



Highlights

- Small business confidence tempered in March
- Home sales decreased by 5.8 per cent in February
- Housing starts rose by 0.7 per cent in February
- Ontario saw a slowdown in the inflation rate, down to 1.3 per cent in February
- Both Canadian and Ontario retail sales declined in December

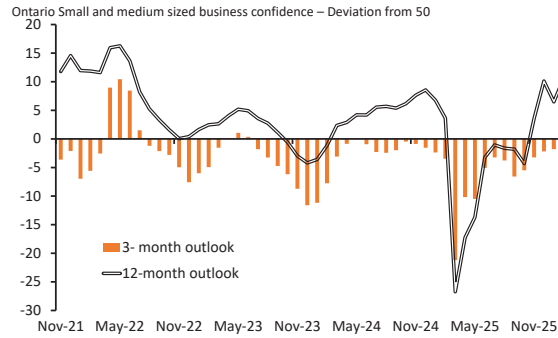
Business confidence retreats in March

Bryan Yu, Chief Economist

Small business confidence in Canada ratcheted back in March, which is not at all a surprise as war intensified rapidly in Iran, driving a near-immediate surge in retail gasoline prices. This likely offset some optimism following the late February U.S. Supreme Court ruling to strike down many of President Trump's blanket tariffs. The Canadian Federation of Independent Business' (CFIB) Business Barometer plunged in March to fully reverse February's gain and recent momentum. Its three-month confidence index fell 7.3 points to a value of 54.5 points, with the 12-month outlook index down 9.5 points to 55.8 points. The latter was the lowest since November. The index is on a 100-point scale, with a value above 50 points to a net positive outlook. However, in a healthy economy, these values typically range to nearly 65 points. Tempered index levels reflect broad macroeconomic uncertainty, and in some markets, exceptionally weak housing markets.

By industry, the headline declined largely owed to a retrenchment in transportation/warehousing, health and education services, and agriculture. Segments with improved confidence included information/arts/recreation, as well as wholesale trade. The lowest 12-month index was transportation and warehousing (53.8 points), with both agriculture and manufacturing tied for the second lowest at 54.6 points. The highest index was found in business services (64.9 points), and health and education (66.9 points). Short-term confidence was low in most sectors, particularly manufacturing and agriculture.

Business outlook in Ontario remains weak

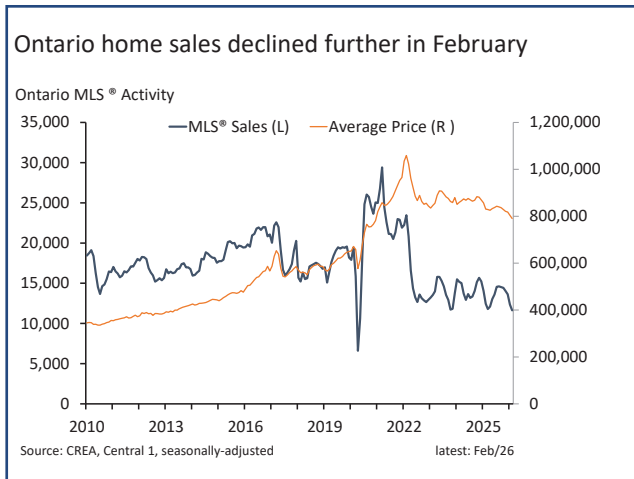


Source: CFIB, Central 1 Latest: Mar/26

On the bright side, the CFIB index suggests that 76 per cent of businesses expected their firms to be performing at least as well as today, and while down from February, this was higher than the range seen from February through October. On input costs, firms are less worried about wages, but those concerned about fuel costs have surged 50 per cent from less than 40 per cent in recent months, which is not surprising. On factors limiting sales or production, the main challenge cited was insufficient demand (56.5 per cent). Firms expect to keep employment levels steady.

Among provinces, six of ten reported lower 12-month confidence than February based on three-month averages. The most severe declines were in B.C., which fell 3.8 points to 57.3 points, alongside Manitoba (down 2.9 points). Higher confidence was observed in Atlantic Canada. Lower confidence indices are generally seen in the west, with higher confidence in Quebec and the Atlantic provinces.

A scan of Ontario highlights confidence readings that are modest on 12-month outlook basis (59.3 points), but businesses are more pessimistic in their shorter three-month outlook (53.7 points) compared to other provinces. Trends are still higher than seen for 2025 which could owe to tariff impacts being less than anticipated, but business confidence remains tempered which could also reflect a weak real estate market. The CFIB survey points to tax and regulatory costs (63 per cent), and insurance (66 per cent) being key input cost burdens in the province, alongside wages. Insufficient demand is a key constraint, while employment expectations are flat.



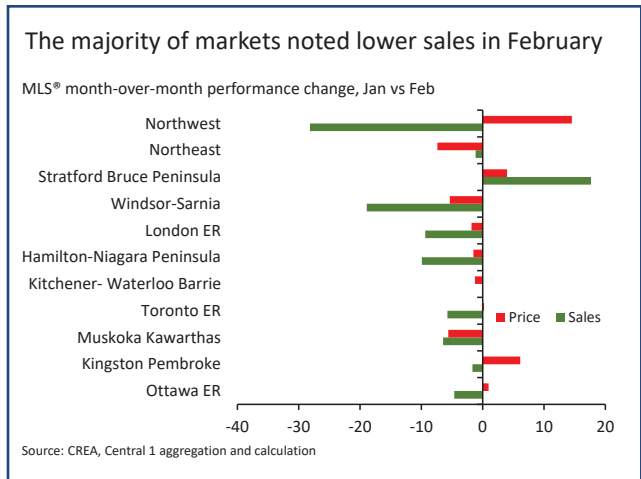
Ontario housing sales fall in February

Eloho Ennah, Economic Analyst

Ontario's housing market performance remained weak in February, extending the slowdown observed since 2025. Seasonally-adjusted MLS® sales fell by 5.8 per cent to 11,638 units, following the 9.4 per cent decrease in January, when activity was partly disrupted by severe weather conditions. Sales were also down 6.5 per cent year-over-year, as economic slack and uncertainty, as well as soft labour market conditions remain a burden on market momentum.

Home sales declined in almost all real estate boards in February. The Toronto economic region (ER) reported a 5.8 per cent decline in sales while they also fell in Hamilton-Niagara Peninsula by nearly 10 per cent. Sales were lower in Muskoka-Kawarthas (-6.5 per cent), Ottawa (-4.6 per cent), Kingston-Pembroke (-1.7 per cent), London (-9.4 per cent), Northeast (-1.2 per cent) while the most substantial declines were in the Northwest (-28.2 per cent) and Windsor-Sarnia (-18.9 per cent). Kitchener-Waterloo-Barrie home sales were unchanged from the prior month. However, sales increased in Stratford-Bruce Peninsula by 17.6 per cent.

Overall, the average home price in Ontario fell by 1.7 per cent to \$790.2K, the sixth consecutive monthly decline amid weak demand and elevated supply. By region, prices pulled back in Kitchener-Waterloo-Barrie (-1.3 per cent), Hamilton-Niagara Peninsula (-1.5 per cent), Muskoka-Kawarthas (-5.6 per cent), London (-1.8 per cent), Windsor-Sarnia (-5.4 per cent), and the Northeast (-7.4 per cent). By contrast, prices rose in Ottawa (1.0 per cent), Kingston-Pembroke (6.1 per cent), Stratford-Bruce Peninsula (4.0 per cent), and the Northwest (14.5 per cent).



Benchmark prices, adjusted for composition effects, declined in Ontario by 0.8 per cent and continued to trend down in most areas, extending the downtrend since early 2025. Market conditions are in favour of buyers with the sales-to-new listings ratio at 37.6 per cent, while new listings dropped by 8.2 per cent.

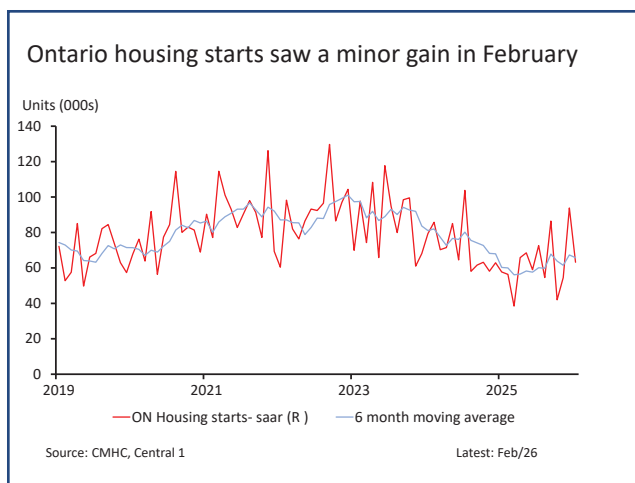
Overall, Ontario's housing market activity remains subdued and this trend is likely to linger in the near-term due to sustained economic weakness, slow population growth, soft labour market conditions, trade tensions and growing geopolitical issues. That said, modest growth may materialize later in the year given improving affordability and stronger consumer confidence.

Housing starts in Ontario rise modestly in February

Eloho Ennah, Economic Analyst

The latest housing starts figures for Ontario published by the Canada Mortgage and Housing Corporation (CMHC), showed a modest gain in February following the sharp decline in the prior month. Housing starts increased by 0.7 per cent to 63,650 units (seasonally-adjusted annualized rate) driven by higher multi-family starts (+6.9 per cent). That said, single-family starts decreased by nearly 30 per cent.

Housing starts figures tend to swing widely from month-to-month, the six-month moving average has moved higher, although construction activity remained subdued due to factors ranging from low presales, high development costs, slowing population growth and soft economic conditions which have subdued construction outlook. We would expect subdued home starts figures for Ontario in the near term pending improved market conditions.



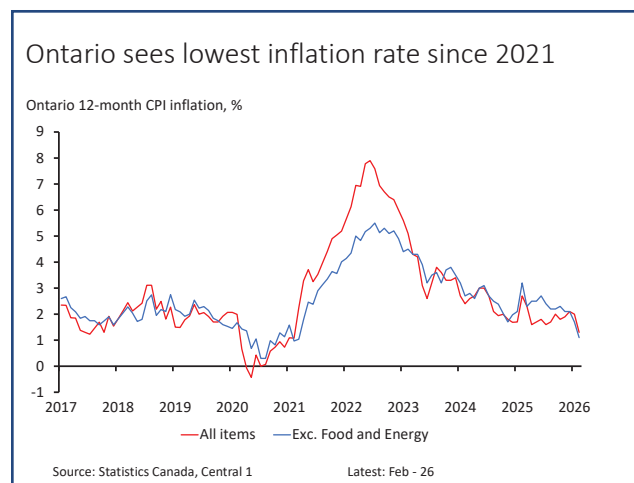
Of Ontario's sixteen metro areas, seven saw higher home starts in the seasonally-adjusted annualized rate of housing starts on a monthly basis. These were Ottawa (+116.4 per cent), Oshawa (+0.7 per cent), Peterborough (+77.2 per cent), Hamilton (+191.4 per cent), St. Catharines-Niagara (+96.4 per cent). They rose by more than five times in Kitchener-Cambridge-Waterloo and more than three times in Barrie. In contrast, housing starts fell in other areas, with a 51.6 per cent decline in Toronto.

Food prices decelerated, shelter prices see an annual decline in February

Alan Chow, Business Economist

Ontario saw its y/y inflation rate fall to 1.3 per cent in February. That is the second lowest amongst the provinces (after 0.8 per cent from P.E.I.) and the lowest it has been since February 2021 when it was 1.1 per cent. Core measures also slowed, with inflation excluding food and energy slowing for the fourth month to 1.1 per cent, and the lowest since March 2021. Inflation excluding food slowed for a third month to 0.2 per cent, the lowest since August 2020 when it saw a decline of 0.2 per cent. Inflation excluding energy slowed from 3.1 per cent to 2.0 per cent. Many items started to lose the base year effects of temporary GST/HST exemptions that covered about 10 per cent of goods the prior year such as restaurant meals, alcoholic beverages, toys and children's clothing, as the so-called tax holiday ended mid-February 2025.

Food inflation slowed for the first time in three months, down from 9.3 per cent to 6.6 per cent. The price of food purchased from stores fell to 4.1 per cent from 4.9 per cent with the price of meat decelerating to 8.6 per cent from 10.5 per cent. Dairy slowed from 1.9 per cent to 1.6 per cent while fruits saw y/y price decline by 0.7 per cent. On the other hand, seafood price



growth accelerated to 5.2 per cent from 4.2 per cent while vegetable prices rose 1.6 per cent, its first y/y price increase in four months. Food from restaurants saw prices rise 11.1 per cent, down from the previous month's 17.8 per cent, as HST for these items returned in mid-February 2025.

Energy prices were down 10.1 per cent y/y, although they were up 1.3 per cent since April 2025. Gasoline prices also declined by 14.8 per cent y/y but were unchanged since April 2025. Transportation costs, which are impacted by gasoline prices and other fuels, have fallen by 0.7 per cent, its third monthly y/y decline. We expect a spike in energy price inflation next month as conflict in the Middle East restricts oil supply and raises prices. Transportation cost will likely also rise as airlines begin to add fuel surcharges to ticket prices. Should the conflict be extended and extensive damage occur to the facilities in the area, we may see this raise inflation across the board.

Shelter cost saw an annual decline of 0.3 per cent in February. This was the first annual inflation rate for shelter in Ontario that was negative since March 2010. Homeowners' replacement cost continues to be the main driver as it saw prices decline 4.6 per cent y/y. Rented accommodations saw price growth slow to 1.3 per cent, the slowest since the August 2021, when y/y price increase was 0.5 per cent.

Household operations, furnishings, and equipment prices growth slowed to 0.5 per cent, down from 1.9 per cent. Clothing and footwear prices rose 0.8 per cent y/y while health and personal care items prices grew by 2.6 in February. Recreation, education and reading material prices grew by only 0.3 per cent. The cost of goods increased by 0.3 per cent y/y while service prices slowed to 1.9 per cent.

Ontario's slowdown in price growth this month was of greater magnitude than the country-wide trends as the inflation rate moved from 2.3 per cent to 1.8 per cent nationally. Inflation, excluding food and energy, also slowed from 2.4 per cent to 2.0 per cent.

Ontario monthly retail sales fall in December

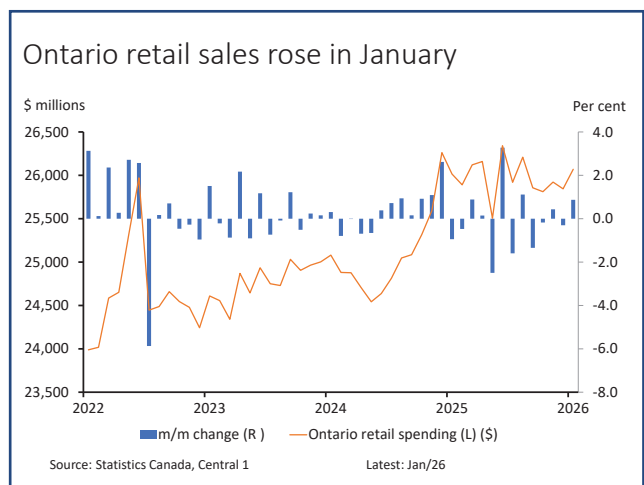
Alan Chow, Business Economist

Canadian retail sales rose in January after seeing a weaker December. On a seasonally-adjusted basis, retail sales increased by 1.1 per cent in January to \$70.7 billion. Core retail sales, which exclude gasoline stations, fuel vendors and motor vehicles and parts dealers, also grew but by a smaller amount of 0.9 per cent. By volume (seasonally adjusted and at constant dollars), sales rose 1.0 per cent. Advanced figures for February suggest sales increased again, up 0.9 per cent, although this figure is likely to be revised as more data becomes available.

There was a strong uptick in sales at motor vehicles and parts dealers, which were up by 2.0 per cent to \$19.0 billion. This is the highest monthly sales level since August 2025 when sales were \$19.6 billion. On the other hand, sales at gasoline stations and fuel vendors declined 0.4 per cent, its first decline in 3 months.

Driving core retail sales were a 3.0 per cent rise at general merchandise retailers. This is the fourth monthly rise for this subsector. Strong sales were also seen in sporting goods and hobby stores, up 2.7 per cent for a second monthly increase. Partially offsetting this growth was a 0.6 per cent decline at food and beverage retailers, its second monthly decline, as well as a decline at clothing and clothing accessories, jewelry, and luggage retailers, down 1.1 per cent, for its second monthly decline.

In Ontario, retail sales rose 0.9 per cent to \$26.0 billion in January after slipping 0.3 per cent on revised numbers in December. Unadjusted, January 2026 sales were 0.7 per cent higher when compared to January 2025.



Subsector data is unadjusted for seasonality, but y/y January figures showed higher sales across five of the nine categories. General merchandise retailers saw the highest growth, up 8.1 per cent to \$3.4 billion followed by food and beverage retailers, up 5.0 per cent to \$4.6 billion. The largest y/y declines were posted by motor vehicle and parts dealers, down 7.1 per cent to \$5.4 billion and furniture, electronics, and appliance retailers, down 7.6 per cent to \$1.6 billion.

Regionally, the Toronto metro area saw seasonally-adjusted retail sales rise by 0.6 per cent on a m/m basis in January. Compared to a year ago, unadjusted sales were also up 0.6 per cent to \$10.1 billion. Ottawa saw January sales rise 7.6 per cent y/y to \$1.9 billion.

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