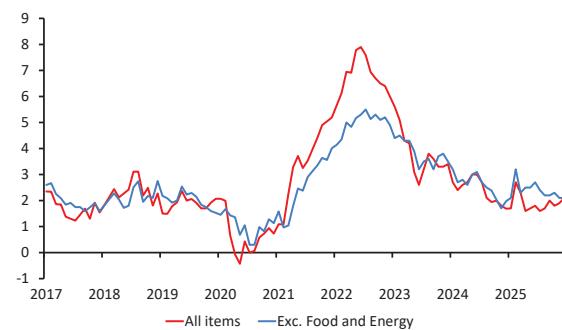
Energy prices continued in the downward trajectory seen since March 2025. They fell 11.2 per cent year-over-year in December, a larger decline than the 6.9 per cent noted in November. Gasoline prices also declined by 16.7 per cent after the 10.1 per cent dip in the previous month. Crude oil prices have fallen to a four-year low given continued oversupply in global markets, among other factors. Transportation costs, which are impacted by gasoline prices, decreased by 1.1 per cent.

Shelter cost growth continued to slow in December, increasing by 0.6 per cent, down from 1.1 per cent growth in November. Shelter price growth has slowed since June 2024, when it was at 5.8 per cent. This has been driven by rented accommodation inflation easing further, with price growth at 2.8 per cent in December compared to 4.0 per cent in November. This was also the lowest year-over-year price growth in the last three years, while price growth for owned accommodation declined by 0.2 per cent, the first year-over-year decline noted since the 90s. Homeowners' replacement cost declined by 4.1 per cent, reflecting declining home values recently.

Household operations, furnishings, and equipment prices grew by 3.6 per cent, down from 4.4 per cent. Clothing and footwear prices rose 1.1 per cent year-over-year while health and personal care items prices grew by 2.6 in December. Recreation, education and reading material prices grew by 1.2 per cent. The cost

Headline inflation rate inches up but core unchanged

Ontario 12-month CPI inflation, %



Source: Statistics Canada, Central 1

Latest: Dec - 25

of goods increased by 0.7 per cent year-over-year. Service prices gained pace, rising by 3.0 per cent following 2.5 per cent growth in November.

This month's acceleration in price growth in Ontario was similar to country-wide trends as the inflation rate moved up from 2.2 per cent to 2.4 per cent nationally. Inflation excluding food and energy increased modestly from 2.4 per cent to 2.5 per cent.

Ontario monthly retail sales increase in November

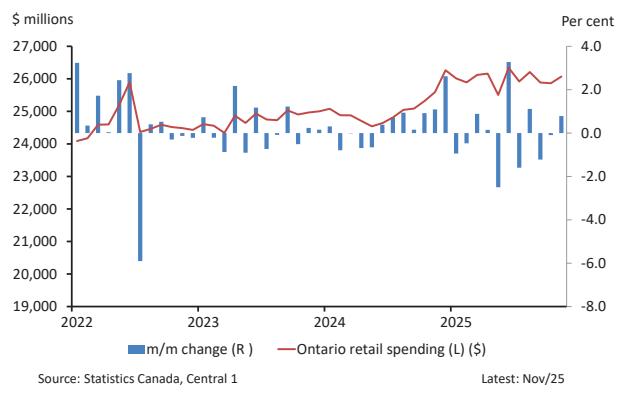
Eloho Ennah, Economic Analyst

Canadian retail sales were back on the rise in November following two consecutive declines. On a seasonally-adjusted basis, retail sales increased 1.3 per cent in November to \$70.4 billion after falling 0.3 per cent in October, largely driven by higher sales at food and beverage retailers. Core retail sales, which exclude gasoline stations and fuel vendors and motor vehicle and parts dealers, grew by 1.6 per cent in November. Despite the rebound, advanced estimates from Statistics Canada point to a likely decline in retail sales in December of 0.5 per cent.

Overall, the retail sales trend remains weak given suppressed consumer expectations, as illustrated by the Bank of Canada's 2025 Q4 Survey of Consumer Expectations which showed elevated concerns over inflation, pressures on household financial health, soft labour market conditions and ongoing economic and trade uncertainty as factors weighing on consumer sentiment.

In Ontario, retail sales went up by 0.8 per cent to \$26.1 billion in November after being unchanged in the prior month. Unadjusted retail sales in Ontario increased by 0.6 per cent compared to the same month in 2024. Year-to-date, retail sales have risen by 3.9 per cent.

Ontario retail sales up in November



Subsector data is unadjusted for seasonality, but year-over-year figures showed higher sales across almost all categories with the exception of motor vehicle and parts dealers where sales fell 11.0 per cent. Clothing, clothing accessories, shoes, jewellery, luggage and leather goods retailers reported a 12.4 per cent increase in sales during the period while higher sales were also seen at general merchandise retailers (6.0 per cent), health and personal care retailers (5.6 per cent), and food and beverages retailers (3.0 per cent).

Regionally, the Toronto metro area saw seasonally adjusted retail sales decline by 0.9 per cent on a month-over-month basis in November. Compared to a year ago, unadjusted sales were down 1.7 per cent with year-to-date sales up 2.0 per cent. Ottawa unadjusted retail sales also increased by 6.2 per cent year-over-year with year-to-date sales up 2.2 per cent.

For more information, contact economics@central1.com.