



## ONTARIO

### Economic growth remains below the national average

#### HIGHLIGHTS

- Ontario's real GDP rose 2.0% on an annualized quarterly basis in Q3 of 2007.
- Note that Canada's real GDP advanced by 2.9% during the same period.
- Consumer spending was up 3.0% on a 6.3% increase in services.
- Investment in machinery and equipment jumped 16.9% during the quarter.
- Exports increased by 2.1%, but growth by imports was greater, at 11.0%. The foreign trade balance deteriorated by about \$7B.
- Like the rest of Canada, the change in inventories was a large contributor to economic growth in Q3.
- Domestic demand was still relatively lively with an increase of 4.3% vs. 4.0% the previous quarter.

#### COMMENTS

Though below the national average, Ontario's Q3 real GDP growth is still higher than we expected. Domestic demand remains lively, which partially offsets the negative impact of the deterioration in foreign trade.

However, we can expect the Ontario economy's difficulties to worsen in the coming quarters. The loonie's sharp Q4 appreciation will have a particular impact on the province's production, given the manufacturing sector's importance. What's more, the rebound noted in the automotive sector's output is not likely to recur in the next few quarters, due to weak North American sales.

**Implications:** Economic growth for 2007 should be similar to that of 2006, in the area of 2%. The year 2008 could, however, see slower real GDP growth.

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Real GDP components (% annualized quarterly variation)		
	Q2 2007	Q3 2007
Personal consumption expenditures	4.5	3.0
Residential construction	0.5	6.2
Non-residential investments	8.1	14.2
Government expenditures	2.3	3.5
Exports	-4.2	2.1
Imports	0.1	11.0
Net exports	\$13.8B	\$6.8B
Change in inventories	\$4.5B	\$8.9B
Residual error	\$1.6B	\$1.3B
<b>Real GDP</b>	<b>2.8</b>	<b>2.0</b>
<b>Domestic demand</b>	<b>4.0</b>	<b>4.3</b>

Sources: Statistics Canada and Desjardins, Economic Studies



Sources: Statistics Canada, Ontario Ministry of Finance and Desjardins, Economic Studies

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