



Highlights

- Ontario inflation rises to 1.9 per cent
- Both Canadian and Ontario retail sales rose in February
- Both domestic and international visitors to Ontario rose by 7 per cent in February

Food prices decelerate again, but fuels rise amid the Iran-Israel-U.S. conflict

Alan Chow, *Business Economist*

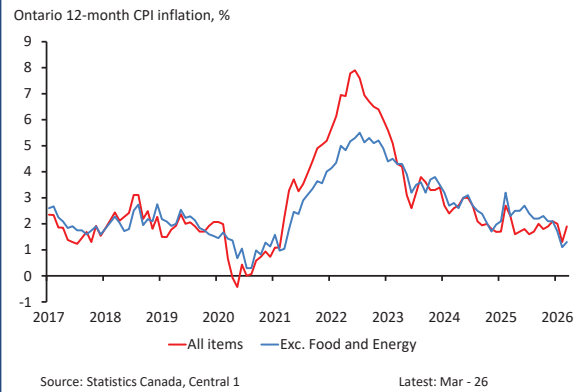
Ontario's year-over-year (y/y) inflation rate rose to 1.9 per cent in March, up from 1.3 per cent in February, as higher gasoline and fuel prices driven by the Iran-Israel-U.S. conflict pushed headline inflation higher. Despite the increase, Ontario continued to have the lowest inflation rate among the provinces. Core measures were mixed. Inflation excluding food and energy rose for the first time in four months, to 1.3 per cent, pointing to a soft domestic economy. Inflation excluding food increased to 1.4 per cent y/y, while inflation excluding energy slowed from 2.0 per cent to 1.8 per cent. Inflation is expected to pick up further in April as the conflict drags on and more businesses pass rising costs on to consumers.

Energy prices rose 3.1 per cent y/y in March, marking the first y/y increase since the consumer carbon tax was removed. Gasoline prices increased 5.2 per cent, while fuel oil and other fuels rose 29.8 per cent. On a month-over-month (m/m) basis, energy prices rose 13.7 per cent, with gasoline up 21.9 per cent and fuel oil and other fuels climbing 26.0 per cent. Transportation costs rose 3.5 per cent y/y, ending a three-month streak of declines. The increase was concentrated in March, as m/m transportation inflation reached 4.1 per cent.

Food inflation slowed again in March, easing from 6.6 per cent to 4.7 per cent y/y. Prices for food purchased from restaurants rose 4.2 per cent, down sharply from 11.1 per cent in February, as March marked the first full month without the HST holiday. In contrast, prices for food purchased from stores accelerated to 5.0 per cent, up from 4.1 per cent. Vegetable prices rose 9.2 per cent, while meat prices increased 8.5 per cent. Fruit inflation remained subdued at 0.9 per cent, alongside dairy products and eggs, which rose only 1.1 per cent.

Shelter costs rose 0.1 per cent y/y, reversing the previous month's 0.3 per cent decline. Rented accommodation was the main driver, with price growth accelerating

Ontario sees inflation rate rise in March



to 2.8 per cent from 1.3 per cent. In contrast, owned accommodation prices continued to fall, down 1.0 per cent y/y, marking the fourth consecutive month of negative growth. Homeowners' replacement cost remained the primary drag, declining 4.8 per cent y/y and remaining negative since May 2023. Mortgage interest costs also continued to slow, rising just 0.3 per cent y/y—the weakest pace since a 0.6 per cent y/y decline in June 2022.

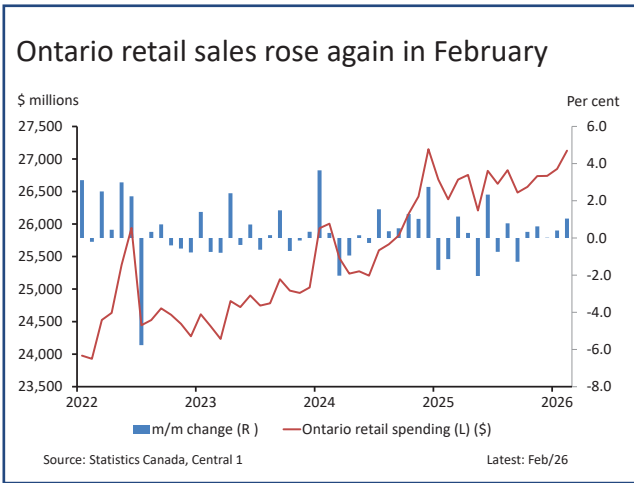
Price growth for household operations, furnishings, and equipment slowed for the fourth consecutive month to 0.2 per cent, down from 0.5 per cent. Clothing and footwear prices fell 0.9 per cent y/y, while health and personal care price growth edged down to 2.5 per cent in March from 2.6 per cent in February. Prices for recreation, education and reading material accelerated to 3.7 per cent. Overall, goods prices increased 1.9 per cent y/y, while services inflation slowed to 1.8 per cent.

Ontario's moderation in price growth was less pronounced than the national trend, as Canada's inflation rate rose from 1.8 per cent to 2.4 per cent. Inflation excluding food and energy nationally edged down from 2.0 per cent to 1.9 per cent.

Ontario monthly retail sales up in February

Alan Chow, *Business Economist*

Canadian retail sales rose again in February. On a seasonally-adjusted basis, retail sales increased by 0.7 per cent to \$72.0 billion. Core retail sales—which exclude gasoline stations, fuel vendors, and motor vehicle and parts dealers—also grew, but by a slightly smaller 0.6 per cent. By volume (seasonally adjusted and in constant dollars), sales rose 0.3 per cent. Seven



of the nine retailer categories reported higher monthly sales in February. Advanced figures for March suggest sales increased again, up 0.6 per cent, although this estimate is likely to be revised as more data becomes available.

There was a strong uptick in sales at motor vehicle and parts dealers, which rose 1.0 per cent to a seasonally adjusted \$19.3 billion. This marked the highest monthly sales level since August 2025, when sales reached \$19.4 billion. In contrast, sales at gasoline stations and fuel vendors were unchanged at \$6.4 billion.

The increase in core retail sales was driven by a 1.2 per cent rise at general merchandise retailers, marking a second consecutive monthly gain. Moderate growth was also recorded at food and beverage retailers, up 0.9 per cent for a second month in a row. Partially offsetting this growth were declines of 0.6 per cent at building material and garden equipment dealers, as well as a 0.3 per cent decrease at furniture, electronics, and appliance retailers.

In Ontario, retail sales rose 1.0 per cent to a seasonally adjusted \$27.1 billion in February. This marked the

fifth consecutive month of rising retail sales following revisions. On an unadjusted basis, February 2026 sales were 3.3 per cent higher compared with February 2025.

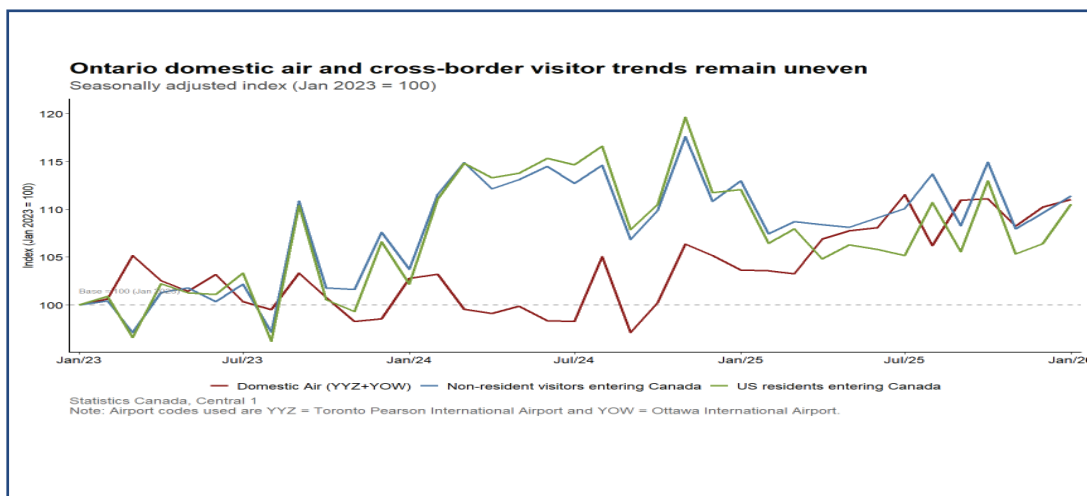
Subsector data is not seasonally adjusted, but y/y February figures showed higher sales in six of the nine categories. General merchandise retailers recorded the strongest growth, up 8.7 per cent to \$4.1 billion, followed by health and personal care retailers, which rose 14.4 per cent to \$2.1 billion. The largest y/y declines were posted by furniture, electronics and appliance retailers, down 13.9 per cent to \$1.1 billion, and building material and garden equipment and supplies dealers, down 6.0 per cent to \$811 million.

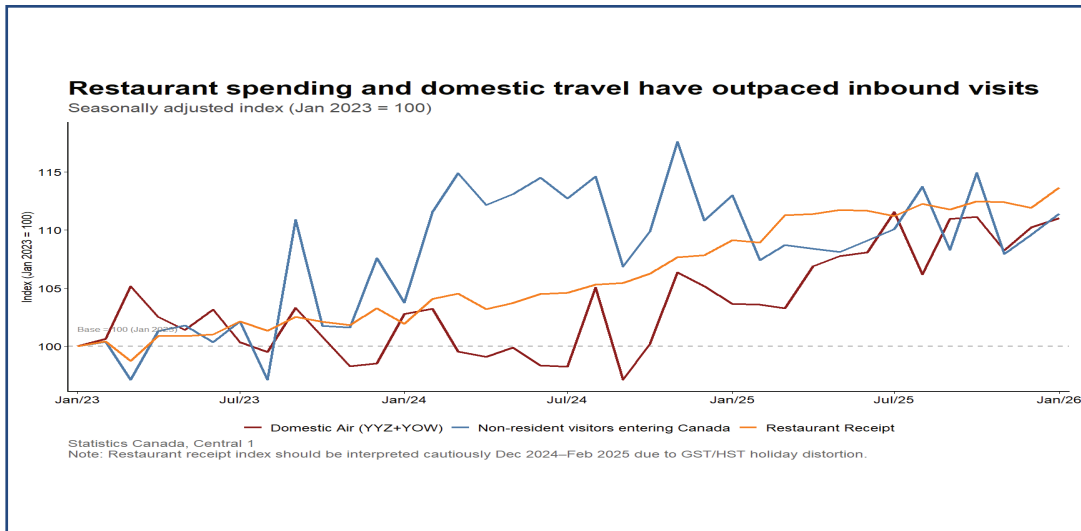
Regionally, the Toronto metropolitan area saw seasonally-adjusted retail sales rise 1.3 per cent m/m in February. Compared with a year earlier, unadjusted sales were also up 14.4 per cent to \$10.4 billion. Ottawa recorded a 13.8 per cent y/y increase in February sales, totaling \$1.9 billion.

Ontario tourism outlook firms as inbound travel improves early in 2026

Zoe He, Senior Economic Analyst

Ontario's tourism looks to have firmed to start 2026. In February, domestic scheduled passengers (enplaned and deplaned) through Toronto Pearson International Airport and Ottawa International Airport rose 7 per cent y/y, while international visitors entering through Ontario rose 3.0 per cent and U.S. visitors rose 2.0 per cent, suggesting inbound demand is recovering. Growth was especially strong from China, up 44.0 per cent y/y because of the Chinese New Year travel and warming political relations. China had reinstated Canada as an approved destination for group travel in late 2025. Restaurant receipts rose 4.2 per cent in January, pointing to continued resilience in local





tourism-related spending, while the hotel market remained firm, with Average Daily Rate at \$183 and hotel occupancy at 52.1 per cent in January.

The broader 2025 picture showed the same divergence. International visitor growth averaged -1.4 per cent over the year, and U.S. visitor growth averaged -3.9 per cent over the year and deteriorated toward year-end, with declines reaching -6 per cent in the final quarter. Domestic scheduled passenger volumes, by contrast, rose 6.1 per cent on average in 2025, indicating that domestic travel remained the more stable part of the picture, even if airport data captures only part of total travel activity. Restaurant receipts also increased 6.1 per cent on average, suggesting hospitality spending held up better than inbound visitation, though the series should be interpreted cautiously because of food service inflation and temporary distortion from the GST/HST holiday.

Taken together, current trend suggests Ontario’s visitor economy has continued to lean on domestic travel and local spending, while inbound demand has started to bounce back. That leaves the province entering 2026 with a solid domestic base. These indicators suggest domestic and local demand continue to anchor activity, while inbound conditions may be improving ahead of the summer World Cup lift anticipated in Toronto.

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