



Ontario Economic Monitor

April to September 2024



Summary

- This report describes Ontario's recent economic performance based on the latest economic indicators.
- In the second quarter of 2024, Ontario's real Gross Domestic Product (GDP), the broadest measure of economic activity, increased by a slow 0.3%, with gains in business investment and government expenditures partially offset by declines in household spending, residential investment and exports.
- The latest economic indicators suggest mixed results for Ontario's economy in the third quarter of 2024, with gains in employment and retail and wholesale trade, but weakness in housing starts, manufacturing sales and exports.
- Ontario's economic performance over the first three quarters of 2024 suggests that there is modest upside risk to the FAO's current forecast for growth in both real GDP (1.1%) and nominal GDP (4.3%) in 2024.¹

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 November 5, 2024.

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

In addition, Statistics Canada and other organizations produce many monthly economic indicators that provide insight into Ontario's economy. These 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 are collected, and provides more up-to-date information on Ontario's economic performance in the most recent quarter.³

The report contains the following sections:

- a summary of the OEA describing the province's economic performance in the second quarter of 2024 (2024 Q2);
- a summary of the most recent monthly economic indicators for Ontario's households and businesses in 2024 Q3; and
- an assessment of the FAO's latest forecast given these recent economic trends.

For definitions of the various economic indicators covered 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.

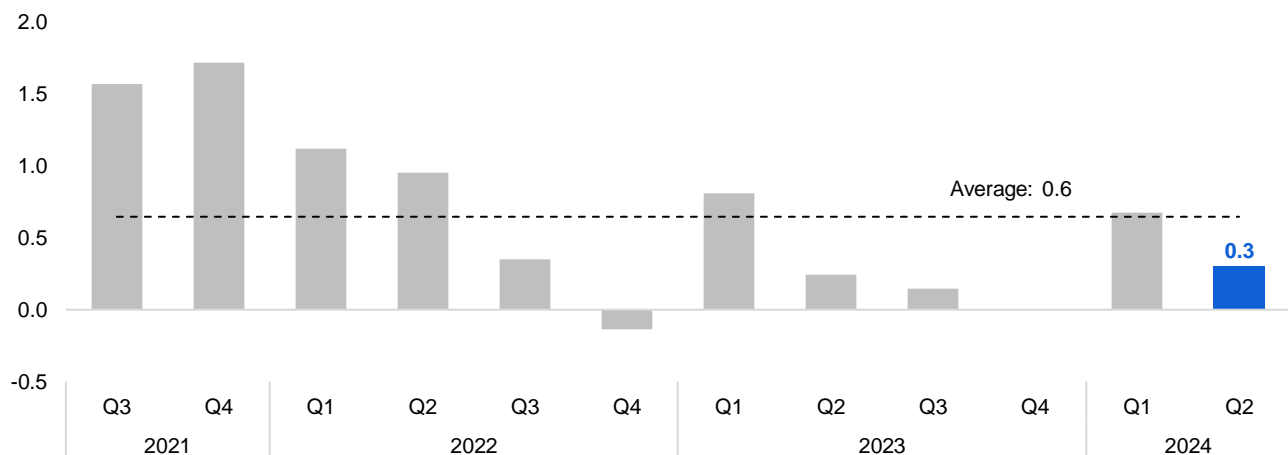
2024 Second Quarter Ontario Economic Accounts

The Ontario Economic Accounts (OEA) for the second quarter (April to June) of 2024 were released on October 10, 2024. The OEA provides a comprehensive assessment of Ontario’s recent economic performance.

Real Gross Domestic Product (GDP) grew by a slow 0.3% in 2024 Q2, moderating from a gain of 0.7% in 2024 Q1 as growth in business investment and government spending was partially offset by declines in household spending, residential investment and exports. Real business investment in machinery and equipment recorded a strong 5.4% advance, following three consecutive quarterly declines, while both government current (2.0%) and capital (2.7%) expenditures increased. Real household spending edged down in 2024 Q2 (-0.2%), and residential investment dropped by 2.4%, the fourth consecutive quarterly decline. Ontario’s exports continued to struggle, declining 1.4%, the third drop in the past four quarters, reflecting ongoing weakness in the auto sector.

Figure 1
Real GDP grew by a slow 0.3% in 2024 Q2

Seasonally adjusted, quarter-over-quarter growth, %



Source: Ontario Economic Accounts and FAO.

The 0.3% growth recorded in 2024 Q2 continued a trend of weak economic performance 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.

So far this year, the Bank of Canada has lowered its policy rate from 5.00% to 3.75%, noting that inflation in Canada has eased significantly as excess supply in the economy outside of the housing market has helped ease price pressures.⁴ 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.

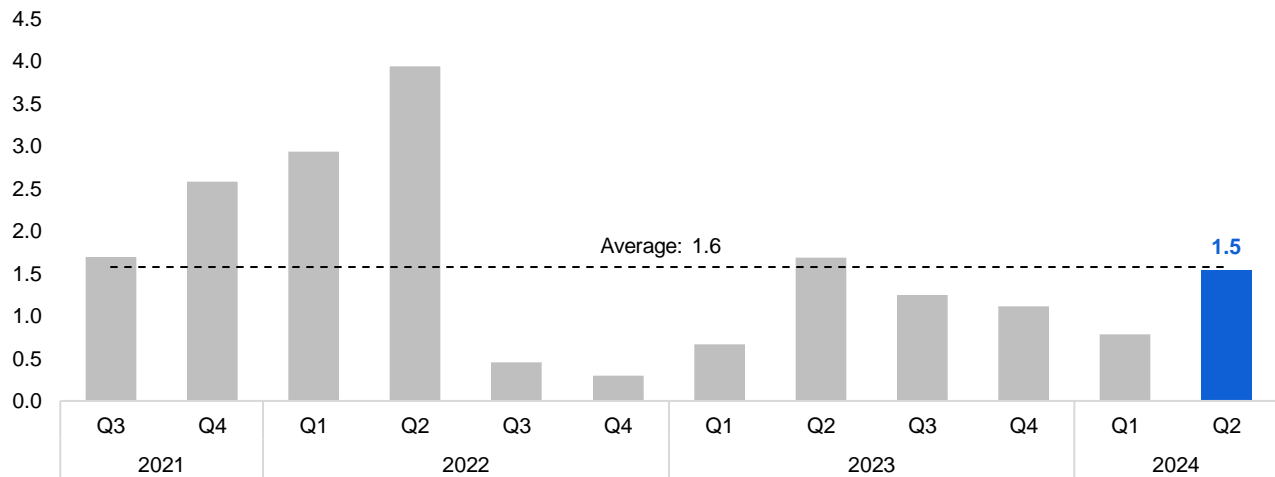
For 2024 Q3, mixed results in the latest economic indicators (see [the next section](#)) suggest that the slow pace of real GDP growth in 2024 Q2 is likely to continue.

⁴ See the Bank of Canada’s [Bank of Canada reduces policy rate by 50 basis points to 3¼%](#).

Nominal GDP, the broadest measure of the tax base and which includes inflation, increased by a strong 1.5% in 2024 Q2, a pickup from growth of 0.8% in 2024 Q1. The increase in nominal GDP in 2024 Q2 reflected gains in labour income (2.0%), unincorporated business, farm and rental income (2.6%) and corporate profits (3.3%). Labour income has recorded consistent gains, rising 30.1% above its pre-pandemic level in 2019 Q4, while unincorporated business income has increased 30.3% over the same period. In contrast, corporate profits, which have struggled recently, are 1.5% below 2019 Q4 levels. After the share of corporate profits in GDP reached a record high of 16.6% in 2021 Q1, this share has declined to an average of 9.5% over the first half of 2024, the lowest since 2009.

Figure 2
Nominal GDP increased by a strong 1.5% in 2024 Q2

Seasonally adjusted, quarter-over-quarter growth, %



Source: Ontario Economic Accounts and FAO.

For more detailed information on Ontario’s economic performance in 2024 Q2, see the [Ontario Economic Accounts](#).

Ontario’s 2024 Third Quarter Economic Indicators

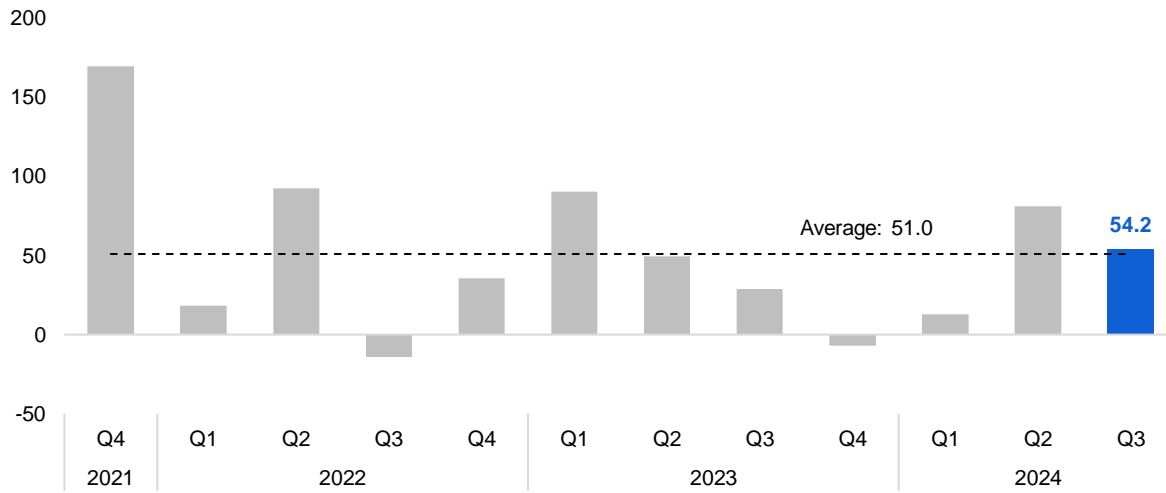
Available economic indicators suggest mixed results for Ontario’s economy in 2024 Q3.

Households

Employment in Ontario rose by 54,200 (or 0.7%) in 2024 Q3, moderating from the strong job gains in 2024 Q2 (80,900, or 1.0%). Job growth was concentrated in full-time employment (+60,000), while part-time employment declined (-5,800) in 2024 Q3. The private sector (+46,600) and the self-employed (12,900) accounted for all job gains, while public sector employment declined (-5,300).

Figure 3
Employment rose by 54,200 jobs in 2024 Q3

Seasonally adjusted, quarter-over-quarter change, thousands



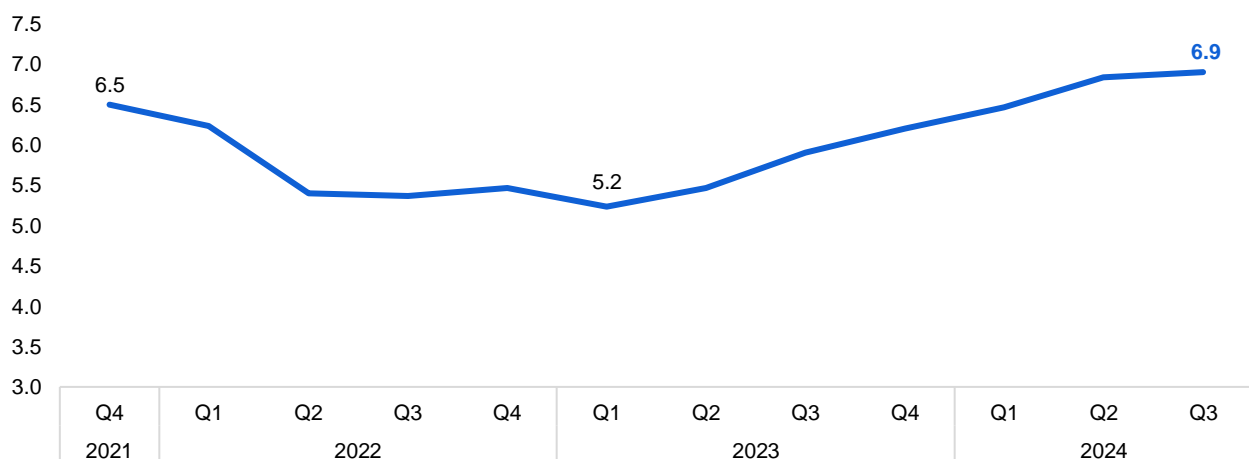
Source: Statistics Canada [Table 14-10-0287-01](#) and FAO.

Employment of core-age workers (aged 25 to 54) continued to increase at a solid pace, up 63,400 (1.2%), following a gain of 61,800 in 2024 Q2. Youth (aged 15 to 24) saw job gains of 8,800 (0.8%), while employment of workers aged 55 and older declined by 18,000 (-1.0%). Older worker employment in Ontario has been weak over the past year, declining in three of the previous four quarters, partly reflecting rising retirements.

By industry, finance, insurance and real estate (+22,400), professional, scientific and technical services (+14,600), accommodation and food services (+11,900), information, culture and recreation (+11,400) and health care and social assistance (+10,100) saw the largest employment gains in 2024 Q3. Job losses were recorded in wholesale and retail trade (-15,000), construction (-14,200) and manufacturing (-7,600). The weak pace of home building since interest rates began to rise in early 2022 has contributed to job losses in the construction sector, and its share of total employment in 2024 Q3 reached the lowest since mid-2015.

Figure 4
Unemployment rate rose for the sixth consecutive quarter reaching 6.9%

Seasonally adjusted, quarterly, %



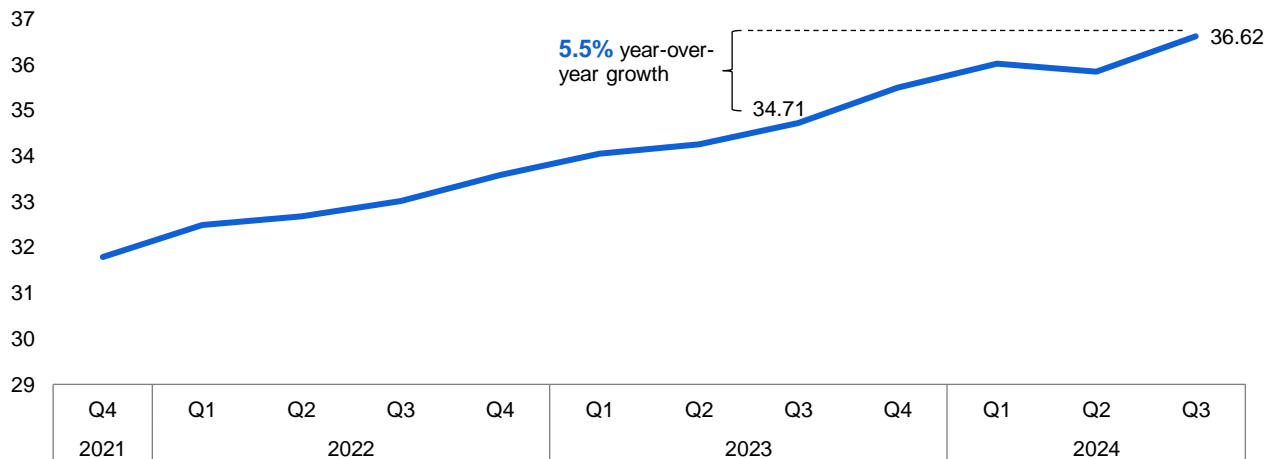
Source: Statistics Canada [Table 14-10-0287-01](#) and FAO.

In the third quarter of 2024, more people entered the labour market than were hired. As a result, the unemployment rate rose for the sixth consecutive quarter, reaching 6.9%. This is 1.7 percentage points higher than the low of 5.2% recorded in 2023 Q1. Over this period, all major age groups have seen increasing unemployment rates, particularly youth, whose unemployment rate reached 16.6% in 2024 Q3, the highest since mid-2012 (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 5.5% in 2024 Q3 compared to 2023 Q3, reaching \$36.62 an hour. Hourly wage growth was broad-based across most major industries, with wages in goods-producing industries rising 4.7% and services-producing industries increasing 5.7%. Industries with the fastest wage growth were utilities, forestry, fishing and mining, professional, scientific and technical services, accommodation and food services, and information and culture. Wage growth has been strong since 2022, reflecting elevated inflation and high job vacancies over much of the period.

Figure 5
Average hourly wages grew 5.5% in 2024 Q3 compared to 2023 Q3

Non-seasonally adjusted, dollars per hour



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

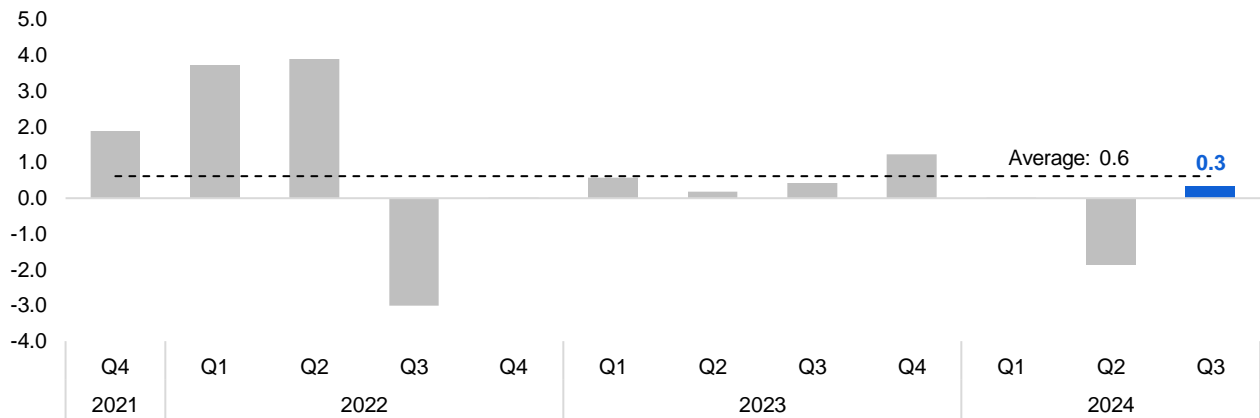
Retail sales rose 0.3% in 2024 Q3 in Ontario,⁵ after declining by 1.9% in 2024 Q2. Higher sales in clothing and motor vehicles and parts led this gain. Since 2022 Q3, Ontario retail sales have been weak, mainly reflecting the impact of high interest rates, which has caused many households to reduce spending and increase savings in anticipation of higher mortgage payments.⁶

⁵ As September data were not available at the time of publication, Statistics Canada’s Canadian advance retail indicator was used to calculate the 2024 Q3 Ontario value. See Statistics Canada’s [Retail trade, August 2024](#).

⁶ See the Bank of Canada’s [Canadian Survey of Consumer Expectations—Third Quarter of 2024](#) and [Monetary Policy Report—October 2024](#).

Figure 6
Retail sales rose **0.3%** in 2024 Q3

Seasonally adjusted, quarter-over-quarter growth, %

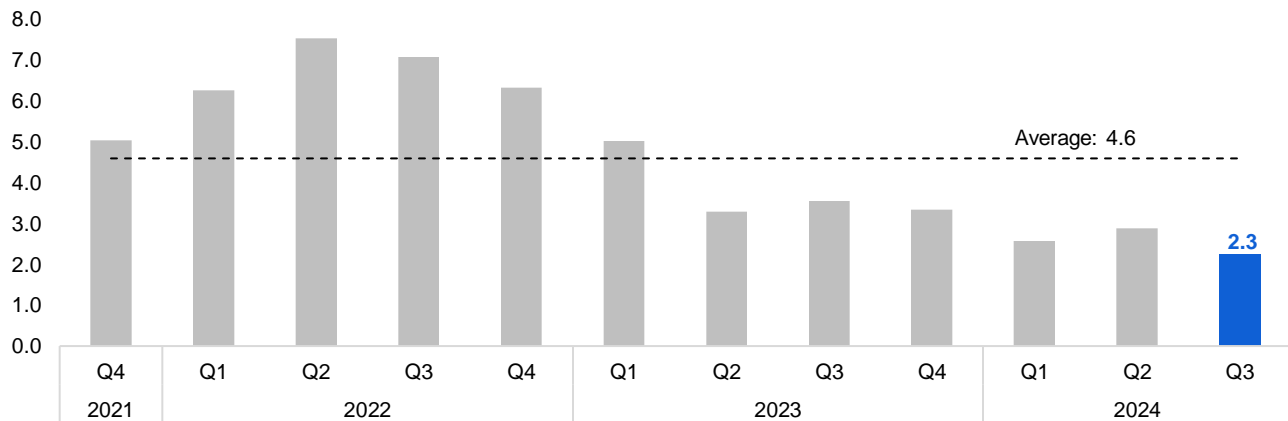


Source: Statistics Canada [Table 20-10-0056-01](#) and FAO.

The Ontario **Consumer Price Index (CPI) inflation rate**⁷ was 2.3% in 2024 Q3, down from 2.9% in 2024 Q2 and the lowest rate since early 2021. Of the major CPI components, shelter (5.2%), food (3.0%), health and personal care (3.0%) and alcohol and tobacco (2.4%) all increased at rates faster than headline inflation in 2024 Q3. Compared to a year earlier, prices were lower in 2024 Q3 for clothing (-2.7%), household operations, furnishings and equipment (-0.2%) and recreation, education and reading (-0.1%).

Figure 7
CPI inflation rate down to **2.3%** in 2024 Q3

Non-seasonally adjusted, year-over-year, %



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

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.

⁷ Measured on a year-over-year basis.

Shelter costs drove most of the increase in Ontario's consumer prices in 2024 Q3

While most major components of CPI inflation have declined significantly since mid-2022, shelter inflation has remained elevated.⁸ Excluding shelter, Ontario's CPI inflation rate has declined from 7.7% in 2022 Q2 to just 0.9% in 2024 Q3, while the shelter inflation rate eased from a high of 7.2% to a still elevated 5.2%.

Figure 8
Ontario shelter inflation remains elevated



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

In 2024 Q3, shelter costs contributed about 70% of the 2.3% growth in Ontario's consumer prices. The key contributors to Ontario's shelter costs in the third quarter were rent (7.1%), homeowners' home and mortgage insurance (10.2%), electricity (6.0%) and mortgage interest costs⁹ (18.8%). Mortgage interest cost inflation reached an all-time high of 30.7% in 2023 Q3 and has remained elevated due to the rapid increases in both home prices and interest rates in recent years.

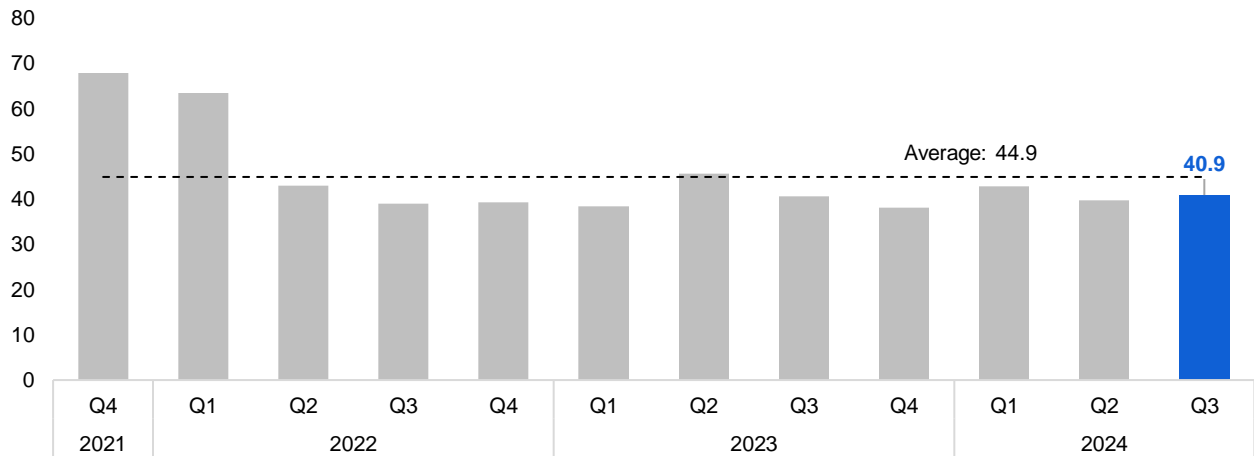
⁸ The CPI shelter component accounts for 31% of the CPI basket and includes rent, home purchases, water, energy, insurance and mortgage interest costs among others.

⁹ The inflation rate for mortgage interest cost is for Canada since Ontario data are not available and would be very similar to the national figure. For more information on shelter inflation see Statistics Canada's: [Recent developments in the Canadian economy: Fall 2024](#) and the Bank of Canada's [Monetary Policy Report – October 2024](#).

Ontario **home resales** increased 2.9% in 2024 Q3 from the previous quarter, with 40,900 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 remains subdued since mortgage rates began rising in early 2022, as home carrying costs increased rapidly.

Figure 9
Housing resales increased 2.9% in 2024 Q3

Seasonally adjusted, thousands of units



Source: Canadian Real Estate Association and FAO.

Home resale prices in Ontario averaged \$864,800 in 2024 Q3, a 0.6% increase from the previous quarter. The average resale home price in 2024 Q3 was \$155,500 (or -15.2%) below the peak of \$1,020,300 reached in 2022 Q1.

Figure 10
Home resale prices increased to \$864,800 in 2024 Q3

Seasonally adjusted, \$ thousands

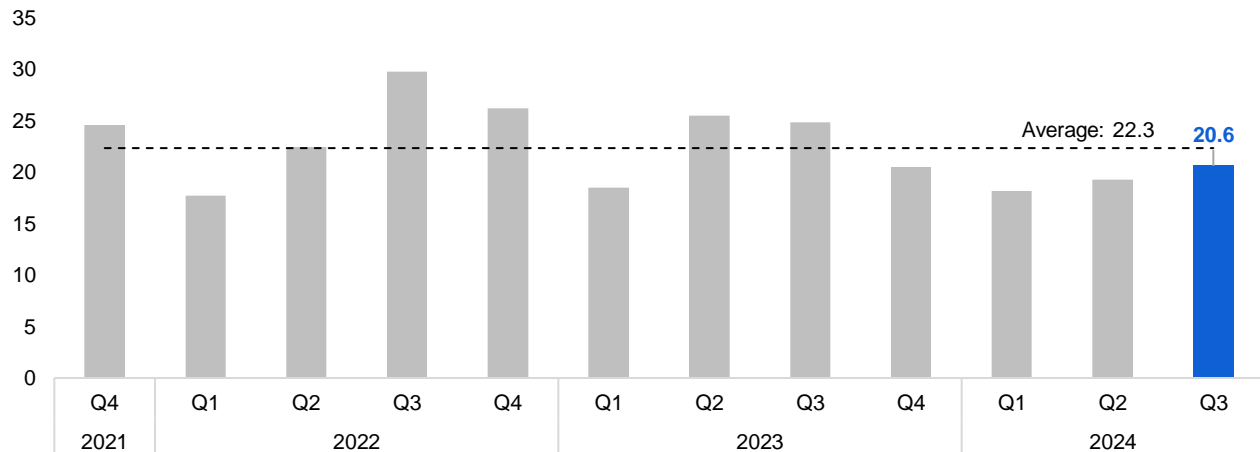


Source: Canadian Real Estate Association and FAO.

Housing starts¹⁰ in 2024 Q3 totalled 20,600 units in Ontario, a 16.9% decline from the 24,800 units started in 2023 Q3. In 2024 Q3, 77% of total housing starts were multiple unit dwellings, while 23% were single detached homes. This share has been declining over time, reflecting affordability challenges, changes in household preferences and planning efforts aimed at increasing density. Construction of single detached homes has been weak so far in 2024 and is on track for the lowest level of annual starts on record back to 1955.

Figure 11
Housing starts declined 16.9% from 2023 Q3

Non-seasonally adjusted, thousands of units



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

The Province set a goal of building 1.5 million homes by the end of 2031.¹¹ This would require an average of 34,100 units per quarter beginning in 2021 Q1. However, from 2021 Q1 to 2024 Q3, Ontario has started an average of 22,900 units per quarter. To reach the government’s target by the end of 2031, an average of 39,900 units would need to be started per quarter beginning in 2024 Q4. This represents a 74% increase in the pace of units started since 2021 and about 5,500 above the highest number of starts ever recorded of 34,400 in 1973 Q3.¹²

Businesses

Manufacturing sales¹³ declined by 2.6% in 2024 Q3, with weakness broad-based as 11 of 18 major industries recorded lower sales. The decline in manufacturing sales was concentrated in transportation equipment, computer and electronic products, and machinery. Higher sales were recorded in paper, fabricated metal products, wood products, and printing. Ontario’s manufacturing sales have fallen for four consecutive quarters, by a total of 8.9%.

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](#).

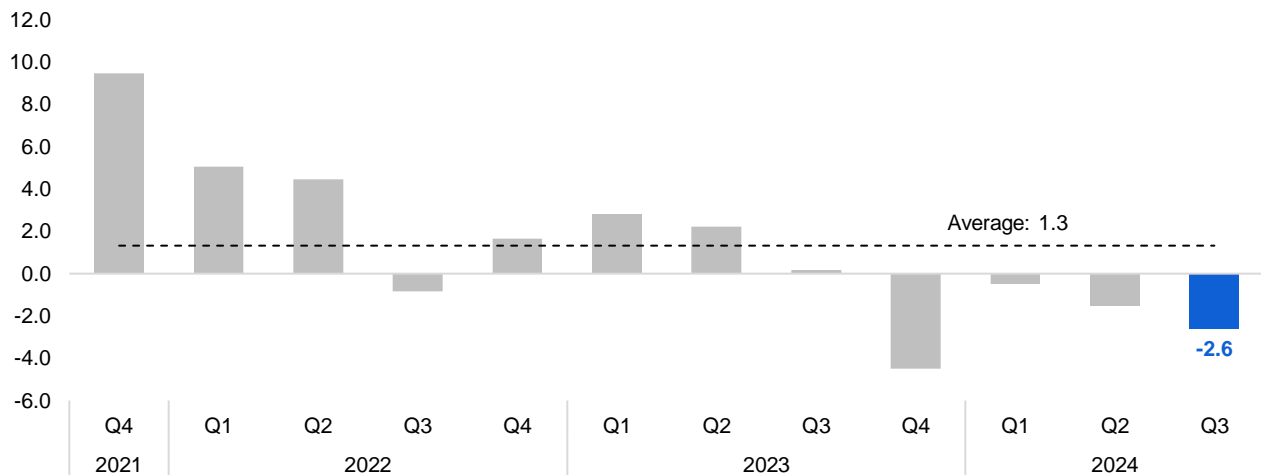
¹¹ See [Tracking housing supply progress](#).

¹² In addition to housing starts, the government has included new and upgraded long-term care beds and additional residential units (laneway, garden and basement suites) in its 2023 progress on housing supply. See page 133 in the [2024 Ontario Budget](#).

¹³ As September data was not available at the time of publication, Statistics Canada’s Canadian flash estimate was used to calculate the 2024 Q3 Ontario value. See Statistics Canada’s [Monthly Survey of Manufacturing: Flash estimate, September 2024](#).

Figure 12
Manufacturing sales declined by 2.6% in 2024 Q3

Seasonally adjusted, quarter-over-quarter growth, %

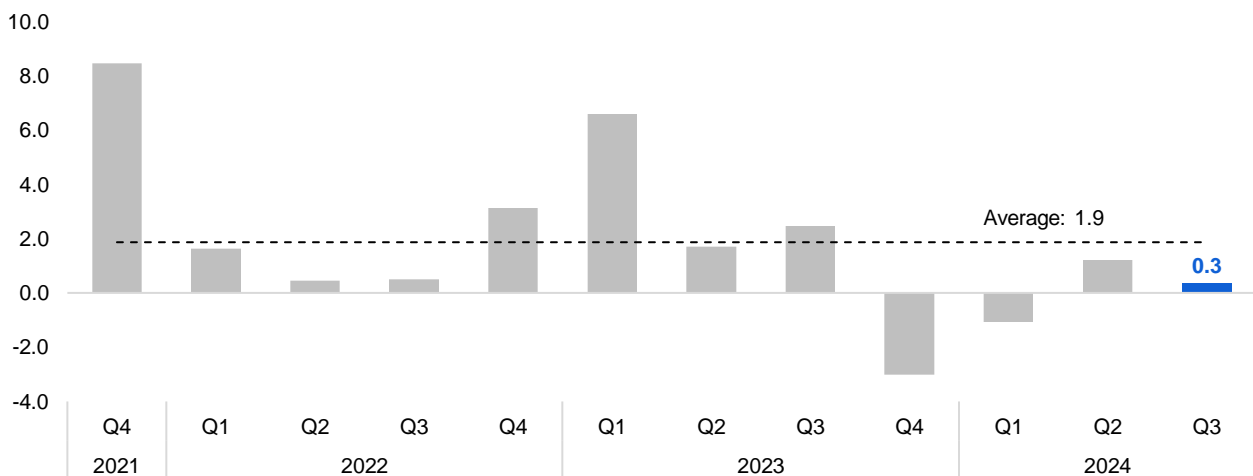


Source: Statistics Canada [Table 16-10-0048-01](#) and FAO.

Wholesale trade,¹⁴ which measures sales of bulk items, increased by 0.3% in 2024 Q3. This increase was largely the result of higher sales of petroleum products, farm products, and food, beverage and tobacco, which outweighed declines in the sales of motor vehicle and parts, building materials, and machinery and equipment.

Figure 13
Wholesale trade increased by 0.3% in 2024 Q3

Seasonally adjusted, quarter-over-quarter growth, %



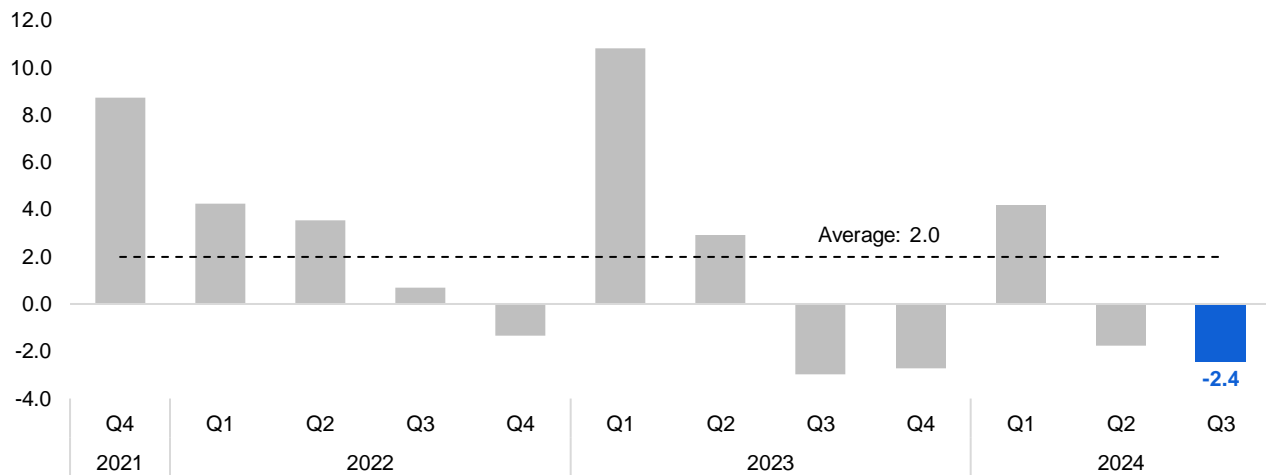
Source: Statistics Canada [Table 20-10-0074-01](#) and FAO.

International merchandise exports, which account for all goods leaving the country through Ontario, declined by 2.4% in 2024 Q3, the fourth decline in the past five quarters. The 2024 Q3 drop in exports mainly reflected declines in motor vehicles and parts, metal and non-metallic mineral products and other transportation equipment and parts. Ontario's auto exports have been weak, declining for four consecutive quarters, with the sector affected by temporary plant shutdowns and labour strikes in the United States.

¹⁴ As September data was not available at the time of publication, Statistics Canada's Canadian early indicator was used to calculate the 2024 Q3 Ontario value. See Statistics Canada's [Wholesale trade: Early indicator, September 2024](#).

Figure 14
International merchandise exports declined by 2.4% in 2024 Q3

Seasonally adjusted, quarter-over-quarter growth, %

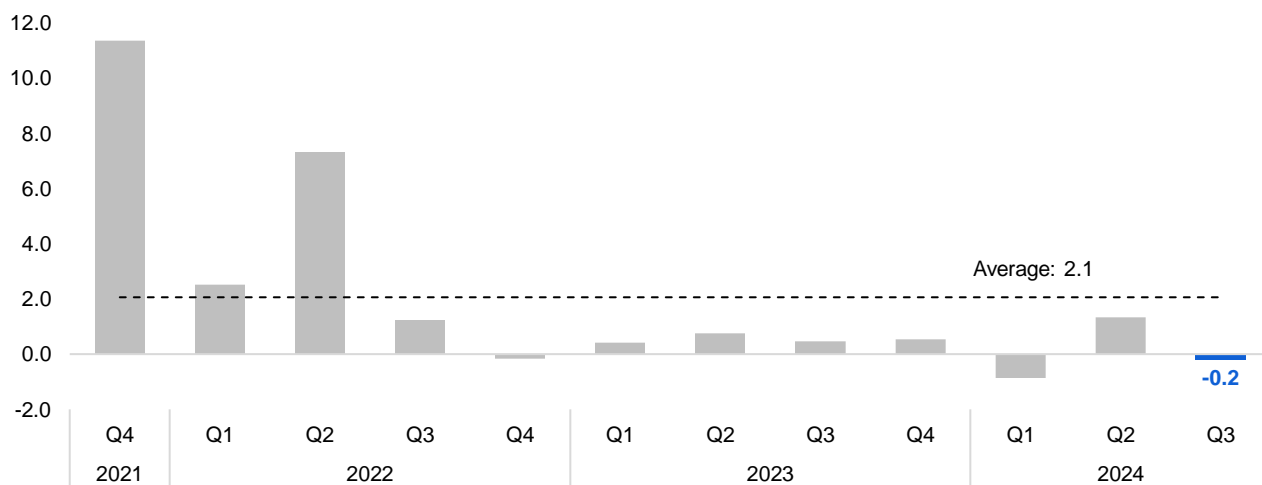


Note: International merchandise export growth is based on FAO estimates using Statistics Canada [Table 12-10-0175-01](#) and [Table 12-10-0163-01](#). Source: Statistics Canada [Table 12-10-0175-01](#), [Table 12-10-0163-01](#) and FAO.

International merchandise imports, which measures international goods entering Ontario, decreased 0.2% in 2024 Q3, after a 1.3% increase in the previous quarter. The decrease reflected lower motor vehicles and parts, metal ores and non-metallic minerals, and other transportation equipment and parts.

Figure 15
International merchandise imports decreased 0.2% in 2024 Q3

Seasonally adjusted, quarter-over-quarter growth, %



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

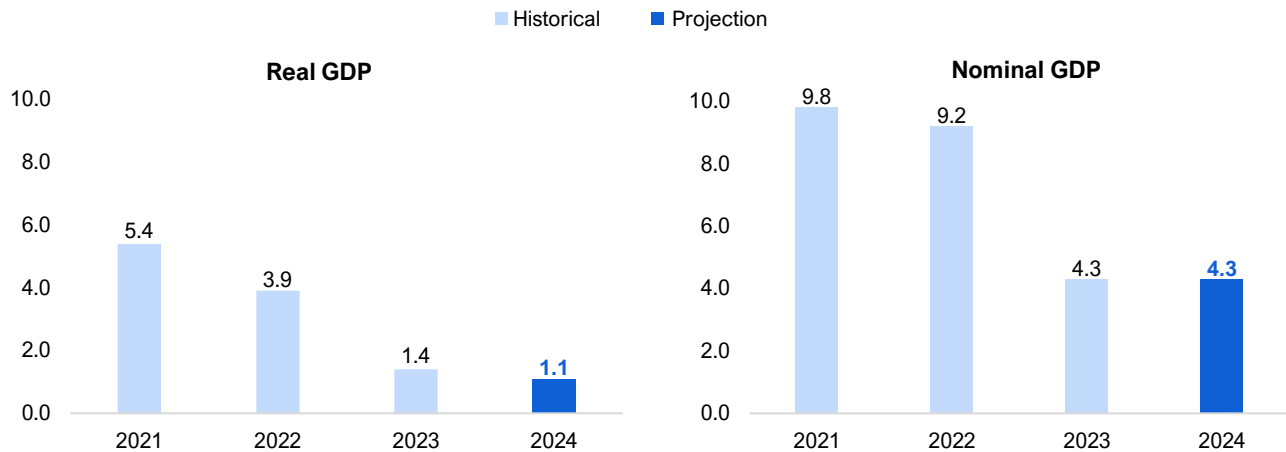
Source: Statistics Canada [Table 12-10-0175-01](#), [Table 12-10-0163-01](#) and FAO.

Implications of Recent Economic Trends

Ontario’s economic performance over the first three quarters of 2024 suggests there is modest upside risk to the FAO’s current forecast for real GDP growth of 1.1% in 2024.¹⁵ Recent economic developments, including strong labour income growth and rising unincorporated business income, suggest there is also upside risk to the FAO’s current outlook for nominal GDP growth of 4.3% in 2024.

Figure 16
Modest upside risk to the FAO’s current economic growth projections

Year-over-year growth, %



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.

¹⁵ 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. This metric indicates wage inflation and labour market tightness.

Retail sales

Retail sales are the value of finished goods sold by retailers to the general public. This metric 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. This metric is the most common measure of home prices that provides an indication of housing market strength.

Housing starts

Housing starts measures the number of housing units where construction has been started, including single and multiple unit dwellings. This metric provides a measure of change in the level of 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. This metric 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. This metric 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 have been adjusted to reflect seasonal factors that may impact the data.

Non-seasonally adjusted

Data have not been adjusted to reflect seasonal factors.

Year-over-year (Y/Y)

Data from a particular time period are compared 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. Using Y/Y data mostly removes the impact of seasonal factors.

Quarter-over-quarter (Q/Q)

Data compared from one quarter to the next. 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 are seasonally adjusted.

Methodology

Data used in this report are primarily presented on a quarterly basis. For economic indicators that are adjusted for seasonality, growth is presented from one quarter to the next (Q/Q). For indicators that are not seasonally adjusted, growth is 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 (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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ISSN 2818-3452

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