# Ontario Economic Monitor

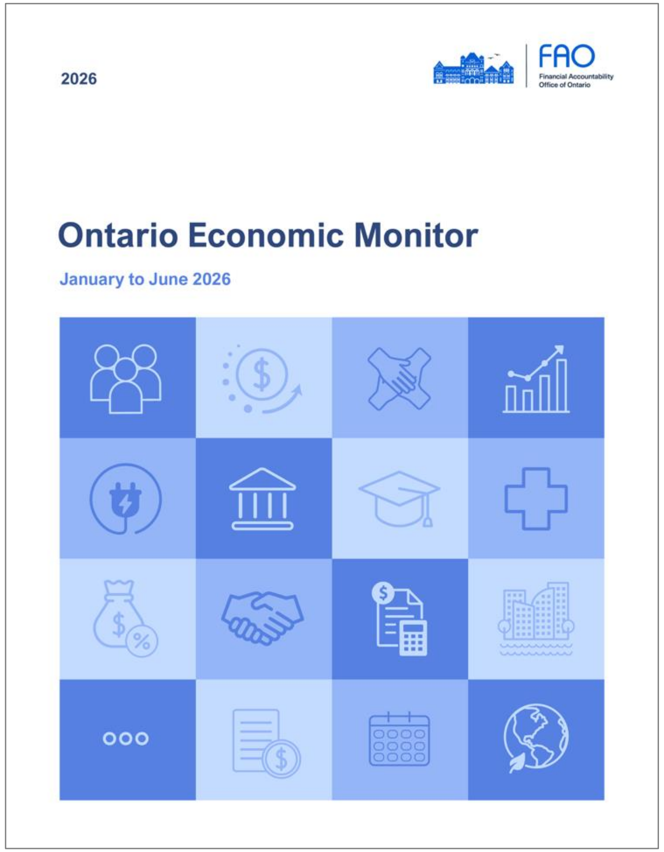
January to June 2026


Presentation

Financial Accountability Office of Ontario

# Overview

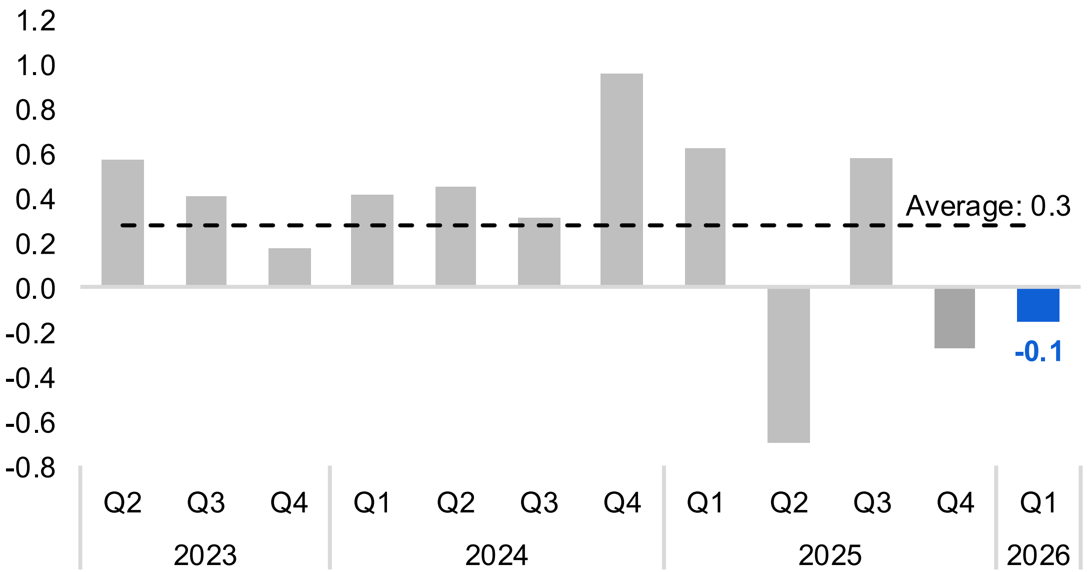
- This report presents the latest trends in the Ontario economy over the January to June 2026 period based on the most recent data from the Ontario Economic Accounts, Statistics Canada and other organizations.
- The report also provides an assessment of the FAO’s latest economic forecast given recent economic trends and global events.



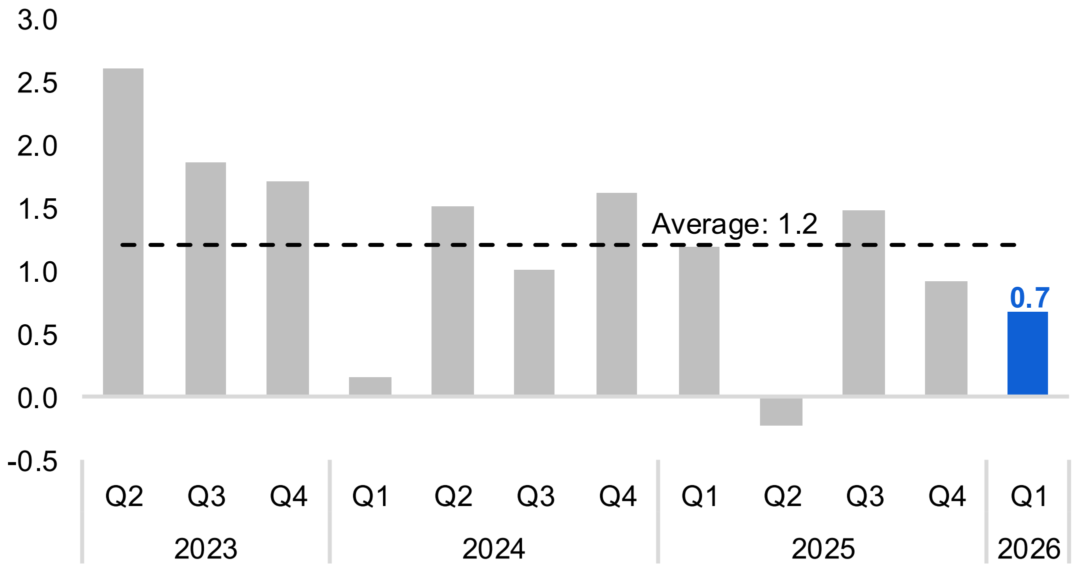
# 2026 Q1 – Ontario Gross Domestic Product

- Ontario's real Gross Domestic Product (GDP), the most comprehensive measure of economic activity, decreased by 0.1% in 2026 Q1, following a 0.3% drop in 2025 Q4. With two consecutive quarterly declines in real GDP, this means that the province experienced a modest technical recession from 2025 Q4 to 2026 Q1.
- Nominal GDP, the broadest measure of the tax base and which includes inflation, increased by 0.7% in 2026 Q1, slowing from a gain of 0.9% in the previous quarter.

**Real GDP**
Seasonally adjusted, quarter-over-quarter growth, %




**Nominal GDP**
Seasonally adjusted, quarter-over-quarter growth, %



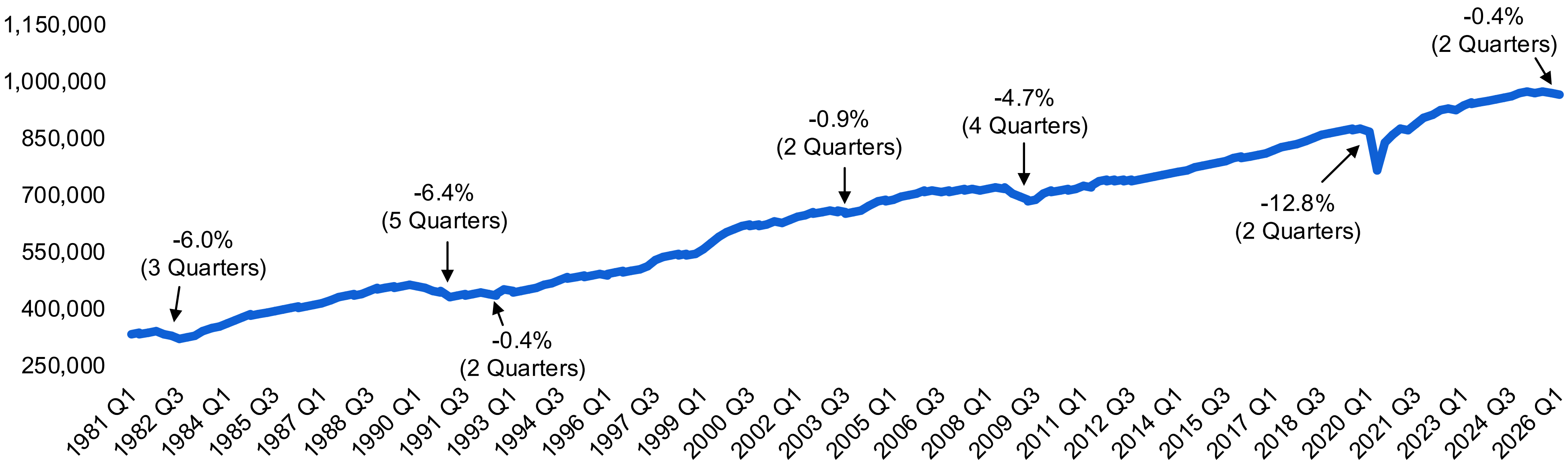

Source: Ontario Economic Accounts and FAO.

# Ontario's economy experienced a technical recession

- Periods of declining real GDP that last for two consecutive quarters are commonly referred to as "technical recessions." Ontario experienced a technical recession from 2025 Q4 to 2026 Q1, with real GDP declining by a total of 0.4%.
- The decline in economic activity reflected shifting factors rather than persistently broad negative trends. To date, the current technical recession is similar to the 1992 technical recession, smaller than the 2003 technical recession, and much smaller than the general recessions in the early 1980s, early 1990s or the 2008-2009 financial crisis.

**Ontario has experienced seven recessions since 1981**

Ontario Real GDP, seasonally adjusted, millions of chained (2017) dollars

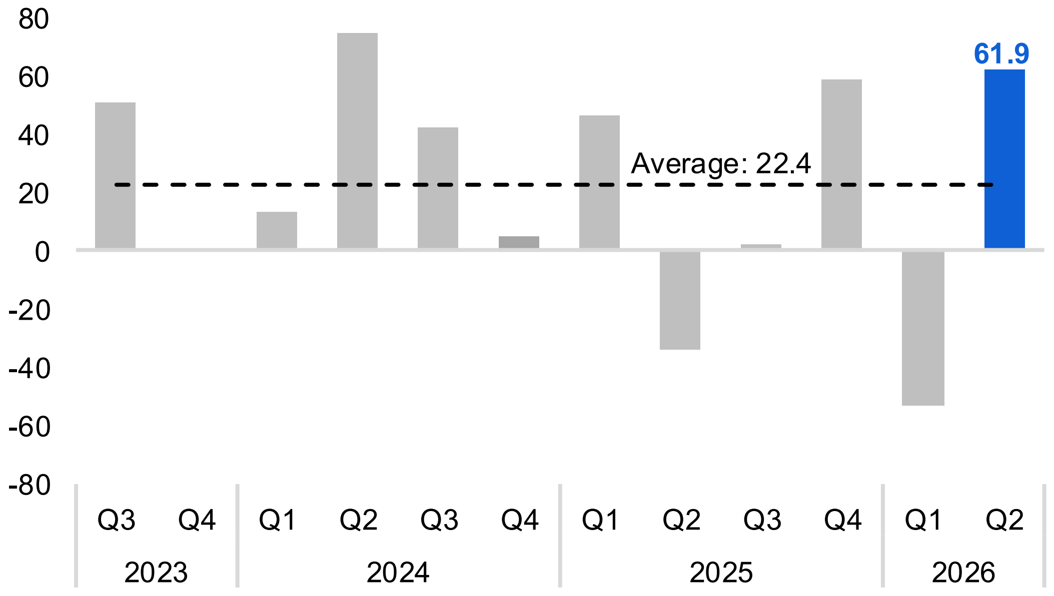



Source: Ontario Economic Accounts and FAO.

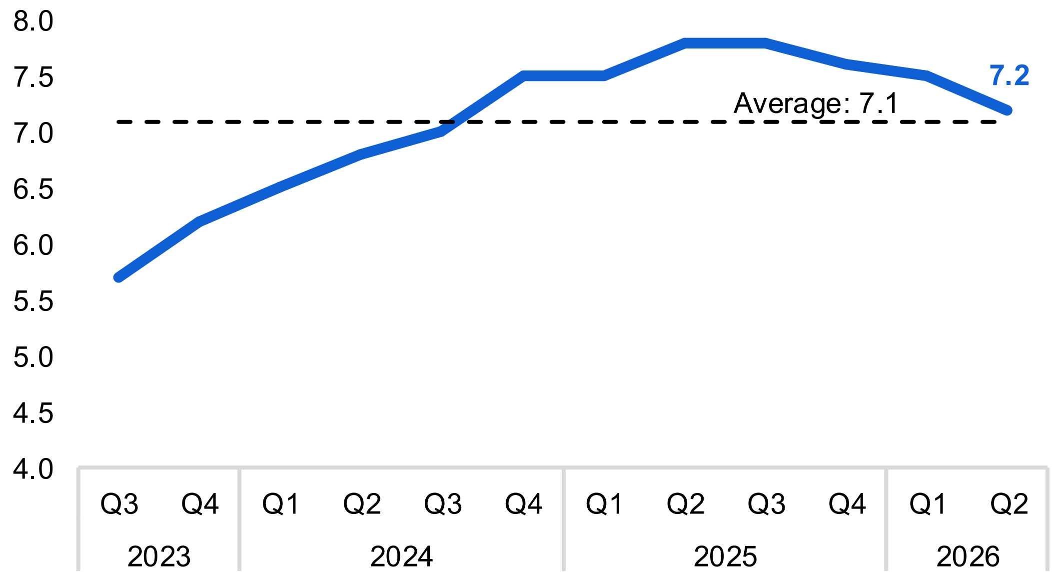
# 2026 Q2 – Labour market

- Employment in Ontario increased by a significant 61,900 (or 0.8%) in 2026 Q2, after a decline of 52,900 jobs in the previous quarter.
- With job growth exceeding the number of people entering the labour force, Ontario's unemployment rate declined by 0.3 percentage points from 7.5% in 2026 Q1 to 7.2% in 2026 Q2, the lowest rate in nearly two years.

**Employment**
Seasonally adjusted, quarter-over-quarter change, thousands




**Unemployment rate**
Seasonally adjusted, quarterly, %

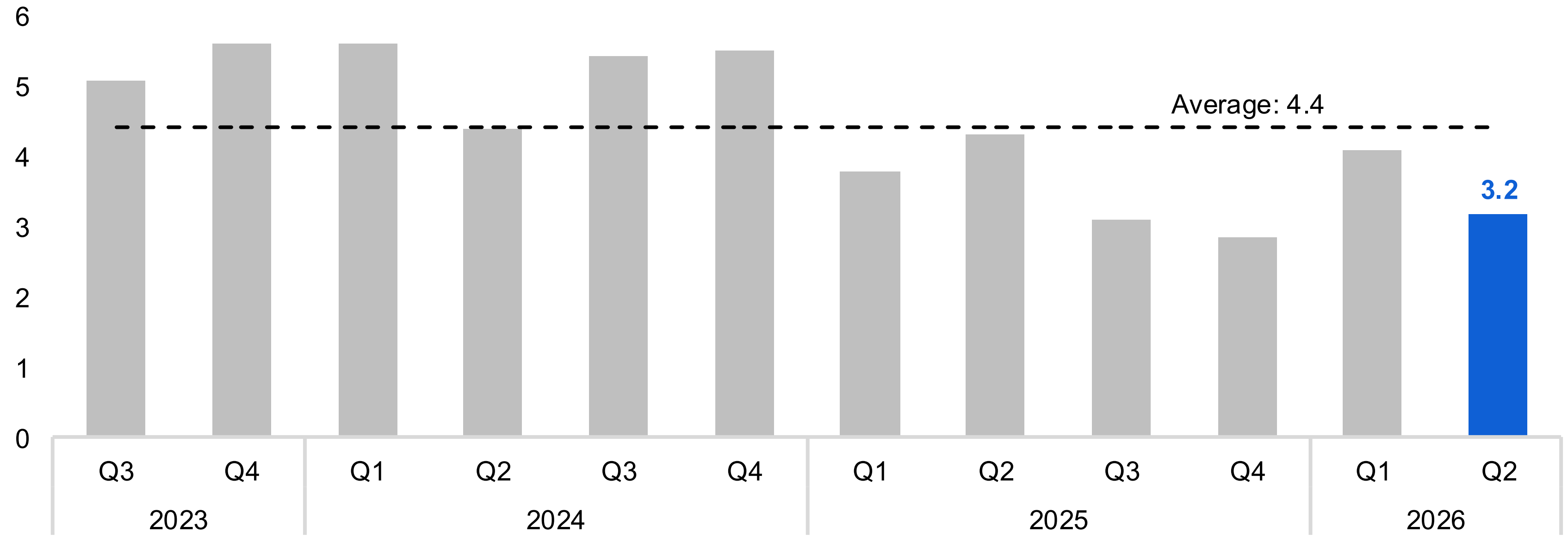



Source: Statistics Canada Table 14-10-0287-01 and FAO.

# 2026 Q2 – Average hourly wages

- Average hourly wages grew 3.2% in 2026 Q2 compared to 2025 Q2, reaching $38.49 an hour.
- Hourly wage growth was broad-based across most major industries, with wages in goods-producing industries rising 3.5% and services-producing industries increasing 3.1%.

**Average hourly wages**
Non-seasonally adjusted, year-over-year, %

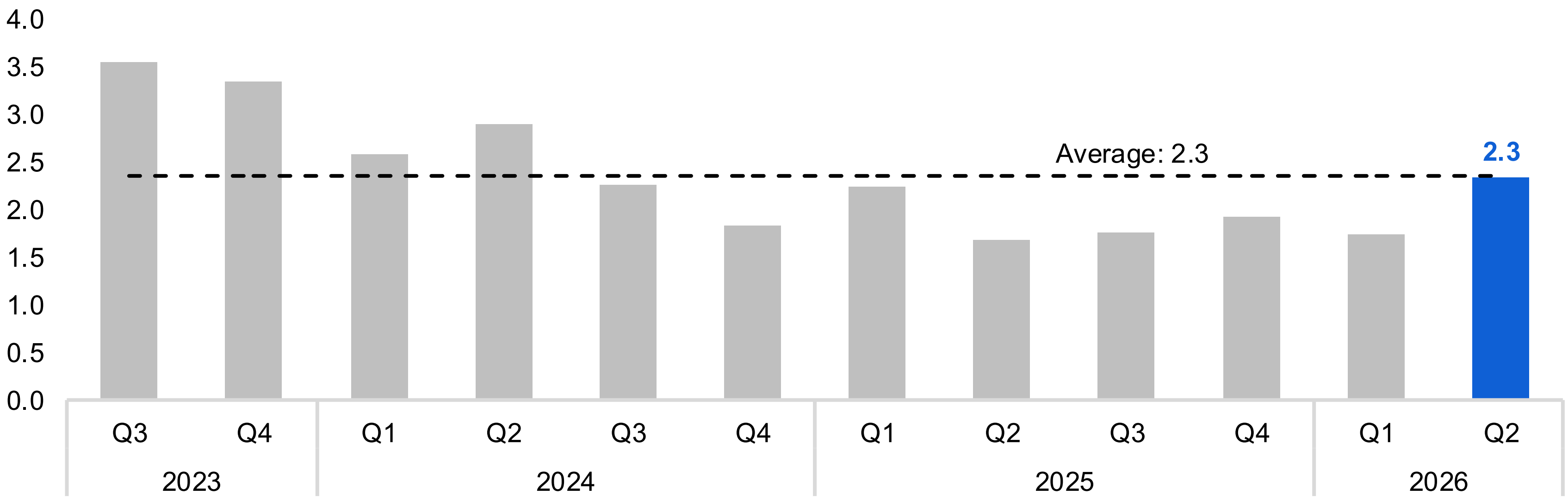



Source: Statistics Canada Table 14-10-0063-01 and FAO.

# 2026 Q2 – CPI inflation

- The Ontario Consumer Price Index (CPI) inflation rate was 2.3% in 2026 Q2, higher than the 1.7% rate recorded in 2026 Q1.
  - Of the major CPI components, energy was a significant contributor (20.6%) in 2026 Q2, led by a surge in gasoline prices (30.9%) reflecting the impact of the war in Iran. In contrast, several categories grew slower than overall inflation in 2026 Q2, notably shelter (0.2%) and household operations (-0.7%).
  - In the first half of 2026, shelter inflation has averaged 0.1%, the lowest level since late 2009 and early 2010, just after the global financial crisis.

**CPI inflation rate**
Non-seasonally adjusted, year-over-year, %

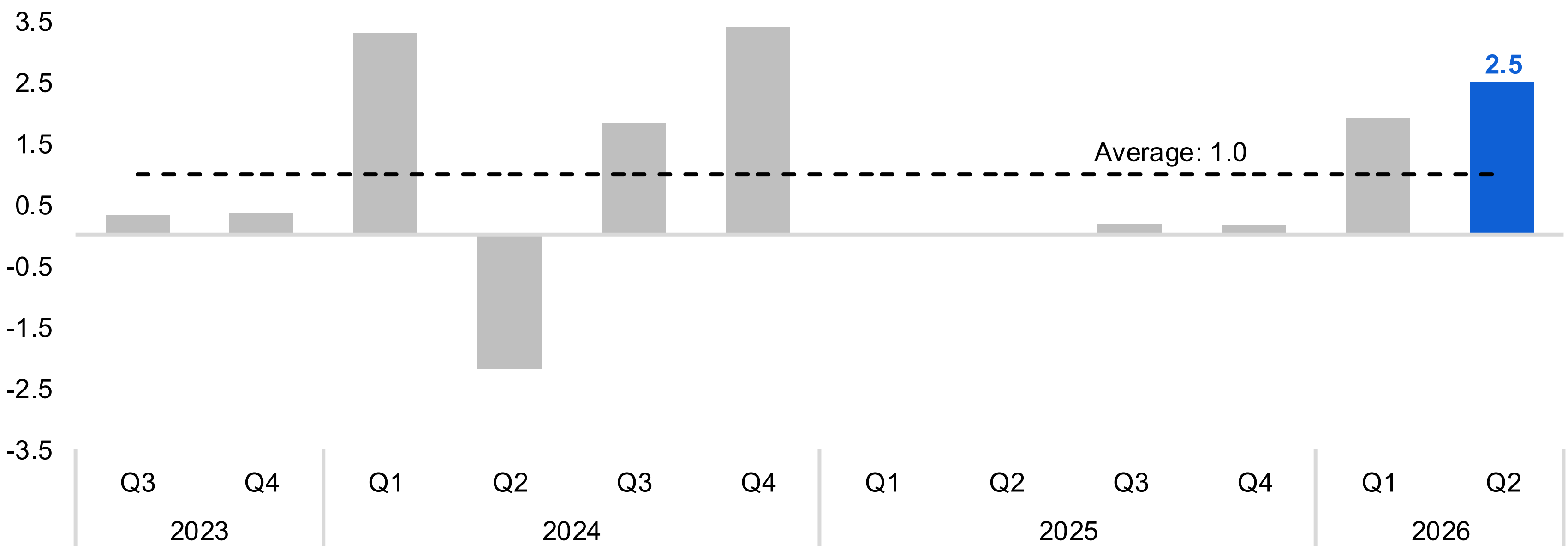



Source: Statistics Canada Table 18-10-0004-01 and FAO.

# 2026 Q2 – Retail sales

- Retail sales increased by 2.5% in 2026 Q2 in Ontario, the second quarterly increase after four quarters of prolonged weakness.
- Growth in retail sales in 2026 Q2 was driven by gasoline and fuel sales (mainly due to higher prices), motor vehicles and parts, and health and personal care, which more than offset declines in general merchandise, furniture and appliances, and food and beverage.

**Retail sales**
Seasonally adjusted, quarter-over-quarter growth, %

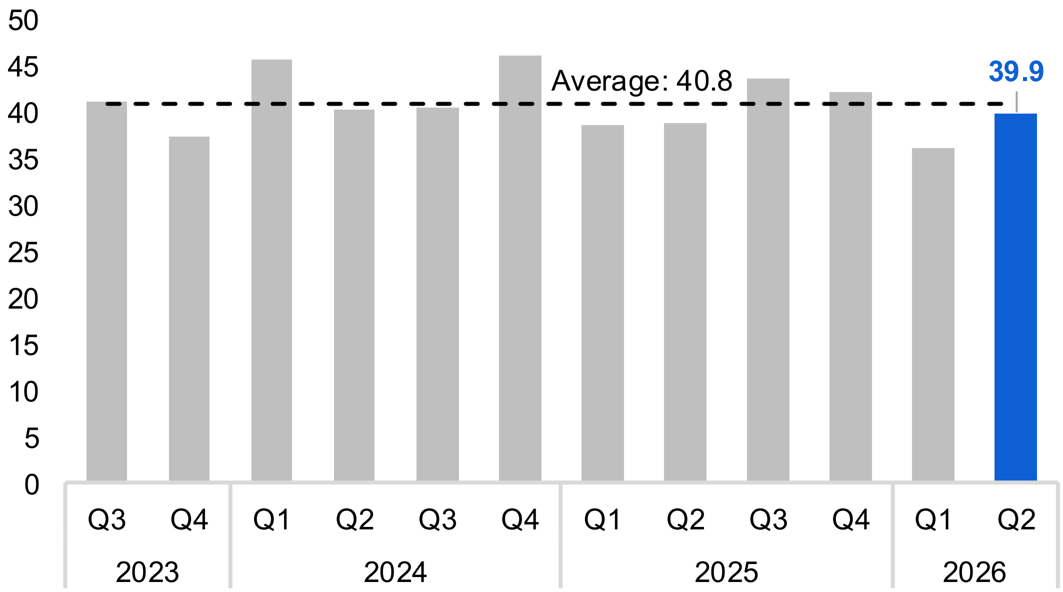



Source: Statistics Canada Table 20-10-0056-01 and FAO.

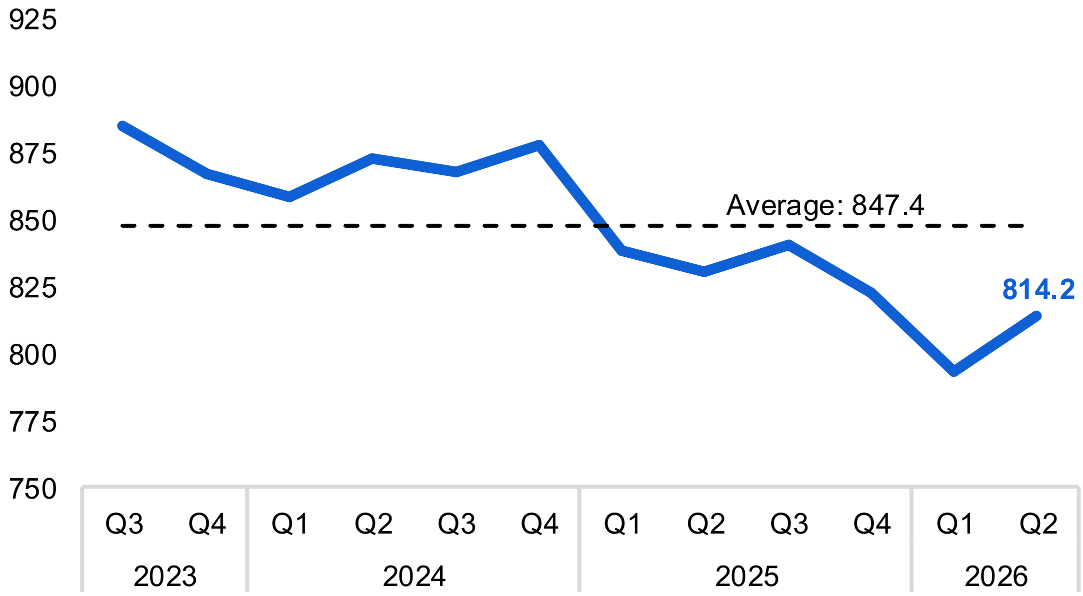
# 2026 Q2 – Housing market

- Ontario home resales in 2026 Q2 totalled 39,900 units, an increase of 10.6% from the previous quarter.
- Home resale prices in Ontario averaged $814,200 in 2026 Q2, a 2.6% increase from the previous quarter.

**Housing resales**
Seasonally adjusted, thousands of units




**Average home resale prices**
Seasonally adjusted, $ thousands

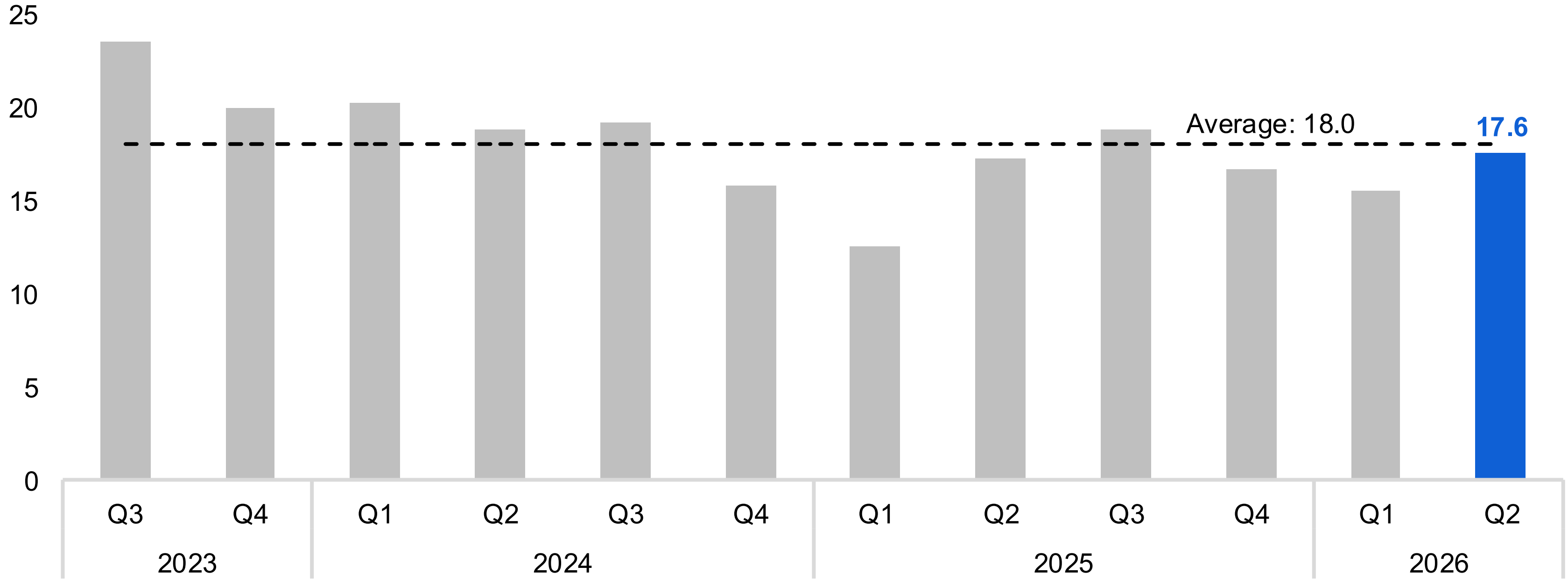



Source: Canadian Real Estate Association and FAO.

# 2026 Q2 – Housing starts

- Housing starts in 2026 Q2 totalled 17,600 units in Ontario, an increase of 12.9% from 2026 Q1.
- In 2026 Q2, 85% of total housing starts were multiple unit dwellings, while 15% were single detached homes

**Housing starts**
Seasonally adjusted, thousands of units

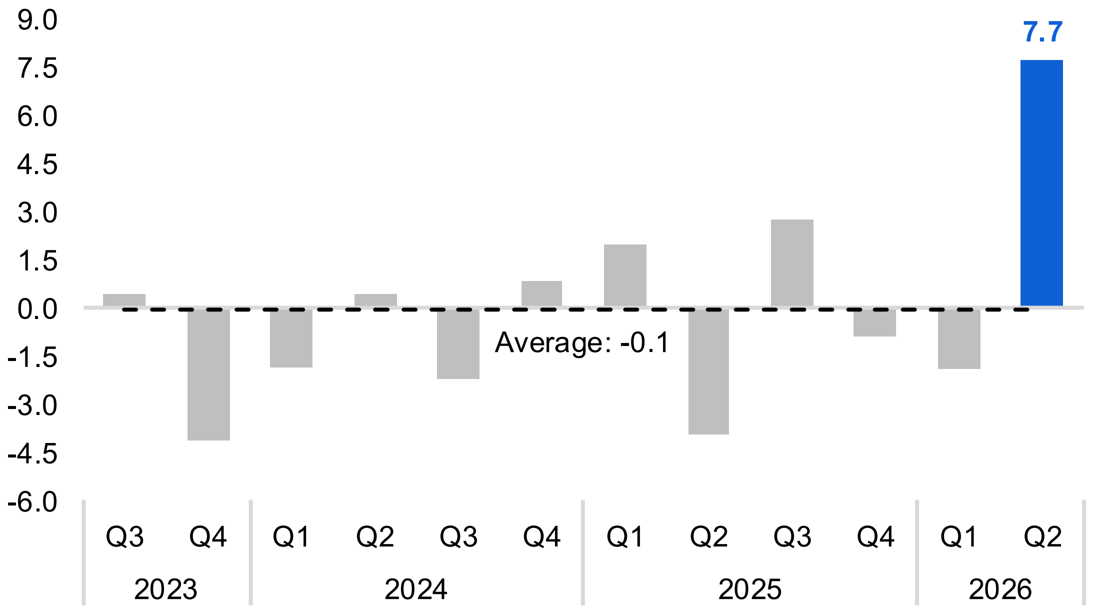



Source: Statistics Canada Table 34-10-0141-01 and FAO.

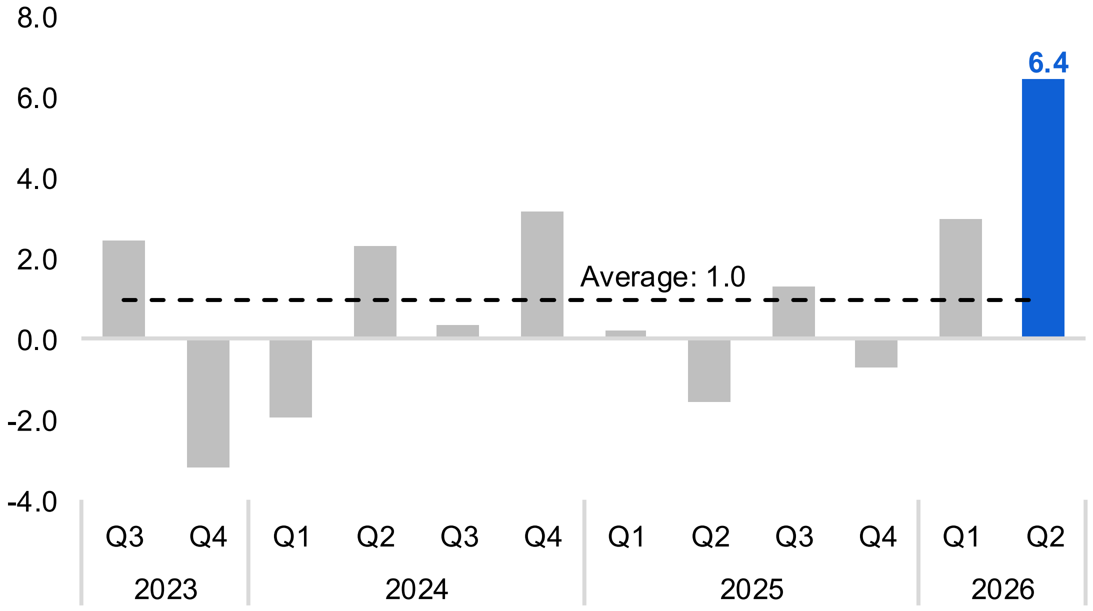
# 2026 Q2 – Manufacturing sales and wholesale trade

- Manufacturing sales increased by a robust 7.7% in 2026 Q2, following a 1.9% decrease in 2026 Q1. The rebound in sales in 2026 Q2 followed a prolonged period of weakness.
- Wholesale trade, which measures sales of bulk items to retailers and businesses, increased by 6.4% in 2026 Q2, following a 3.0% increase in the previous quarter.

**Manufacturing sales**
Seasonally adjusted, quarter-over-quarter growth, %




**Wholesale trade**
Seasonally adjusted, quarter-over-quarter growth, %

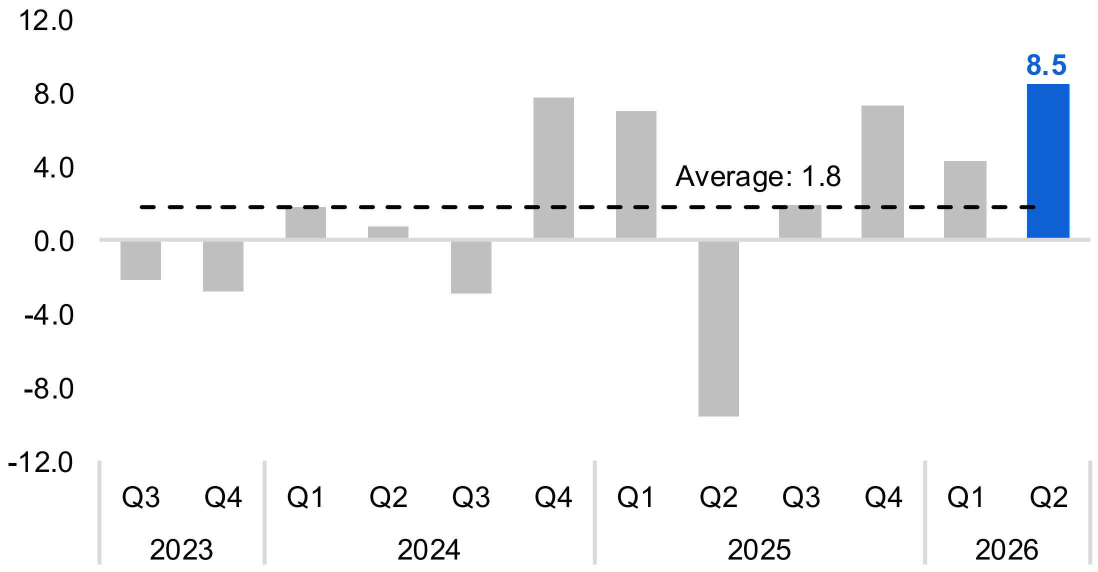



Source: Statistics Canada Table 16-10-0048-01, Table 20-10-0074-01 and FAO.

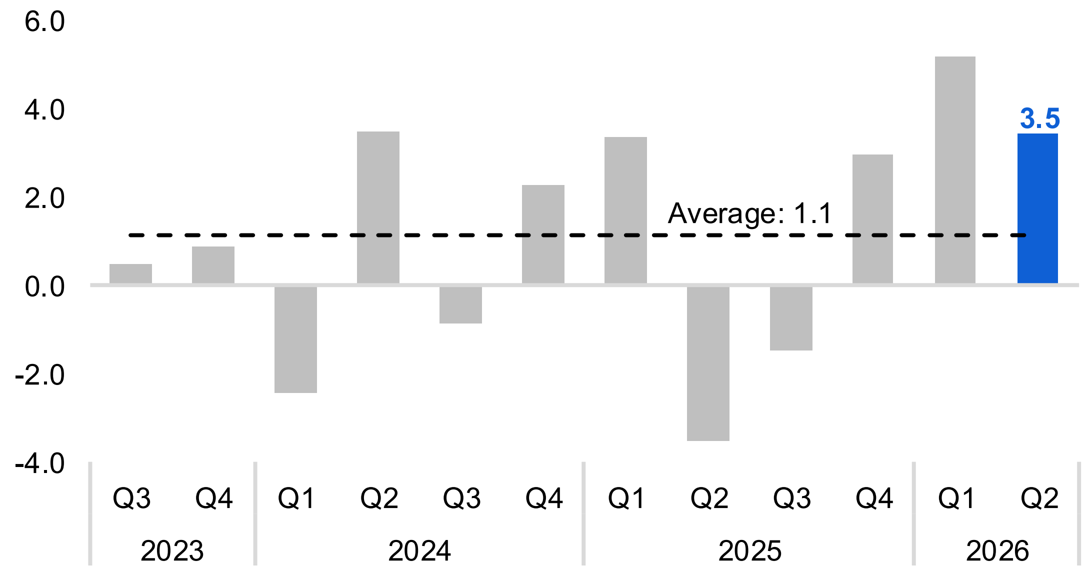
# 2026 Q2 – International merchandise trade

- International merchandise exports, which account for all goods leaving the country through Ontario, increased by 8.5% in 2026 Q2, accelerating from growth of 4.3% in the previous quarter.
- International merchandise imports, which measures international goods entering Ontario, increased by 3.5% in 2026 Q2, after a 5.2% increase the previous quarter.

**Exports**
Seasonally adjusted, quarter-over-quarter growth, %




**Imports**
Seasonally adjusted, quarter-over-quarter growth, %

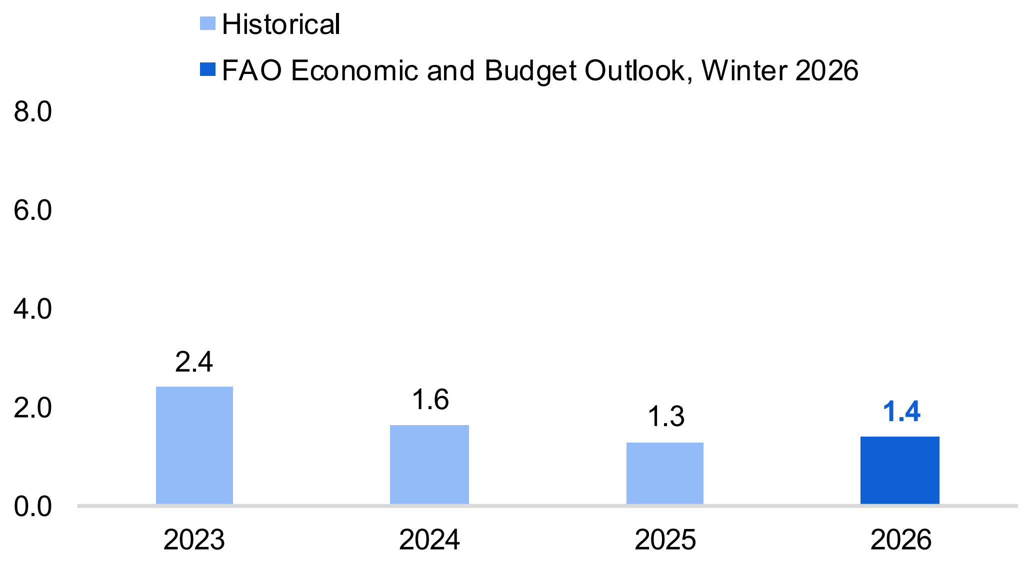



Source: Statistics Canada Table 12-10-0175-01, Table 12-10-0163-01 and FAO estimate.

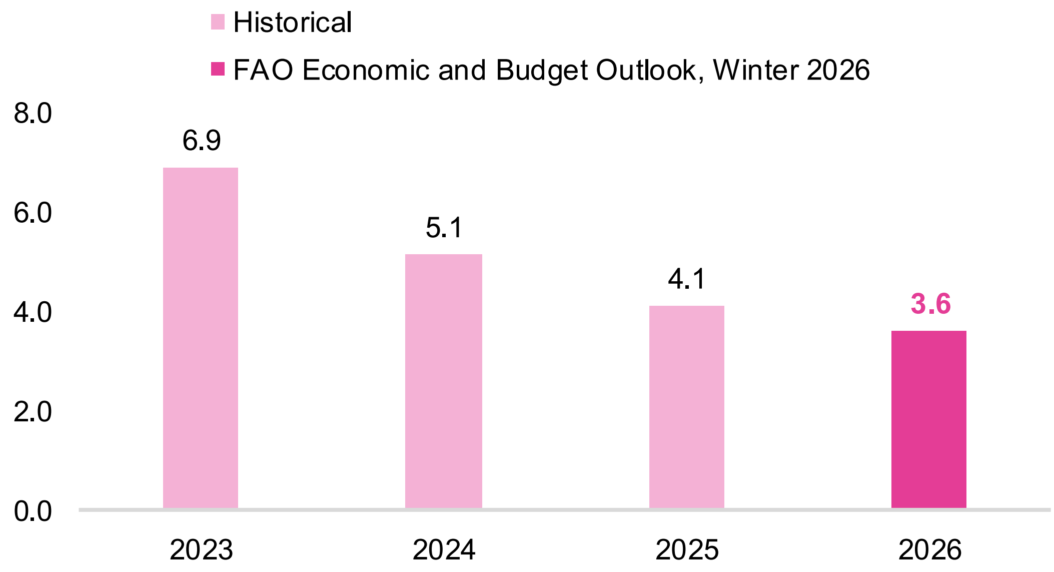
# Implications of recent economic trends

- The FAO's latest Economic and Budget Outlook (EBO), released in February 2026, projected that Ontario's annual real GDP would rise by 1.4% in 2026, while nominal GDP was expected to rise by 3.6%.
- Recent economic data and global events (including slower-than-anticipated real GDP growth, declining population, and much higher oil prices) have put significant downside pressure on the FAO's projection for 2026 real and nominal GDP growth.

**Real GDP**
Annual growth, %




**Nominal GDP**
Annual growth, %




Source: Ontario Economic Accounts, Statistics Canada Table 36-10-0222-01 and Table 18-10-0004-01, and FAO.

# Thank you!

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