



Ontario Economic Monitor

January to June 2024



Summary

- This report describes Ontario's recent economic performance based on the latest economic indicators.
- In the first quarter of 2024, Ontario's real Gross Domestic Product (GDP), the broadest measure of economic activity, increased 0.7% with widespread gains across most spending categories. The solid rise in real GDP followed several quarters of weak growth.
- The latest economic indicators suggest mixed results for Ontario's economy in the second quarter of 2024, with gains in employment and wholesale trade, but weakness in retail sales, housing market activity, manufacturing sales and net exports.
- The solid growth in the first quarter of 2024, combined with the mixed results in the second quarter, suggest that there is modest upside risk to the FAO's latest forecast for real GDP growth of 1.1% in 2024.¹ Recent economic developments are broadly consistent with the FAO's outlook for nominal GDP growth of 4.3% in 2024.

Introduction and Background

The Ontario Economic Monitor presents an overview of the latest trends in the Ontario economy based on the most recent economic data as of August 6, 2024.

Each quarter, the Government of Ontario (the Province) releases the Ontario Economic Accounts (OEA) that provides data on GDP, a comprehensive measure of economic activity in Ontario. The OEA is produced by the Ontario Ministry of Finance and is released approximately four months after the quarter closes.² The OEA is available on the Province's [Ontario Economic Accounts](#) website.

In addition, there are many monthly economic indicators produced by Statistics Canada and other organizations that provide insight into Ontario's economy, and form part of the underlying data used to produce the OEA. This report focusses on these indicators, which are typically released one to two months after the data is collected and provides more up-to-date information on Ontario's economic performance in the most recent quarter.³

The report is laid out in the following sections:

- A summary of the OEA that describes the province's economic performance in the first quarter of 2024 (2024 Q1);
- A summary of the most recent monthly economic indicators for Ontario's households and businesses in 2024 Q2; and
- An assessment of the FAO's latest forecast given these recent economic trends.

For definitions of the various economic indicators shown in this report, as well as technical definitions of economic concepts, see the report's [Glossary](#). For information on the data used, see the report's [Methodology](#).

¹ See the FAO's [Economic and Budget Outlook, Spring 2024](#).

² For example, the July 2024 OEA release describes economic activity up to the first quarter (January to March) of 2024. The *Fiscal Sustainability, Transparency and Accountability Act, 2019* states that the quarterly Ontario Economic Accounts should be released within 45 days of the Statistics Canada release of the National Income and Expenditure Accounts.

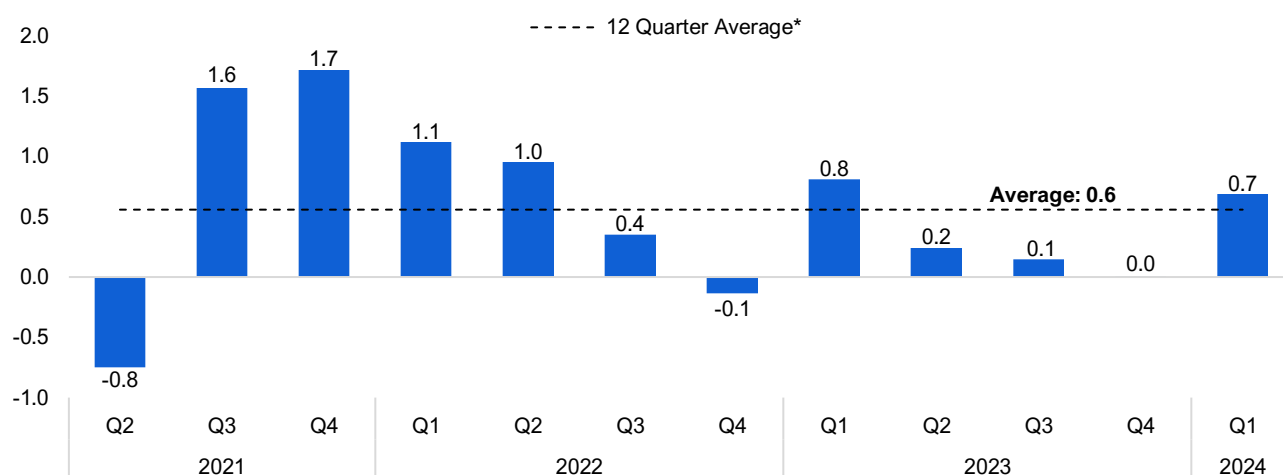
³ Some of these data are regularly revised, and the growth rates presented in this report may differ from updated data published at a later date.

2024 First Quarter Ontario Economic Accounts

The Ontario Economic Accounts (OEA) for the first quarter (January to March) of 2024 were released on July 11, 2024. They provide a comprehensive assessment of Ontario's recent economic performance.

Real Gross Domestic Product (GDP) grew by 0.7% in 2024 Q1, with widespread growth across most spending categories, driven primarily by gains in household consumption (1.2%) and an improvement in net trade (exports minus imports). Business non-residential investment (0.3%) and investment in machinery and equipment (0.5%) both increased in 2024 Q1 after two consecutive quarters of declines, while residential investment declined modestly by 0.1% and inventories slowed.

Figure 1
Real GDP growth (seasonally adjusted, quarter-over-quarter, %)



*12 quarter average for all charts is based on 2021 Q2 to 2024 Q1.
Source: Ontario Economic Accounts and FAO.

The solid 0.7% growth recorded in 2024 Q1 was a divergence from the weakness largely observed since the Bank of Canada began raising interest rates in March 2022, which increased financing costs for households and businesses, slowing economic activity.⁴

The Bank of Canada lowered its policy rate in both June and July by a total of 50 basis points to 4.50%, noting that inflation in Canada is easing as the supply of goods and services in the economy exceeds demand.⁵ Despite these reductions, the policy rate is still well above its average of 1.00% over the 2011 to 2019 period and is likely to continue to restrain economic activity in the near term.

For 2024 Q2, mixed results in the latest economic indicators (see [Ontario's 2024 Second Quarter Economic Indicators](#)) suggest that the solid pace of growth in 2024 Q1 may not be sustained.

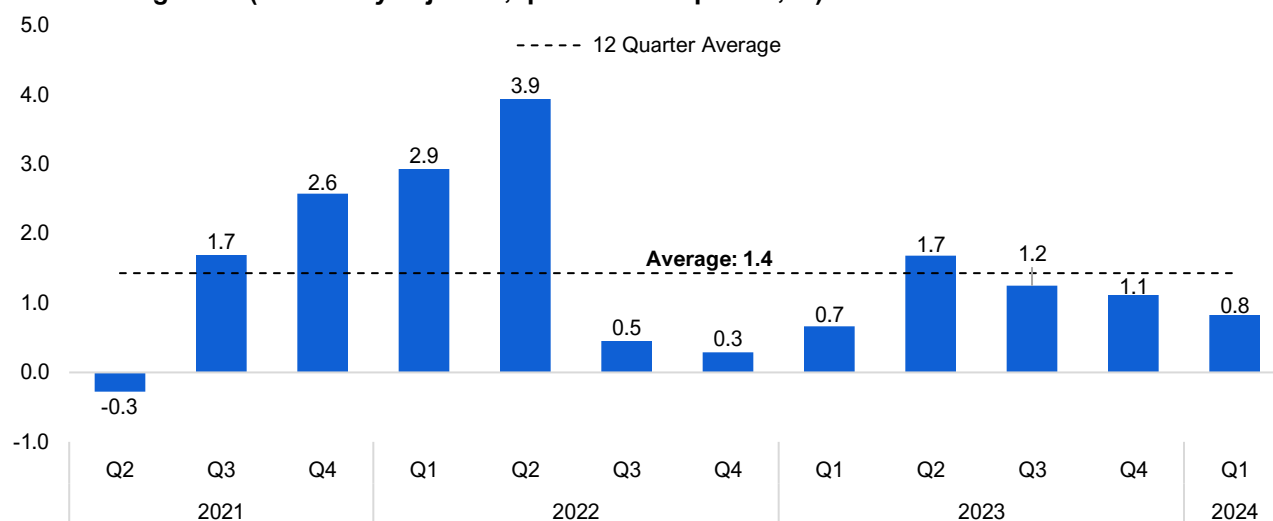
⁴ Since interest rates began to rise, economic growth in Ontario has averaged 0.4% per quarter (2022 Q2 to 2024 Q1), well below the 2.5% average observed in the early stages of the COVID-19 pandemic (2020 Q3 to 2022 Q1) and also below the 0.6% quarterly average from 2011 to 2019.

⁵ See the Bank of Canada's [Bank of Canada reduces policy rate by 25 basis points to 4½%](#).

Nominal GDP, the broadest measure of the tax base, increased 0.8% in 2024 Q1, slower than the 1.1% gain in 2023 Q4 and continuing a moderating trend underway since mid-2023. The increase in nominal GDP in 2024 Q1 reflected gains in labour income (1.5%) and unincorporated business, farm and rental income (1.8%), which were partially offset by a decline in corporate profits (-8.0%). Labour income has recorded consistent gains, rising 27.8% above its pre-pandemic level in 2019 Q4. In contrast, corporate profits have struggled and are 4.1% below 2019 Q4 levels.

Figure 2

Nominal GDP growth (seasonally adjusted, quarter-over-quarter, %)



Source: Ontario Economic Accounts and FAO.

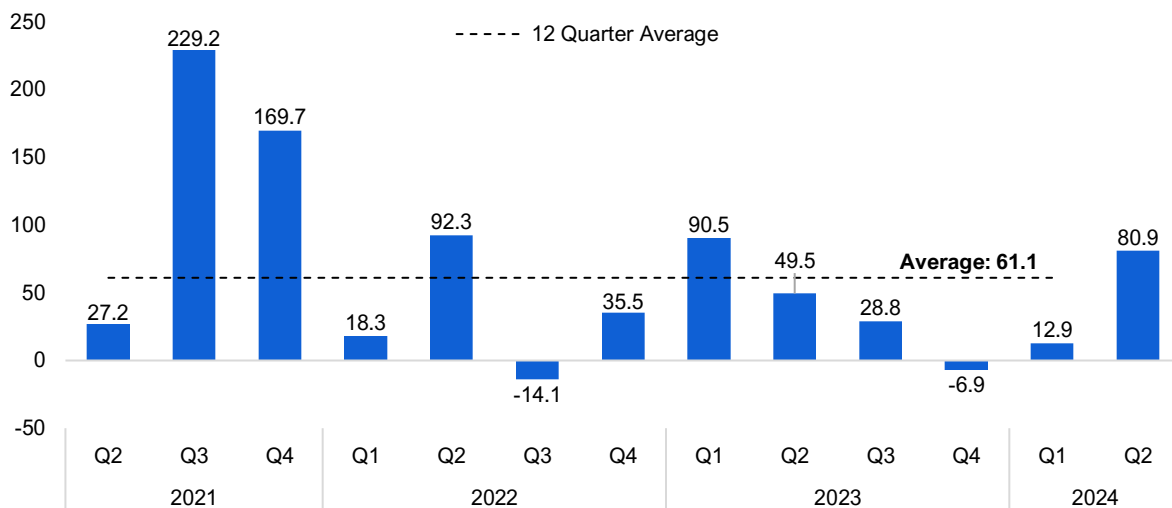
For more detailed information on Ontario's economic performance in 2024 Q1, see the [Ontario Economic Accounts](#).

Ontario's 2024 Second Quarter Economic Indicators

Available economic indicators suggest mixed results for Ontario's economy in 2024 Q2.

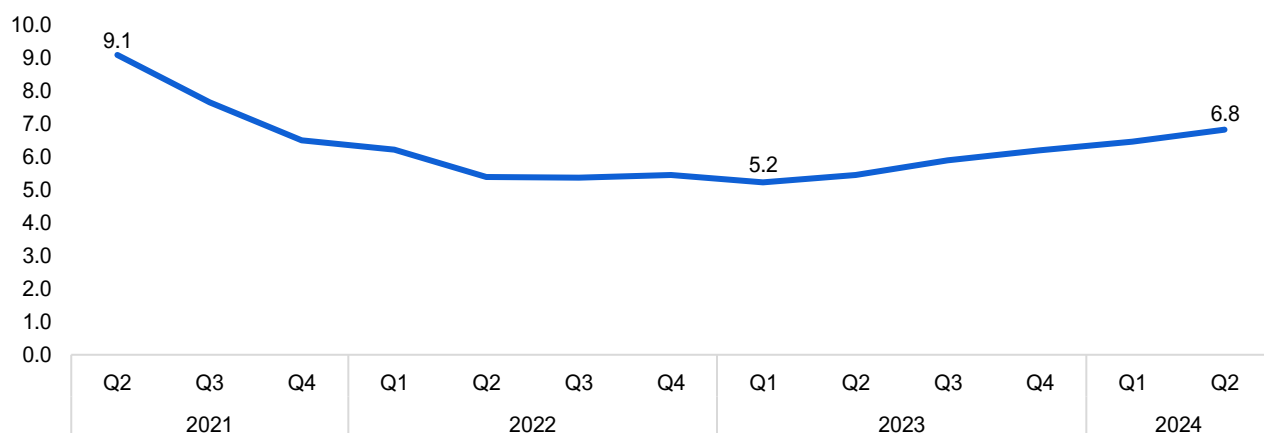
Households

Employment in Ontario rose by 80,900 jobs in 2024 Q2, an increase of 1.0%, after several quarters of weakness. Job growth was split between full-time employment (+46,900) and part-time employment (+33,900) in 2024 Q2. The private sector accounted for most of the job gains (+51,100), while public-sector employment (+19,600) and the number of self-employed (+10,200) also contributed to overall job growth.

Figure 3
Change in employment (seasonally adjusted, quarter-over-quarter, thousands)

 Source: Statistics Canada [Table 14-10-0287-01](#) and FAO.

Employment of core-age workers (aged 25 to 54) increased by 61,800 (1.2%), while youth employment (aged 15 to 24) increased by 30,400 (3.0%). Employment among workers aged 55 and older declined by 11,300 (-0.7%).

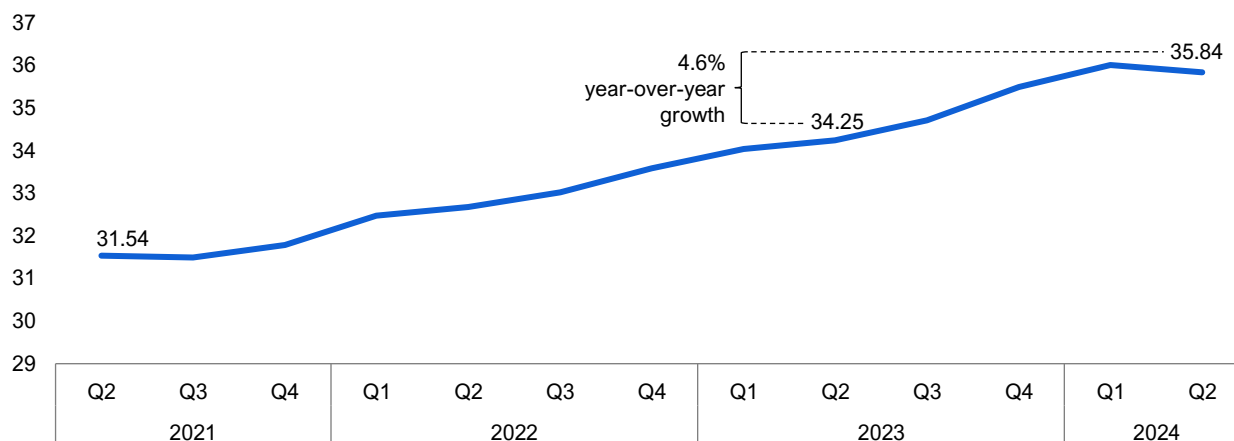
By industry, health care and social assistance (+31,800), professional, scientific and technical services (+23,600), and finance (+20,600) saw the largest employment gains, while construction (-18,300), information, culture and recreation (-4,600), and utilities (-4,000) had the largest declines.

Figure 4
Unemployment rate (seasonally adjusted, quarterly, %)

 Source: Statistics Canada [Table 14-10-0287-01](#) and FAO.

Despite the growth in employment, more people entered the labour market seeking jobs than found employment. As a result, the unemployment rate rose for the fifth consecutive quarter reaching 6.8%, or 1.6 percentage points higher than the low of 5.2% recorded in 2023 Q1. Over this period, all major age groups have seen an increase in their unemployment rate, particularly for youth, whose unemployment rate reached 15.6% in 2024 Q2, the highest since late 2013 (excluding the pandemic). The continued rise in the unemployment rate indicates that people entering the job market are having a harder time finding employment.

Average hourly wages grew 4.6% in 2024 Q2 when compared to 2023 Q2, averaging \$35.84 an hour. Hourly wage growth was broad-based across most major industries, with wages in goods-producing industries rising 5.1% and services-producing industries increasing 4.5%. Industries with the fastest wage growth were utilities, construction, other services, and wholesale and retail trade. Wage growth has been strong since 2022, reflecting elevated inflation and high job vacancies over most of the period.⁶

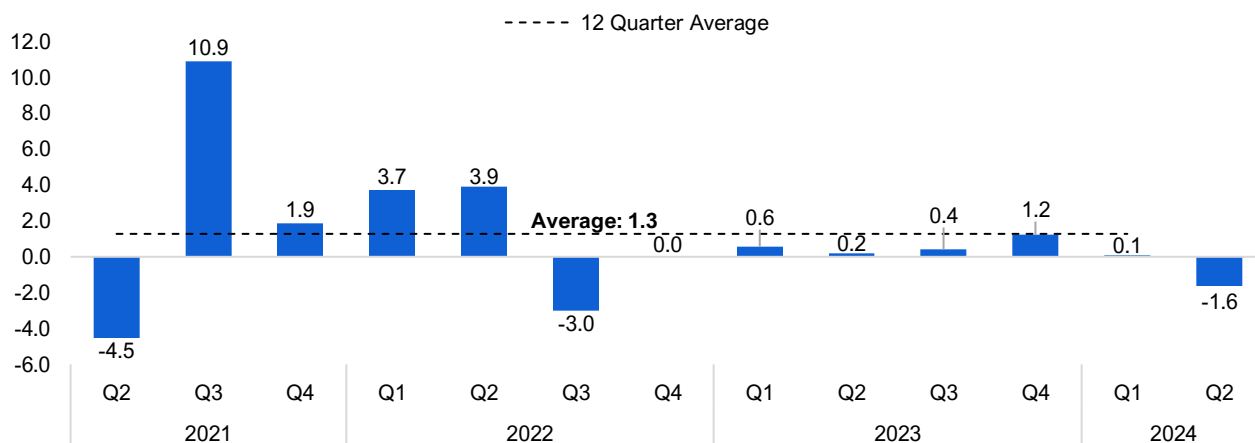
Figure 5
Average hourly wages (non-seasonally adjusted, dollars per hour)



Source: Statistics Canada [Table 14-10-0063-01](#) and FAO.

Retail sales declined 1.6% in 2024 Q2 in Ontario,⁷ with declines in autos, sporting goods and hobby retailers, general merchandise, furniture and appliances, and building materials. Since 2022 Q3, Ontario retail sales have declined by an average of 0.3% per quarter. The decline has largely resulted from the easing of post-pandemic pent-up demand and the impact of higher interest rates, which has caused households to increase savings and divert a larger share of their incomes to debt payments.⁸

Figure 6
Retail sales growth (seasonally adjusted, quarter-over-quarter, %)



Source: Statistics Canada [Table 20-10-0056-01](#) and FAO.

⁶ Average hourly wages in 2024 Q2 were lower than wages in 2024 Q1, however this likely reflects seasonal factors in the data.

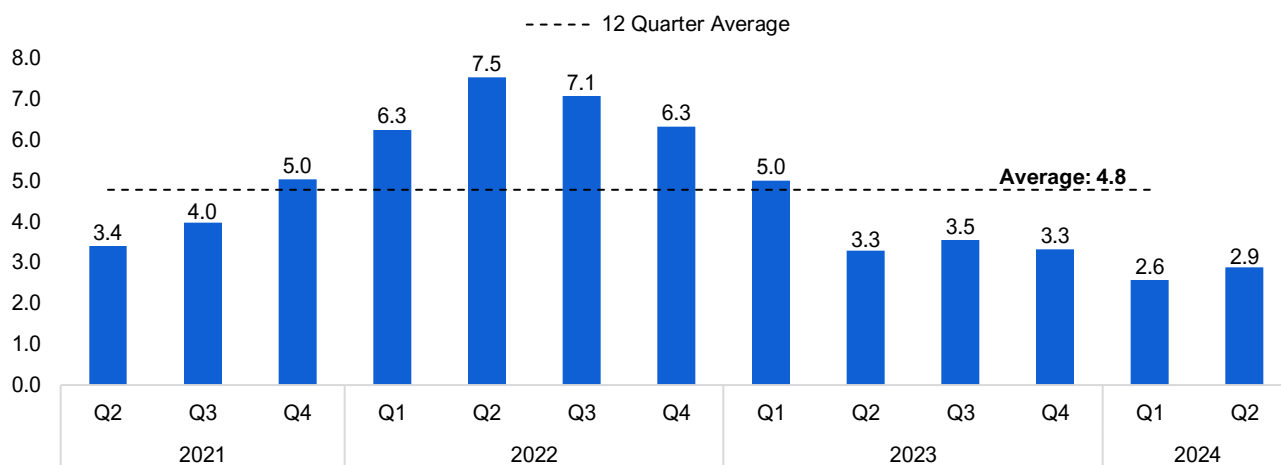
⁷ June data was not available at the time of publication, so the Canadian advance retail indicator provided by Statistics Canada was used to calculate the 2024 Q2 Ontario value. See Statistics Canada's [Retail trade, May 2024](#).

⁸ See the Bank of Canada's [Canadian Survey of Consumer Expectations—Second Quarter of 2024](#) and [Monetary Policy Report—July 2024](#).

The Ontario **Consumer Price Index (CPI) inflation rate**⁹ was 2.9% in 2024 Q2, up from 2.6% in 2024 Q1 – this marked the first time since early 2021 that the province’s inflation rate was below 3.0% for two consecutive quarters. Of the major CPI components, shelter (5.8%), gasoline (5.0%), transportation (3.6%), health and personal care (3.0%) and alcohol and tobacco (3.0%) all increased at rates faster than headline inflation in 2024 Q2. Food prices (2.4%) increased at a rate slower than headline inflation for the first time since 2021 Q4, while prices for household operations, furnishings and equipment (-1.3%) and clothing (-1.2%) both declined.

Inflation has generally slowed after reaching 7.5% in 2022 Q2, the highest quarterly rate in Ontario since 1983 Q1. The decline in inflation coincided with a rapid increase in interest rates by the Bank of Canada, improved supply chains and easing consumer demand. Inflation rates in most major categories have declined from their recent peaks, although to a lesser extent for shelter. As well, strong population growth has contributed to rising CPI rent inflation, which reached 7.2% in 2024 Q2, the highest rate since 1983 Q3.

Figure 7
CPI inflation rate (non-seasonally adjusted, year-over-year, %)

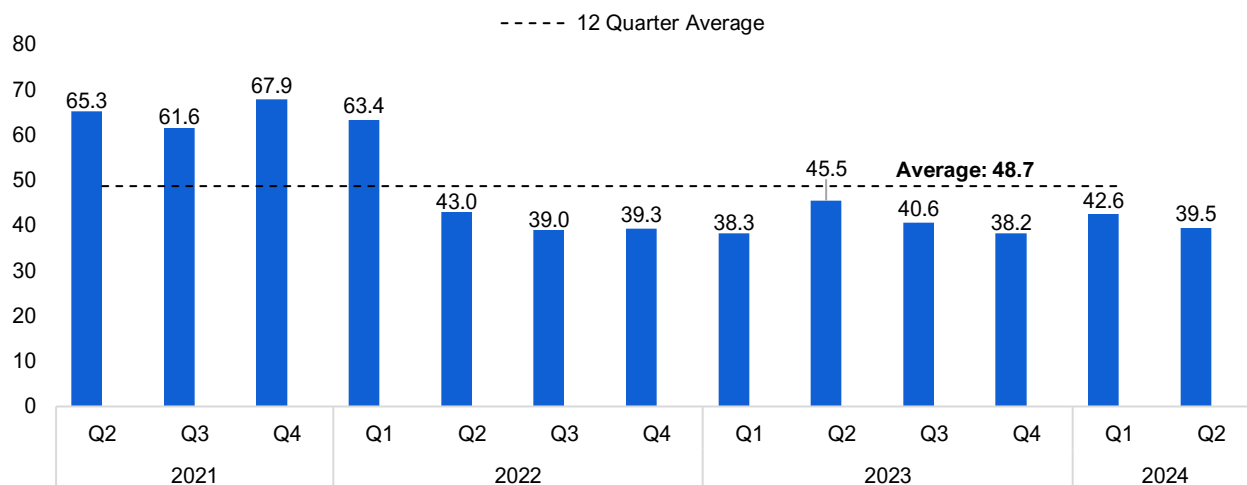


Source: Statistics Canada [Table 18-10-0004-01](#) and FAO.

⁹ Measured on a year-over-year basis.

Ontario **home resales** declined 7.3% in 2024 Q2 from the previous quarter, with 39,500 units sold. The current pace of home resales activity is much lower than the elevated level of resales recorded from 2020 Q3 to 2022 Q1, which averaged 68,400 units per quarter. Despite robust population growth, home resales activity has declined in tandem with the increase in mortgage rates starting in early 2022, as home carrying costs rose rapidly.

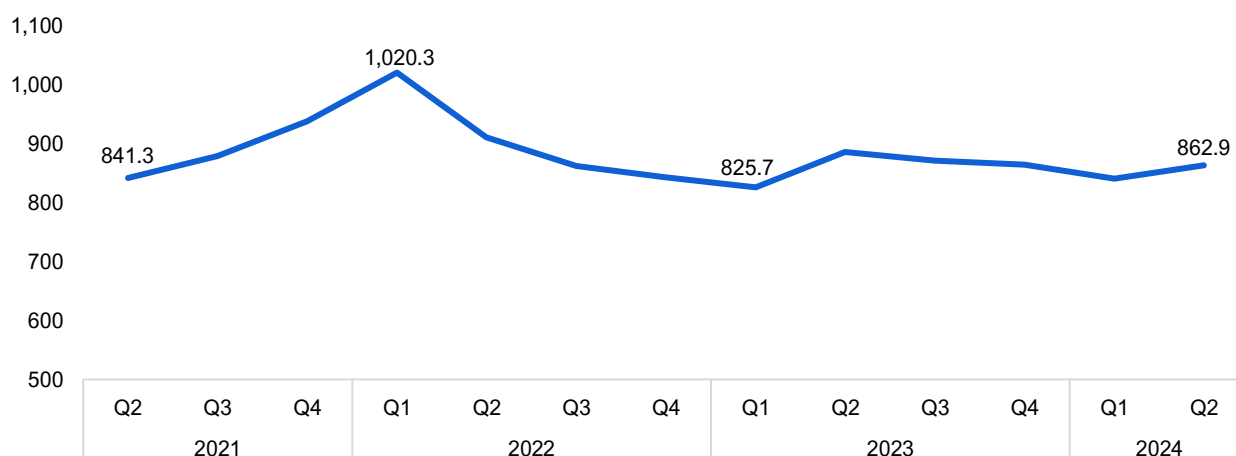
Figure 8
Housing resales (seasonally adjusted, thousands of units)



Source: Canadian Real Estate Association and FAO.

Home resale prices in Ontario averaged \$862,900 in 2024 Q2, a 2.7% increase from the previous quarter. The average resale home price in 2024 Q2 was \$157,400 (or -15.4%) below the peak of \$1,020,300 reached in 2022 Q1.

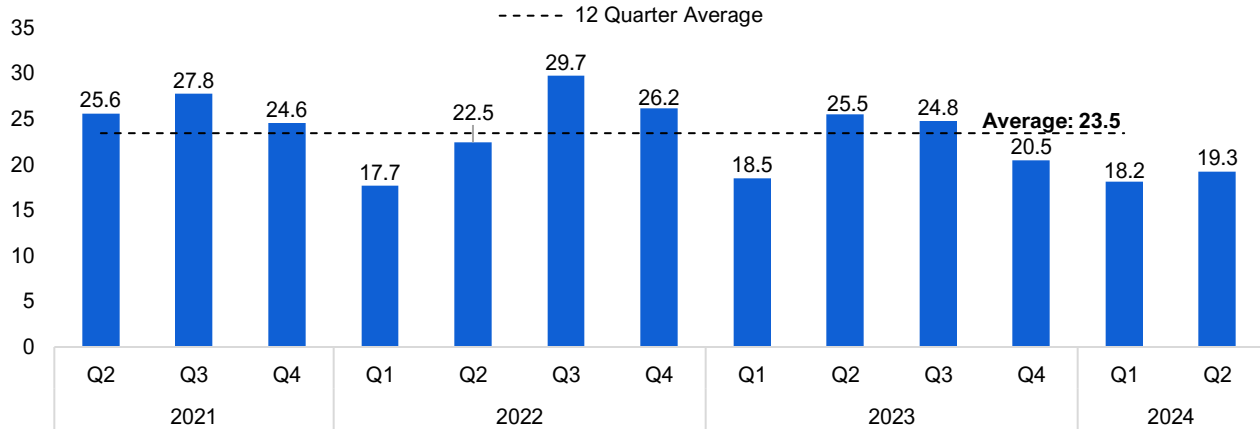
Figure 9
Average home resale prices (seasonally adjusted, \$ thousands)



Source: Canadian Real Estate Association and FAO.

Housing starts¹⁰ in 2024 Q2 totalled 19,300 units in Ontario, a 24.5% decline from the 25,500 units started in 2023 Q2. In 2024 Q2, 81% of total housing starts were multiple unit dwellings, while 19% were single detached homes.

Figure 10
Housing starts (non-seasonally adjusted, thousands of units)

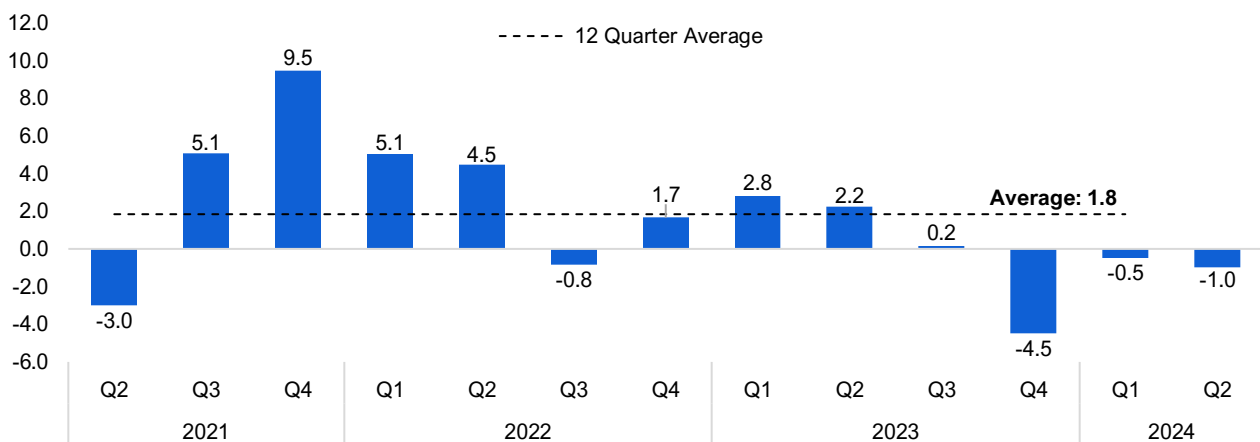


Source: Statistics Canada [Table 34-10-0135-01](#) and FAO.

Businesses

Manufacturing sales¹¹ declined by 1.0% in 2024 Q2, the third consecutive quarterly decline. The decline in manufacturing sales in 2024 Q2 was concentrated in fabricated metal products, wood products, non-metallic mineral products, and transportation equipment, partially offset by increases in food, chemicals, machinery, and computer and electronic products. Manufacturing sales have fallen by 5.9% over the past three quarters, negatively affected by retooling in the auto sector and marking the deepest three-quarter decline since mid-2009 (excluding the pandemic).

Figure 11
Manufacturing sales growth (seasonally adjusted, quarter-over-quarter, %)



Source: Statistics Canada [Table 16-10-0048-01](#) and FAO.

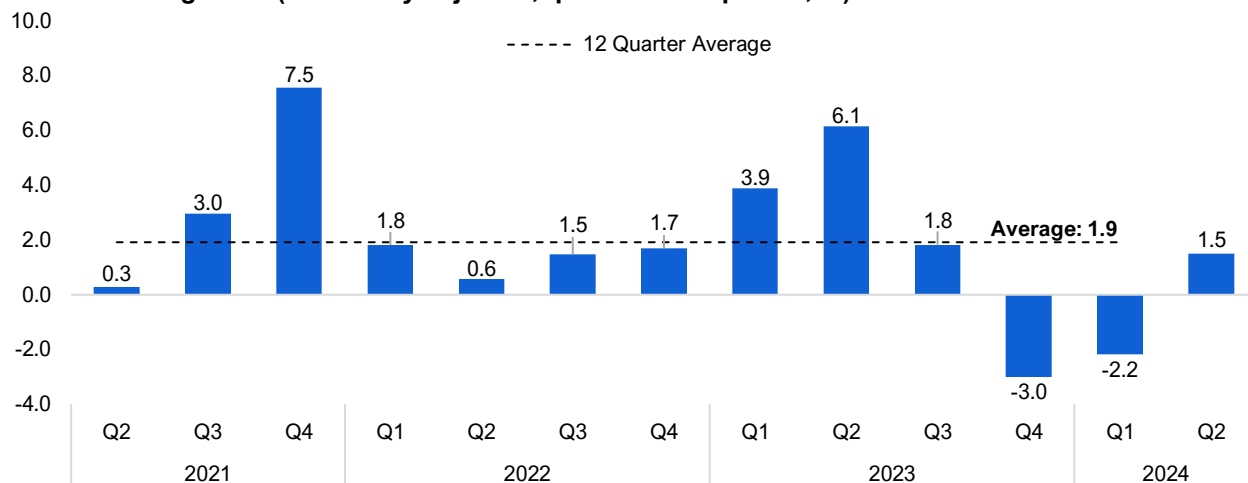
¹⁰ Canada Mortgage and Housing Corporation (CMHC) defines a housing unit as being a “structurally separate set of self-contained living premises [with] ... a private entrance from outside the building or from a common hall, lobby or stairway inside the building. The entrance must be one that can be used without passing through another separate [...] unit”. See CMHC’s [Starts and Completions Survey and Market Absorption Survey Methodology](#).

¹¹ June data was not available at the time of publication, so the Canadian flash estimate provided by Statistics Canada was used to calculate the 2024 Q2 Ontario value. See Statistics Canada’s [Monthly Survey of Manufacturing: Flash estimate, June 2024](#).

Wholesale trade,¹² which measures sales of bulk items, increased by 1.5% in 2024 Q2, following declines in both 2024 Q1 (-2.2%) and 2023 Q4 (-3.0%). The increase in 2024 Q2 was largely the result of higher sales of autos, personal and household goods, and farm products, which outweighed declines in the sales of petroleum products and building materials.

Figure 12

Wholesale trade growth (seasonally adjusted, quarter-over-quarter, %)

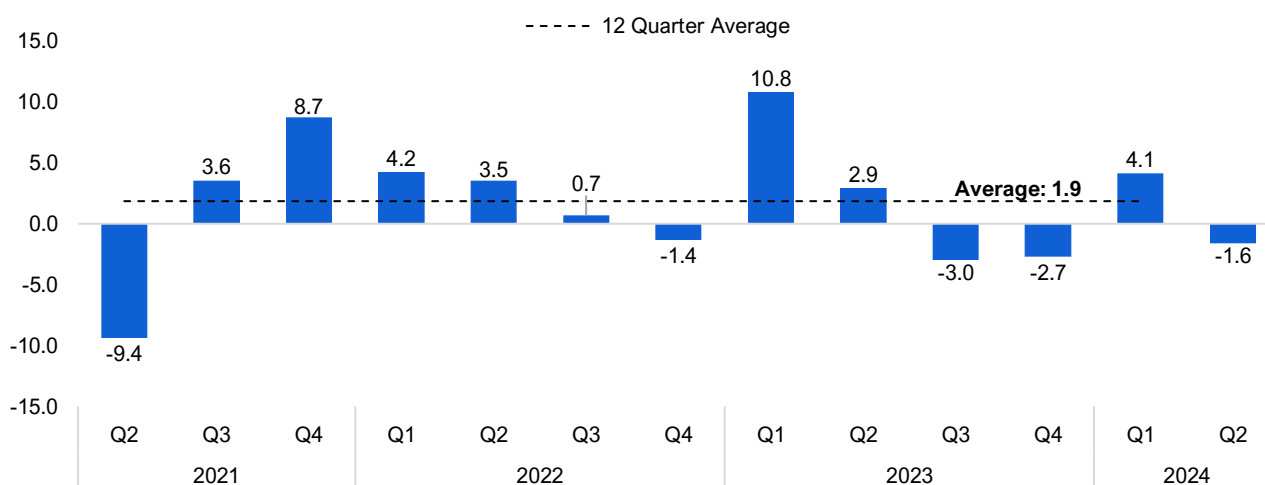


Source: Statistics Canada [Table 20-10-0074-01](#) and FAO.

International merchandise exports, which account for all goods leaving the country through Ontario, declined by 1.6% in 2024 Q2, the third decline in the past four quarters.¹³ The drop in exports in 2024 Q2 reflected declines in metal and non-metallic mineral products, autos, and industrial machinery, equipment and parts. Ontario’s auto sector exports have struggled recently, reflecting auto plant shutdowns and weakening US real household spending on motor vehicles and parts, which declined by 6.7% over the 2023 Q1 to 2024 Q1 period.

Figure 13

International merchandise export growth (seasonally adjusted, quarter-over-quarter, %)



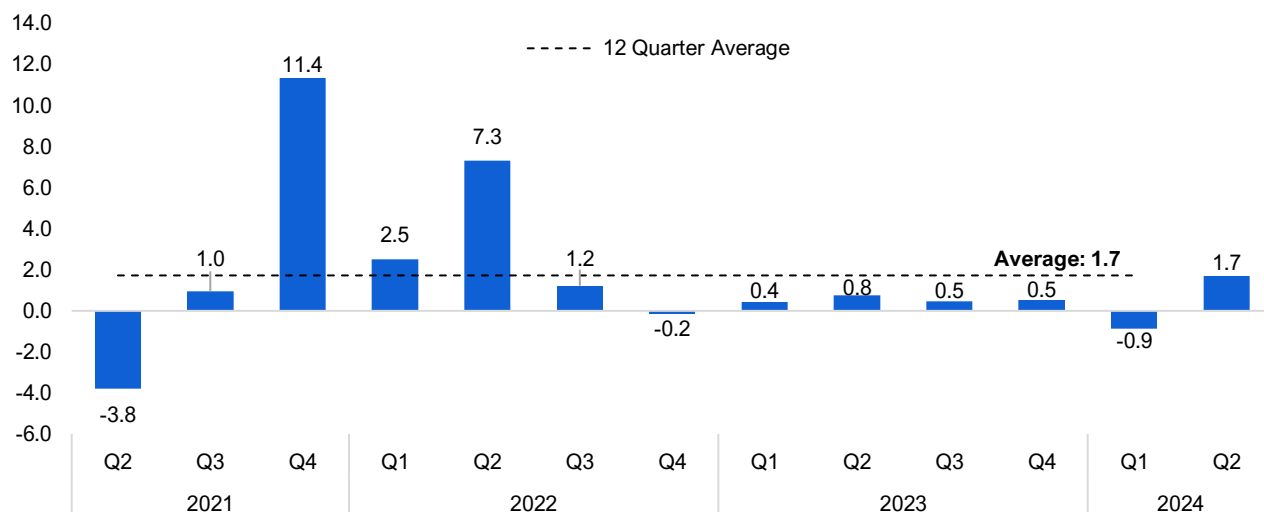
Note: International merchandise export growth is based on FAO estimates using Statistics Canada [Table 12-10-0175-01](#) and [Table 12-10-0163-01](#). Source: Statistics Canada [Table 12-10-0175-01](#), [Table 12-10-0163-01](#) and FAO.

¹² June data was not available at the time of publication, so the Canadian early indicator provided by Statistics Canada was used to calculate the 2024 Q2 Ontario value. See Statistics Canada’s [Wholesale trade: Early indicator, June 2024](#).

¹³ International merchandise export and import growth is based on FAO estimates using Statistics Canada [Table 12-10-0175-01](#) and [Table 12-10-0163-01](#).

International merchandise imports, which measures international goods entering Ontario, increased 1.7% in 2024 Q2, after a 0.9% decline the previous quarter. The increase reflected higher auto imports as well as imports of metal and non-metallic mineral products, somewhat offset by declines in electronic equipment, and industrial equipment.

Figure 14
International merchandise import growth (seasonally adjusted, quarter-over-quarter, %)



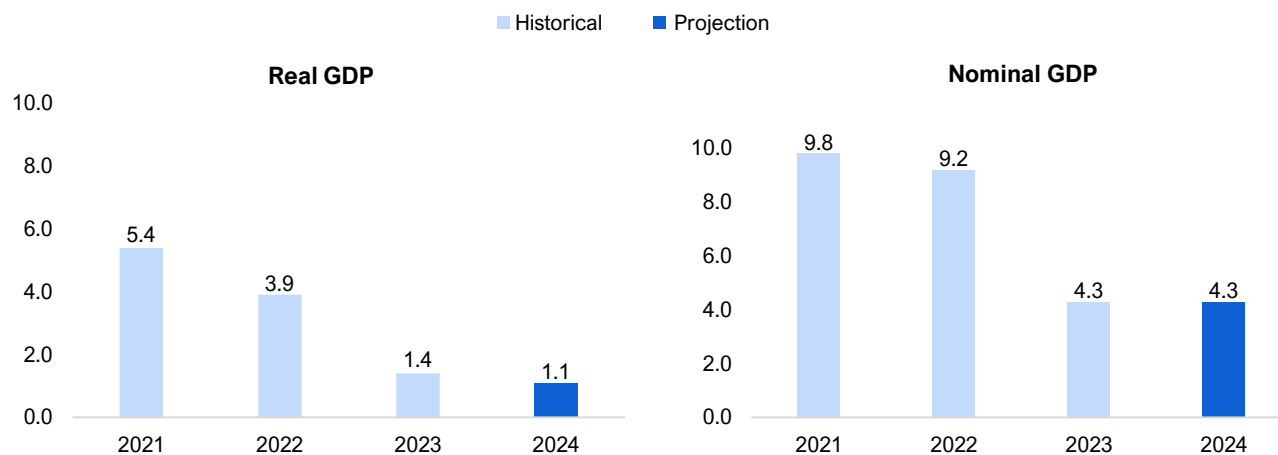
Note: International merchandise import growth is based on FAO estimates using Statistics Canada [Table 12-10-0175-01](#) and [Table 12-10-0163-01](#).

Source: Statistics Canada [Table 12-10-0175-01](#), [Table 12-10-0163-01](#) and FAO.

Implications of Recent Economic Trends

The solid 0.7% economic growth in the first quarter of 2024 combined with the mixed results in the second quarter suggest there is modest upside risk to the FAO’s latest forecast for real GDP growth of 1.1% in 2024 published in the Spring 2024 Economic and Budget Outlook (EBO).¹⁴ Recent economic developments are broadly consistent with the FAO’s outlook for nominal GDP growth of 4.3% in 2024 in the Spring 2024 EBO.

Figure 15
FAO’s Spring 2024 economic growth projection (%)



Source: Ontario Economic Accounts and FAO, [Economic and Budget Outlook, Spring 2024](#).

The FAO will continue to monitor Ontario’s economic performance and incorporate any changes into upcoming Economic and Budget Outlook reports.

¹⁴ See the FAO’s [Economic and Budget Outlook, Spring 2024](#).

Glossary

Economic Indicators

Gross Domestic Product (GDP)

GDP is a broad indicator of economic activity that measures the value of goods and services produced by an economy. GDP is measured on both an expenditure and income basis.

Employment and unemployment rate

Employment from Statistics Canada's Labour Force Survey estimates the number of individuals who did any work at a job or business (whether paid or unpaid) or those who had a job but were not at work due to factors unrelated to their job (e.g., their own illness or a labour dispute). The unemployment rate represents the number of people actively looking for work but not having a job as a proportion of the labour force. These two indicators are the most common measures of labour market performance.

Average hourly wages

Hourly wages are measured before taxes and other deductions, and include tips, commissions and bonuses for both hourly and salaried workers. It indicates wage inflation and labour market tightness.

Retail sales

Retail sales are the value of finished goods sold by retailers to the general public. It provides information on household spending by major commodity type.

Housing resales

Home resales data show the number of existing houses sold and is the most common measure of housing market activity.

Housing prices

The average price of existing houses sold. It is the most common measure of home prices that provides an indication of the strength of the housing market.

Housing starts

Housing starts measures the number of housing units where construction has been started, including single and multiple unit dwellings. It provides a measure of change in the level of the housing stock and can be compared to population growth to provide information on housing supply adequacy.

Manufacturing sales

The value of goods manufactured in Ontario that have been shipped to a customer. It is a measure of industrial production.

Wholesale trade

The value of merchandise sold in large quantities to retailers, business and institutional clients, such as governments. It provides insight into general business sector activity.

International merchandise exports and imports

The value of merchandise shipped out of the country from Ontario (exports) or into Ontario from outside the country (imports). International merchandise trade plays an important role in economic growth and provides information on the province's competitiveness with other jurisdictions.

Technical Definitions

Real dollars

Values reflect prices after adjusting for inflation.

Seasonally adjusted

Data that has been adjusted to reflect seasonal factors that may impact the data.

Non-seasonally adjusted

Data that has not been adjusted to reflect seasonal factors.

Year-over-year (Y/Y)

Comparing data from a particular time period, with data from the same time period a year ago. For example, Y/Y growth in 2023 Q4 would compare 2023 Q4 data with 2022 Q4 data. Y/Y data mostly removes the impact of seasonal factors.

Quarter-over-quarter (Q/Q)

Comparing data from one quarter to the next. For example, Q/Q growth in 2023 Q4 would compare 2023 Q4 data with 2023 Q3 data. Q/Q growth may suffer from seasonal factors unless data is seasonally adjusted.

Methodology

Data used in this report are primarily presented on a quarterly basis. Growth of economic indicators, which are adjusted for seasonality, are presented from one quarter to the next (Q/Q). For indicators that are not seasonally adjusted, growth rates are presented from the same quarter of the previous year (Y/Y) to avoid the impact of seasonal factors on economic trends. Indicators are presented in current dollars unless otherwise specified.

For some economic data, including retail sales, manufacturing sales and wholesale trade, the final month of the quarter may not yet be available at the time of the report's publication. In these cases, Statistics Canada's national preliminary estimate is used to estimate Ontario's growth in that month.

About this Document

Established by the *Financial Accountability Officer Act, 2013*, the Financial Accountability Office of Ontario (FAO) provides independent analysis on the state of the Province's finances, trends in the provincial economy and related matters important to the Legislative Assembly of Ontario.

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