Clarington residents worried about the ongoing economic recovery can take some consolation from a recent report from the BMO.

While the Ontario economy has started to gear down after a strong post-recession rebound, the province will enjoy steady growth in employment and consumer spending, according to the Provincial Monitor report released by BMO Capital Markets Economics.

Quarterly results have shown that Ontario's growth has slowed from a pace above 5 per cent at the beginning of 2010. The province likely posted 2.7 per cent real GDP growth in 2010, and the report projects a slightly below-average 2.6 per cent pace in 2011.

"Employment has rebounded to near pre-recession levels, helped by both public- and private-sector hiring, while consumer spending continues to perform well, up a solid 3.5 per cent year-over-year in the third quarter—though a slower 1.5 per cent pace over the prior quarter with the introduction of the HST," says Robert Kavcic, Economist, BMO Capital Markets. "The auto sector, which was hard hit during the downturn, is now seeing production at near pre-recession levels, and GM recently announced 700 new jobs at its Oshawa plant, breathing some life back into the manufacturing sector."

"Our commercial customers are generally optimistic about their business prospects, and there is a confidence that consumer spending and business investments will continue to support stable growth throughout 2011," says Mike Bonner, Vice-President, Commercial Banking, BMO Bank of Montreal. "While interest rates, the loonie and the U.S. economy remain top issues for Ontario businesses, the availability of credit, and attractive investment opportunities add to a relatively positive outlook in Ontario's manufacturing sector."

Slowing net exports and public spending, along with cooler housing activity, are the key factors shaping a less robust growth profile in Ontario than in Western Canada. Sluggish U.S. demand and a strong Canadian dollar should continue to weigh on exports, though they won't be nearly the drag they were in 2010, especially as U.S. consumer spending gets a boost from payroll tax cuts, and business investment gets a lift from accelerated capital spending deductions.

Meantime, after growing at annual rates of 6.6 per cent and 9.5 per cent in the last two quarters of 2009, real government spending growth slowed to just 1.6 per cent annualized by Q3 2010. "This slowdown in public-sector spending growth should persist as the Province begins the long and relatively steep road back to a balanced budget by 2018," notes Mr. Kavcic.

Finally, home sales have cooled significantly from heated spring levels, and a now balanced market should keep housing starts running slightly below 60,000 annualized units in the coming two years.

The Province of Ontario has lowered its fiscal 2010/2011 deficit projection by $1 billion to $18.7 billion. At about 3.1 per cent of GDP, the deficit marks a slight improvement from last fiscal year, but remains by far the deepest hole on the provincial landscape. Revenue and spending targets are little changed in fiscal 2011/2012 and fiscal 2012/2013 from those laid out in the provincial budget, and deficits are unchanged at $17.3 billion and $15.9 billion.