Industry Canada Industrie Canada

Regional Economic Observer

Including the special report: Economic Structure, Productivity and Innovation in Canadian regions

2002

MEPA – APME

Canada

Table of Contents

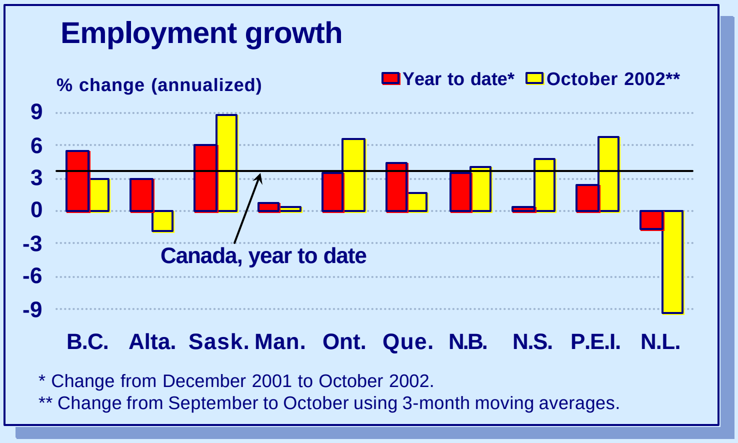
The "Regional Economic Observer" is a semi-annual review of the current economic conditions in Canadian provinces and territories. It does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner. This report uses data from Statistics Canada, the Canada Mortgage and Housing Corporation, and the Canadian Real Estate Association available as of November 8, 2002. It was prepared by Jenness Cawthray, Stéphane Crépeau, Anik Dufour, Arif Mahmud, Susan Moore and Patrick Taylor under the direction of Miodrag Jovanovic and Hossein Rostami. Translation has been provided by Lucie Larocque. Please address comments to Miodrag Jovanovic at 613-996-0474 or through the Internet at jovanovic.miodrag@ic.gc.ca.

Highlights

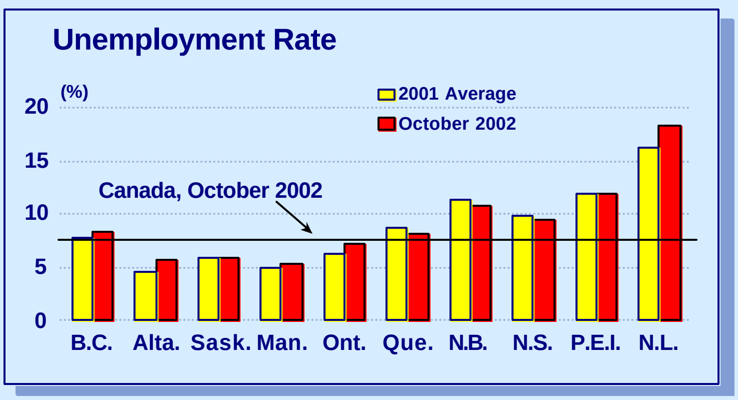
Labour markets

Labour market conditions improved considerably this year in all Canadian regions with the exception of Manitoba, Nova Scotia, and Newfoundland. Construction, accomodation and food, and trade were respectively the primary source of weaknesses in each of those provinces. By contrast, Quebec, British Columbia and Alberta benefited from strong employment growth in the construction sector. Moreover, British Columbia, Alberta, Ontario and Prince Edward Island were the main beneficiaries of the rebound in the manufacturing sector.

The recent employment trends, as measured by comparing October's three month moving average with that of the previous month, differed substantially across the provinces. Acceleration in job creation was particularly evident in Saskatchewan, Ontario, Nova Scotia and Prince Edward Island. By contrast, the recent employment trends were significantly lower than year-to-date rates in Newfoundland, Alberta and Quebec.



Despite good job records in several provinces this year, provincial unemployment rates were little changed in October when compared with 2001 average levels.



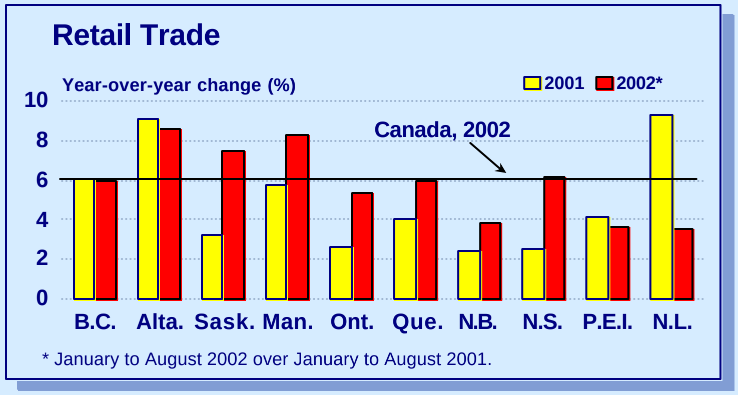
So far this year, labour force increases have surpassed job gains in Ontario, Alberta and Manitoba, thereby neutralizing any positive effect on the jobless rates. In Newfoundland, significant employment losses over the second half of the year has pushed the jobless rate above the 18% mark. On the other hand, good employment conditions in Quebec allowed the jobless rate to fall.

Consumer spending

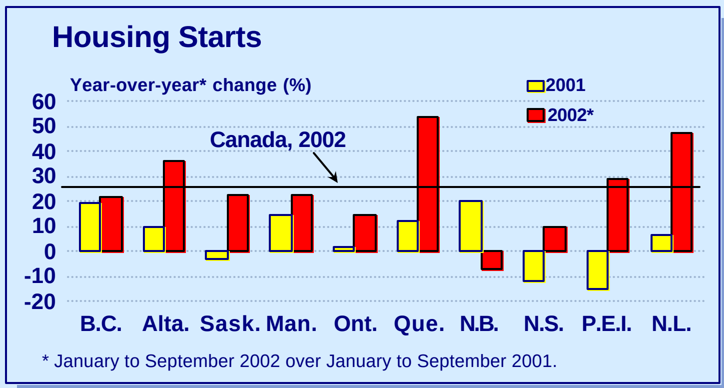
With interest rates staying at historically low levels longer than previously anticipated, consumer spending continued to be the main economic thrust in most Canadian regions.

Highlights

Growth in retail trade accelerated this year in several provinces with notable improvement in Saskatchewan, Nova Scotia and Ontario. By contrast, a significant slowdown in retail sales was observed in Newfoundland. Overall, growth in retail sales this year has been generally strong in western provinces, healthy in central Canada, but still moderate in most of the Atlantic region.



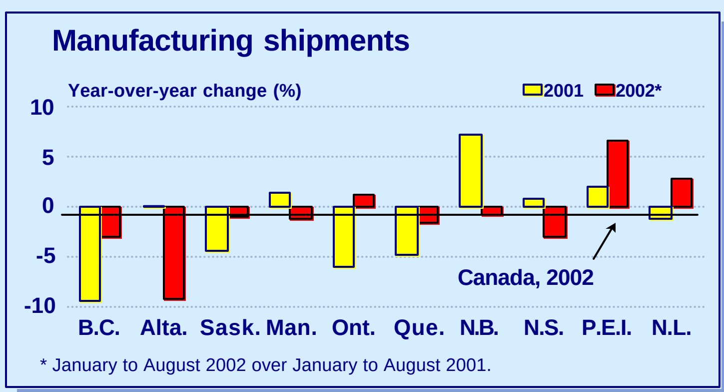
The housing market has shown impressive performance so far this year in most provinces. Housing starts in the first three quarters of the year were more than 20% higher than in the corresponding period last year in seven of the ten provinces, with Quebec, Newfoundland and Alberta showing the best results. Housing starts in New Brunswick fell below their year-ago levels but this came after posting the best 2001 performance among the provinces.



Industrial activity

The industrial structure varies significantly in scope and nature across the various provinces. Therefore, it is not uncommon to observe large differences in provincial trends of manufacturing shipments.

So far this year, industrial activity has shown evident signs of recovery in Ontario and British Columbia, two provinces particularly affected by the economic downturn in 2001. The level of activity in Prince Edward Island and Newfoundland has improved compared to last year levels thanks to strong shipments of food products. The largest year-over-year contraction in manufacturing shipments was seen in Alberta with major reductions in the shipments of chemical products.



British Columbia

Labour Markets

Employment recovers strongly

- After reporting significant losses in the second half of 2001, employment in British Columbia recovered strongly with the creation of more than 86 000 jobs in the first ten months of this year. About half of the jobs gained were full-time and more than two thirds were located in Vancouver.

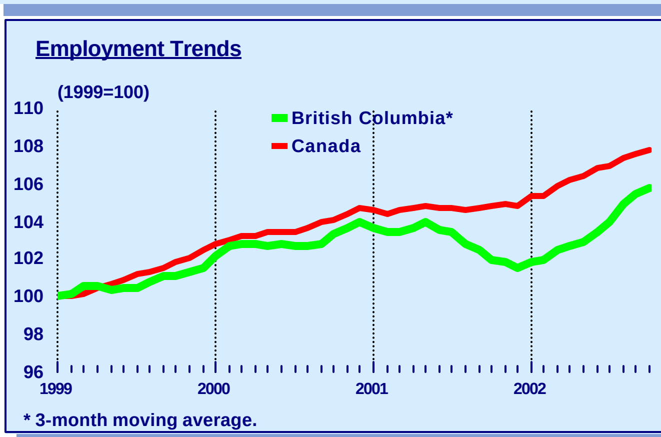
- The recovery was particularly strong in the construction, manufacturing and finance-related industries which gained 62 000 jobs this year after having lost 23 000 of them in the last quarter of 2001.

- The pace at which the province has created new jobs so far in 2002 is likely not sustainable. Already, October's employment data indicated some decelaration in employment growth. Further losses in leisure- and tourism-related industries were largely responsible for the slowdown, while additional gains in the construction, finance-related, and primary sectors helped sustain the positive trend.

And the unemployment rate decreases substantially

- Solid employment growth throughout the year has allowed the unemployment rate in British Columbia to fall to 8.3% in October, after reaching a peak of 9.7% in December 2001.

- The jobless rate reached a low of 7.8% in August but rebounded somewhat afterward as labour force outpaced employment over the August to October period.



Employment by Industry

(In thousands)	Level Oct. 2002	Change since: Last month (2)	Change since: Dec. 2001	% change since (1): Last month	% change since (1): Dec. 2001
All industries	**1999.6**	**4.9**	**86.6**	**3.0**	**5.5**
Good-producing	415.3	5.6	54.2	17.8	18.3
Agriculture	33.3	1.2	8.2	59.5	40.4
Natural resources (3)	41.7	1.7	2.8	69.5	8.7
Utilities	11.4	-0.4	1.4	-35.1	17.0
Construction	129.4	3.4	22.0	38.2	25.1
Manufacturing	199.5	-0.4	19.8	-2.2	13.4
Services-producing	1584.3	-0.6	32.4	-0.5	2.5
Trade	321.7	-0.7	3.5	-2.6	1.3
Transportation/warehousing	115.0	0.7	14.8	8.1	18.0
FIRE (4)	128.4	3.2	19.8	36.4	22.3
Professional/scientific	134.9	1.1	3.9	10.4	3.6
Management/administrative	71.2	-0.5	-0.8	-8.3	-1.3
Educational	138.5	-0.5	-3.4	-4.1	-2.9
Health care/social assistance	223.8	0.5	11.6	2.6	6.6
Information/culture/recreation	100.2	-3.0	-3.2	-28.3	-3.7
Accomodation/food	165.3	-2.1	-12.3	-13.8	-8.3
Other services	97.1	0.5	-3.2	7.1	-3.8
Public administration	88.1	0.1	1.4	1.4	1.9

1) Rates are annualized to allow comparison between periods.
2) Monthly changes are computed using 3-month moving averages.
3) Includes Forestry, Fishing, Mining, and Oil & Gas.
4) Includes Financial services, Insurance, Real Estate and Leasing

Source: Statistics Canada

Economic Activity and Prices

Manufacturing shipments recover

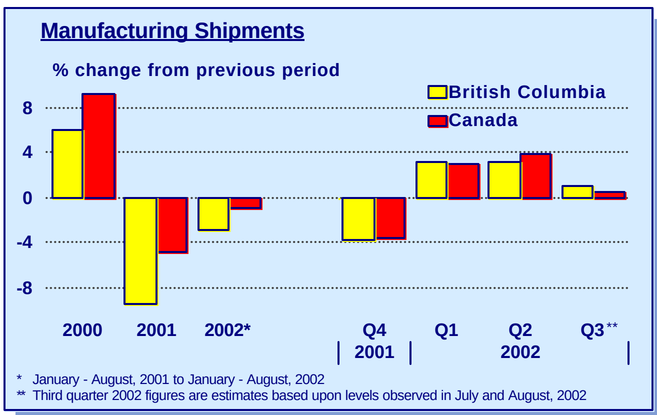
- So far this year, manufacturing shipments in British Columbia increased at a pace very close to the national average. However, total shipments in the first eight months of the year were still 3% lower than in the same period in 2001, a year during which shipments fell by 10%. Lower levels were more evident in Paper products, as well as in Computer & Electronic and Electrical products.

New housing starts surge and retail trade remains strong

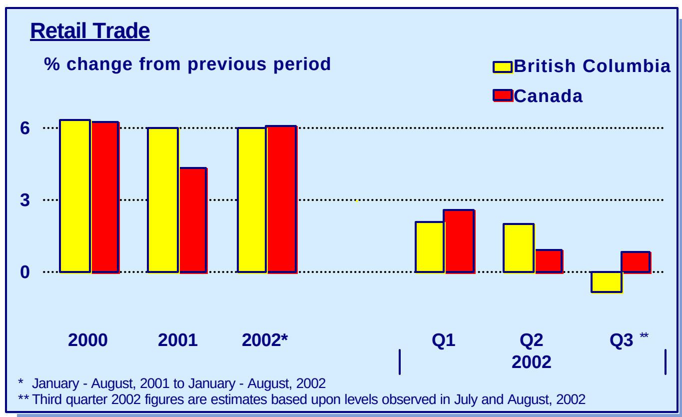
- Over the first eight months of this year, retail sales were up 6% from the same period in 2001, which is comparable with Canada's performance. Following a strong second quarter, signs of weakening appeared in the first two months of the third quarter as retail sales decreased 0.9%.

- New housing starts surged 24% on an annual basis in the third quarter of 2002, continuing an upward trend started a year ago. Despite slowing down after a first quarter high, sales of existing houses in the first three quarters were still 25% above those of the same period last year.

- The Consumer Price Index (CPI) inflation has remained close to the 2% mark since the beginning of the year, with upward pressures mainly coming from the Alcohol, Food and Household components.



* January - August, 2001 to January - August, 2002
** Third quarter 2002 figures are estimates based upon levels observed in July and August, 2002



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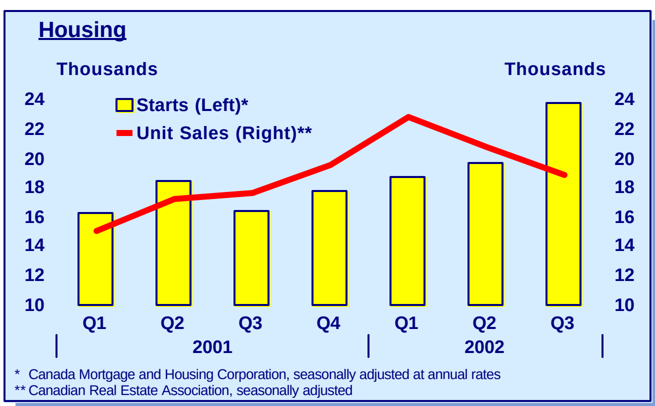
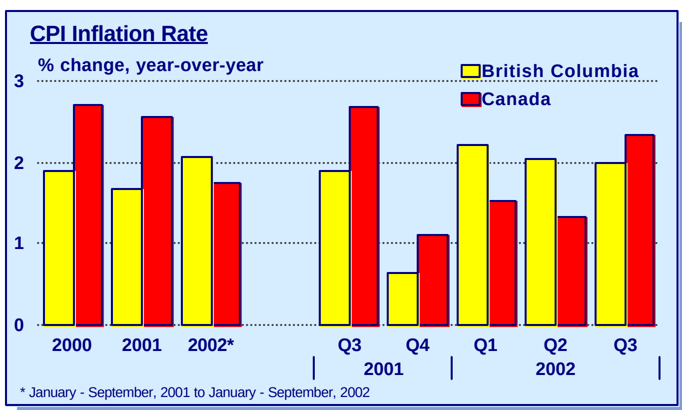


* Canada Mortgage and Housing Corporation, seasonally adjusted at annual rates
** Canadian Real Estate Association, seasonally adjusted



* January - September, 2001 to January - September, 2002

Labour Markets

Employment growth remains healthy in Alberta

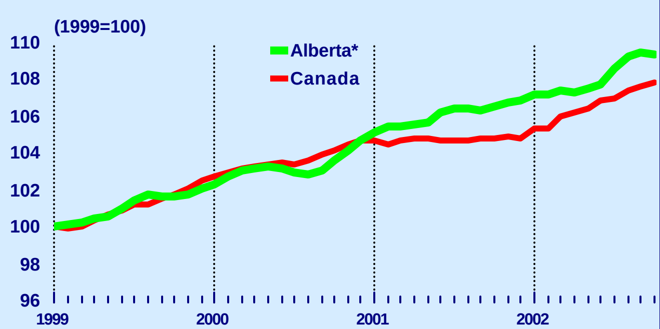
- So far this year, more than 39 000 jobs have been created in Alberta. Jobs gains were mainly located in the Edmonton area while employment remained stable in Calgary. Gains were relatively widespread with about two thirds of the main industrial sectors recording solid employment growth so far this year. On the other hand, substantial job losses – totalling more than 34 000 – were reported in two key sectors of Alberta's economy, Natural Resources and Trade.

- After posting strong gains over the summer, Alberta's employment growth has weakened in recent months. October's employment data showed further losses in the Professional & Scientific, Trade, Educational and Other Services industries. More volatile, the Utilities sector has also recorded large losses lately.

But more people looking for a job pushes the unemployment rate up

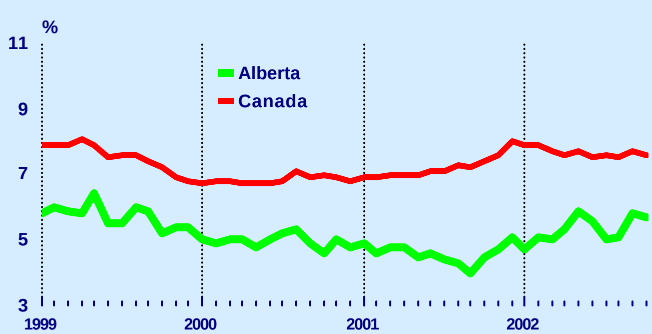
- Since the start of the year, the unemployment rate rose by 0.6 percentage points, as labour force increased at a faster pace than employment. Still, at 5.7% in October, the jobless rate in this province remains one of the lowest in the country.

Employment Trends



* 3-month moving average.

Unemployment Rate



Employment by Industry

(In thousands)	Level Oct. 2002	Change since Last month (2)	Change since Dec. 2001	% change since (1) Last month	% change since (1) Dec. 2001
All industries	**1683.2**	**-2.7**	**39.1**	**-1.9**	**2.9**
Good-producing	462.8	-0.6	11.0	-1.5	2.9
Agriculture	63.6	0.8	6.6	17.8	14.1
Natural resources (3)	90.6	-0.1	-19.1	-1.4	-20.5
Utilities	16.6	-1.1	1.6	-50.1	12.9
Construction	143.8	-0.2	12.5	-1.7	11.5
Manufacturing	148.2	0.0	9.4	-0.3	8.2
Services-producing	1220.4	-2.1	28.2	-2.1	2.8
Trade	245.8	-1.1	-15.1	-5.3	-6.9
Transportation/warehousing	102.0	0.7	2.3	9.1	2.8
FIRE (4)	87.4	-0.9	7.7	-10.9	11.7
Professional/scientific	118.0	-3.2	-2.0	-26.8	-2.0
Management/administrative	61.0	1.6	8.8	39.5	20.6
Educational	103.2	-1.1	-1.8	-11.7	-2.1
Health care/social assistance	163.3	0.6	8.5	4.6	6.6
Information/culture/recreation	71.8	1.8	10.0	36.3	19.7
Accomodation/food	120.3	0.5	8.7	4.8	9.4
Other services	78.2	-2.2	-4.4	-27.8	-6.4
Public administration	69.6	1.3	5.8	26.7	11.0

1) Rates are annualized to allow comparison between periods.
2) Monthly changes are computed using 3-month moving averages.
3) Includes Forestry, Fishing, Mining, and Oil & Gas.
4) Includes Financial services, Insurance, Real Estate and Leasing

Source: Statistics Canada

Economic Activity and Prices

Manufacturing shipments regain some momentum

- Manufacturing shipments recently gained some momentum, but were still 9.2% lower in the first eight months of this year compared with the high levels recorded over the same period last year. Shipments were lower in most sectors, the Computer and Electronic, Petroleum and Coal and the Chemical industries recording the largest decreases.

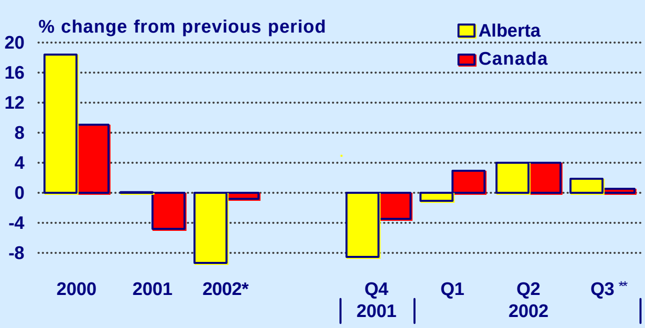
Consumer spending remains strong

- Solid employment gains and rising incomes continued to sustain Alberta's consumer spending in 2002. Retail trade over the first eight months of the year rose by 8.6% from the same period last year, the best performance among all provinces.

- Despite slowing down in the last three quarters, the housing sector have remained strong this year. In addition to benefiting from low interest rates, the housing industry in Alberta continued to be supported by rapid population growth.

- On a year-over-year basis, inflation rate has moderated to 2.0% in the first nine months of 2002, as lower Energy and Shelter prices more than offset increases in Transportation and Alcohol. However, inflationary pressures in September's CPI data appeared as Energy and Shelter prices started to wear off.

Manufacturing Shipments



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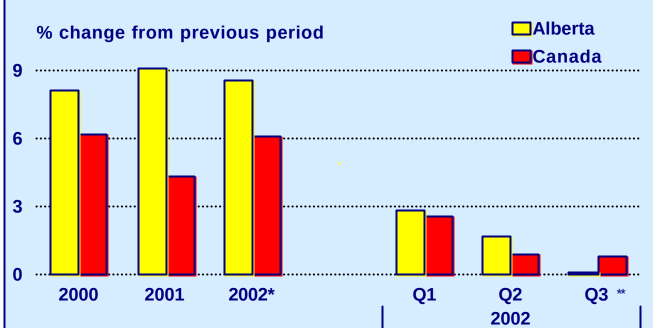
Retail Trade



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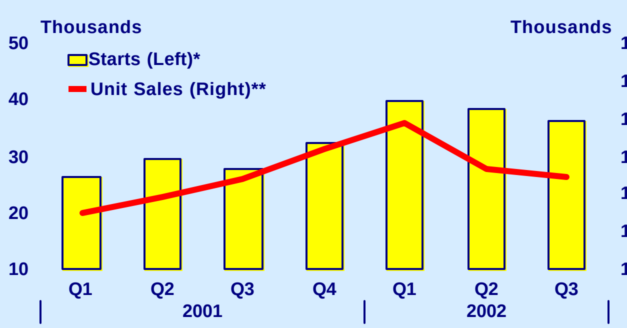
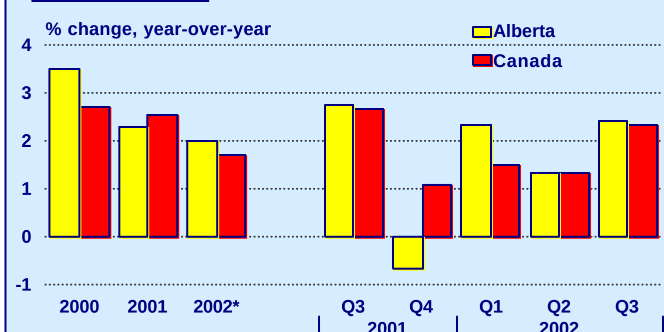
Housing



* Canada Mortgage and Housing Corporation, seasonally adjusted at annual rates
** Canadian Real Estate Association, seasonally adjusted

CPI Inflation Rate



* January - September, 2001 to January - September, 2002

Labour Markets

Employment recovers strongly

- Employment growth in Saskatchewan has been strong so far this year, recouping virtually all of the losses recorded since employment peaked in May 2000. About 23 400 jobs were created in the first ten months of the year, roughly one third being full-time. Still, the current level of employment in the province is only about 1% higher than three years ago.

- Employment in the agricultural industries rebounded strongly in 2002, although current levels are still about 20% below their peaks of 2000. Strong gains in the educational services and trade industries also supported the recovery.

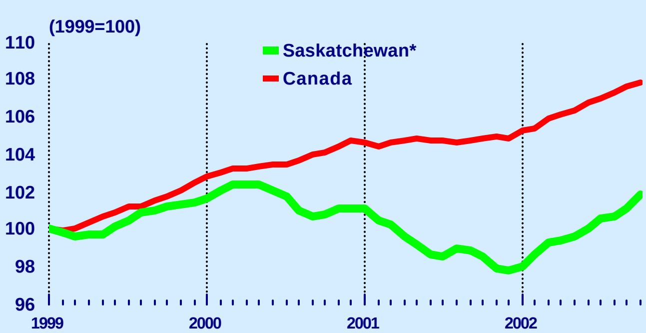
- Although some slowdown to more typical growth rates could be expected at some point, recent employment figures indicated strong momentum in nine of the sixteen main industrial sectors.

Keeping the jobless rate below 6 percent

- Over the first part of the year, employment gains were sufficient to offset increases in labour force and push down the jobless rate from 6.2% in December 2001 to 5.3% in June. However, weakness in the manufacturing sector persisted.

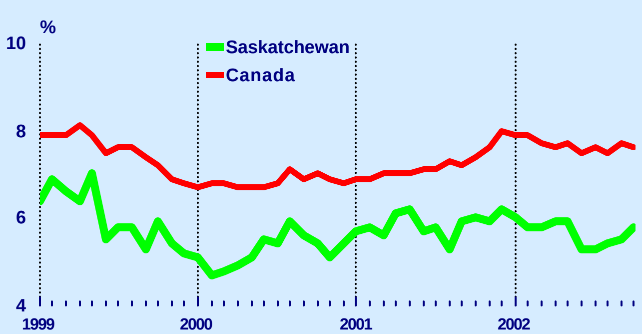
- More recently, however, labour force gains outpaced job creation resulting in upward pressures on the unemployment rate, which increased to 5.8% in October.

Employment Trends



* 3-month moving average.

Unemployment Rate



Employment by Industry

(In thousands)	Level Oct. 2002	Change since: Last month (2)	Change since: Dec. 2001	% change since (1): Last month	% change since (1): Dec. 2001
All industries	**489.6**	**3.4**	**23.4**	**8.8**	**6.1**
Good-producing	129.8	1.8	7.7	18.9	7.6
Agriculture	54.0	1.0	7.7	26.9	20.3
Natural resources (3)	15.5	0.3	-0.1	26.7	-0.8
Utilities	5.6	0.6	2.0	378.5	69.9
Construction	26.4	0.4	-0.2	20.4	-0.9
Manufacturing	28.3	-0.5	-1.6	-17.1	-6.4
Services-producing	359.8	1.6	15.7	5.4	5.5
Trade	78.4	0.0	4.8	0.0	7.9
Transportation/warehousing	24.5	0.2	-0.5	10.4	-2.4
FIRE (4)	27.3	-0.7	0.3	-26.8	1.3
Professional/scientific	18.1	0.3	0.2	22.6	1.3
Management/administrative	12.3	0.7	0.3	105.2	3.0
Educational	40.2	2.0	5.1	90.3	17.7
Health care/social assistance	56.4	-0.9	1.9	-17.5	4.2
Information/culture/recreation	19.6	0.0	2.9	2.0	21.2
Accomodation/food	33.5	0.4	0.9	17.4	3.3
Other services	23.3	-0.3	1.8	-12.6	10.1
Public administration	26.4	-0.1	-1.9	-4.5	-8.0

1) Rates are annualized to allow comparison between periods.
2) Monthly changes are computed using 3-month moving averages.
3) Includes Forestry, Fishing, Mining, and Oil & Gas.
4) Includes Financial services, Insurance, Real Estate and Leasing

Source: Statistics Canada

Economic Activity and Prices

Industrial activity fails to maintain its momentum

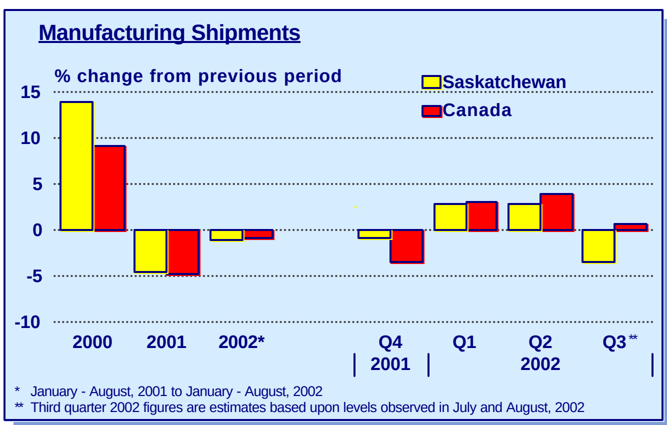
- After peaking in November 2000, manufacturing shipments declined steadily in 2001 before partially recovering in 2002. The renewed strength did not extend through July and August, when shipments fell 3.6% below second quarter levels. Since the start of 2002, shipments of chemical products and machinery reported the largest drops, mitigated by higher shipments of food products.

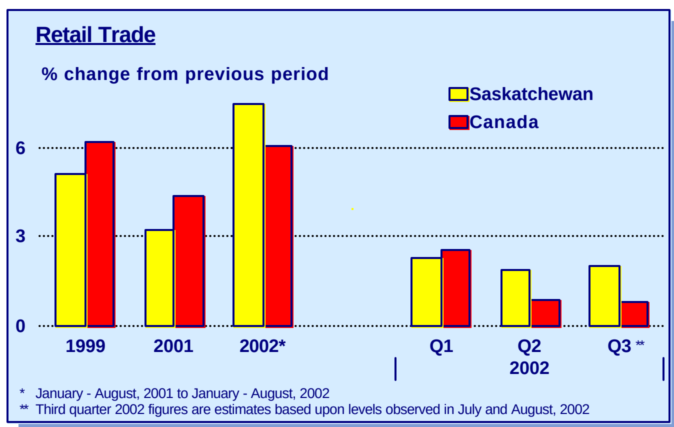
Consumer spending picks up in 2002, while CPI inflation remains high

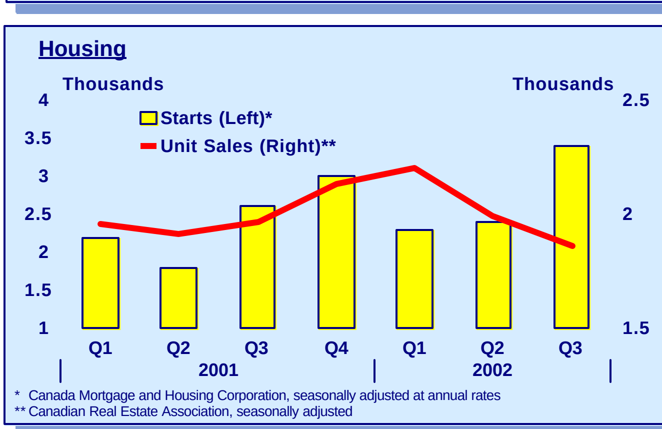
- Retail sales increased 7.5% in the first eight months of 2002 from the same period in 2001, thanks to strong sales in the automotive sector, as well as at drugstores, furniture and clothing stores.

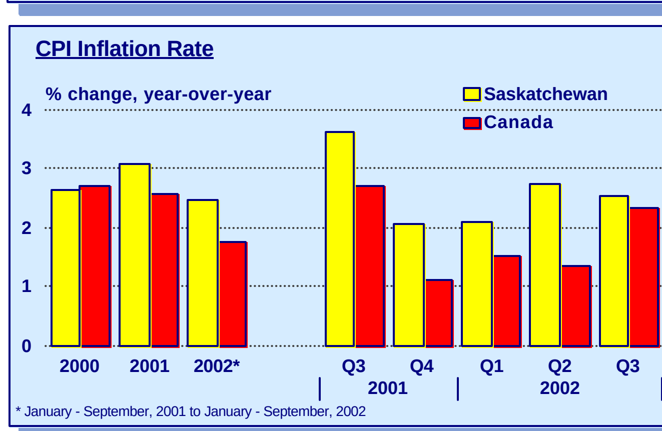
- Housing starts rose steadily in 2002, reflecting strengthening labour market conditions. Sales of existing homes, however, weakened in the second and third quarters after having reached their highest levels in more than five years.

- After reporting the highest provincial inflation rate in 2001 with 3.1%, Saskatchewan's inflation moderated to 2.5% over the first nine months of 2002, thanks to lower energy prices and decreasing pressures on shelter costs. However, short-term inflationary pressures can be expected as energy prices deflation is likely to wear off.









Labour Markets

Employment growth remains weak

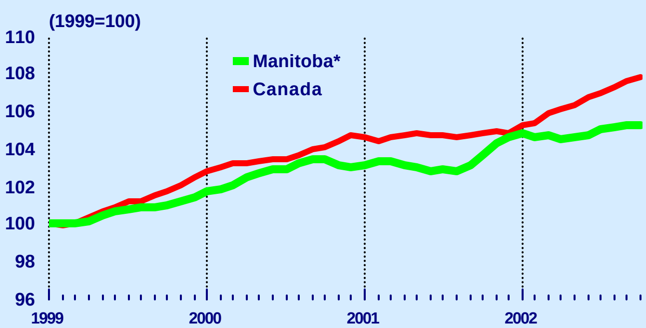
- Employment gains in the first ten months of this year amounted to 3500, all of which being part-time jobs. Gains were concentrated in educational, health care and other services industries, while the largest losses were in the construction and trade sectors.

- After stepping up somewhat in the third quarter, employment in Manitoba moderated further in October with about two thirds of the main industrial sectors trending downward. Still, some resilience was seen in the health care, corporate services, and accommodation and food industries.

While the unemployment rate remains well below the Canadian average

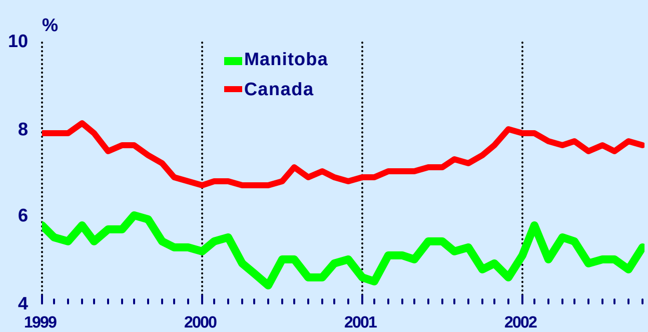
- The unemployment rate in Manitoba stood at 5.3% in October, after having fluctuated between 4.8% and 5.8% since the start of the year. At the current level, the jobless rate is the lowest in the country, 2.3 percentage points below the national average. However, recent labour market data indicated some acceleration in labour force growth. Unless a revival in employment is seen, this labour force trend could eventually result in further upward pressures on the jobless rate.

Employment Trends



* 3-month moving average.

Unemployment Rate



Employment by Industry

(In thousands)	Level Oct. 2002	Change since Last month (2)	Change since Dec. 2001	% change since (1) Last month	% change since (1) Dec. 2001
All industries	**569.0**	**0.2**	**3.5**	**0.4**	**0.7**
Good-producing	137.1	-0.8	-6.5	-6.8	-5.4
Agriculture	32.2	0.1	1.8	3.8	7.1
Natural resources (3)	5.9	-0.3	-1.3	-41.5	-21.3
Utilities	6.1	-0.1	0.2	-21.6	4.1
Construction	24.0	-0.3	-6.0	-14.9	-23.5
Manufacturing	69.0	-0.1	-1.1	-2.4	-1.9
Services-producing	431.9	1.0	10.0	2.8	2.9
Trade	85.0	-0.6	-3.8	-8.5	-5.1
Transportation/warehousing	34.7	-0.2	-0.2	-7.6	-0.7
FIRE (4)	28.6	-0.3	1.8	-12.9	8.1
Professional/scientific	24.2	-0.3	0.8	-14.0	4.1
Management/administrative	19.7	0.9	2.1	73.1	14.5
Educational	42.3	0.2	2.7	4.7	8.2
Health care/social assistance	75.7	1.4	5.4	25.3	9.3
Information/culture/recreation	23.2	-0.9	-1.8	-37.0	-8.6
Accomodation/food	36.4	0.8	-1.6	33.3	-5.0
Other services	27.4	0.4	4.9	21.9	26.7
Public administration	34.6	-0.3	-0.4	-9.8	-1.4

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2) Monthly changes are computed using 3-month moving averages.
3) Includes Forestry, Fishing, Mining, and Oil & Gas.
4) Includes Financial services, Insurance, Real Estate and Leasing

Source: Statistics Canada

Economic Activity and Prices

Manufacturing shipments remain relatively stable

- Manufacturing shipments were less severely affected in Manitoba by the 2001 economic downturn than they were in Canada on average. As a result, the recovery in shipments in the first half of 2002 appeared weaker in Manitoba than in Canada on average.

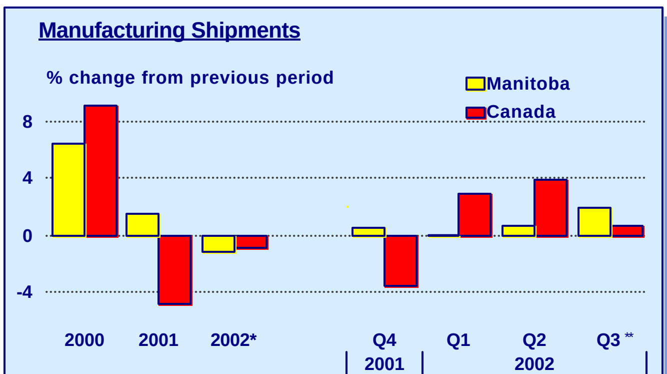
- Still, total shipments in the first eight months of 2002 presented a trend similar to the national average, being down 1.3% from the same period last year. Shipments of chemical, transportation and printing products were down the most, while shipments of food, machinery and clothing rose strongly.

Consumer spending remains strong

- Retail sales increased 8.3% in the first eight months of 2002 from a year earlier. Compared to the first half of 2001, sales by drugstores, furniture stores and automotive dealers rose sharply this year.

- Housing starts soared in the first three quarters of 2002 to their highest level since late 1994. However, after reaching their highest level in almost five years, sales of existing homes dropped in late 2001.

- Year-over-year inflation in the first nine months of 2002 was 1.0%, by far the lowest rate in Canada and down sharply from 2.6% in 2001. Upward pressures on prices, seen elsewhere in Canada in September CPI data, did not show in Manitoba as energy prices remained more than 5% below September 2001 levels. This, however, can not be expected to last as energy prices deflation is bound to wear off in the short-term.



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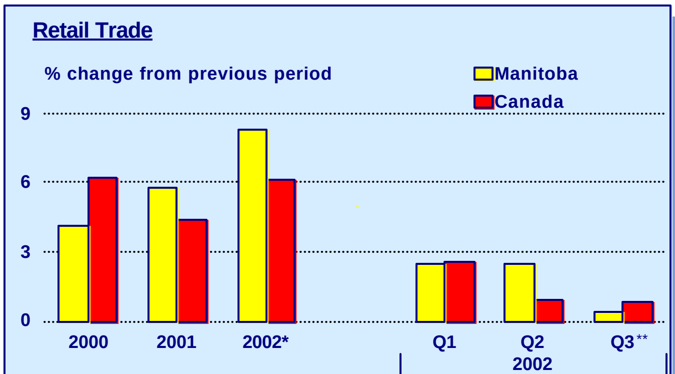

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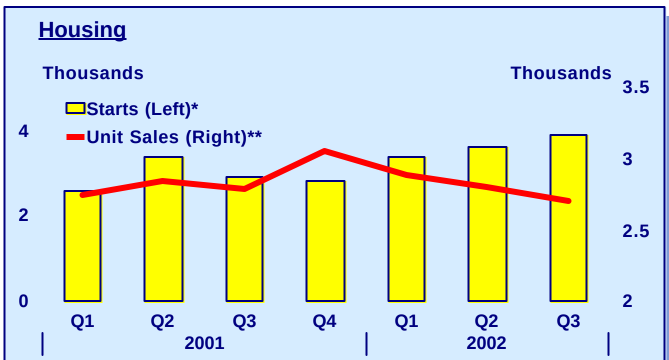
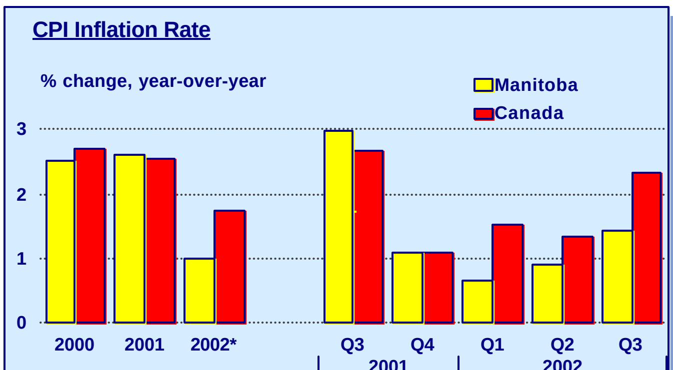


* Canada Mortgage and Housing Corporation, seasonally adjusted at annual rates
** Canadian Real Estate Association, seasonally adjusted



* January - September, 2001 to January - September, 2002

Labour Markets

Employment growth accelerates

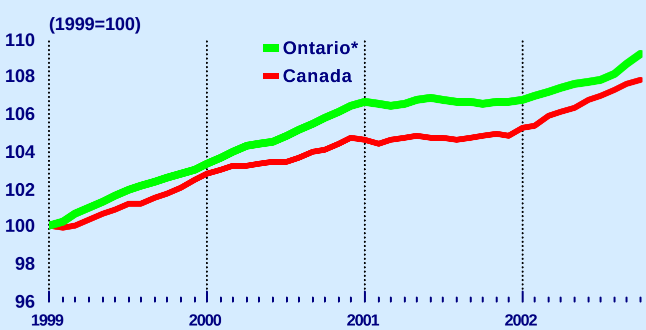
- Employment growth in Ontario accelerated in the second part of the year, bringing total employment gains so far this year to 170 000. Almost half of those gains came from the manufacturing sector, with important contributions also coming from the accommodation and food, educational and transportation services industries. The province accounted for about 60% of all full-time jobs created in Canada this year.

- The recent employment performance received widespread support with ten of the sixteen major industrial groups contributing positively. Weakness remained primarily in the information, culture and recreation industries and in the trade sector.

But a rising labour force pushes up the unemployment rate

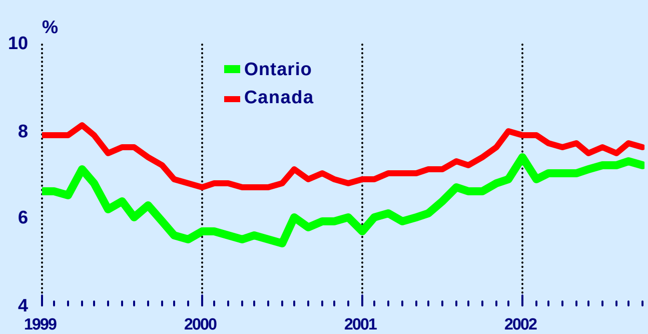
- Although substantial, employment gains in Ontario were not sufficient to compensate for a large increase in the number of participants in the province's labour force. As a result, the unemployment rate remained at relatively high levels throughout the year, standing at 7.2% in October.

Employment Trends



* 3-month moving average.

Unemployment Rate



Employment by Industry

(In thousands)	Level Oct. 2002	Change since Last month (2)	Change since Dec. 2001	% change since (1) Last month	% change since (1) Dec. 2001
All industries	**6139.5**	**32.1**	**169.4**	**6.5**	**3.4**
Good-producing	1665.9	8.5	94.3	6.3	7.2
Agriculture	84.4	2.8	7.5	52.7	11.8
Natural resources (3)	34.5	0.3	-3.8	11.0	-11.8
Utilities	46.8	-1.9	-1.9	-36.2	-4.7
Construction	361.6	4.4	11.2	16.1	3.8
Manufacturing	1138.8	3.0	81.4	3.2	9.3
Services-producing	4473.5	23.6	75.0	6.6	2.0
Trade	911.6	-2.5	-16.6	-3.2	-2.1
Transportation/warehousing	292.1	-0.1	20.6	-0.3	9.2
FIRE (4)	400.8	1.4	13.7	4.1	4.3
Professional/scientific	441.9	4.9	4.9	14.6	1.3
Management/administrative	271.7	8.4	13.0	49.0	6.1
Educational	382.8	3.8	27.8	12.8	9.5
Health care/social assistance	568.7	0.8	12.9	1.8	2.8
Information/culture/recreation	281.2	-2.7	-9.2	-10.8	-3.8
Accomodation/food	385.6	10.2	28.3	39.5	9.6
Other services	248.1	-0.2	-13.6	-0.8	-6.2
Public administration	289.1	-0.3	-6.7	-1.2	-2.7

1) Rates are annualized to allow comparison between periods.
2) Monthly changes are computed using 3-month moving averages.
3) Includes Forestry, Fishing, Mining, and Oil & Gas.
4) Includes Financial services, Insurance, Real Estate and Leasing

Source: Statistics Canada

Economic Activity and Prices

Manufacturing shipments rebound strongly

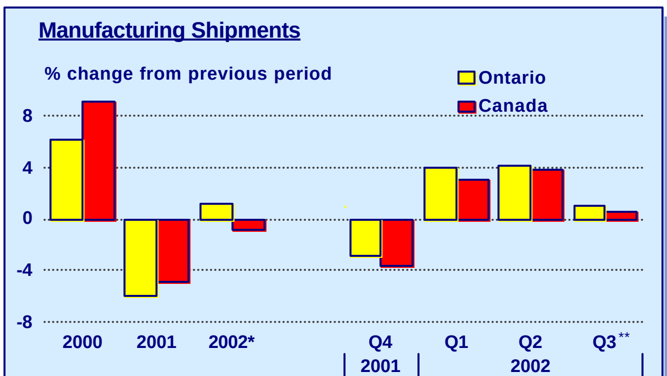
- After being severely hit in 2001 by the economic slowdown, Ontario's manufacturing shipments rebounded sharply in the first half of this year. Overall, shipments in the first eight months of the year were 1.1% higher than in the same period last year. Shipments of leather, wood and primary metal products were up the most from 2001, while computer & electronic, and electrical products experienced the sharpest declines.

Retail and housing activity remains robust

- Retail sales in Ontario decreased slightly in the second quarter of the year but strengthened thereafter, narrowing its growth gap with the national average. In the first eight months of 2002, sales were up 5.4% from a year ago, more than twice the growth recorded in 2001.

- The housing market remained robust in the first three quarters of 2002. Housing starts so far this year reached record-high levels, being almost 15% higher than the same period in 2001. Sales of existing homes in the first three quarters, although in a downward trend, were about 16% higher than in the same period last year.

- Year-over-year inflation in the first nine months of 2002 was 1.7%, as opposed to 3.1% in 2001. However, more recent CPI data suggested some acceleration of inflation as energy prices deflation wore off. In September, CPI inflation was estimated at 2.8%.



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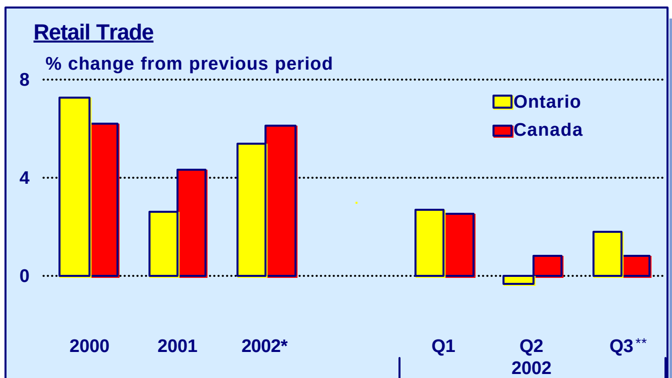

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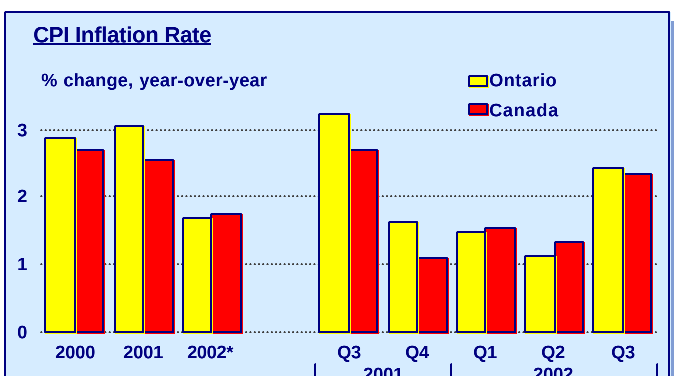


* January - September, 2001 to January - September, 2002

Labour Markets

Employment growth pauses after a strong start

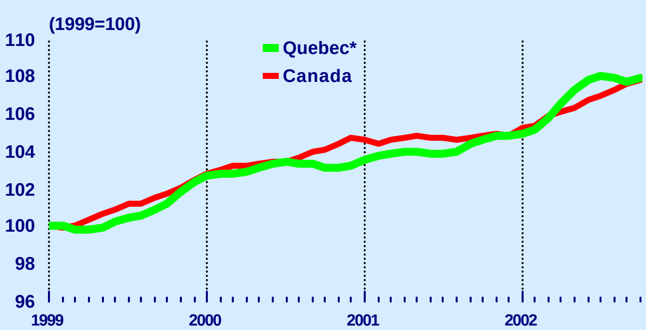
- So far this year, nearly 128 000 jobs have been created in Quebec, three quarters of those being part-time. Job gains have been greatest in construction, professional services, trade, and educational and health care services industries. By contrast, major losses were reported in the finance-related and the information, cultural and recreation industries.

- Quebec accounted for about 40% of all new jobs created in Canada over the first half of this year. Since then, however, virtually no employment growth has been recorded in the province. This pause occurred as large job losses in manufacturing industries, natural resources, information, cultural and recreational and finance-related industries surpassed gains in health care and other services.

While the jobless rate falls to only half a point above the national average

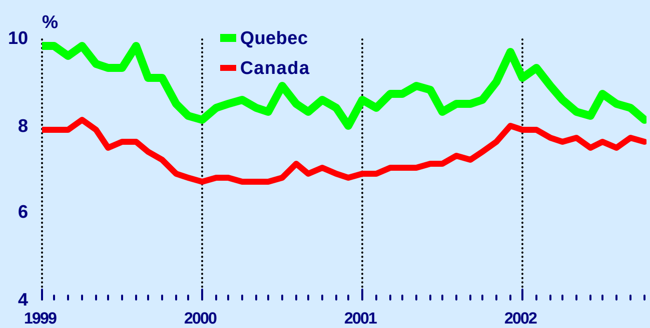
- Employment gains, almost twice as important as labour force increases so far this year, pushed the unemployment rate down from 9.7% in December 2001 to 8.1% in October of this year. This was only 0.5 percentage points above the national average, a performance not seen since at least 1976.

Employment Trends



* 3-month moving average.

Unemployment Rate



Employment by Industry

(In thousands)	Level Oct. 2002	Change since Last month (2)	Change since Dec. 2001	% change since (1) Last month	% change since (1) Dec. 2001
All industries	**3614.3**	**4.9**	**127.9**	**1.6**	**4.4**
Good-producing	949.3	-0.2	50.3	-0.3	6.8
Agriculture	64.1	0.7	2.8	15.3	5.5
Natural resources (3)	38.3	-2.7	0.8	-52.4	2.6
Utilities	31.6	0.8	3.4	35.0	14.6
Construction	169.6	3.8	28.9	31.9	25.1
Manufacturing	645.7	-2.8	14.3	-5.1	2.7
Services-producing	2665.0	5.1	77.6	2.3	3.6
Trade	603.6	8.0	24.1	17.7	5.0
Transportation/warehousing	151.6	-0.2	-5.5	-1.8	-4.2
FIRE (4)	183.7	-2.5	-15.8	-14.6	-9.4
Professional/scientific	222.8	-1.0	26.9	-5.4	16.7
Management/administrative	119.9	-2.3	8.6	-20.0	9.3
Educational	238.0	-1.4	22.1	-6.7	12.4
Health care/social assistance	412.7	0.6	19.0	1.8	5.8
Information/culture/recreation	149.2	-4.9	-11.5	-31.2	-8.5
Accomodation/food	205.9	2.5	4.4	16.1	2.6
Other services	172.3	6.1	10.9	57.2	8.2
Public administration	205.2	0.2	-5.5	1.0	-3.1

1) Rates are annualized to allow comparison between periods.
2) Monthly changes are computed using 3-month moving averages.
3) Includes Forestry, Fishing, Mining, and Oil & Gas.
4) Includes Financial services, Insurance, Real Estate and Leasing

Source: Statistics Canada

Economic Activity and Prices

Manufacturing shipments recover slowly

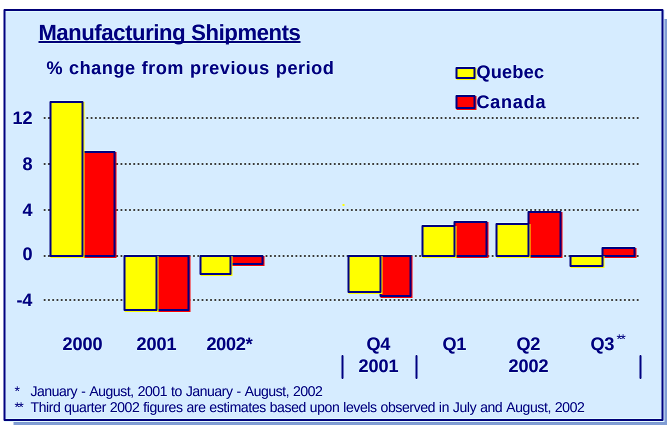
- After a notable 13.4% jump in 2000 and a decline of 4.8% in 2001, manufacturing shipments were on their way to a modest recovery in 2002, having increased by 4.3% from December 2001 to August. Shipments of computer & electronic, leather and printing products were down the most from 2001, while electrical and furniture shipments were up.

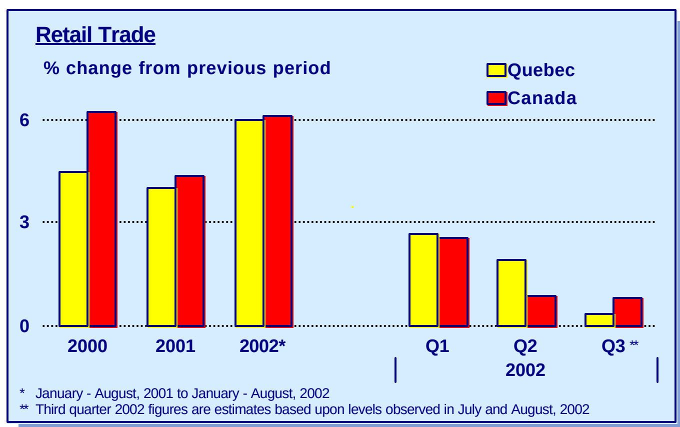
Activity in the retail and housing sectors remains strong

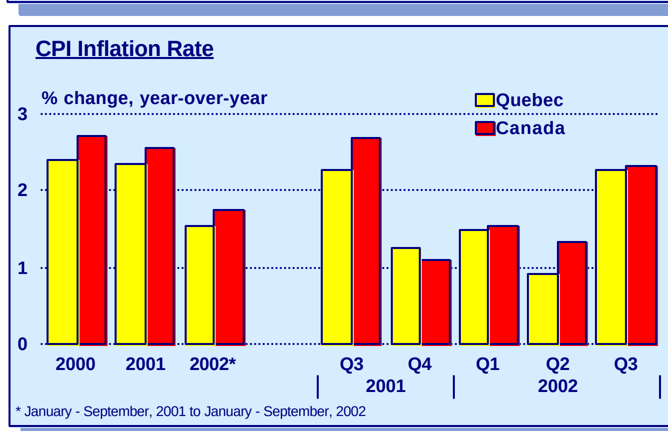
- Retail sales started off at a healthy pace in 2002 but slowed down in the first two months of the third quarter. In the first eight months, sales were up 6.0% from a year ago, a performance similar to the national average.

- The housing market has been booming since the start of the year. Housing starts in the third quarter were at the highest level seen since the first quarter of 1992, while the sales of existing homes over the first three quarters of the year were 20% higher than over the same period in 2001.

- Consumer price inflation in the first nine months of 2002 was 1.5%, as opposed to 2.4% in 2001, and somewhat below the national average. However, as in most parts of the country, fading energy price deflation pushed September inflation rate closer to the 2001 level.







Labour Markets

Employment growth resumes after a short setback

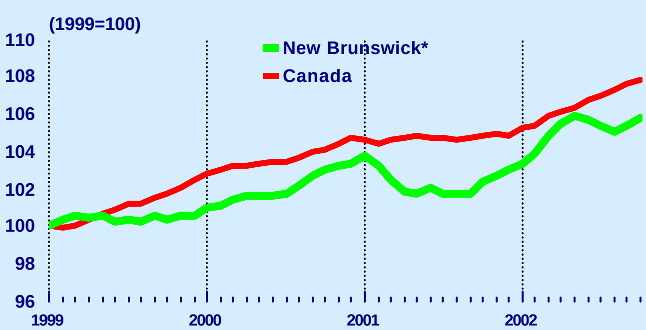
- Employment in New Brunswick had grown 3.5% (annual basis) over the first ten months of the year, by far the best performance among the Atlantic provinces. Almost 10 000 new jobs were created over that period, the greatest gains being in the health care, corporate management and professional services industries.

- After starting the year with a solid performance, employment in the province diminished significantly over the summer with major losses in the accommodation and food, manufacturing and transportation services industries. More recently, however, good performance in the trade, corporate management and professional services industries contributed to restore employment growth to the 4% annual range. On the negative side, recent employment data revealed further signs of weakening in the manufacturing sector, which was unable to sustain the large gains reported early in the year.

But labour force growth puts pressure on the jobless rate

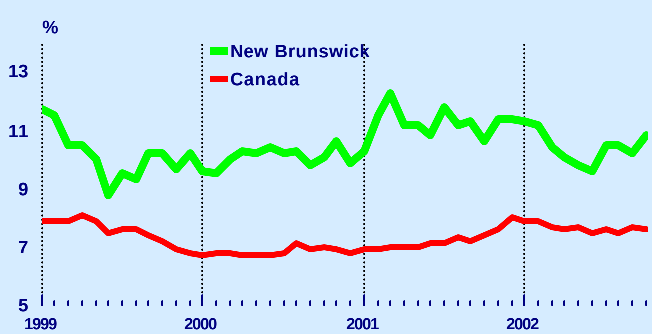
- After having dropped to a three-year low of 9.6% in June, the unemployment rate stepped up again to reach 10.8% in October. That recent increase in the jobless rate is entirely due to a large arrival of new participants in the labour force, representing more than three times the employment gains. The province's unemployment rate in October stood 3.2 percentage points above the national average, a gap similar to the one observed over the last five years.

Employment Trends



* 3-month moving average.

Unemployment Rate



Employment by Industry

(In thousands)	Level Oct. 2002	Change since: Last month (2)	Change since: Dec. 2001	% change since (1): Last month	% change since (1): Dec. 2001
All industries	**346.9**	**1.1**	**9.9**	**4.0**	**3.5**
Good-producing	78.6	-0.4	-1.7	-6.4	-2.5
Agriculture	5.4	0.3	0.9	92.2	24.5
Natural resources (3)	10.8	-0.1	-2.8	-10.4	-24.2
Utilities	4.8	0.2	-0.1	85.1	-2.4
Construction	20.0	0.2	1.1	15.3	7.0
Manufacturing	37.6	-1.0	-0.8	-27.2	-2.5
Services-producing	268.3	1.6	11.6	7.3	5.4
Trade	54.3	0.8	0.8	18.8	1.8
Transportation/warehousing	18.8	-0.3	-1.2	-17.0	-7.2
FIRE (4)	15.0	-0.5	0.9	-32.4	7.7
Professional/scientific	14.9	0.7	2.5	81.6	24.7
Management/administrative	21.9	0.5	4.0	33.2	27.4
Educational	21.4	0.1	-1.7	3.8	-8.8
Health care/social assistance	44.4	0.3	4.6	9.6	14.0
Information/culture/recreation	12.3	-0.2	0.0	-14.9	0.0
Accomodation/food	25.4	0.2	0.3	8.3	1.4
Other services	18.6	0.2	2.1	11.2	15.5
Public administration	21.2	-0.2	-0.7	-8.8	-3.8

1) Rates are annualized to allow comparison between periods.
2) Monthly changes are computed using 3-month moving averages.
3) Includes Forestry, Fishing, Mining, and Oil & Gas.
4) Includes Financial services, Insurance, Real Estate and Leasing

Source: Statistics Canada

Economic Activity and Prices

Manufacturing shipments recover after a severe dip in late 2001

- After dropping more than 10% in the fourth quarter of 2001, manufacturing shipments in New Brunswick rebounded by more than 15%, thereby returning to levels more in line with longer-term trends. The recovery was supported by large increases in the shipments of food and wood products.

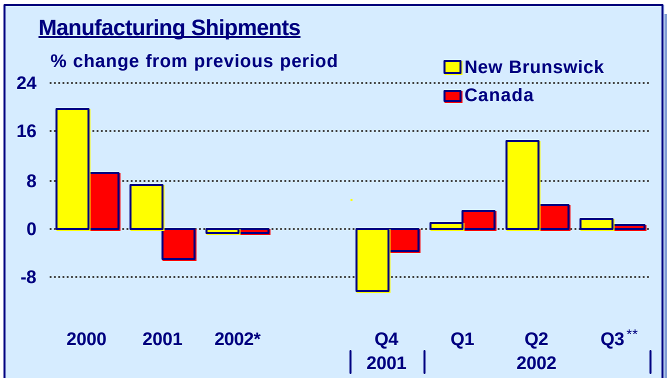
- However, total shipments over the first eight months of 2002 were still 0.9% below the corresponding 2001 levels.

Consumer spending remains below national trends as inflation accelerates

- In the first eight months of the year, retail sales were up 3.8% from a year ago, staying roughly two percentage points below the national average for the fourth straight year.

- Housing activity moderated in 2002 with average housing starts in the first three quarters of the year declining about 7% from the high levels recorded a year ago. Sales of existing homes were strong and stable in the first three quarters of 2002 (about 14.0% higher than in the same period in 2001).

- Inflation in the first nine months of 2002 was 2.6%, well above the 1.7% inflation rate in 2001. This is largely the result of higher alcohol, food and transportation prices. Further inflationary pressures also appeared recently with CPI data revealing a 4.1% inflation in September as energy prices increased.



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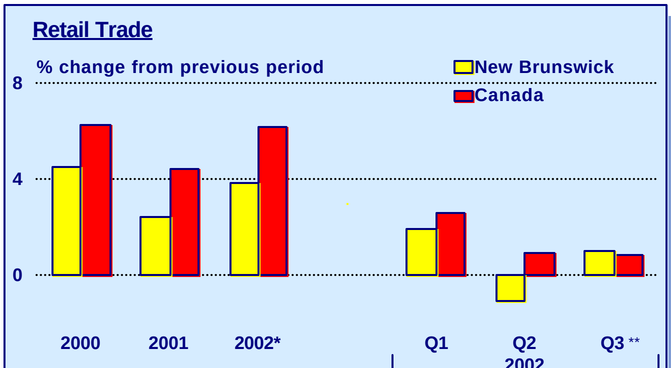

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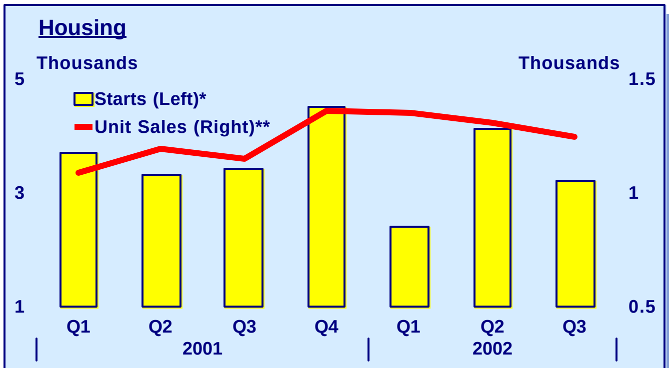

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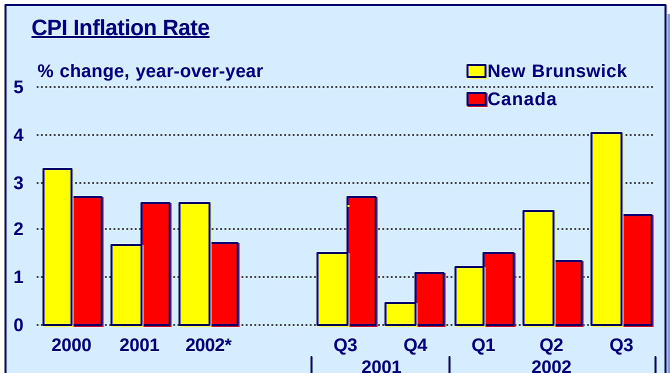


* January - September, 2001 to January - September, 2002

Labour Markets

Employment growth remains weak

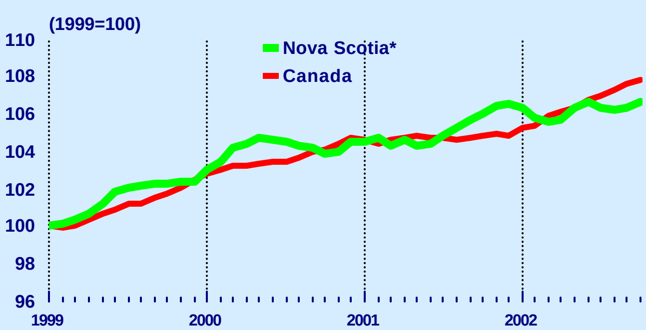
- Employment growth in Nova Scotia has been almost nil so far this year with a mere 1000 jobs created in ten months. All jobs created were in part-time, the province having lost almost 5000 full-time jobs so far this year. Job gains in corporate management, manufacturing, and other services industries were offset by declines in the accomodation and food, and transportation service industries.

- Recent employment data indicated some strengthening of labour market conditions in the province with notable job gains in public administration, trade and other services industries. In the meantime, however, weaknesses appeared in manufacturing and in the information, culture and recreation industries, and further losses were reported in health care.

While the unemployment rate decreases somewhat

- Consistent with recent gains in employment, the unemployment rate in Nova Scotia has decreased somewhat over the recent months to stand at 9.5% in October. At that point, the jobless rate was slightly below its 2001 average of 9.8% and 1.9 percentage points above the national average.

Employment Trends



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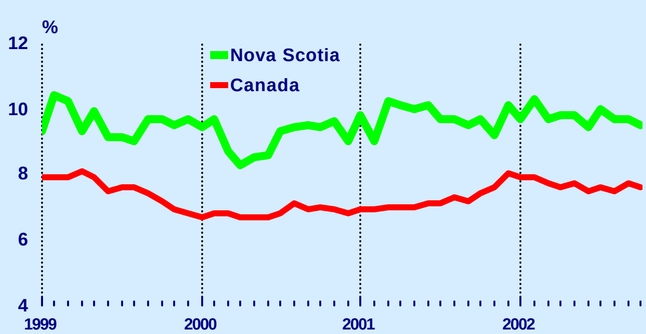
Unemployment Rate



Employment by Industry

(In thousands)	Level Oct. 2002	Change since: Last month (2)	Change since: Dec. 2001	% change since (1): Last month	% change since (1): Dec. 2001
All industries	**428.5**	**1.7**	**1.0**	**4.8**	**0.3**
Good-producing	94.3	-0.2	1.4	-2.5	1.8
Agriculture	7.7	0.3	0.5	59.0	8.4
Natural resources (3)	12.8	-0.2	-0.7	-13.7	-6.2
Utilities	3.3	0.1	1.2	31.8	72.0
Construction	25.0	0.2	-1.0	9.9	-4.6
Manufacturing	45.6	-0.5	1.5	-12.6	4.1
Services-producing	334.2	1.9	-0.5	7.0	-0.2
Trade	76.3	0.6	-0.6	9.4	-0.9
Transportation/warehousing	19.4	-0.1	-2.2	-4.1	-12.1
FIRE (4)	22.4	0.3	1.4	19.7	8.1
Professional/scientific	18.4	0.1	1.4	4.5	10.0
Management/administrative	21.9	0.1	2.5	7.7	15.7
Educational	32.4	0.2	-0.9	7.7	-3.2
Health care/social assistance	51.4	-0.5	-1.1	-10.2	-2.5
Information/culture/recreation	17.3	-0.5	0.7	-28.4	5.1
Accomodation/food	29.5	0.0	-3.4	1.3	-12.3
Other services	20.8	0.6	1.7	39.9	10.8
Public administration	24.2	0.9	0.0	60.0	0.0

1) Rates are annualized to allow comparison between periods.
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3) Includes Forestry, Fishing, Mining, and Oil & Gas.
4) Includes Financial services, Insurance, Real Estate and Leasing

Source: Statistics Canada

Economic Activity and Prices

Industrial activity strengthens

- Manufacturing shipments strengthened in the latter part of 2002 reaching particularly high levels in August. Notable gains were recorded in the shipments of non-durable goods, particularly paper, food, beverage and tobacco.

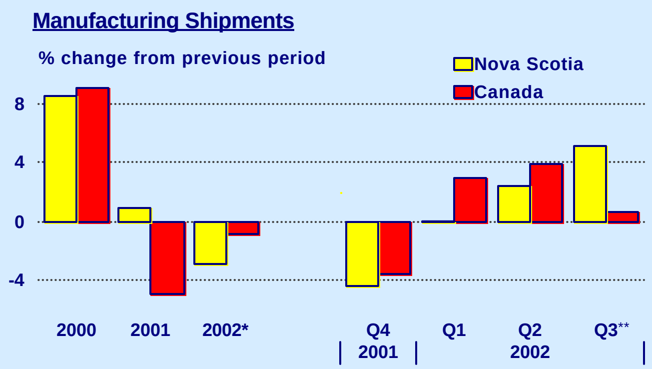
- Total shipments in the first eight months of 2002 were 2.9% lower than during the same period in 2001, but were still as high as in the first eight months of 2000.

Consumer spending slows somewhat while inflation accelerates

- Retail activities in the province have been strong over the first eight months of 2002 with a 6.1% gain compared to 2001. However, signs of weakness appeared as sales growth moderated substantially after the first quarter of this year.

- Housing starts over the first three quarters of the year increased 10% from the corresponding period last year, and sales of existing homes increased 15%.

- CPI inflation accelerated sharply through the first three quarters rising from 0.8% in the first quarter to 3.5% in the third. Overall, in the first three quarters of 2002, year-over-year inflation was 2.3% in Nova Scotia, as opposed to 1.7% in Canada. On the short-term, recent CPI data suggested further acceleration of inflation as energy prices continue to increase.



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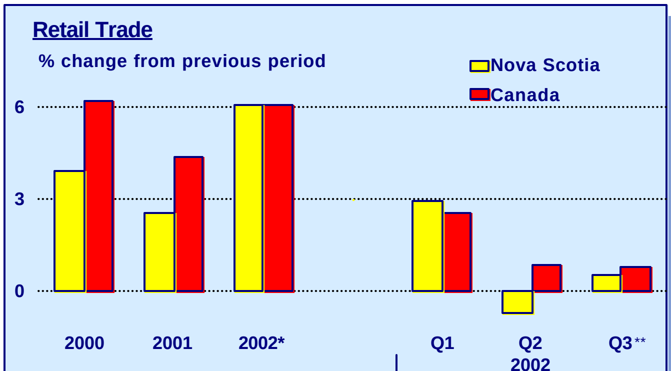

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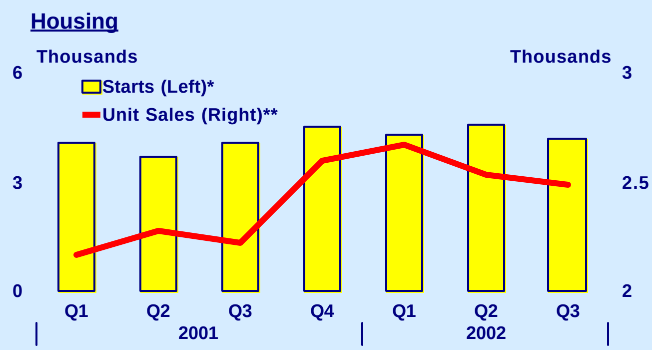

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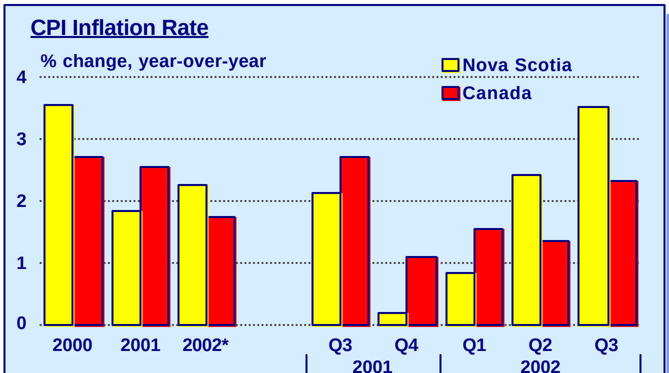


* January - September, 2001 to January - September, 2002

Labour Markets

Employment growth accelerates

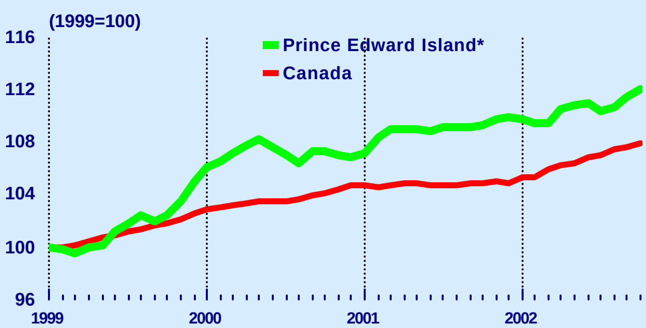
- Since the start of the year, about 1300 jobs have been created in Prince Edward Island, almost all of which being part-time. Gains were most evident in the corporate management and manufacturing industries while the accomodation and food, construction and agriculture industries reported the largest losses.

- Recent data indicated some acceleration in employment growth in the province with the appearance of a recovery in the construction sector and further job gains in corporate management and public administration services.

Bringing the unemployment rate back to the 12 percent range

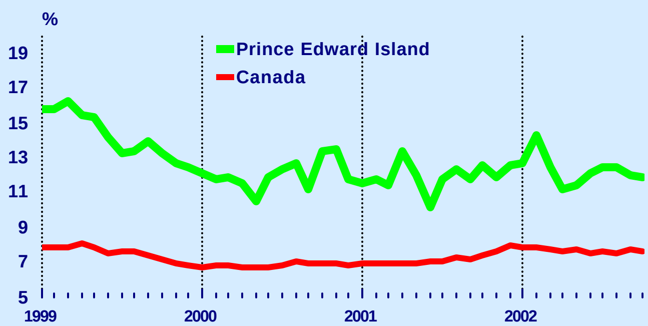
- After peaking at 14.3% in February of this year, as a result of a strong increase in the labour force, the jobless rate fell back to 11.9% in October. This was 4.3 percentage points above the national average and in line with the performance of the past two years.

Employment Trends



* 3-month moving average.

Unemployment Rate



Employment by Industry

(In thousands)	Level Oct. 2002	Change since: Last month (2)	Change since: Dec. 2001	% change since (1): Last month	% change since (1): Dec. 2001
All industries	**67.6**	**0.4**	**1.3**	**6.7**	**2.4**
Good-producing	18.0	0.3	-0.5	22.1	-3.2
Agriculture	3.8	-0.1	-0.7	-18.1	-18.4
Natural resources (3)	2.8	0.1	0.0	56.4	0.0
Utilities	0.4	0.0	0.2	0.0	129.7
Construction	4.6	0.2	-0.8	59.5	-17.5
Manufacturing	6.5	0.1	0.8	27.3	17.1
Services-producing	49.5	0.1	1.7	1.6	4.3
Trade	9.5	-0.1	-0.2	-8.0	-2.5
Transportation/warehousing	2.3	-0.1	0.2	-29.4	11.5
FIRE (4)	2.2	0.0	0.0	20.4	0.0
Professional/scientific	2.8	-0.1	0.1	-23.9	4.5
Management/administrative	3.2	0.2	1.2	180.5	75.8
Educational	4.5	0.0	0.0	0.0	0.0
Health care/social assistance	7.8	0.0	0.5	0.0	8.3
Information/culture/recreation	2.9	0.0	0.2	15.1	9.0
Accomodation/food	4.9	-0.1	-0.8	-26.3	-16.6
Other services	3.2	-0.1	0.3	-30.6	12.5
Public administration	6.3	0.2	0.3	48.5	6.0

1) Rates are annualized to allow comparison between periods.
2) Monthly changes are computed using 3-month moving averages.
3) Includes Forestry, Fishing, Mining, and Oil & Gas.
4) Includes Financial services, Insurance, Real Estate and Leasing

Source: Statistics Canada

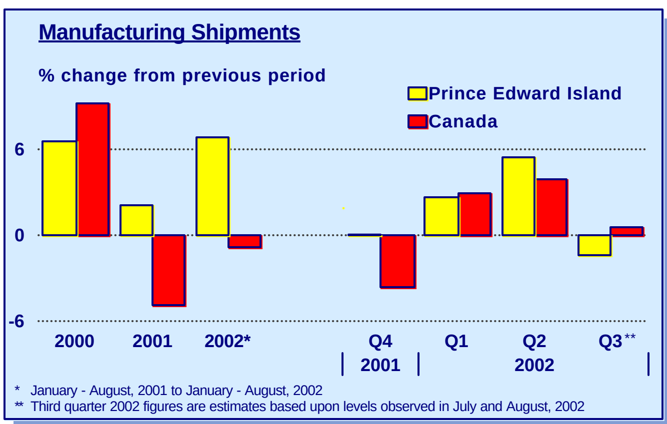
Economic Activity and Prices

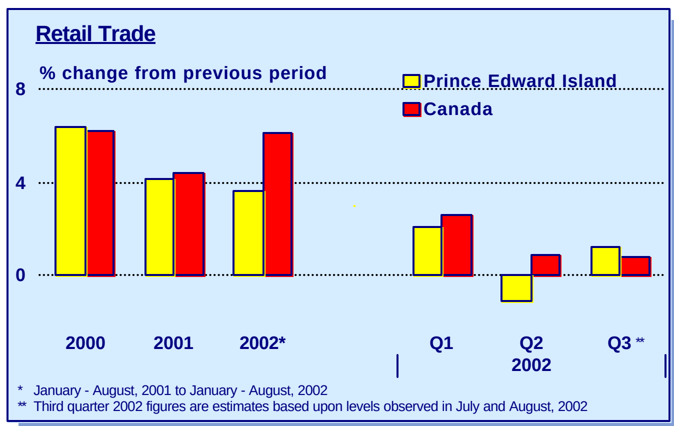
Industrial activity strengthens

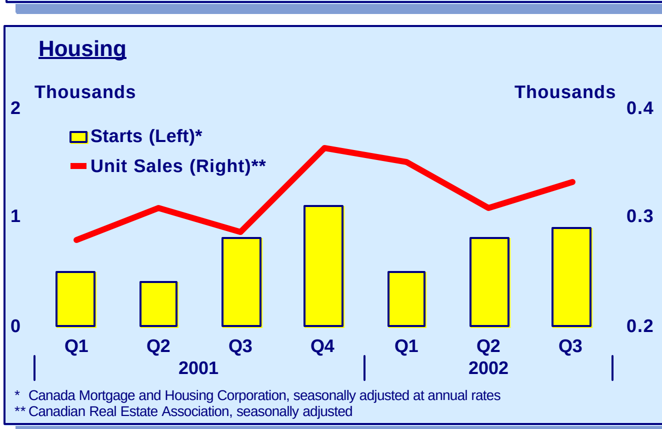
- Manufacturing shipments increased 6.8% in the first eight months of the year from the corresponding period last year. This is a performance comparable to that of 2000 and quite strong compared to the national average. Increased shipments of food products accounted for a very large part of the recovery.

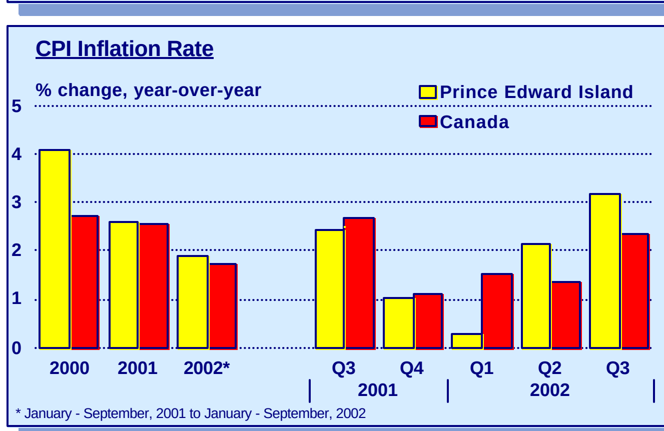
Consumer spending remains solid, while inflation increases

- Retail trade moderated further in 2002 with a year-over-year growth of 3.6% in the first eight months of the year, which resulted in a gap of 2.3 percentage points with the national average.
- Housing starts over the first three quarters of the year increased 29% from the corresponding period last year, and sales of existing homes increased 14%.
- CPI inflation accelerated through the year increasing sharply to 3.2% in the third quarter from 0.3% in the first quarter as energy prices increased. In the short-term, inflation may further accelerate as energy price inflation can be expected to continue in the coming months.









Labour Markets

Employment conditions deteriorate after a healthy start

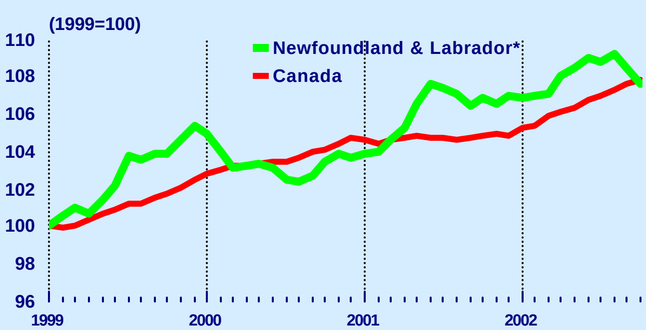
- The province lost almost 3000 full-time jobs during the first ten months of this year, mostly from the trade, manufacturing and information, culture and recreation industries. Health care, agriculture and professional services contributed positively.

- Recent data indicated an acceleration of employment losses in October with ten of the sixteen main industrial groups posting job losses, the manufacturing sector showing the worst performance. By contrast, the public sector supported the recent labour market conditions with significant job gains in the educational, health care and public administration sectors.

Leading to a rise in the unemployment rate

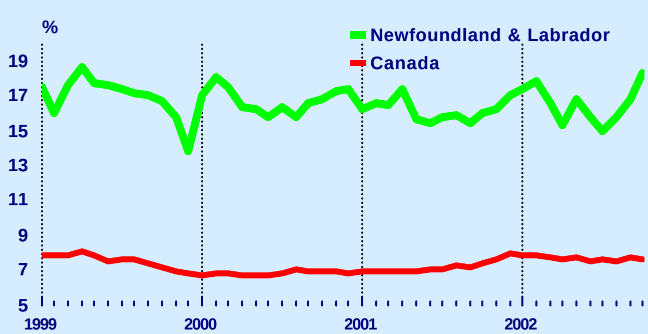
- The recent deterioration of employment conditions in the province pushed up the jobless rate from a low of 15.0% in July to 18.3% in October. This was the highest level recorded since April 1999 and 2.2 percentage points above the average level of 2001.

Employment Trends



* 3-month moving average.

Unemployment Rate



Employment by Industry

(In thousands)	Level Oct. 2002	Change since: Last month (2)	Change since: Dec. 2001	% change since (1): Last month	% change since (1): Dec. 2001
All industries	**211.3**	**-1.8**	**-2.9**	**-9.4**	**-1.6**
Good-producing	43.8	-1.5	-0.3	-32.5	-0.8
Agriculture	2.0	0.3	1.5	642.3	427.8
Natural resources (3)	14.5	-0.1	0.5	-7.8	4.3
Utilities	2.5	-0.2	0.1	-53.0	5.0
Construction	9.5	-0.2	-0.8	-20.7	-9.2
Manufacturing	15.3	-1.3	-1.6	-59.2	-11.3
Services-producing	167.5	-0.2	-2.6	-1.7	-1.8
Trade	38.0	-0.2	-5.6	-6.2	-15.2
Transportation/warehousing	11.4	0.4	-0.6	53.5	-6.0
FIRE (4)	6.8	-0.4	-0.9	-48.4	-13.9
Professional/scientific	8.3	-0.5	1.4	-46.8	24.8
Management/administrative	8.4	-0.3	0.9	-29.4	14.6
Educational	18.0	0.5	-0.4	43.7	-2.6
Health care/social assistance	31.6	0.6	2.3	26.4	9.5
Information/culture/recreation	5.4	-0.7	-1.5	-70.5	-25.5
Accomodation/food	12.7	-0.2	0.6	-20.7	6.0
Other services	10.7	0.1	0.9	16.0	11.1
Public administration	16.0	0.3	0.1	22.9	0.8

1) Rates are annualized to allow comparison between periods.
2) Monthly changes are computed using 3-month moving averages.
3) Includes Forestry, Fishing, Mining, and Oil & Gas.
4) Includes Financial services, Insurance, Real Estate and Leasing

Source: Statistics Canada

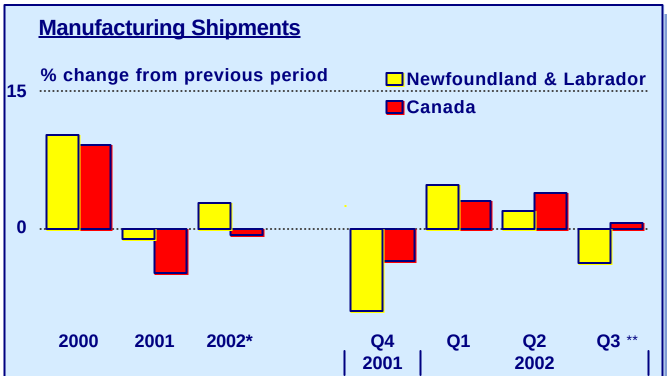
Economic Activity and Prices

Industrial activity decelerates

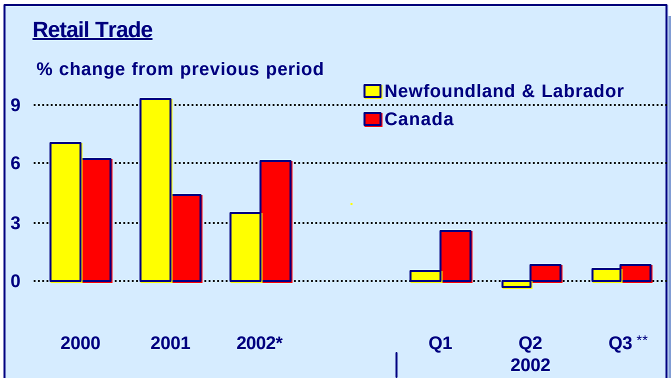
- Although still highly volatile, manufacturing shipments appear to be on a downward trend since the start of the year, dropping 3.8% in the first two months of the third quarter. Declines were evident in durable and non-durable goods, with primary metals experiencing the largest drop.
- However, from January to August, shipments were up 2.7% from the same period last year.

Consumer spending softens

- In the first eight months of 2002 retail sales grew 3.5% from the same period last year. This is a clear deceleration in retail activity from the 2001 growth of 9.3%.
- Housing starts and sales of existing homes remained at near record levels throughout the first three quarters of this year. On a year-over-year basis, housing starts increased by 48% over those three quarters, and sales of existing homes by 17%.
- Inflation accelerated throughout the first three quarters. In particular, following virtually zero inflation in the first quarter inflation reached 2.5% in the third quarter. This narrowed the gap with the national average to 0.1 percentage point to stand at 1.6% after three quarters. Recent increases in inflation resulted mainly from increasing energy and shelter prices.



* January - August, 2001 to January - August, 2002
** Third quarter 2002 figures are estimates based upon levels observed in July and August, 2002



* January - August, 2001 to January - August, 2002
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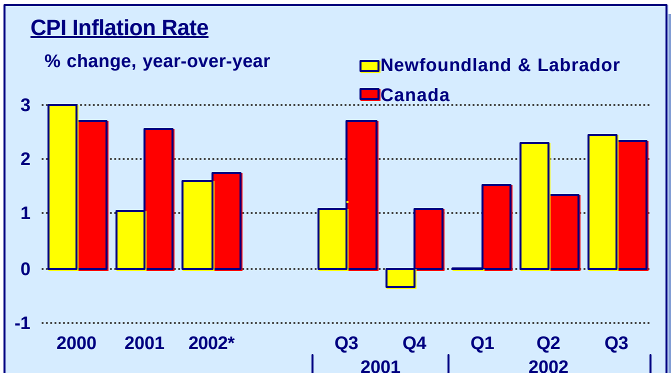
* Canada Mortgage and Housing Corporation, seasonally adjusted at annual rates
** Canadian Real Estate Association, seasonally adjusted



* January - July, 2001 to January - July, 2002

Nunavut leads in terms of employment growth while consumer spending continues to remain strong in all territories

- Over the first eight months of this year, Nunavut's average employment level rose by 5.7% from the same period in 2001, the highest rate among the territories. Solid employment growth in the Service-producing industries more than offset a decline in the Goods-producing sector.

- Northwest Territories' employment has remained strong in 2002 as the Public Administration, Health Care & Social Assistance and the Transportation sectors have continued to expand.

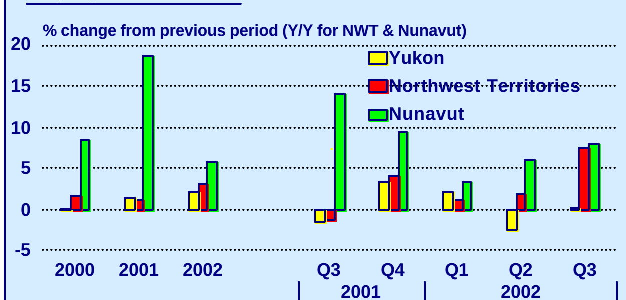
- In the Yukon, employment growth remained low in 2002, weakening particularly in the second quarter. The largest losses occurred in the Public Administration sector.

- Over the first eight months of the year, retail sales in the Yukon and the Northwest Territories surged by more than 15% from the same period last year. Nunavut's retail sales, although weaker than in other territories so far this year, strengthened in the second and third quarters.

- Manufacturing shipments have declined by about 16% in the Yukon so far this year when compared with the same period in 2001. In contrast, shipments rose by almost 17% in the Northwest Territories (including Nunavut) during the same period.

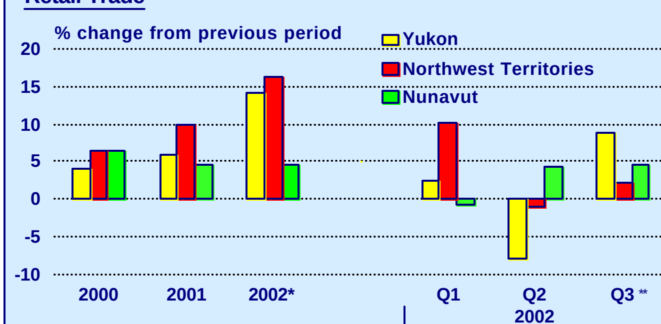
- CPI inflation rates continued to ease in the Yukon while it was above the national average in the second and third quarters in the Northwest Territories.

Employment Growth*



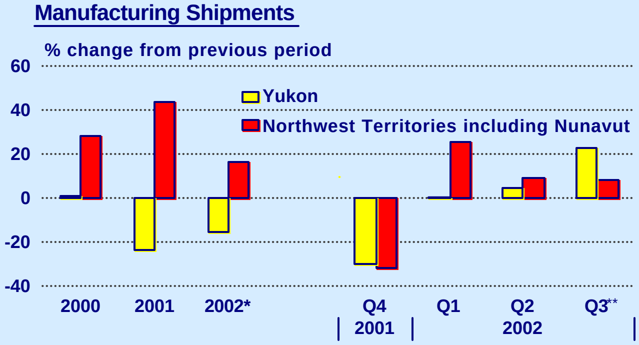
Source: Survey on Employment, Payrolls, and Hours
Note: Data for NWT and Nunavut are unadjusted and calculated on a year-over-year basis. 2002 figuresr epresent January to August. Third quarter figures for 2002 represent July and August only.

Retail Trade



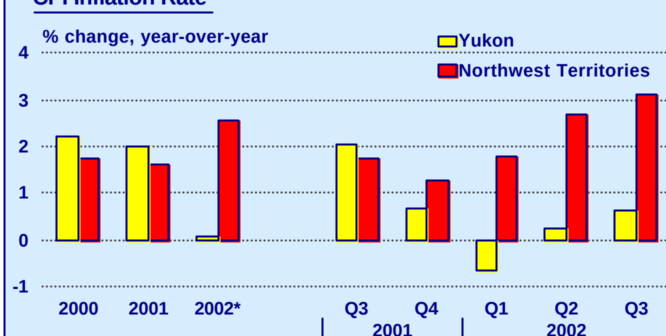
* January - August, 2001 to January - August, 2002
** Third quarter 2002 figures are estimates based upon levels observed in July and August, 2002

Manufacturing Shipments



* January - August, 2001 to January - August, 2002
** Third quarter 2002 figures are estimates based upon levels observed in July and August, 2002

CPI Inflation Rate



* January - September, 2001 to January - September, 2002

STATISTICAL APPENDIX

Key Provincial Data

	2000	2001	2001Q3	2002Q3	Oct. 2002
BRITISH COLUMBIA					
Mfg Shipments ($M) (2)	37,757.3	34,166.4	8,383.2	8,668.3	N/A
% change (1)(2)	6.0	-9.5	-4.5	1.0	N/A
Retail Trade ($M) (2)	35,820.6	37,979.1	9,518.3	9,998.7	N/A
% change (2)	6.3	6.0	0.6	-0.9	N/A
Housing Starts (000's)	14.4	17.2	16.4	23.8	N/A
Labour Force (000's)	2,099.7	2,103.5	2,099.6	2,171.1	2,180.1
% change	1.0	0.2	-0.3	1.1	0.0
Employment (000's)	1,949.1	1,942.4	1,937.1	1,996.2	1,999.6
% change	2.2	-0.3	-1.1	2.1	-0.1
Unemployment Rate (%)	7.2	7.7	7.7	8.0	8.3
Participation Rate (%)	64.9	64.1	63.9	65.2	65.3
CPI Inflation	1.9	1.7	1.9	2.0	N/A
ALBERTA					
Mfg Shipments ($M) (2)	42,574.7	42,551.9	10,692.8	10,256.0	N/A
% change (1)(2)	18.2	-0.1	-0.9	1.7	N/A
Retail Trade ($M) (2)	31,712.2	34,602.0	8,657.2	9,359.1	N/A
% change (2)	8.1	9.1	0.4	0.1	N/A
Housing Starts (000's)	26.3	29.2	27.9	36.3	N/A
Labour Force (000's)	1,671.4	1,710.7	1,706.8	1,780.3	1,785.8
% change	1.4	2.4	-0.2	1.5	0.4
Employment (000's)	1,588.2	1,632.1	1,634.5	1,685.8	1,683.2
% change	2.2	2.8	0.2	1.8	0.4
Unemployment Rate (%)	5.0	4.6	4.2	5.3	5.7
Participation Rate (%)	72.2	72.3	71.9	73.4	73.3
CPI Inflation	3.5	2.3	2.8	2.4	N/A
SASKATCHEWAN					
Mfg Shipments ($M) (2)	7,489.7	7,150.3	1,746.9	1,765.5	N/A
% change (1)(2)	13.9	-4.5	-2.3	-3.6	N/A
Retail Trade ($M) (2)	8,131.7	8,394.7	2,089.0	2,285.7	N/A
% change (2)	5.1	3.2	-0.1	2.0	N/A
Housing Starts (000's)	2.5	2.4	2.6	3.4	N/A
Labour Force (000's)	511.7	501.5	500.6	510.3	519.8
% change	0.1	-2.0	-0.1	0.7	0.8
Employment (000's)	485.0	472.4	472.3	482.7	489.6
% change	1.0	-2.6	0.3	1.0	0.5
Unemployment Rate (%)	5.2	5.8	5.7	5.4	5.8
Participation Rate (%)	67.0	65.8	65.8	67.3	68.6
CPI Inflation	2.6	3.1	3.6	2.5	N/A
MANITOBA					
Mfg Shipments ($M) (2)	11,338.7	11,502.7	2,826.4	2,912.0	N/A
% change (1)(2)	6.4	1.4	-2.8	1.9	N/A
Retail Trade ($M) (2)	9,396.5	9,936.5	2,492.6	2,693.3	N/A
% change (2)	4.1	5.7	0.7	0.4	N/A
Housing Starts (000's)	2.6	3.0	2.9	3.9	N/A
Labour Force (000's)	583.2	587.1	587.2	597.2	600.9
% change	1.5	0.7	0.5	0.2	0.6
Employment (000's)	554.4	557.9	556.0	567.6	569.0
% change	2.2	0.6	0.3	0.5	0.1
Unemployment Rate (%)	4.9	5.0	5.3	4.9	5.3
Participation Rate (%)	67.9	68.1	68.0	69.1	69.5
CPI Inflation	2.5	2.6	3.0	1.4	N/A

(1) % change refers to period-to-period except for CPI inflation which is year-over-year.
(2) Third quarter 2002 figures are estimates based upon levels observed for July and August, 2002.

Key Provincial Data

	2000	2001	2001Q3	2002Q3	Oct. 2002
ONTARIO					
Mfg Shipments ($M) (2)	286,726.1	269,435.8	66,657.0	70,865.1	N/A
% change (1)(2)	6.2	-6.0	-3.8	1.0	N/A
Retail Trade ($M) (2)	106,426.4	109,193.8	27,075.7	28,989.3	N/A
% change (2)	7.3	2.6	-0.9	1.8	N/A
Housing Starts (000's)	71.5	73.3	70.5	85.1	N/A
Labour Force (000's)	6,227.9	6,364.4	6,378.9	6,557.7	6,613.7
% change	2.6	2.2	0.4	1.2	0.2
Employment (000's)	5,872.1	5,962.7	5,960.1	6,083.1	6,139.5
% change	3.2	1.5	-0.2	1.0	0.3
Unemployment Rate (%)	5.7	6.3	6.6	7.2	7.2
Participation Rate (%)	67.2	67.3	67.3	68.0	68.3
CPI Inflation	2.9	3.1	3.2	2.4	N/A
QUEBEC					
Mfg Shipments ($M) (2)	127,532.3	121,362.7	30,206.0	30,469.8	N/A
% change (1)(2)	13.4	-4.8	-1.2	-1.0	N/A
Retail Trade ($M) (2)	63,480.9	66,036.4	16,362.9	17,613.9	N/A
% change (2)	4.4	4.0	-2.3	0.4	N/A
Housing Starts (000's)	24.7	27.7	25.7	43.5	N/A
Labour Force (000's)	3,753.2	3,806.9	3,799.2	3,934.1	3,934.1
% change	1.4	1.4	0.0	0.1	0.1
Employment (000's)	3,437.7	3,474.5	3,479.1	3,598.6	3,614.3
% change	2.4	1.1	0.5	-0.1	0.3
Unemployment Rate (%)	8.4	8.7	8.4	8.5	8.1
Participation Rate (%)	63.2	63.6	63.4	65.2	65.0
CPI Inflation	2.4	2.4	2.3	2.3	N/A
NEW BRUNSWICK					
Mfg Shipments ($M) (2)	11,414.4	12,246.6	3,146.1	3,310.6	N/A
% change (1)(2)	19.6	7.3	-3.7	1.8	N/A
Retail Trade ($M) (2)	6,904.9	7,070.3	1,732.8	1,833.8	N/A
% change (2)	4.5	2.4	-2.4	1.0	N/A
Housing Starts (000's)	3.1	3.5	3.4	3.2	N/A
Labour Force (000's)	371.7	376.7	375.7	385.0	388.8
% change	1.6	1.3	0.2	0.3	0.2
Employment (000's)	334.4	334.4	332.7	344.9	346.9
% change	1.8	0.0	-0.2	-0.3	-0.4
Unemployment Rate (%)	10.0	11.2	11.4	10.4	10.8
Participation Rate (%)	61.6	62.2	62.0	63.3	63.9
CPI Inflation	3.3	1.7	1.5	4.1	N/A
NOVA SCOTIA					
Mfg Shipments ($M) (2)	8,488.0	8,562.2	2,143.3	2,206.8	N/A
% change (1)(2)	8.6	0.9	-2.8	5.2	N/A
Retail Trade ($M) (2)	8,485.0	8,703.4	2,172.9	2,292.2	N/A
% change (2)	3.9	2.6	0.0	0.6	N/A
Housing Starts (000's)	4.4	4.1	4.1	4.2	N/A
Labour Force (000's)	461.6	468.9	470.4	474.3	473.5
% change	2.1	1.6	0.8	-0.1	-0.5
Employment (000's)	419.5	423.3	425.0	427.7	428.5
% change	2.7	0.9	1.3	-0.3	-0.3
Unemployment Rate (%)	9.1	9.7	9.6	9.8	9.5
Participation Rate (%)	61.7	62.4	62.6	62.7	62.5
CPI Inflation	3.5	1.8	2.1	3.5	N/A

(1) % change refers to period-to-period except for CPI inflation which is year-over-year.
(2) Third quarter 2002 figures are estimates based upon levels observed for July and August, 2002.

Key Provincial Data

	2000	2001	2001Q3	2002Q3	Oct. 2002
PRINCE EDWARD ISLAND					
Mfg Shipments ($M) (2)	1,182.0	1,206.7	304.4	324.5	N/A
% change (1)(2)	6.6	2.1	0.6	-1.5	N/A
Retail Trade ($M) (2)	1,230.1	1,281.3	320.4	332.7	N/A
% change (2)	6.4	4.2	0.1	1.2	N/A
Housing Starts (000's)	0.7	0.7	0.8	0.9	N/A
Labour Force (000's)	73.3	74.7	74.8	76.7	76.6
% change	2.4	1.9	0.5	1.1	-1.2
Employment (000's)	64.5	65.9	65.8	67.4	67.6
% change	5.2	2.2	0.4	0.4	-1.0
Unemployment Rate (%)	12.0	11.9	11.9	12.3	11.9
Participation Rate (%)	66.9	67.6	67.6	68.5	68.2
CPI Inflation	4.1	2.6	2.4	3.2	N/A
NEWFOUNDLAND					
Mfg Shipments ($M) (2)	2,225.1	2,199.5	590.9	552.6	N/A
% change (1)(2)	10.1	-1.1	6.6	-3.8	N/A
Retail Trade ($M) (2)	4,522.4	4,942.6	1,259.0	1,272.4	N/A
% change (2)	7.1	9.3	2.5	0.6	N/A
Housing Starts (000's)	1.5	1.8	2.0	2.2	N/A
Labour Force (000's)	245.6	251.9	251.0	256.5	258.6
% change	-0.4	2.6	-1.6	-0.7	0.6
Employment (000's)	204.6	211.3	211.5	215.8	211.3
% change	-0.1	3.3	-1.2	-0.6	-1.1
Unemployment Rate (%)	16.7	16.1	15.7	15.8	18.3
Participation Rate (%)	55.8	57.3	57.2	58.5	58.9
CPI Inflation	3.0	1.1	1.1	2.5	N/A
CANADA					
Mfg Shipments ($M) (2)	536,776.9	510,438.0	126,713.1	131,347.0	N/A
% change (1)(2)	9.1	-4.9	-2.9	0.6	N/A
Retail Trade ($M) (2)	277,033.2	289,130.0	71,925.8	76,952.5	N/A
% change (2)	6.2	4.4	-0.7	0.8	N/A
Housing Starts (000's)	151.7	162.7	156.3	206.5	N/A
Labour Force (000's)	15,999.2	16,246.3	16,244.3	16,743.1	16,831.8
% change	1.8	1.5	0.1	0.8	0.2
Employment (000's)	14,909.7	15,076.8	15,074.2	15,469.8	15,549.5
% change	2.6	1.1	-0.1	0.9	0.2
Unemployment Rate (%)	6.8	7.2	7.2	7.6	7.6
Participation Rate (%)	65.9	66.0	65.9	67.0	67.2
CPI Inflation	2.7	2.6	2.7	2.3	N/A

(1) % change refers to period-to-period except for CPI inflation which is year-over-year.
(2) Third quarter 2002 figures are estimates based upon levels observed for July and August, 2002.

Provincial Economic Accounts

Real GDP at Market Prices (Chained $1997M)[1]

	1995	1996	1997	1998	1999	2000	2001
BC	108,194.0	110,857.0	114,383.0	115,883.0	119,122.0	124,187.0	123,912.0
% change	2.4	2.5	3.2	1.3	2.8	4.3	-0.2
Alberta	98,268.0	100,264.0	107,048.0	112,677.0	113,651.0	120,137.0	122,903.0
% change	3.1	2.0	6.8	5.3	0.9	5.7	2.3
Sask	27,269.0	28,063.0	29,157.0	30,398.0	30,347.0	31,203.0	30,797.0
% change	1.1	2.9	3.9	4.3	-0.2	2.8	-1.3
Manitoba	27,828.0	28,683.0	29,751.0	31,014.0	31,601.0	32,399.0	32,850.0
% change	0.3	3.1	3.7	4.2	1.9	2.5	1.4
Ontario	340,081.0	343,826.0	359,353.0	376,716.0	405,352.0	424,096.0	430,501.0
% change	3.5	1.1	4.5	4.8	7.6	4.6	1.5
Quebec	180,781.0	182,564.0	188,424.0	194,414.0	205,856.0	215,499.0	217,935.0
% change	1.7	1.0	3.2	3.2	5.9	4.7	1.1
New Brunswick	16,533.0	16,652.0	16,845.0	17,462.0	18,529.0	18,785.0	18,972.0
% change	3.2	0.7	1.2	3.7	6.1	1.4	1.0
Nova Scotia	19,410.0	19,529.0	20,368.0	21,127.0	22,247.0	22,657.0	23,233.0
% change	1.7	0.6	4.3	3.7	5.3	1.8	2.5
PEI	2,708.0	2,789.0	2,800.0	2,928.0	3,049.0	3,168.0	3,169.0
% change	6.4	3.0	0.4	4.6	4.1	3.9	0.0
Nfld	10,913.0	10,407.0	10,533.0	11,107.0	11,750.0	12,440.0	12,603.0
% change	2.3	-4.6	1.2	5.4	5.8	5.9	1.3
Yukon	1,065.0	1,173.0	1,107.0	1,093.0	1,061.0	1,095.0	1,125.0
% change	16.4	10.1	-5.6	-1.3	-2.9	3.2	2.7
NWT (2)	2,494.0	2,612.0	2,691.0	2,797.0	3,063.0	3,354.0	3,902.0
% change	-1.3	4.7	3.0	3.9	9.5	9.5	16.3
Canada	833,456.0	846,952.0	882,733.0	918,910.0	968,451.0	1,012,335.0	1,027,523.0
% change	2.8	1.6	4.2	4.1	5.4	4.5	1.5

Population ('000s)

	1995	1996	1997	1998	1999	2000	2001
BC	3,784.0	3,882.0	3,959.7	3,997.1	4,028.3	4,060.1	4,101.6
% change	2.8	2.6	2.0	0.9	0.8	0.8	1.0
Alberta	2,739.9	2,780.6	2,837.2	2,906.8	2,959.6	3,009.9	3,059.1
% change	1.3	1.5	2.0	2.5	1.8	1.7	1.6
Sask	1,014.2	1,019.5	1,022.0	1,024.9	1,025.6	1,022.0	1,017.1
% change	0.4	0.5	0.3	0.3	0.1	-0.4	-0.5
Manitoba	1,129.8	1,134.3	1,136.6	1,137.9	1,142.5	1,146.4	1,149.1
% change	0.5	0.4	0.2	0.1	0.4	0.3	0.2
Ontario	10,964.9	11,100.9	11,249.5	11,387.4	11,527.9	11,697.6	11,894.9
% change	1.3	1.2	1.3	1.2	1.2	1.5	1.7
Quebec	7,241.4	7,274.0	7,302.6	7,323.6	7,351.2	7,381.8	7,417.7
% change	0.5	0.5	0.4	0.3	0.4	0.4	0.5
New Brunswick	751.8	753.0	754.2	753.3	755.5	755.6	756.0
% change	0.1	0.2	0.2	-0.1	0.3	0.0	0.0
Nova Scotia	927.7	931.2	934.5	936.1	941.2	942.3	942.9
% change	0.1	0.4	0.4	0.2	0.5	0.1	0.1
PEI	134.8	136.2	136.9	136.9	137.8	138.3	138.9
% change	0.8	1.0	0.5	0.0	0.6	0.4	0.4
Nfld	568.0	560.6	554.1	545.3	540.9	537.9	533.8
% change	-1.2	-1.3	-1.2	-1.6	-0.8	-0.6	-0.8
Yukon	30.9	31.9	32.2	31.5	31.1	30.6	30.2
% change	2.8	3.4	0.9	-2.2	-1.5	-1.5	-1.4
NWT (2)	66.6	67.6	67.7	67.5	67.8	68.4	69.3
% change	2.2	1.5	0.2	-0.4	0.5	0.8	1.4
Canada	29,353.9	29,671.9	29,987.2	30,248.4	30,509.3	30,790.8	31,110.6
% change	1.1	1.1	1.1	0.9	0.9	0.9	1.0

(1) The Chain Fisher methodology is now the official method used by Statistics Canada to measure real expenditure-based GDP.
(2) Including Nunavut.

Economic Structure, Productivity and Innovation in Canadian regions

Economic Structure, Productivity and Innovation in Canadian Regions

Micro-Economic Policy Analysis
November 2002

Outline

This report provides factual information on Canada's regions with respect to various dimensions associated with economic performance and innovation. It consists of five sections:

- **Economic Profiles**
- **Standard of Living and Productivity Performance**
- **Skills and People**
- **Innovation Indicators**
- **Annexes**

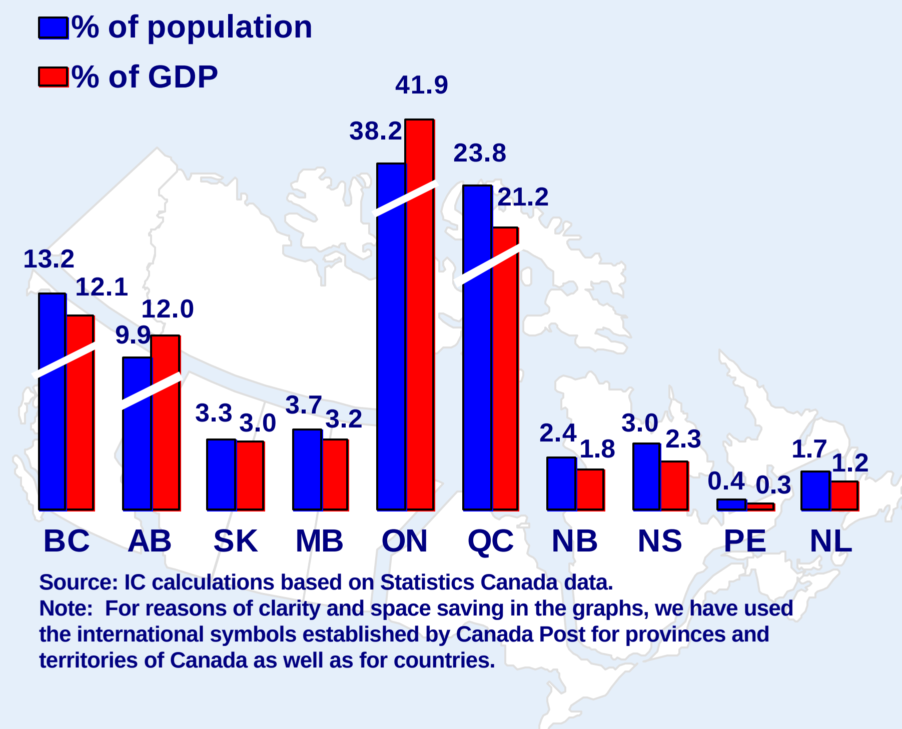
ECONOMIC PROFILES

Despite differences in the relative size of their economies...

Canada's population and economic activity are concentrated in two poles.

- The Central provinces, Ontario and Quebec, account for almost two thirds of Canada's Gross Domestic Product (GDP) and population.
- The two most western provinces, British Columbia and Alberta, account for almost one fourth of total GDP and population.

Share of Population and GDP per Province 2001



Source: IC calculations based on Statistics Canada data.
Note: For reasons of clarity and space saving in the graphs, we have used the international symbols established by Canada Post for provinces and territories of Canada as well as for countries.

...all Canadian regions benefitted from the strong economic boom of the late 1990s

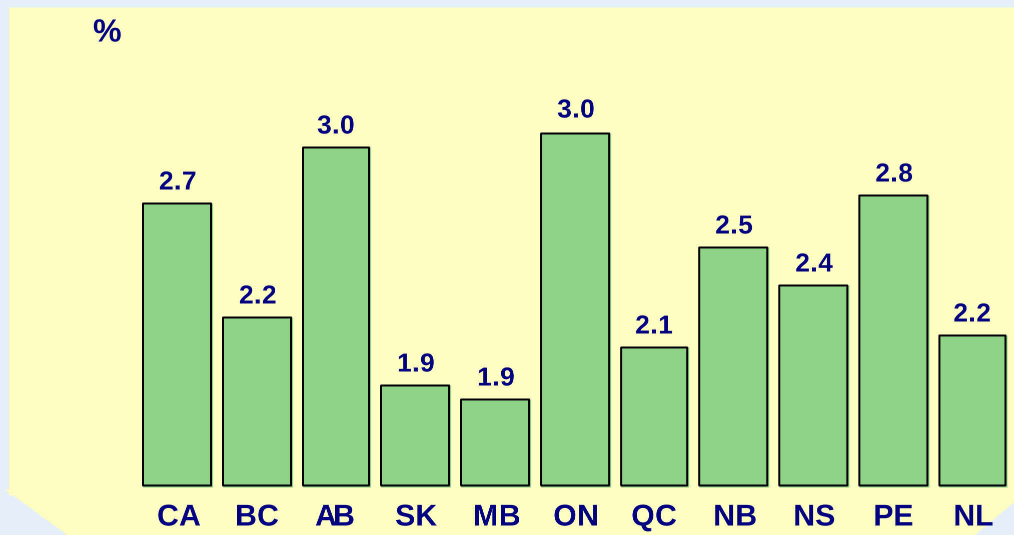
Over the 1995-2001 period, Canada's GDP grew at an average pace of 3.6% per year.

- This was slightly better than the U.S. performance and well above that of other G-7 countries.

All provinces recorded significant growth.

- Provincial GDP growth ranged between 2.0% and 4.0% per year over the 1995-2001 period.

Gross Domestic Product* Growth
Average Annual Growth Rate, 1981-2001



	CA	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
AAGR 1990-1995	1.7	2.5	3.6	1.8	0.4	1.4	1.1	2.0	0.7	3.0	1.3
AAGR 1995-2001	3.6	2.3	3.8	2.0	2.8	4.0	3.2	2.3	3.0	2.7	2.4

* Real Gross Domestic Product (Chained, $1997)
Source: IC calculations based on Statistics Canada data.

Fundamental differences in industrial structures exist among Atlantic provinces...

Atlantic provinces are predominantly service-oriented, with relatively large public sectors.

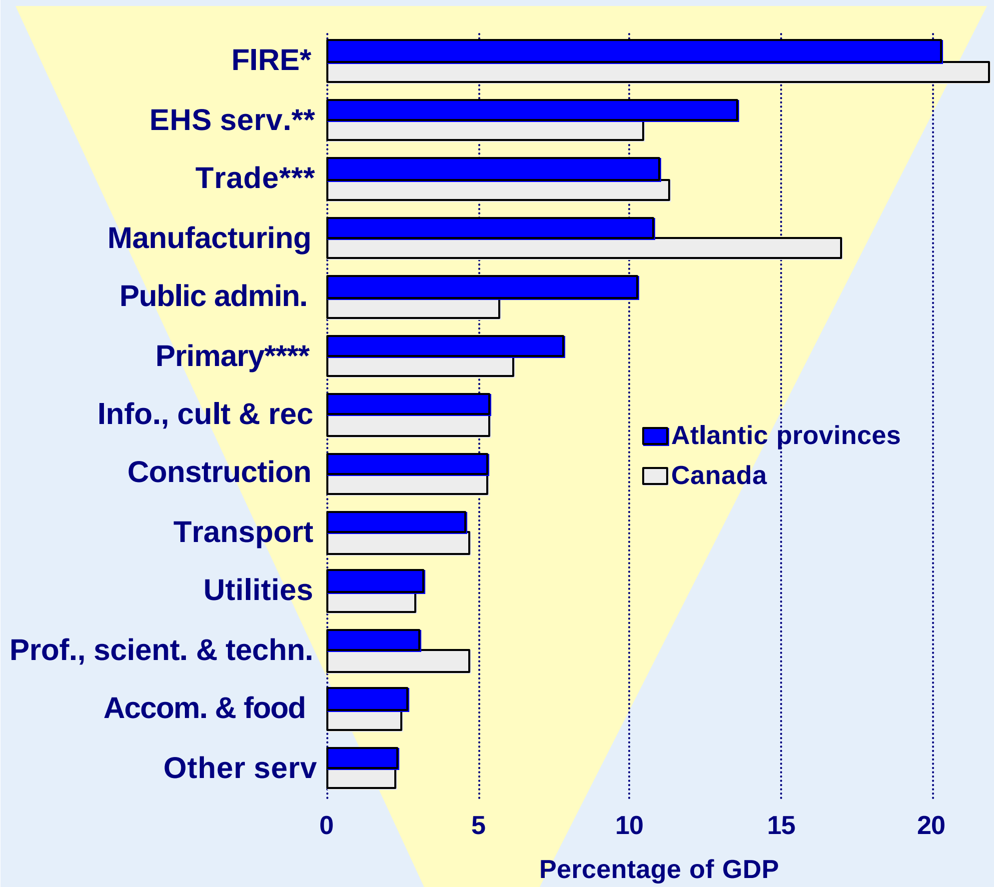
Resource sectors, mainly oil and gas, has become a dominant sector in *Newfoundland and Labrador* and is largely responsible for the province's recent economic growth.

***Prince Edward Island*'s economy is predominantly service-oriented, but is also dependent on a specialized agricultural sector.**

More than three quarters of *Nova Scotia*'s GDP is in the service producing industries. Manufacturing and the information, culture and recreation industries are also predominant sectors.

***New Brunswick* has the third most manufacturing-intensive economy of Canada, after Quebec and Ontario.**

Industrial Structure in Atlantic Provinces and Canada 2001



*Finance, insurance & real estate and management & administration services
**Education, health & social services
*** Wholesale and retail trade
**** Agriculture, forestry, fishing, mining and oil & gas
Source: IC calculations based on Statistics Canada data
Note: The Industrial structure of each province is offered in annex.

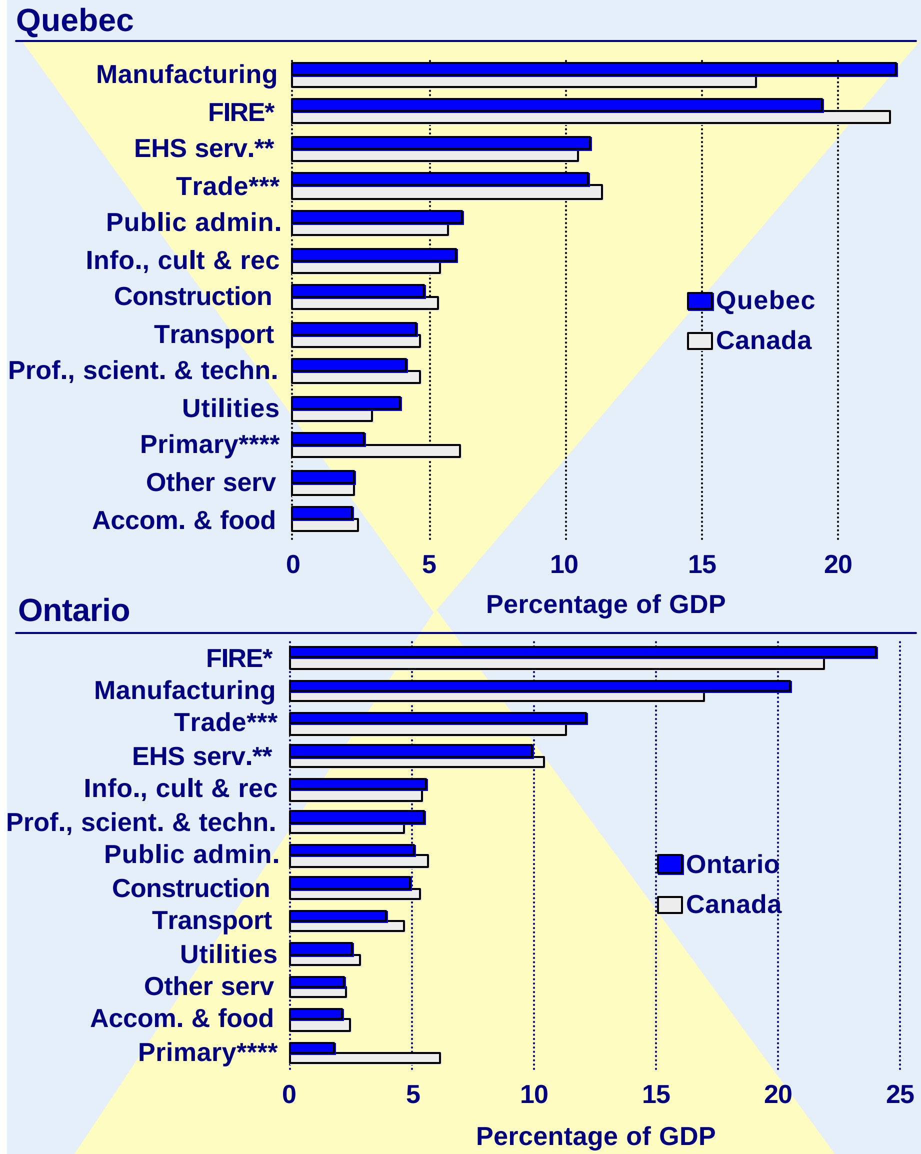
...manufacturing and FIRE dominate in Central Canada...

Quebec **is the most manufacturing-intensive province in Canada. The information, culture and recreation industries are also particularly important in its economy in comparison to the other provinces.**

Ontario**'s economy is well diversified, with significant contributions from the financial, manufacturing and trade sectors. The information and communication technology (ICT) sector is also particularly strong in Ontario, where about half of Canadian ICT activity takes place.**

- **In addition, Ontario has the most internationally open economy in Canada, with exports and imports as a percentage of GDP totalling 96% in 2000, up from 53% in 1990.**

Industrial Structure in Central Canada, 2001



*Finance, insurance & real estate and management & administration services
**Education, health & social services
*** Wholesale and retail trade
**** Agriculture, forestry, fishing, mining and oil & gas
Source: IC calculations based on Statistics Canada data.

... and activity in the natural resources sector mostly takes place in Western provinces

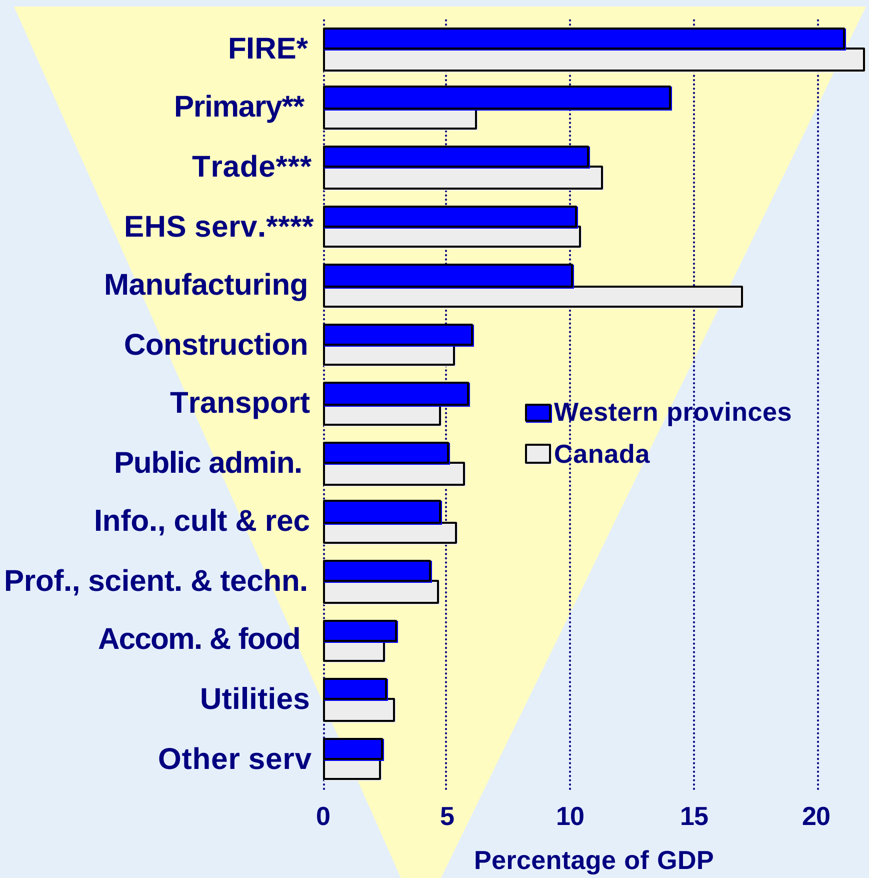
Manitoba **has the most diversified and the most service-oriented economy among the Prairies provinces. The transportation and warehousing sector account for almost 7% of GDP, the highest share of all provinces.**

The primary sector is the largest contributor to *Saskatchewan*'s economy, (24% of its GDP). Of this share, about 60% comes from the mining and oil & gas industries.

Alberta **'s economy is still highly dependent on natural resources with the primary sector, mainly oil and gas, accounting for 22% of total GDP. The construction sector represents more than 7% of the economy, the highest ratio of all provinces.**

The financial sector accounts for about one fourth of *British Columbia*'s economy. The forestry and wood products industries are also highly developed in BC.

Industrial Structure in Western Canada 2001



*Finance, insurance & real estate and management & administration services
**Agriculture, forestry, fishing, mining and oil & gas
*** Wholesale and retail trade
****Education, health & social services
Source: IC calculations based on Statistics Canada data.
Note: The Industrial structure of each province is offered in annex.

STANDARD OF LIVING & PRODUCTIVITY PERFORMANCE

The standard of living has increased steadily in all Canadian regions, but significant gaps remain...

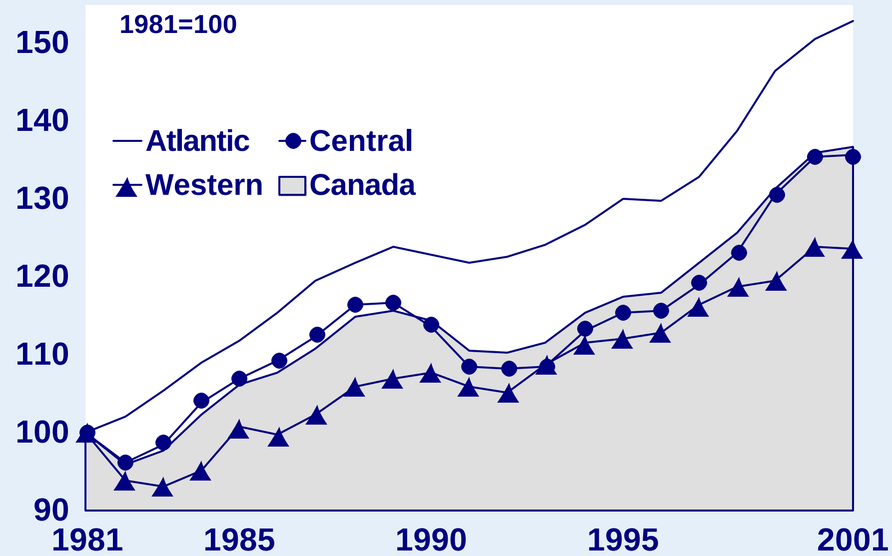
GDP per capita, a measure of standard of living, increased in all regions, particularly since the second half of the 1990s.

- **It increased at a faster pace in the Atlantic provinces than for the other regions throughout the 1981-2001 period. As a consequence, the GDP per capita gap relative to the national average has closed somewhat from 1981 for the four provinces.**
- **In British Columbia, the gap has widened, its economy underperforming the national average since the mid-1990s.**

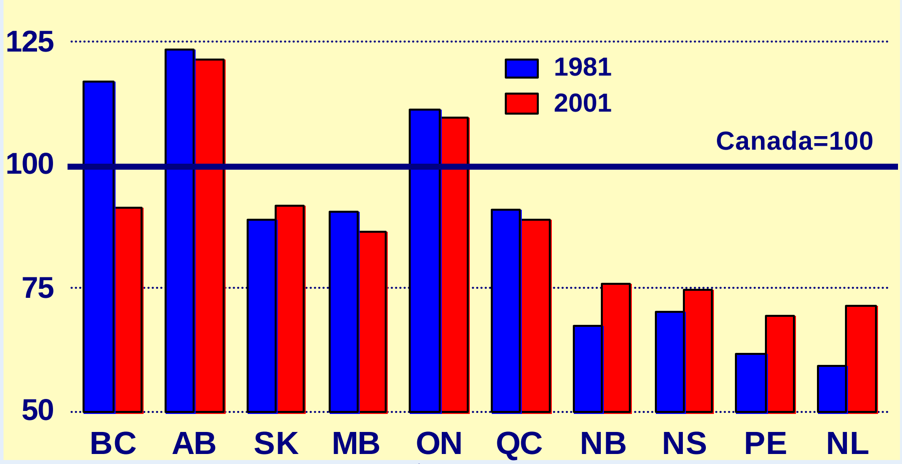
Still, some provinces report a higher level of standard of living than others.

- **Alberta's GDP per capita was 21% higher than the Canadian average in 2001, while it was about 25% below in the Atlantic provinces.**
- **Alberta and Ontario were the only two provinces reporting above-average GDP per capita.**

Income per Capita Trends*, 1981-2001



Income per Capita*, 1981 and 2001



*Real Gross Domestic Product (chained $1997) per capita
Source: IC calculations based on Statistics Canada data
Note: Income per capita trends per province are offered in annex.

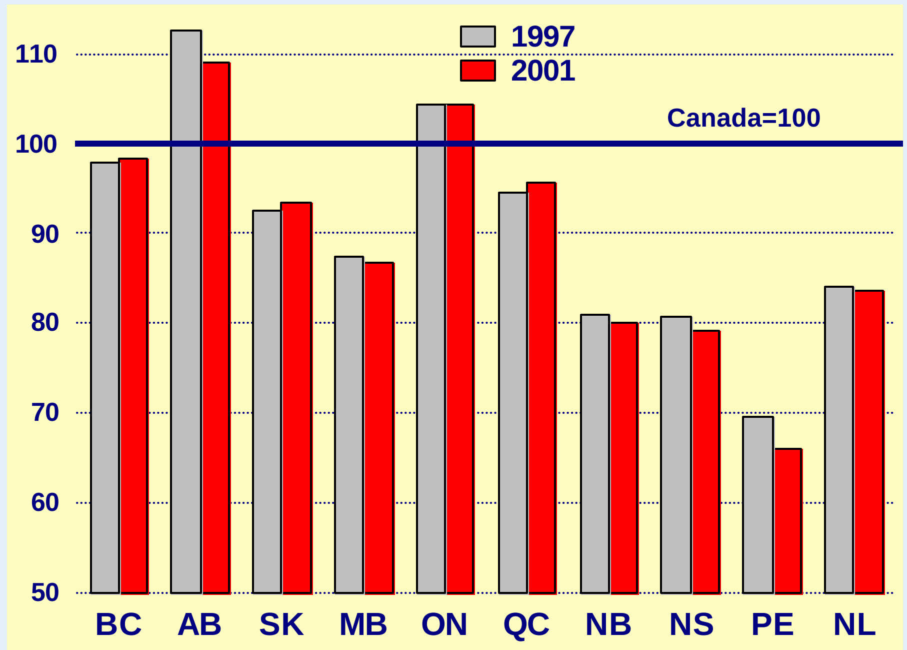
...as disparities in labour productivity levels persist

Labour productivity, the average level of output produced per hour worked, is a major determinant of standard of living.

Alberta and Ontario, which have the highest standards of living in Canada, also record the highest levels of productivity.

The Atlantic provinces generally record lower productivity levels than other provinces.

Relative Labour Productivity*, 1997 and 2001
All Industries



* Real GDP (constant, $1997) per hour worked.
Source: IC calculations based on Statistics Canada data.

Business sector productivity is lower in the Atlantic provinces...

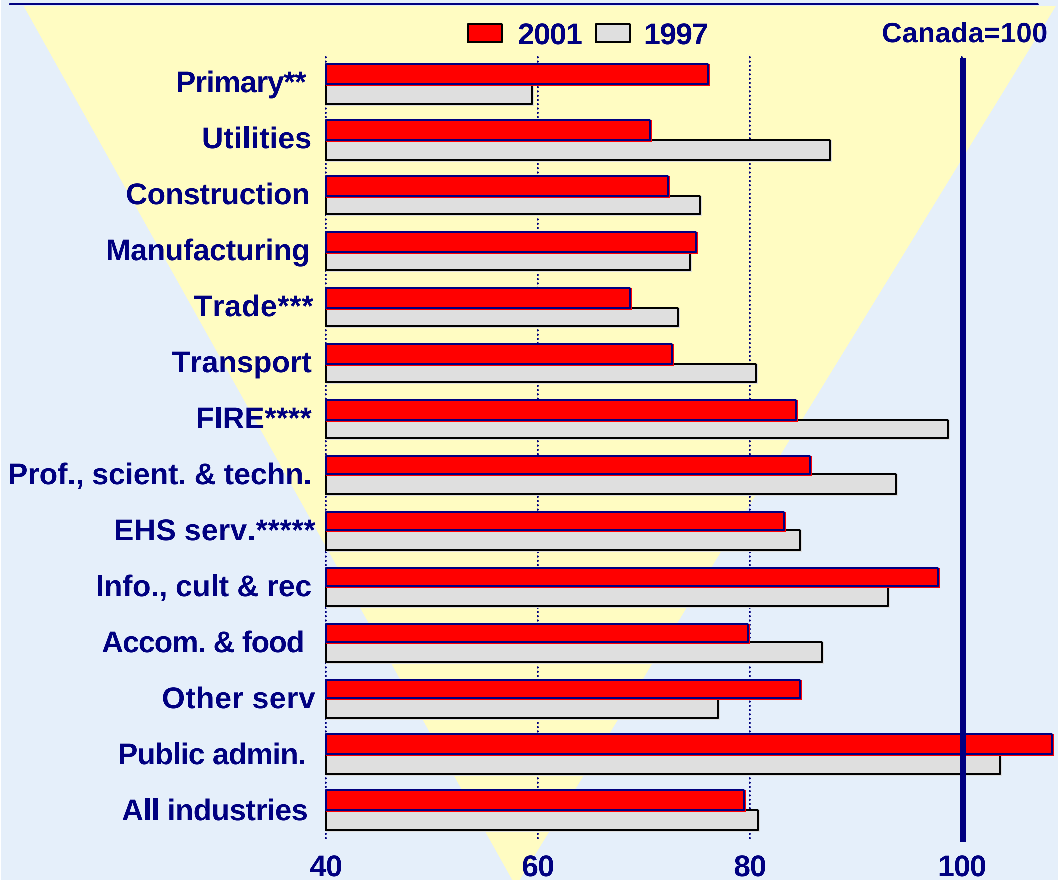
Productivity level in the Atlantic region is below the Canadian average in all private sector industries.

Strength in the primary sector (mainly oil and gas) comes from Newfoundland and Labrador, with labour productivity performance outperforming all other provinces but Alberta.

Relative labour productivity rose in 5 of 13 major groups between 1997 and 2001. Notable increases were recorded in the primary and public sectors.

- **Overall labour productivity relative to the national average edged down in 2001 from 1997.**

Relative Labour Productivity* by Industry
Atlantic Canada, 1997 and 2001



* Real GDP (Constant, $1997) per hour worked
** Agriculture, forestry, fishing, mining and oil & gas
*** Wholesale and retail trade
**** Finance, insurance & real estate and management & administration services
***** Education, health & social services
Source: IC calculations based on Statistics Canada data
Note: Relative labour productivity by industry, by province, is offered in annex.

...Quebec performs well in the utility and construction sectors...

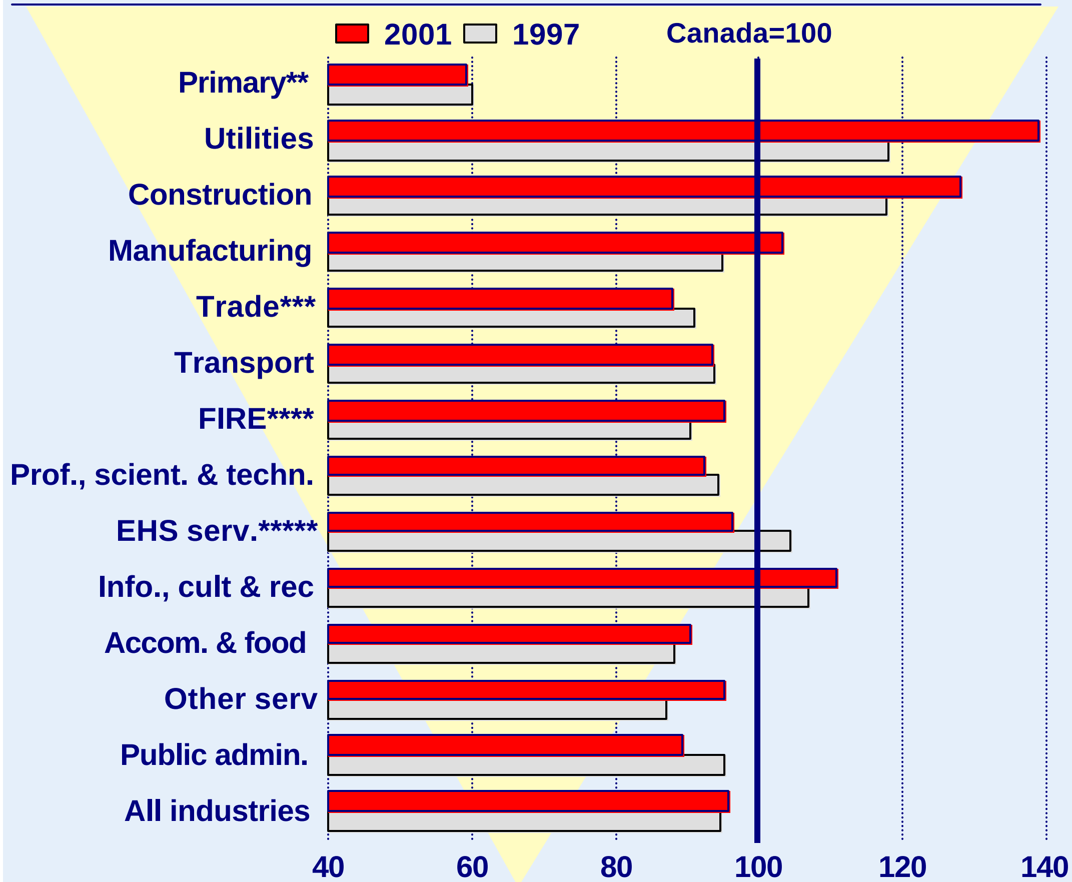
Sectorial labour productivity in Quebec is above the national average in four of the 13 major industry groups.

- **Quebec's productivity in utilities and construction are highest among all provinces.**

Most sectors of the economy reported higher productivity levels relative to the national average in 2001 compared with 1997.

- **Utilities, construction and manufacturing recorded the largest gains.**

Relative Labour Productivity* by Industry Quebec, 1997 and 2001



* Real GDP (Constant, $1997) per hour worked
** Agriculture, forestry, fishing, mining and oil & gas.
*** Wholesale and retail trade
****Finance, insurance & real estate and management & administration services
***** Education, health & social services
Source: IC calculations based on Statistics Canada data.

...Ontario's productivity level is above the national average in about half of the sectors...

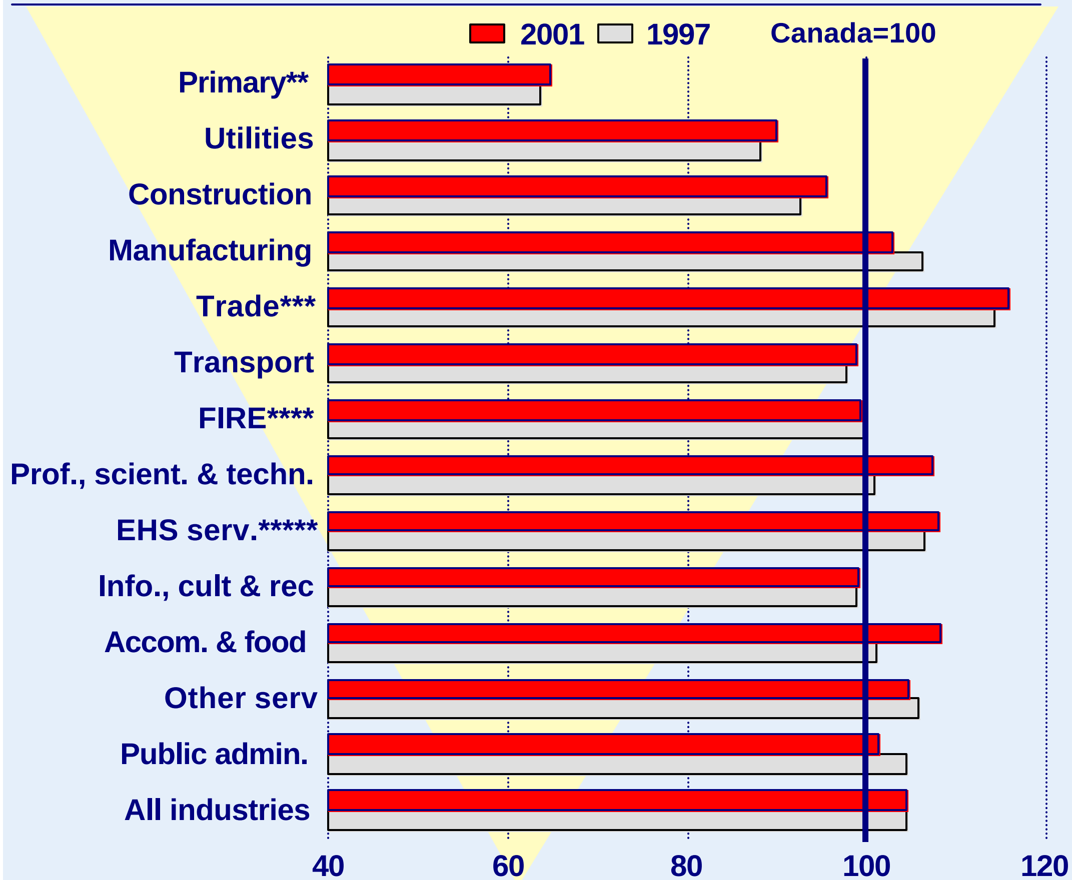
Overall productivity level in Ontario is almost 5% higher than the national average, with higher than average productivity levels in 7 of 13 major industries.

- The trade sector is Ontario's most productive industry, standing 16% higher than the national average.

Overall relative labour productivity was unchanged in 2001 from its 1997 level.

- Decreases in productivity relative to the average in manufacturing and public administration offset most of the gains in other industries.

Relative Labour Productivity* by Industry Ontario, 1997 and 2001



* Real GDP (Constant, $1997) per hour worked
** Agriculture, forestry, fishing, mining and oil & gas.
*** Wholesale and retail trade
**** Finance, insurance & real estate and management & administration services
***** Education, health & social services
Source: IC calculations based on Statistics Canada data.

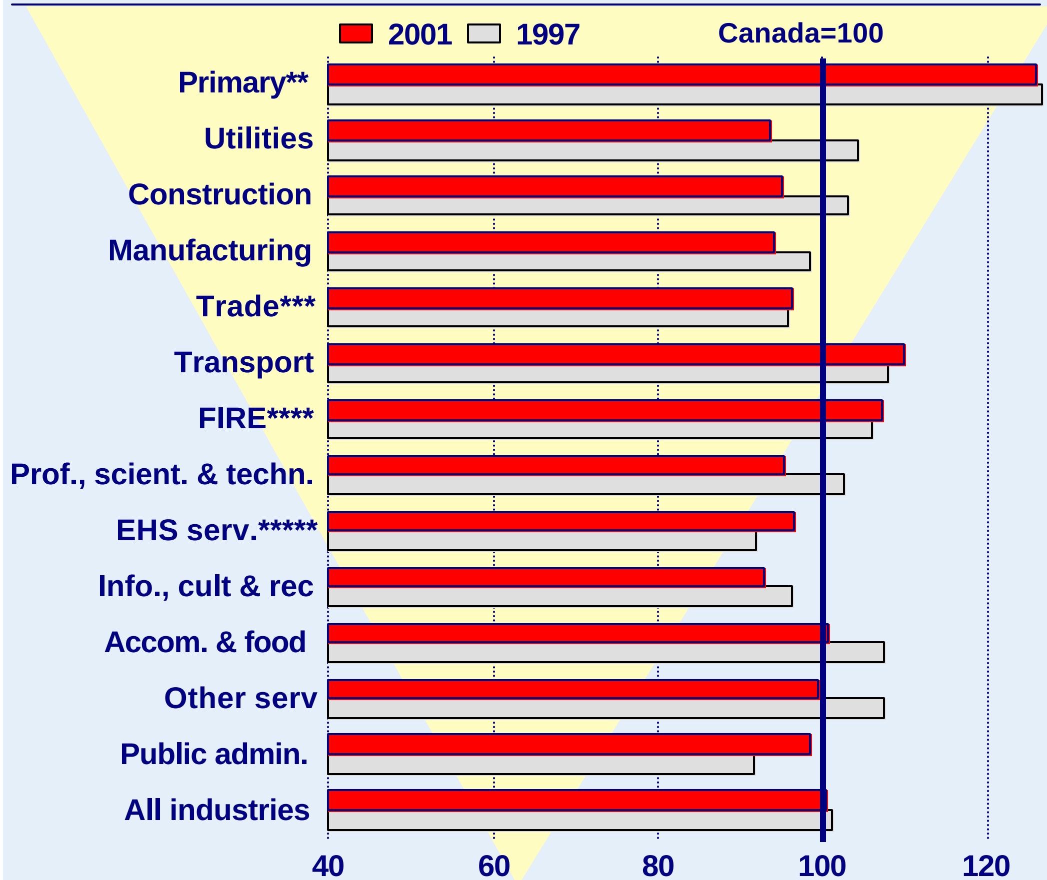
...and productivity in the primary sector is high in Western provinces

In Western provinces, labour productivity is above the Canadian average in 4 of the 13 sectors.

- Driven by strong performance in Alberta and British Columbia, productivity in the primary sector is about 25% higher than the national average.

When compared to 1997, labour productivity in 2001 remained stable relative to the national average.

Relative Labour Productivity* by Industry Western, 1997 and 2001



* Real GDP (Constant, $1997) per hour worked
** Agriculture, forestry, fishing, mining and oil & gas.
*** Wholesale and retail trade
**** Finance, insurance & real estate and management & administration services
***** Education, health & social services
Source: IC calculations based on Statistics Canada data
Note: Relative labour productivity by industry, by province, is offered in annex.

INNOVATION INDICATORS

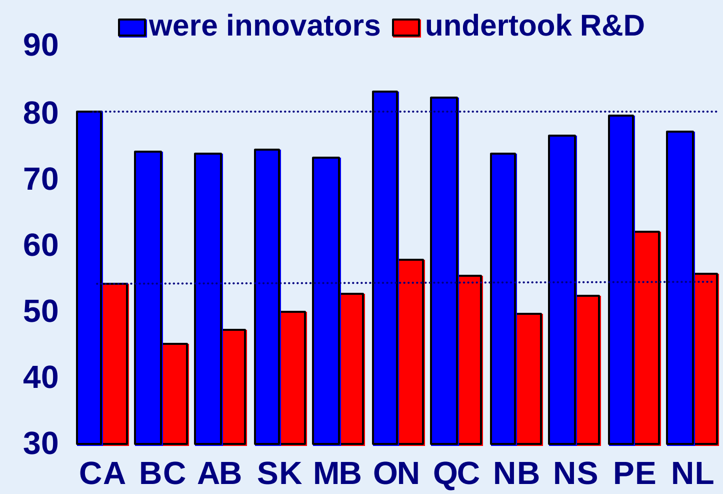
The creation and commercialization of knowledge...

According to the 1999 Survey on innovation, about 80% of Canadian firms in the manufacturing sector reported being innovators over the 1997-1999 period.

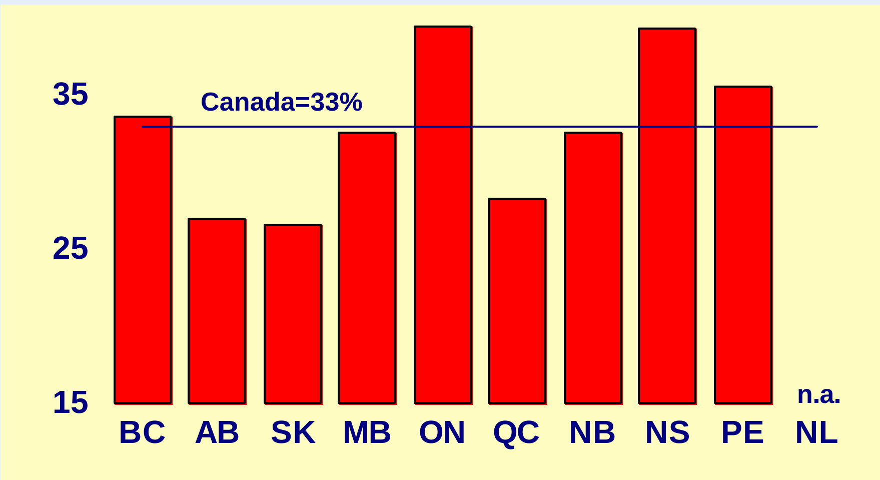
Among those reporting being innovators, more than half undertook Research and Development (R&D), while about one third had set up cooperative or collaborative arrangements with other firms.

- **In most provinces, the most often cited reason for entering into that kind of arrangements was to have access to critical expertise and to R&D.**

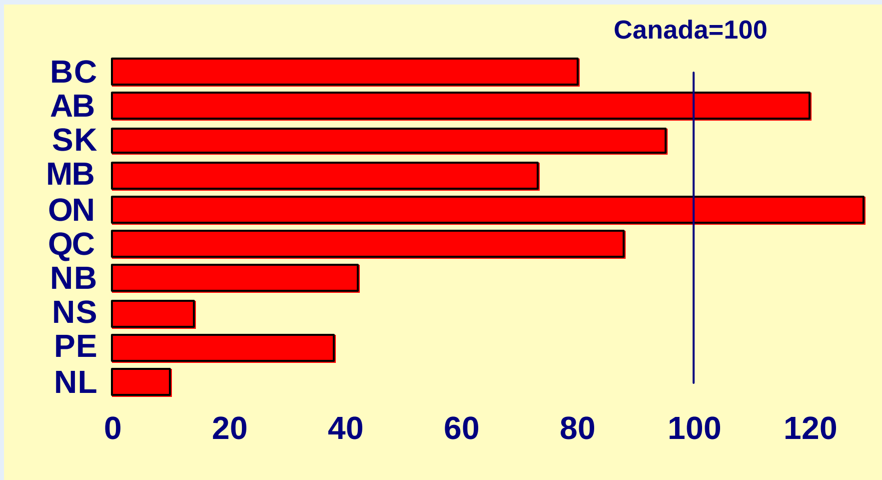
Percent of Manufacturers That*:



Percent of Innovative Manufacturers Having Cooperative Arrangements*



Patents Granted per Capita**
2000



* Source: Statistics Canada 1999 Innovation Survey.

** Source: IC calculations based on Canadian Intellectual Property Office data.

...require higher investment in R&D...

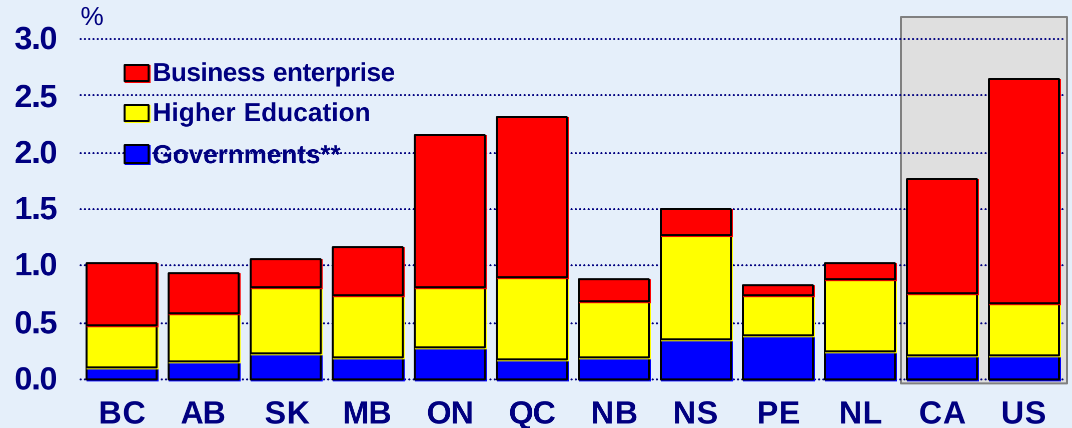
In 1999, governments R&D expenditures as a percentage of GDP ranged between 0.1% in B.C. and 0.4% in P.E.I., while R&D intensity by higher education institutions stood between 0.4% in PEI and 0.7% in Quebec.

The private sector accounted for 57% of total R&D spending in Canada, compared to 75% in the U.S.

- **It accounted for 61% in Quebec and 63% in Ontario.**

Quebec and Ontario also posted the highest number of R&D workers per capita in 2000, as well as the fastest growth rates of total R&D spending of all provinces over the 1990-1999 period.

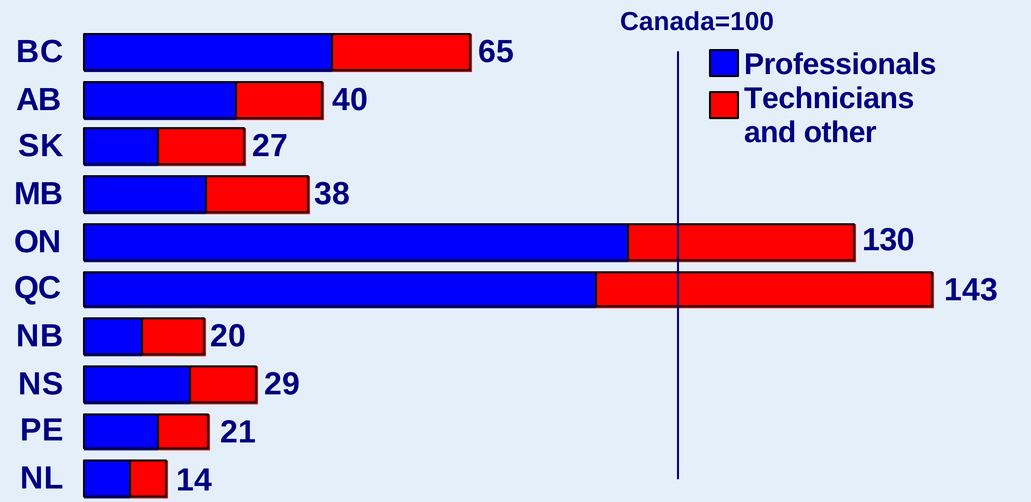
R&D Intensity*, 1999



AAGR*** 1990-1999	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL	CA	US
	5.2	3.4	5.2	3.9	6.1	7.1	2.2	4.2	4.8	2.2	5.9	5.2

* R&D expenditures by performing sectors, as a percentage of GDP.
** Represents provincial and federal R&D expenditures (inc. federal laboratories in the National Capital Region).
*** Total R&D expenditures
Source: IC calculations based on Statistics Canada and Main Science and Technology Indicators data.

Industrial R&D Workers per Capita, 2000



Source: IC calculations based on Statistics Canada data.

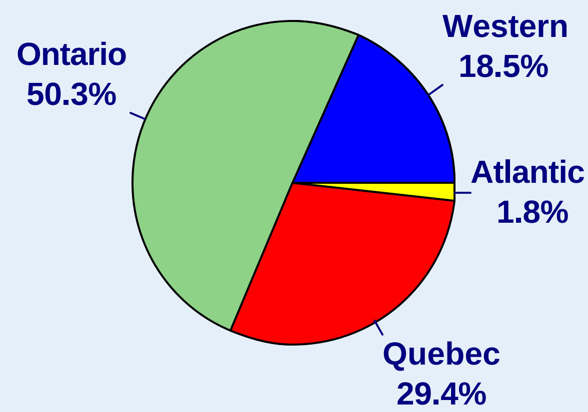
...and access to venture capital

Increased investment in R&D and high-risk investment will require better access to venture capital (VC).

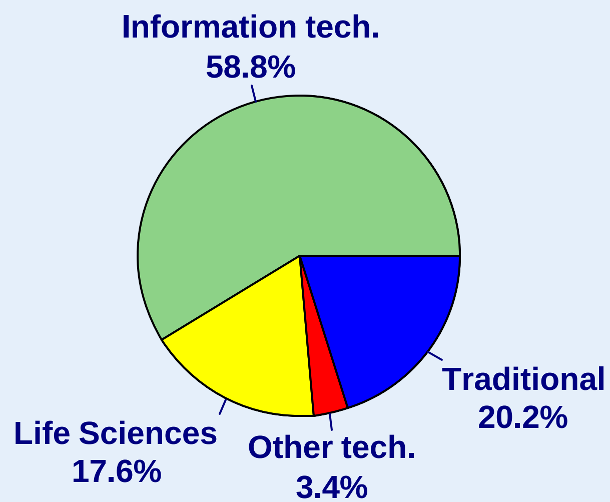
VC investments are typically placed in smaller firms to support and accelerate the commercialization of new technologies.

VC investments are mostly concentrated in Ontario and Quebec, and in the information technologies.

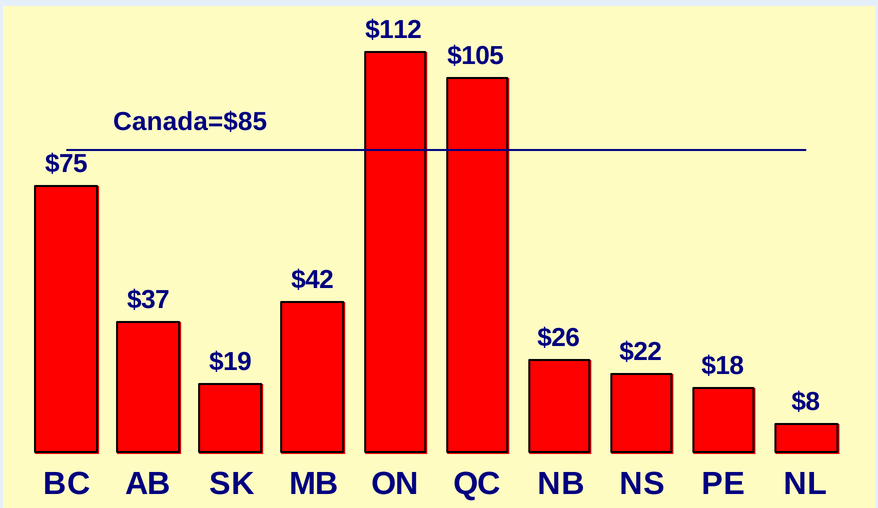
Venture Capital Investment* by Region



Venture Capital Investment* in Canada by Sector



Venture Capital Investment* per Capita



* Average annual venture capital flows between 1996 and 2001
Source: IC calculations based on Statistics Canada and Macdonald & Associates Ltd. data.

The Canadian tax regime is generally competitive...

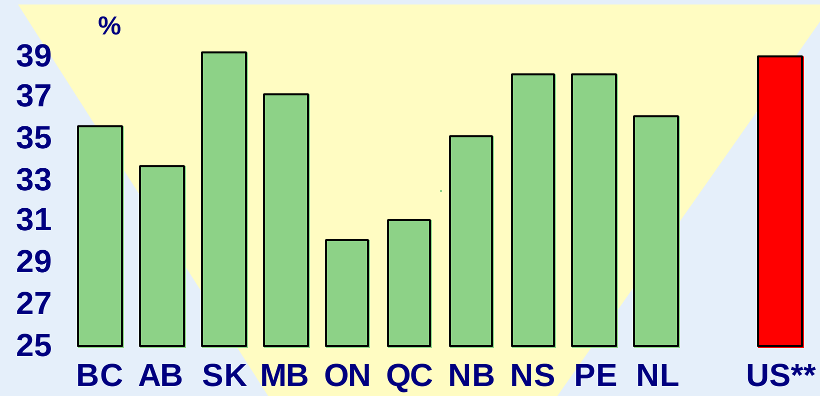
By 2005, the combined federal-provincial corporate income tax rate of most provinces will be below the average combined U.S. federal-state rate.

- Provincial rates will range between 8% in Ontario and 17% in Saskatchewan.

The after-tax cost of performing $1 of R&D varies by province and size of firms. It ranges from $0.29 for small firms in Quebec to $0.58 for large firms in P.E.I.. Costs of R&D compare favourably with most American States, where the range is between $0.52 and $0.60.

P.E.I. and Alberta are the only provinces not having their own R&D tax credit programs. Consequently, the after-tax cost of performing R&D is highest in these provinces.

Combined federal-provincial corporate income tax rates* 2005



* Combined federal-provincial corporate income tax (CIT) rates on large non-manufacturing corporations
** 2002 tax rates, including 35% federal CIT and 4% average state CIT. No CIT rate reductions have been announced so far in the U.S.

After-Tax Cost of $1 of R&D Spending (1999)

	Large firms	Small firms
British Columbia*	0.448	0.473
Alberta	0.527	0.547
Saskatchewan*	0.484	0.462
Manitoba*	0.438	0.461
Ontario*	0.507	0.464
Quebec*	0.482	0.288
New Brunswick*	0.461	0.497
Nova Scotia*	0.444	0.477
Prince Edward Island	0.581	0.537
Newfoundland*	0.517	0.477

* Provinces offering R&D tax credit.
Source: IC calculations based on official rates

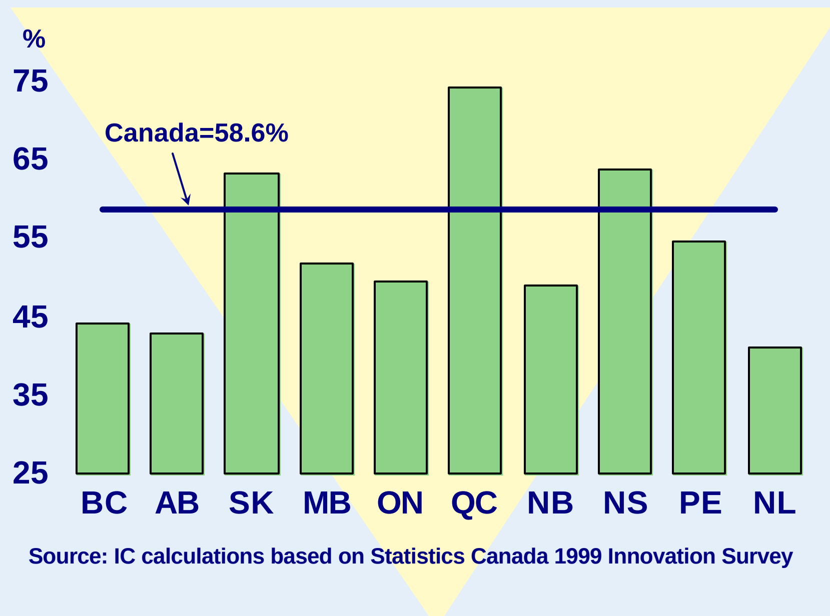
...but the R&D tax credit uptake appears low in some regions

For various reasons, including non-eligibility of certain expenditures, compliance costs and negative taxable income, not all firms undertaking R&D use the R&D tax credit programs.

According to the 1999 Survey of Innovation, some 59% of Canada's manufacturers performing R&D used federal or provincial R&D tax credits during the 1997-99 period.

Manufacturers in Quebec, Saskatchewan and Nova Scotia reported higher-than-average R&D tax credit uptake.

Percent of manufacturers with R&D activities used R&D tax credits



Source: IC calculations based on Statistics Canada 1999 Innovation Survey

SKILLS & PEOPLE

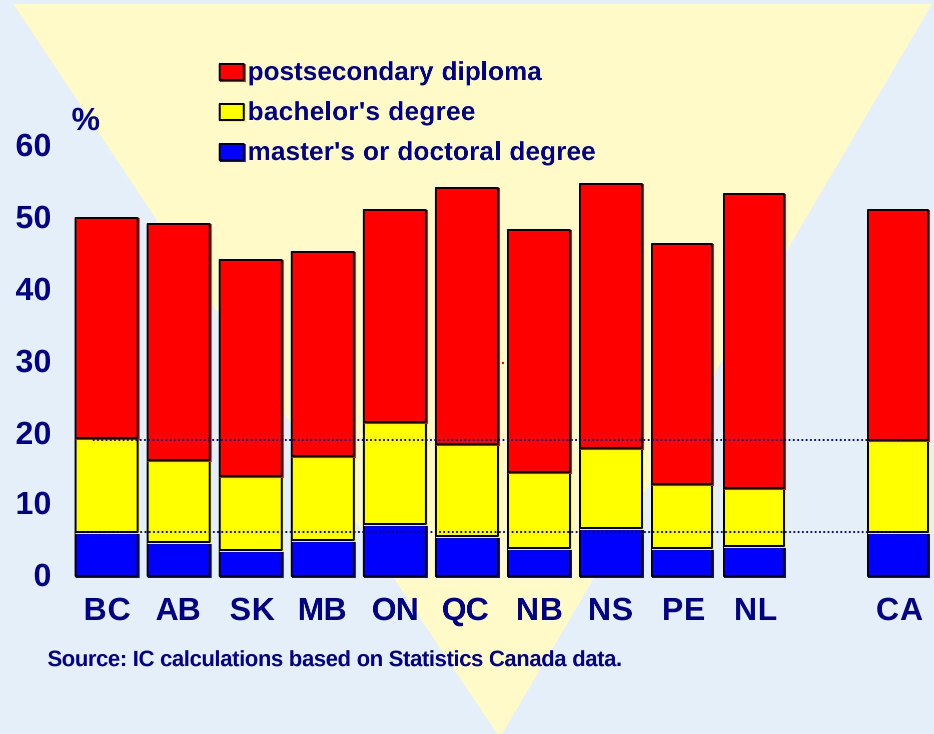
All provinces are well endowed with knowledge workers...

Canada has the greatest proportion of people with a post-secondary education among the Organization for Economic Cooperation and Development (OECD) countries.

The proportion of the labour force with at least a post-secondary diploma ranges between 44% in Saskatchewan and 55% in Nova Scotia.

Ontario's labour force has the highest proportion of university degrees holders of all provinces.

Percent of Labour Force with Post-Secondary Education 2000



Source: IC calculations based on Statistics Canada data.

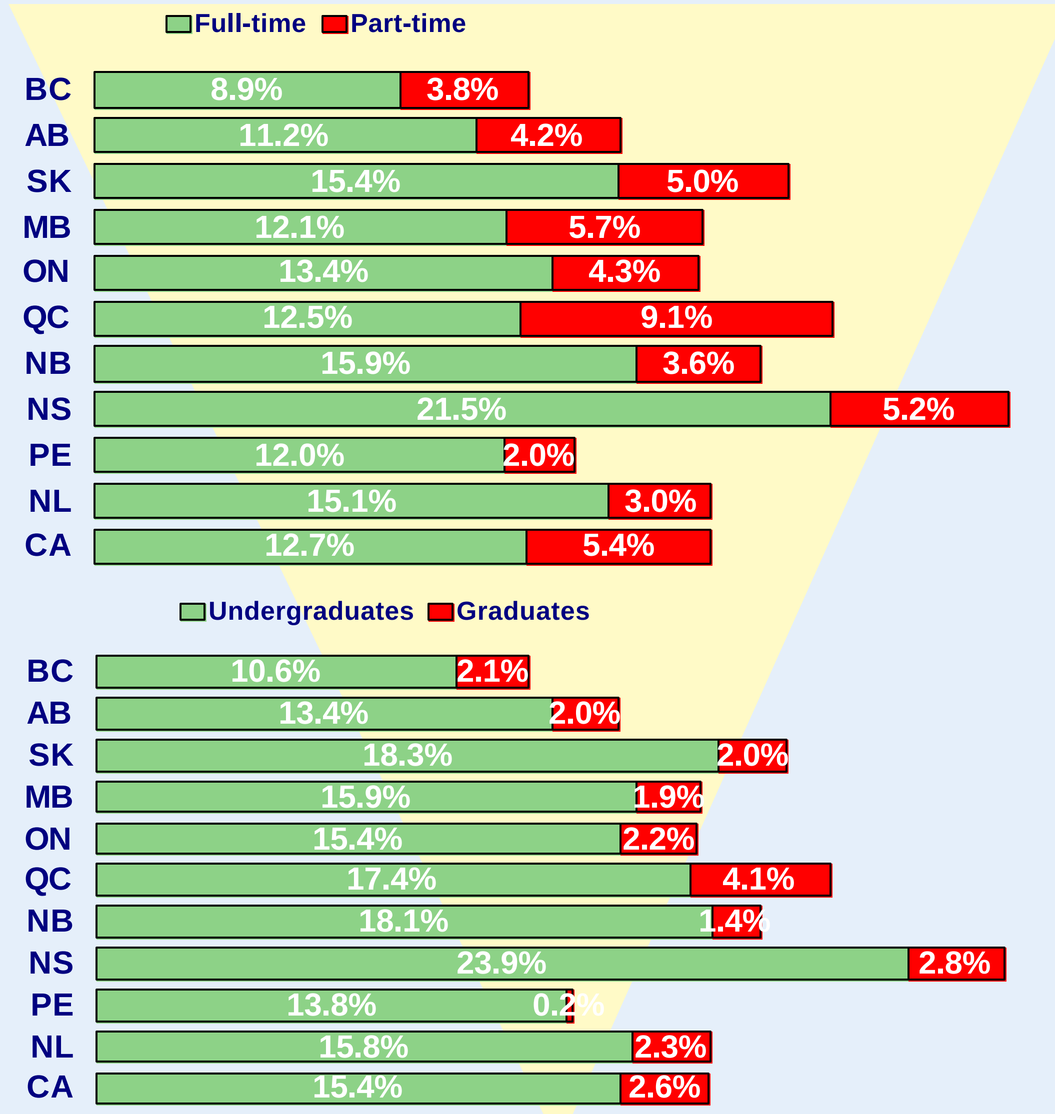
..and record high university enrolment rates...

Nova Scotia has the highest rate of university enrollment among the 19-29-year-old in Canada. Higher enrollment rate in undergraduate studies accounts for most of the difference.

Quebec has the largest proportion of its 19-29-year-old registered in part-time studies and counts the highest enrollment rate in graduate studies.

B.C.'s university enrollment rate stands more than 5 percentage points below the national average, mostly due to low registration rate in undergraduate studies.

University Enrolment as a Percent of Population Aged 19-29
1998-99 school year



Source: IC calculations based on Statistics Canada data.

...that goes hand in hand with the size of university faculties

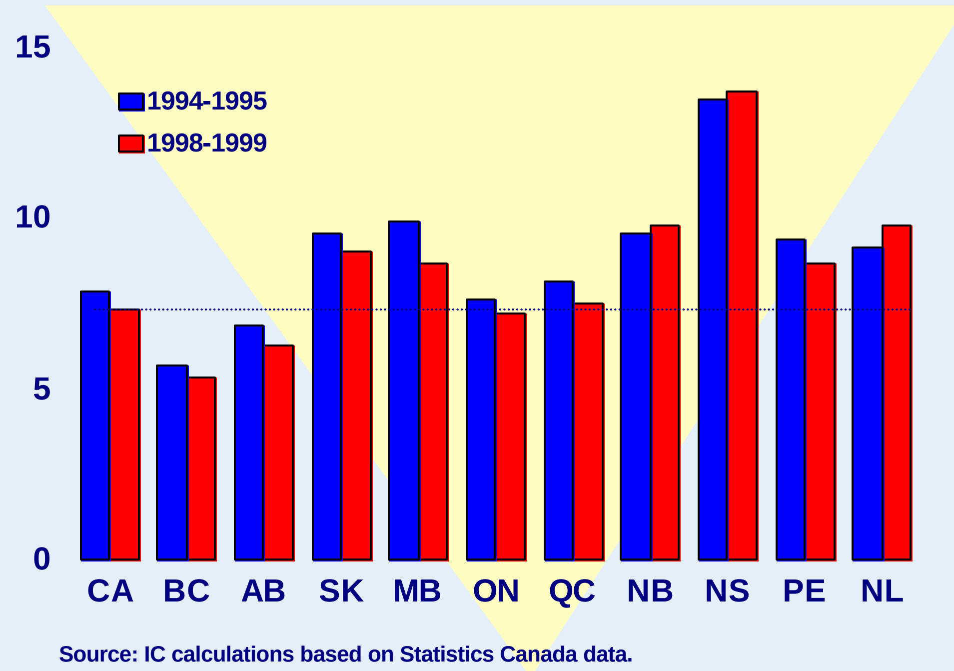
Provinces reporting higher university enrollment rate are generally those with the highest number of full-time university teachers per 1000 19-29-years-olds.

There was more than 13 full-time university teachers per 1000 19-29-years-olds in Nova Scotia during the 1998-99 school year, almost twice the national average.

The lowest ratios of university teachers were recorded in British Columbia and Alberta.

However, with the exception of New Brunswick, Nova Scotia and Newfoundland, all provinces recorded declines in the size of their university faculties.

Number of full-time university teachers per one thousand of 19-29 year-olds



Source: IC calculations based on Statistics Canada data.

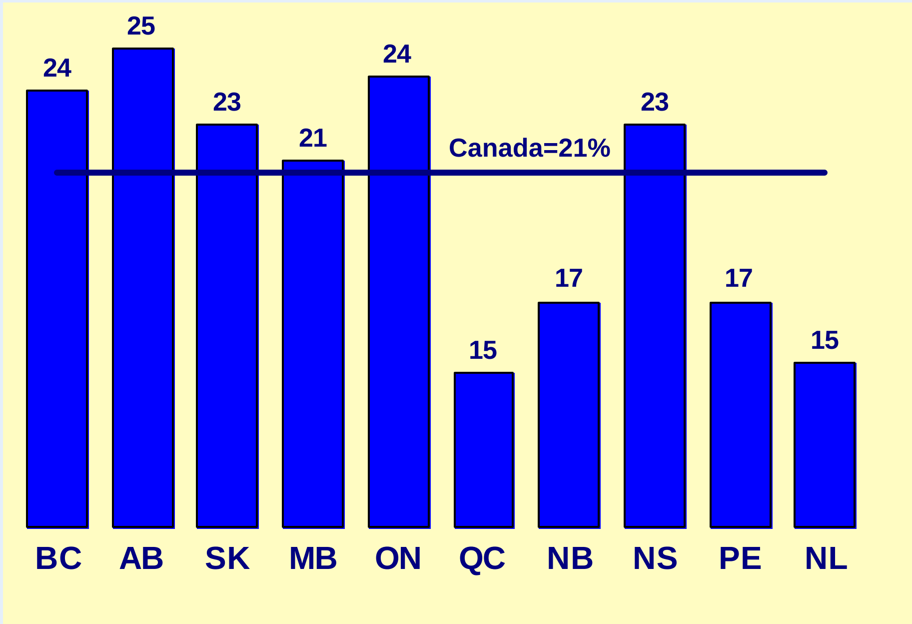
Skilled labour call for improving existing workforce skills through high participation in job-related training...

Available data suggest that the participation of Canadian workers in job-related training is below the levels observed in most industrialized countries.

The adult population in the Western provinces, Ontario and Nova Scotia reported participating rates in job-related training above the Canadian average of 21% in 1997.

Quebec recorded the lowest provincial participation rate in such training, more than 6 percentage points below the national average.

Percent of Adult Population Participating in Job-Related Training
1997



Source: Statistics Canada.

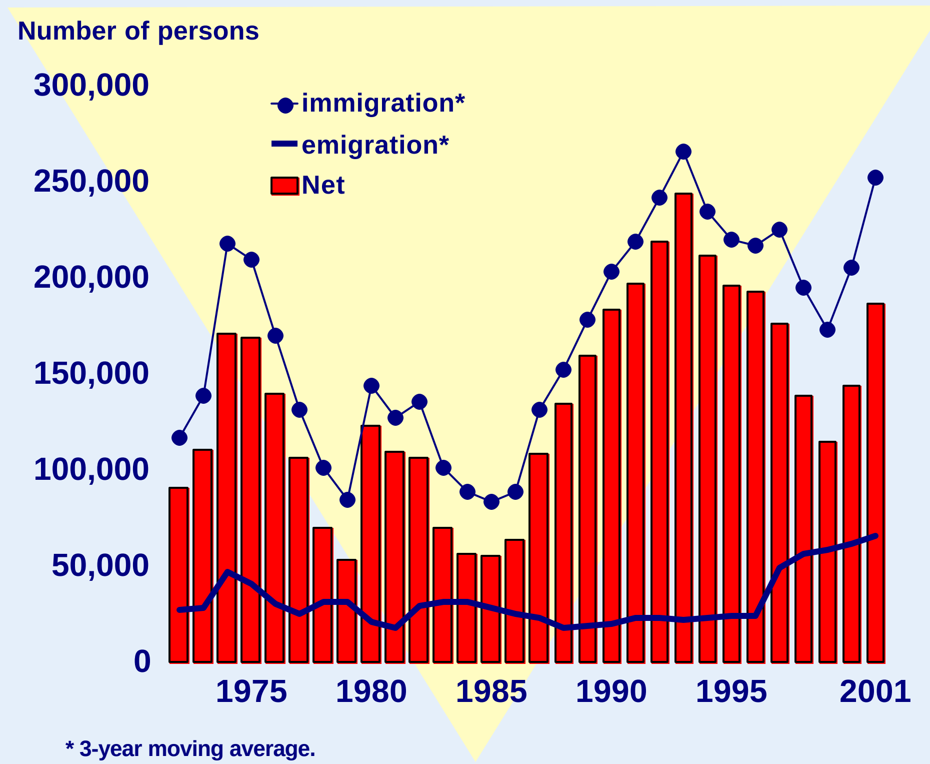
...and welcoming more skilled immigrants

Immigration will be a key driver of population and labour force growth in the coming years.

Owing to ageing population and low birth rates, immigrants are expected to account for all labour force growth in Canada within about 10 years.

In 2001, Canada received some 252 000 new immigrants, of whom 52% were skilled workers.

Migration trends in Canada



* 3-year moving average.
Source: IC calculations based on Statistics Canada data.

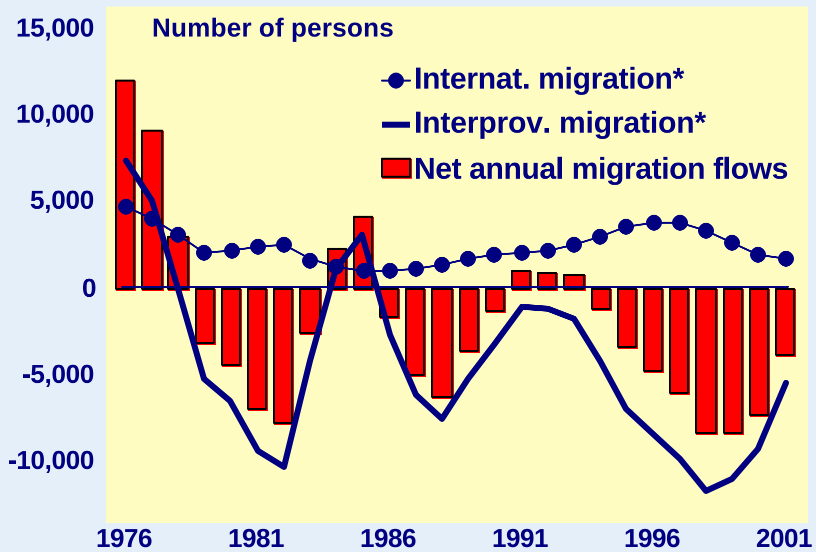
Interprovincial migration negatively affects Atlantic provinces and Quebec...

Although net emigration to other provinces has recently slowed in Atlantic Canada, it continues to more than offset the inflow of foreign immigrants.

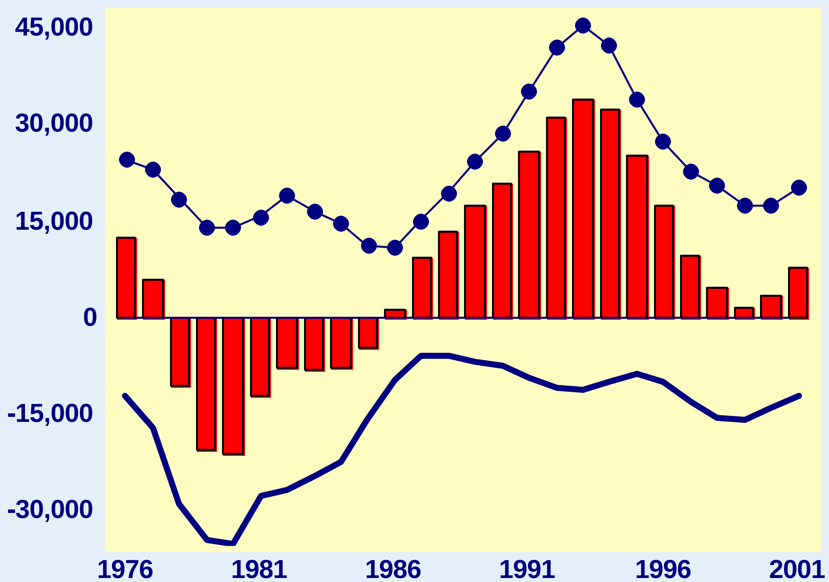
- **This was most prominent in Newfoundland and Labrador where more than 30 000 people moved to other provinces during the last five years, with very few immigrants coming in.**

Between 1996 and 2001, Quebec gained about 95 000 people from other countries but lost more than 71 000 people to other Canadian provinces, netting an additional 24 000 people through migratory flows. This is less than one fifth of Quebec's total population growth over this period.

Migration trend in Atlantic Canada



Migration trend in Quebec



* 3-year moving average
Source: IC calculations based on Statistics Canada data.

...to the benefit of Ontario and Alberta

One half of all immigrants who came to Canada during the past five years settled in Ontario. The province has also been a net beneficiary of interprovincial migration since 1997.

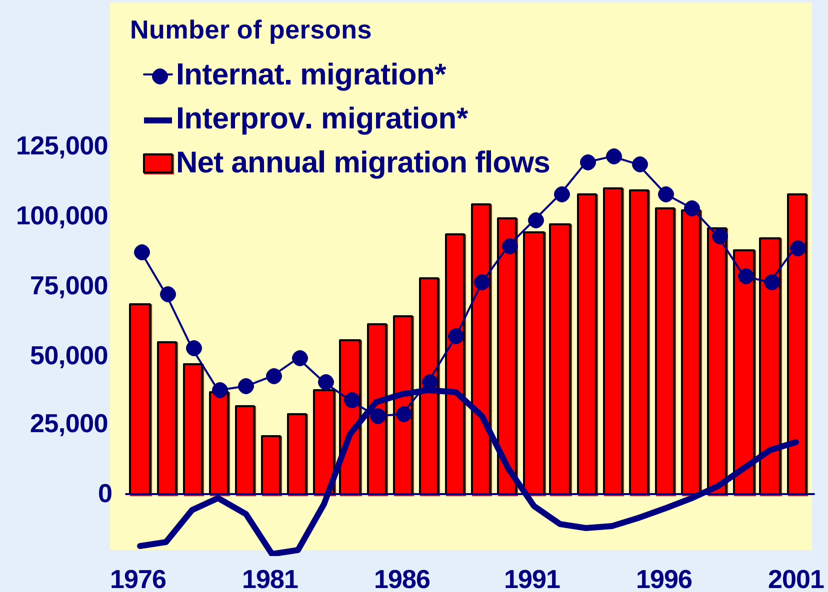
- Over the last five years, Ontario gained in total more than 500 000 people through migratory flows, accounting for two thirds of population growth.

Immigration from abroad and, more importantly, from other provinces, brought more than 174 000 people in Alberta over the last five years, accounting for about 60% of total population growth.

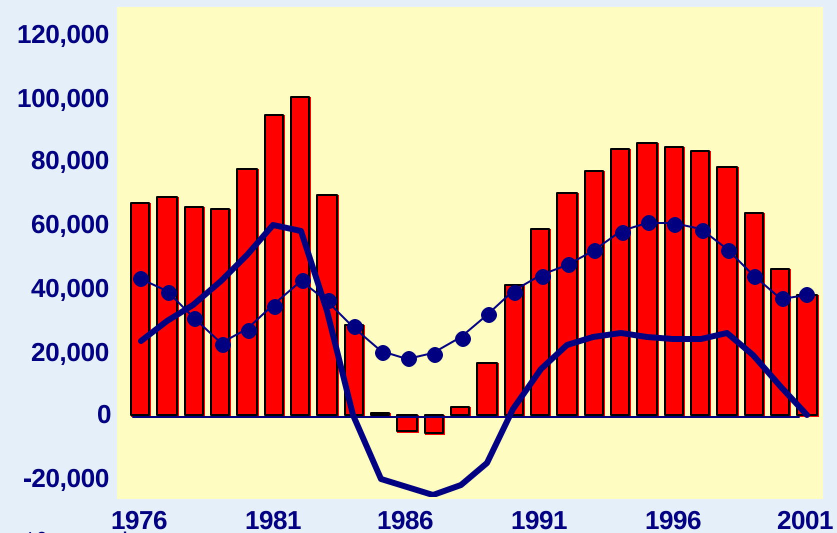
B.C. received almost 20% of all immigrant from abroad over the last five years. However, interprovincial migration trends have recently been reversed, the province now recording net interprovincial emigration.

The number of immigrants to Saskatchewan and Manitoba was not enough to offset significant emigration to other provinces.

Migration trend in Ontario



Migration trend in Western Canada



* 3-year moving average
Source: IC calculations based on Statistics Canada data.

Concluding remarks

Concluding remarks

Although all Canadian regions greatly benefitted from the global economic expansion of the 1990s, fundamental differences in economic conditions, such as industrial structures, standards of living and labour productivity, remain.

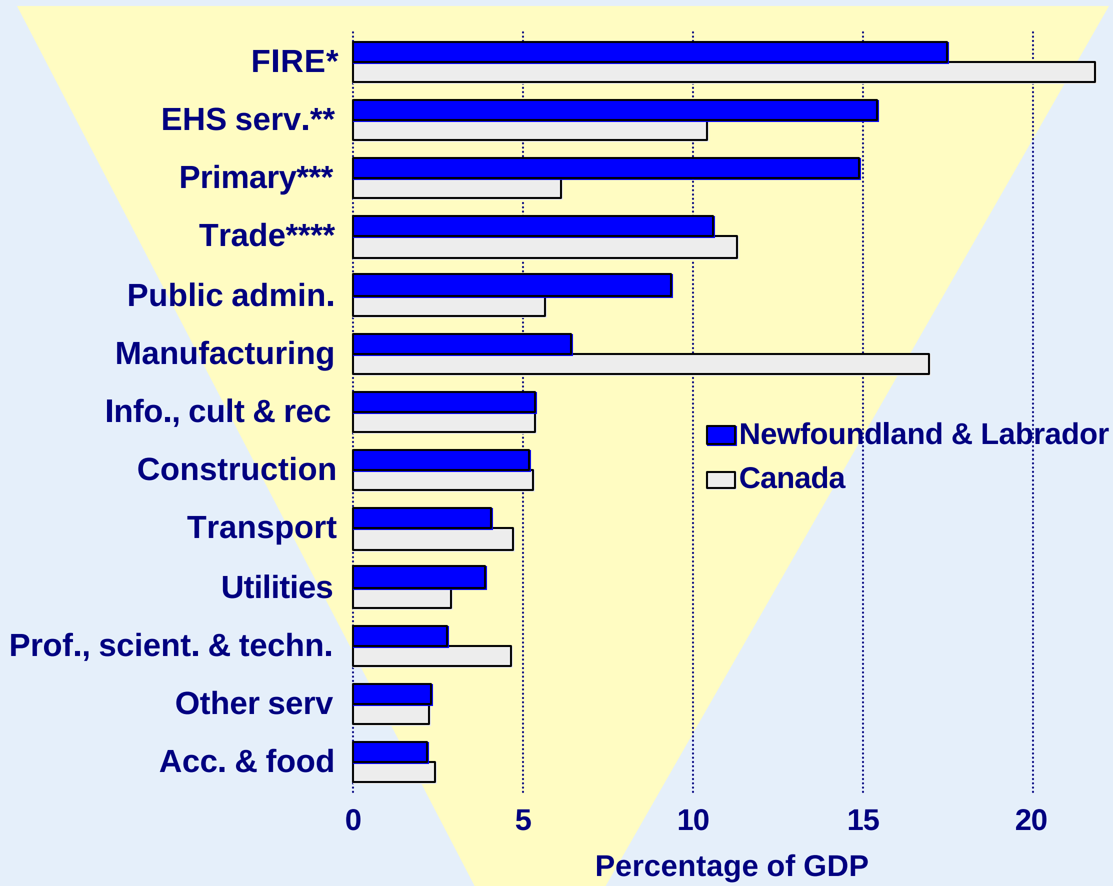
Those fundamental differences also determine the economic potential of a region and certainly influence its relative performance on the various indicators used to measure the innovation capacity.

While it is recognized that the key drivers to innovation are common to most provinces, evidence suggests that the efforts required to promote them could vary significantly across regions.

Annexes

Newfoundland and Labrador

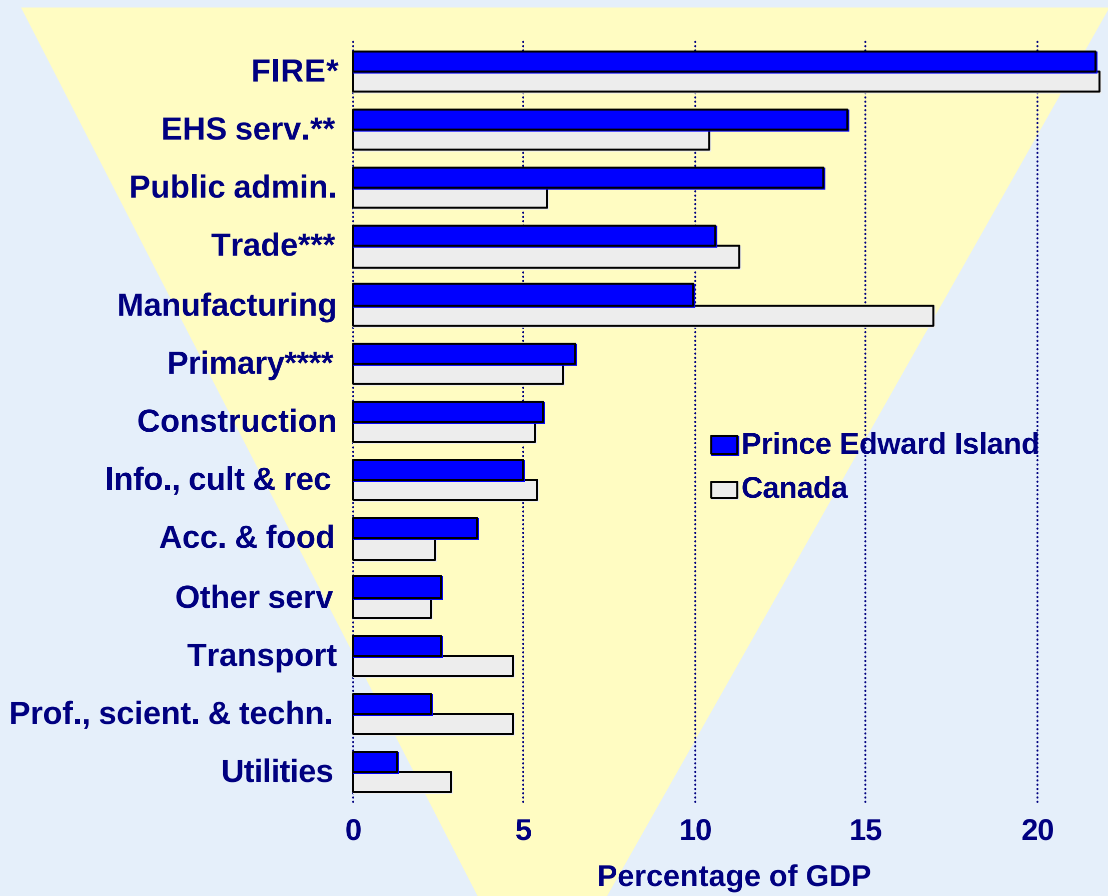
Industrial Structure in Newfoundland and Labrador and Canada 2001



*Finance, insurance & real estate and management & administration services
**Education, health & social services
*** Agriculture, forestry, fishing, mining and oil & gas
**** Wholesale and retail trade
Source: IC calculations based on Statistics Canada data.

Prince Edward Island

Industrial Structure in Prince Edward Island and Canada 2001



*Finance, insurance & real estate and management & administration services
**Education, health & social services
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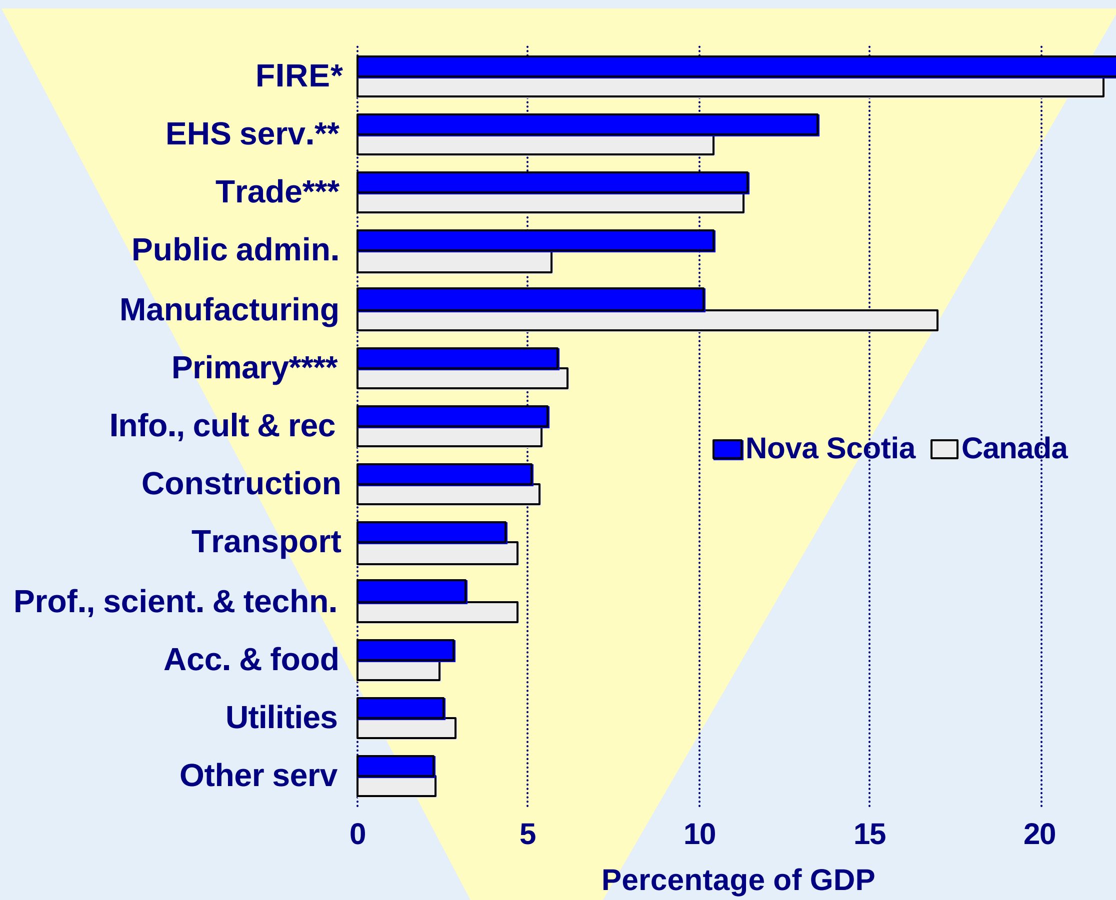
**** Agriculture, forestry, fishing, mining and oil & gas
Source: IC calculations based on Statistics Canada data.

Nova Scotia

Industrial Structure in Nova Scotia and Canada
2001



*Finance, insurance & real estate and management & administration services
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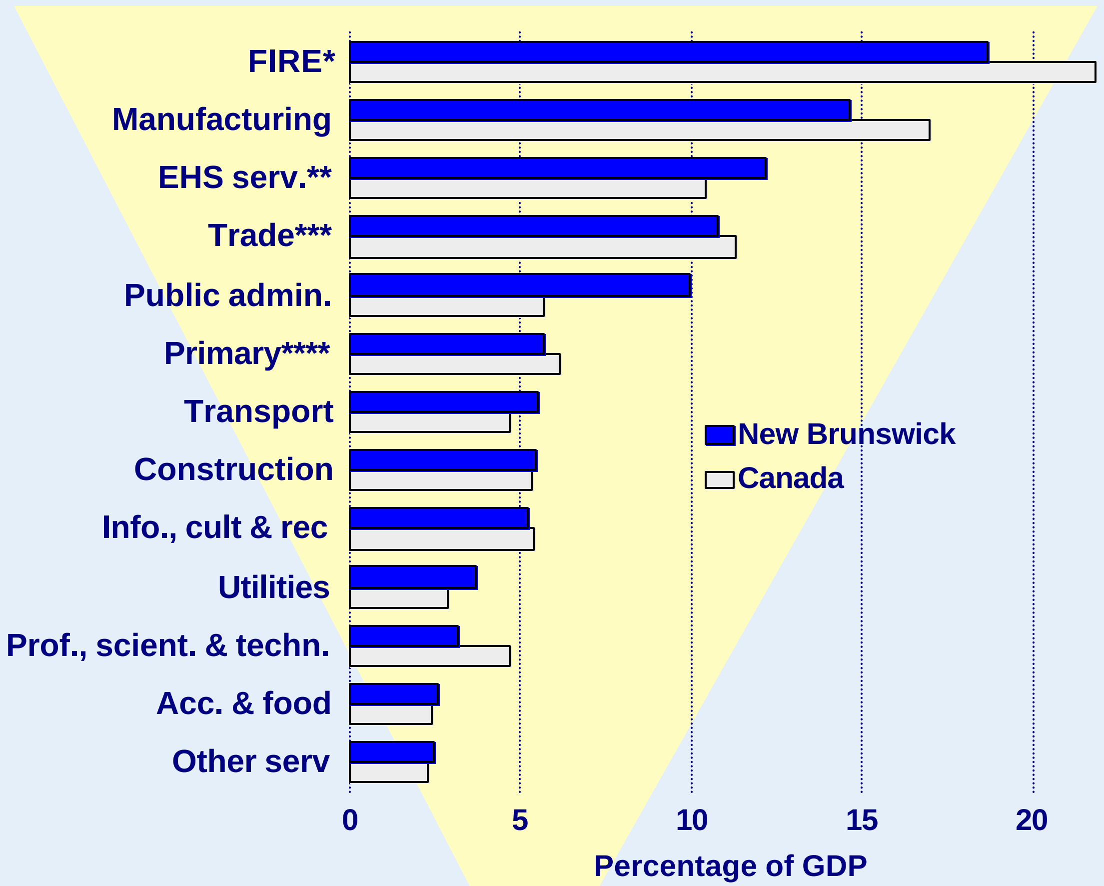
Source: IC calculations based on Statistics Canada data.

New Brunswick

Industrial Structure in New Brunswick and Canada 2001



*Finance, insurance & real estate and management & administration services
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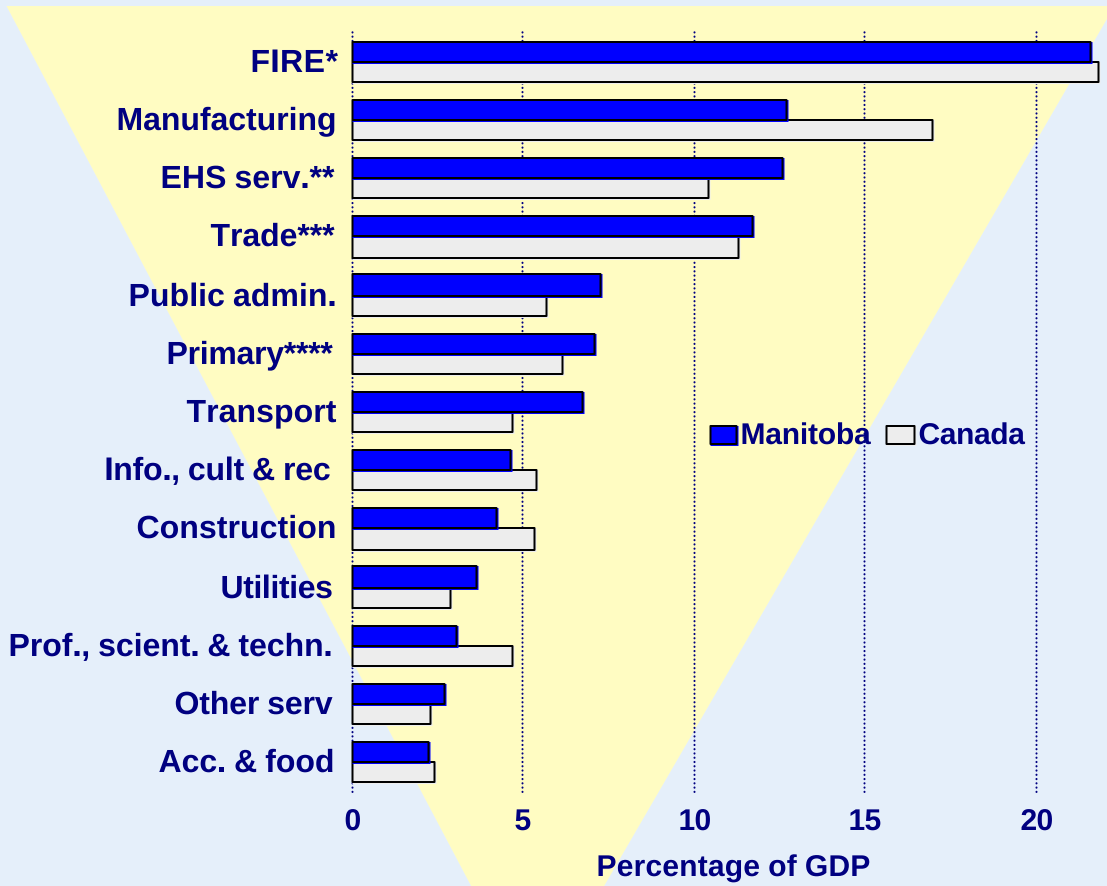
Source: IC calculations based on Statistics Canada data.

Manitoba

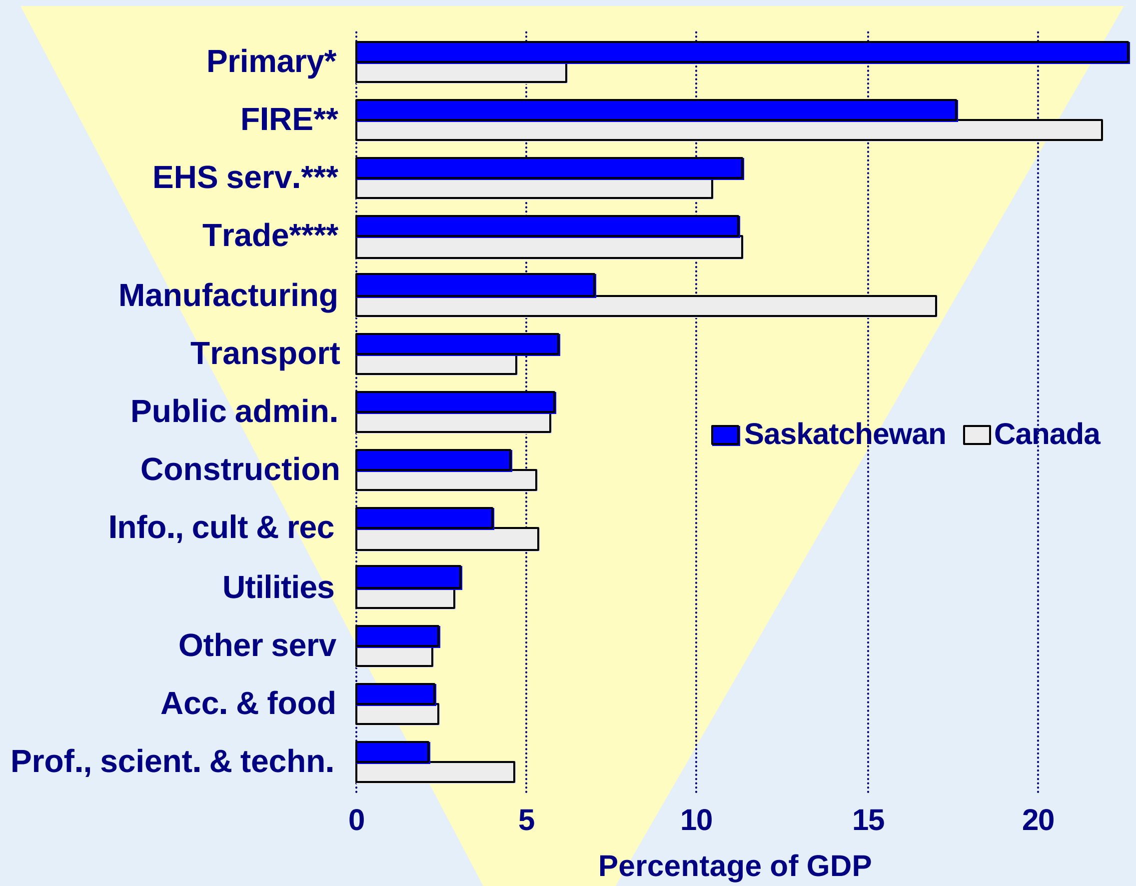
Industrial Structure in Manitoba and Canada
2001



*Finance, insurance & real estate and management & administration services
**Education, health & social services
*** Wholesale and retail trade
**** Agriculture, forestry, fishing, mining and oil & gas
Source: IC calculations based on Statistics Canada data.

Saskatchewan

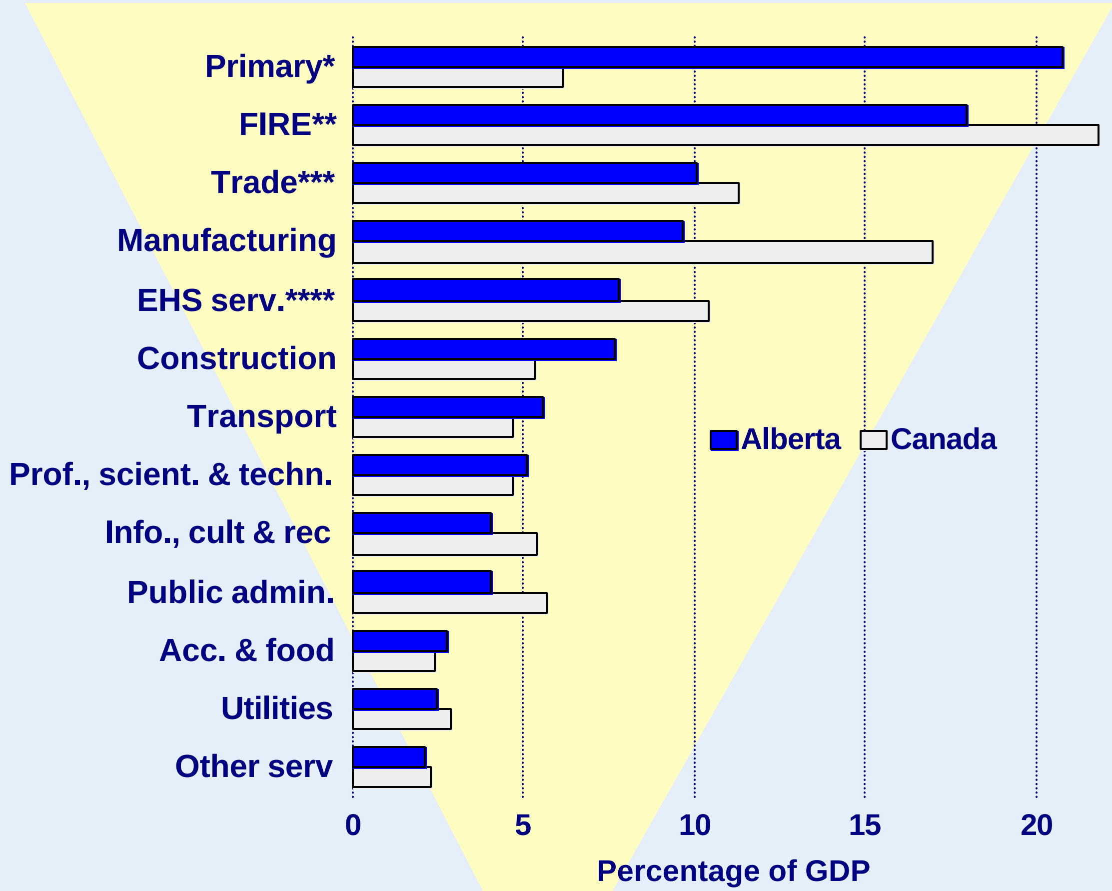
Industrial Structure in Saskatchewan and Canada 2001



* Agriculture, forestry, fishing, mining and oil & gas
** Finance, insurance & real estate and management & administration services
*** Education, health & social services
****Wholesale and retail trade
Source: IC calculations based on Statistics Canada data.

Alberta

Industrial Structure in Alberta and Canada 2001



* Agriculture, forestry, fishing, mining and oil & gas
** Finance, insurance & real estate and management & administration services
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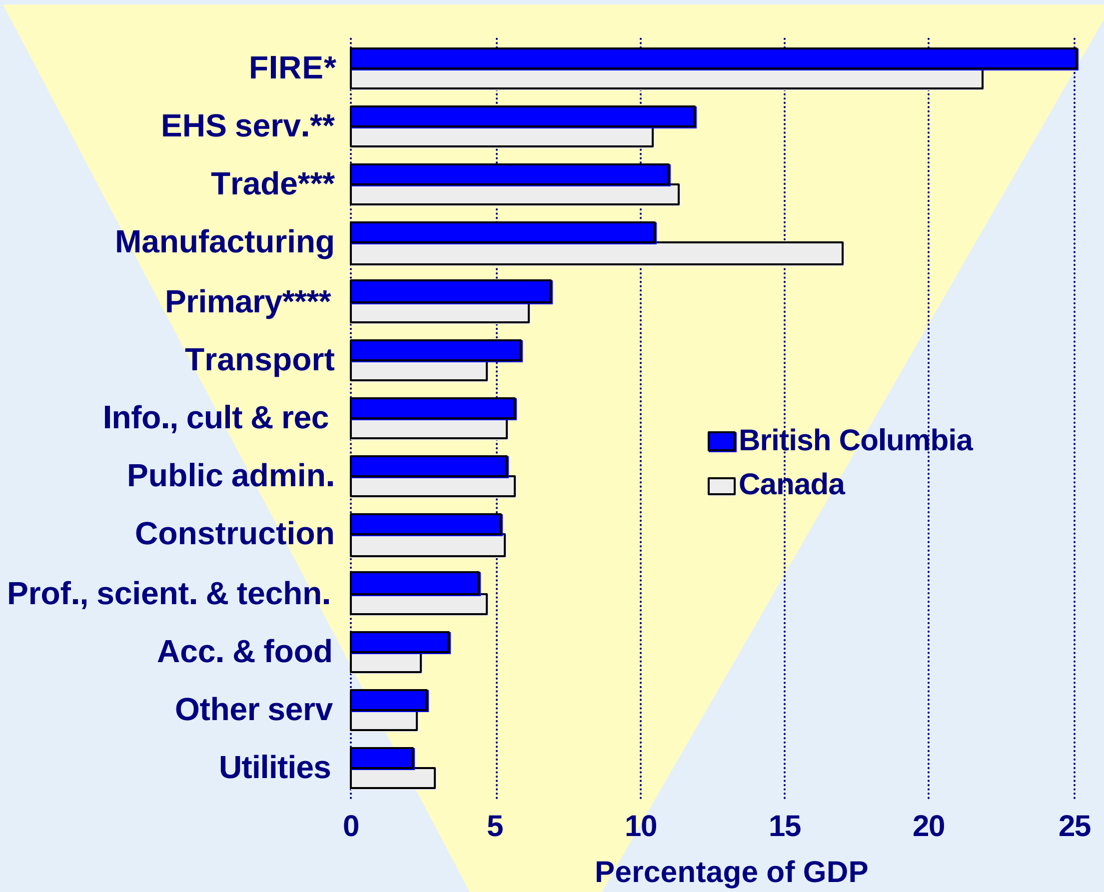
****Education, health & social services
Source: IC calculations based on Statistics Canada data.

British Columbia

Industrial Structure in British Columbia and Canada 2001



*Finance, insurance & real estate and management & administration services
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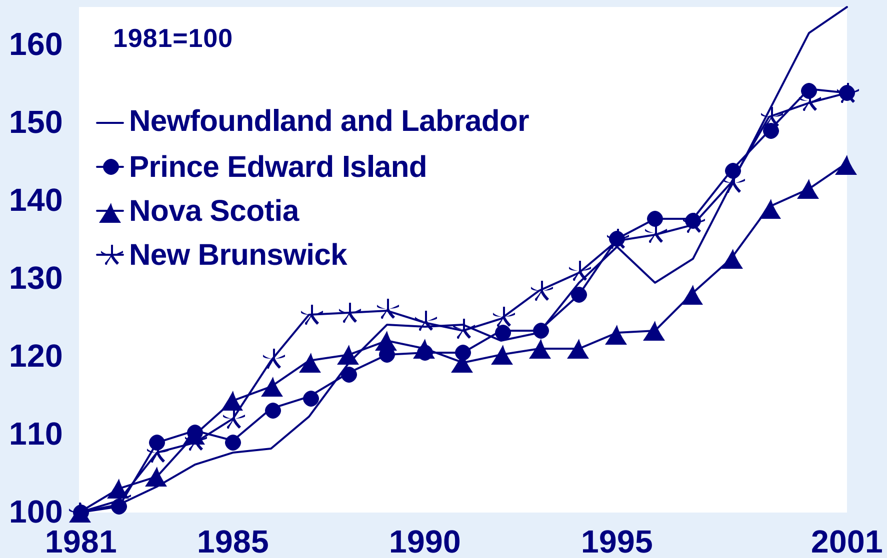
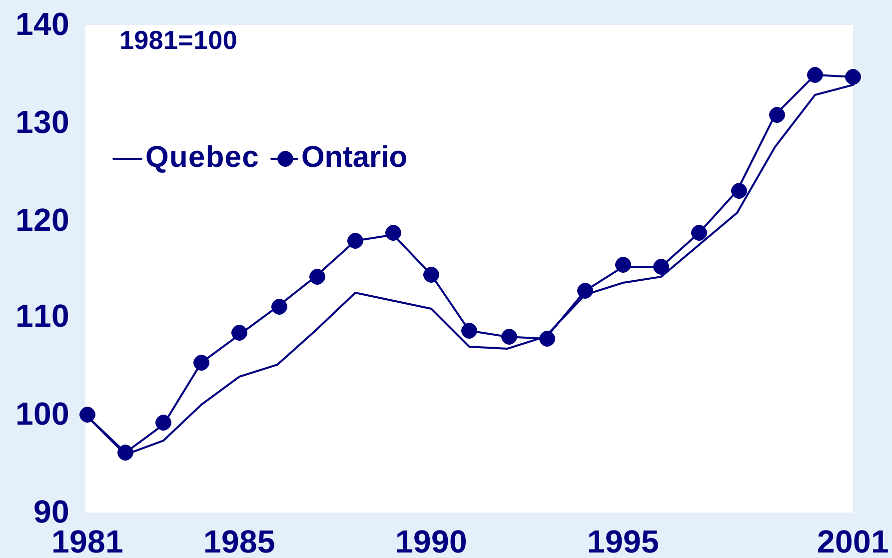
Source: IC calculations based on Statistics Canada data
Note: The Industrial structure of each province is offered in annex.

Income per Capita Trends, 1981-2001

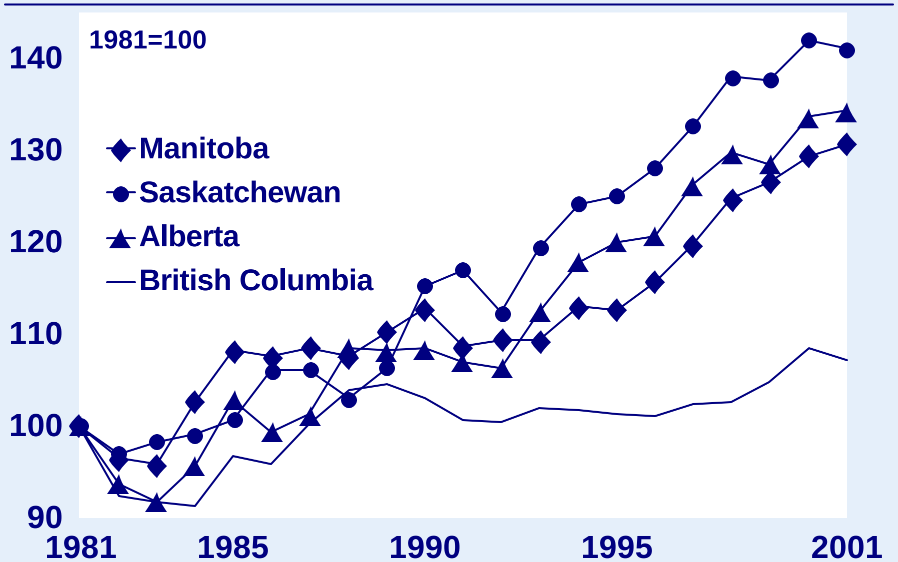
Atlantic Provinces



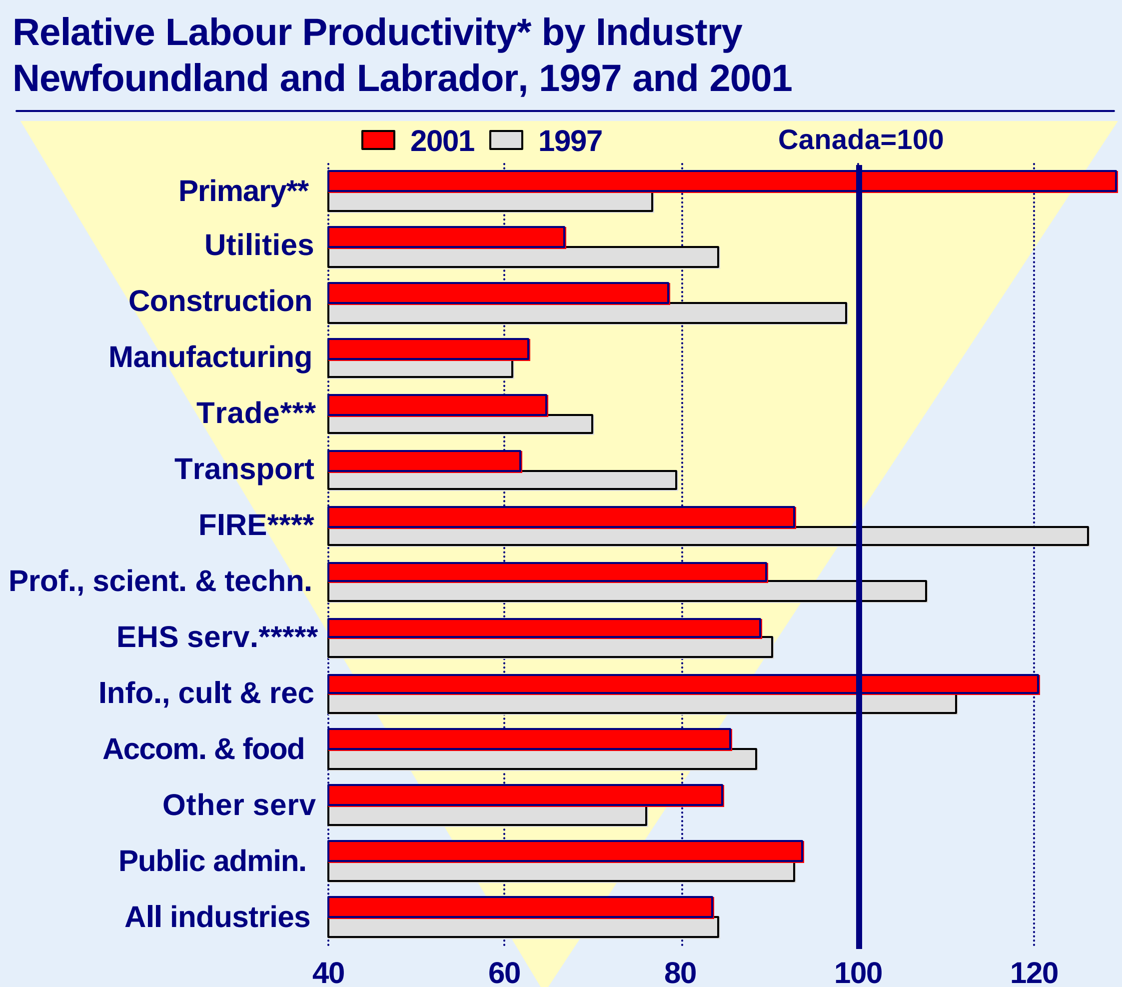
Central Canada



Western Provinces

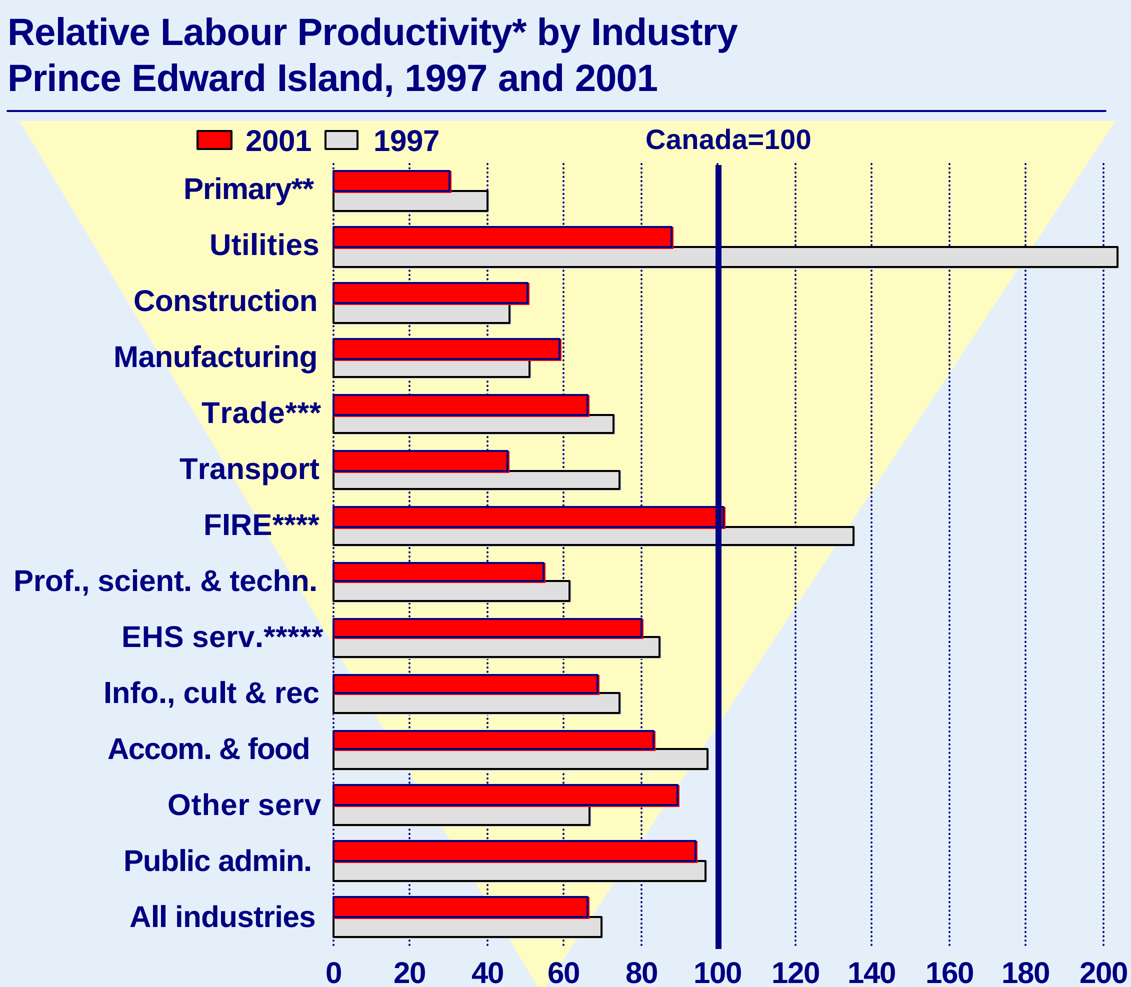


Newfoundland and Labrador



* Real GDP (Constant, $1997) per hour worked
** Agriculture, forestry, fishing, mining and oil & gas.
*** Wholesale and retail trade
**** Finance, insurance & real estate and management & administration services
***** Education, health & social services
Source: IC calculations based on Statistics Canada data.

Prince Edward Island



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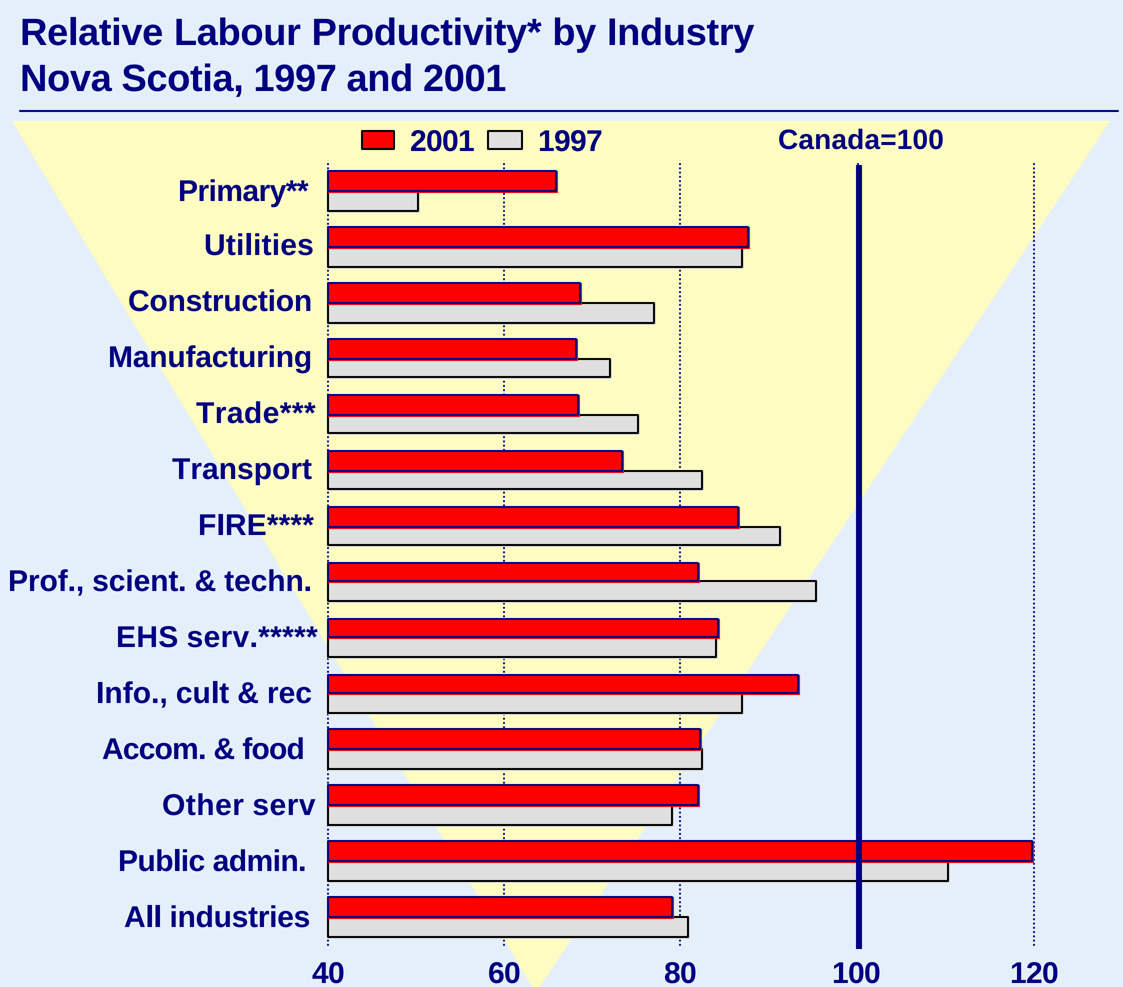
Source: IC calculations based on Statistics Canada data.

Nova Scotia



* Real GDP (Constant, $1997) per hour worked
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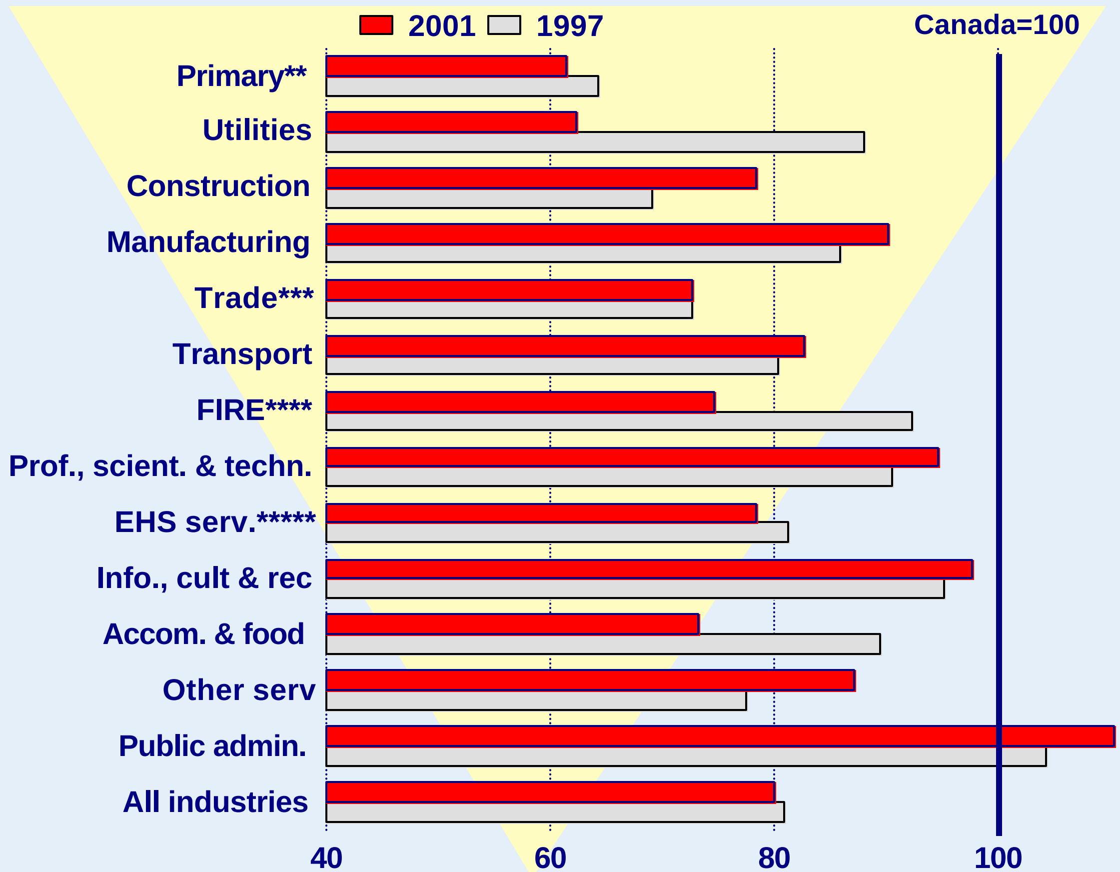
Source: IC calculations based on Statistics Canada data.

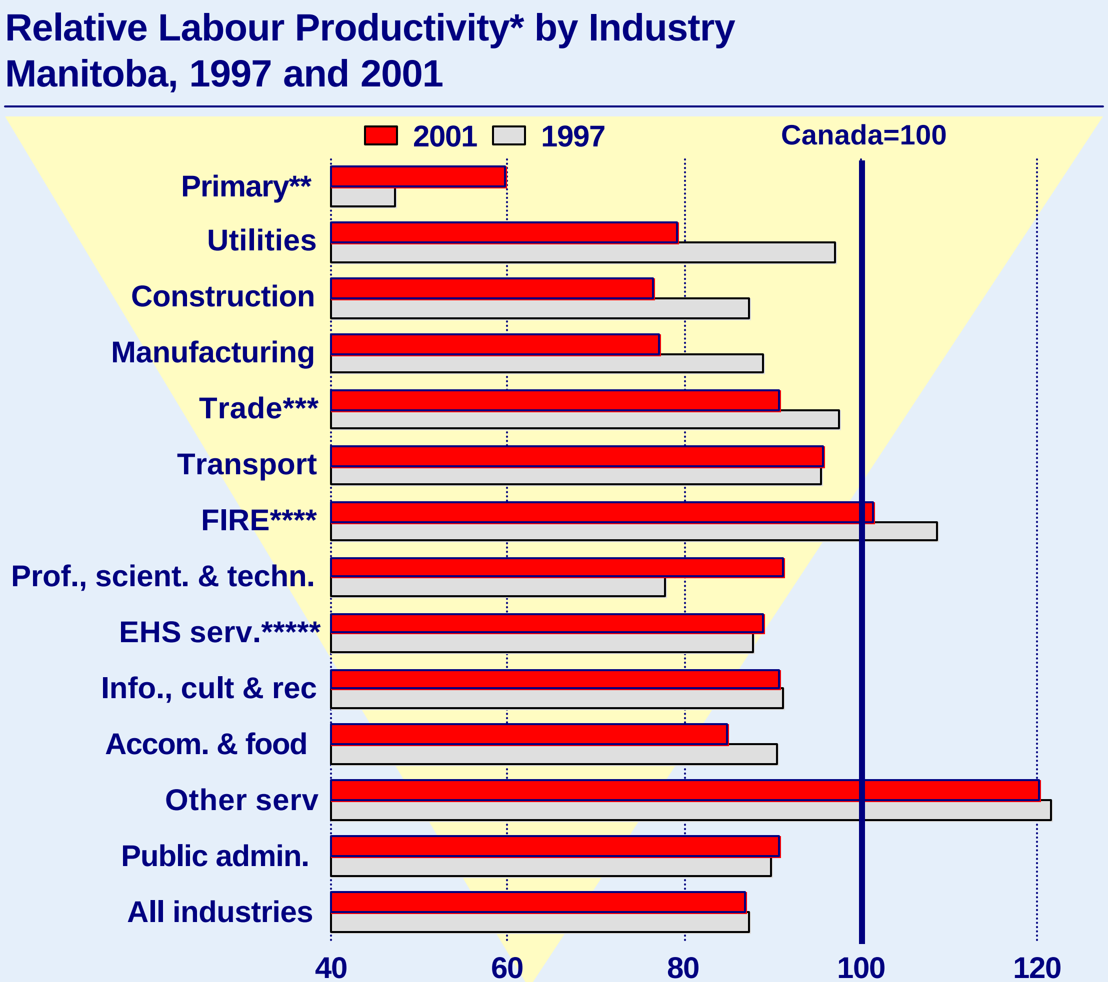
New Brunswick

Relative Labour Productivity* by Industry
New Brunswick, 1997 and 2001



* Real GDP (Constant, $1997) per hour worked
** Agriculture, forestry, fishing, mining and oil & gas.
*** Wholesale and retail trade
**** Finance, insurance & real estate and management & administration services
***** Education, health & social services
Source: IC calculations based on Statistics Canada data.

Manitoba



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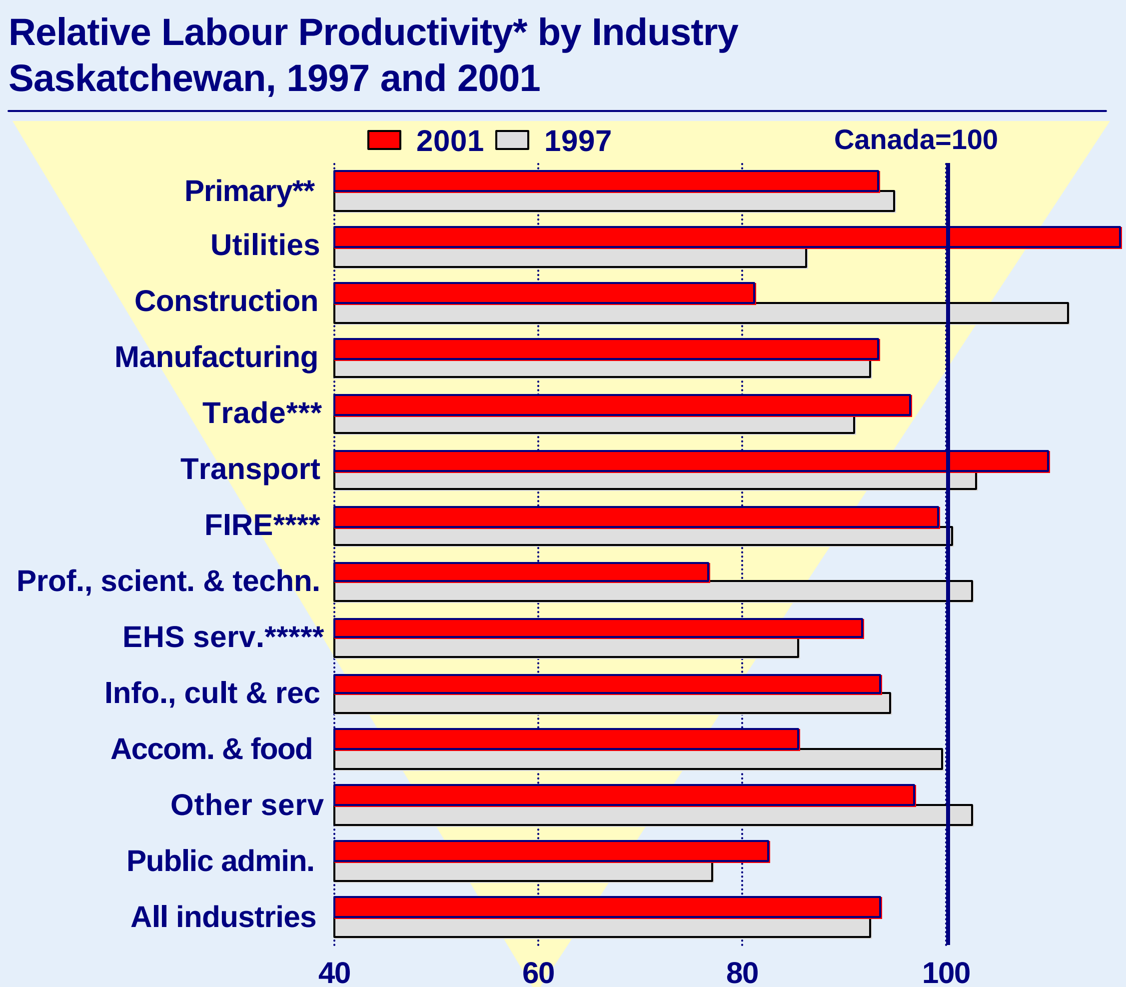
***** Education, health & social services
Source: IC calculations based on Statistics Canada data.

Saskatchewan



* Real GDP (Constant, $1997) per hour worked
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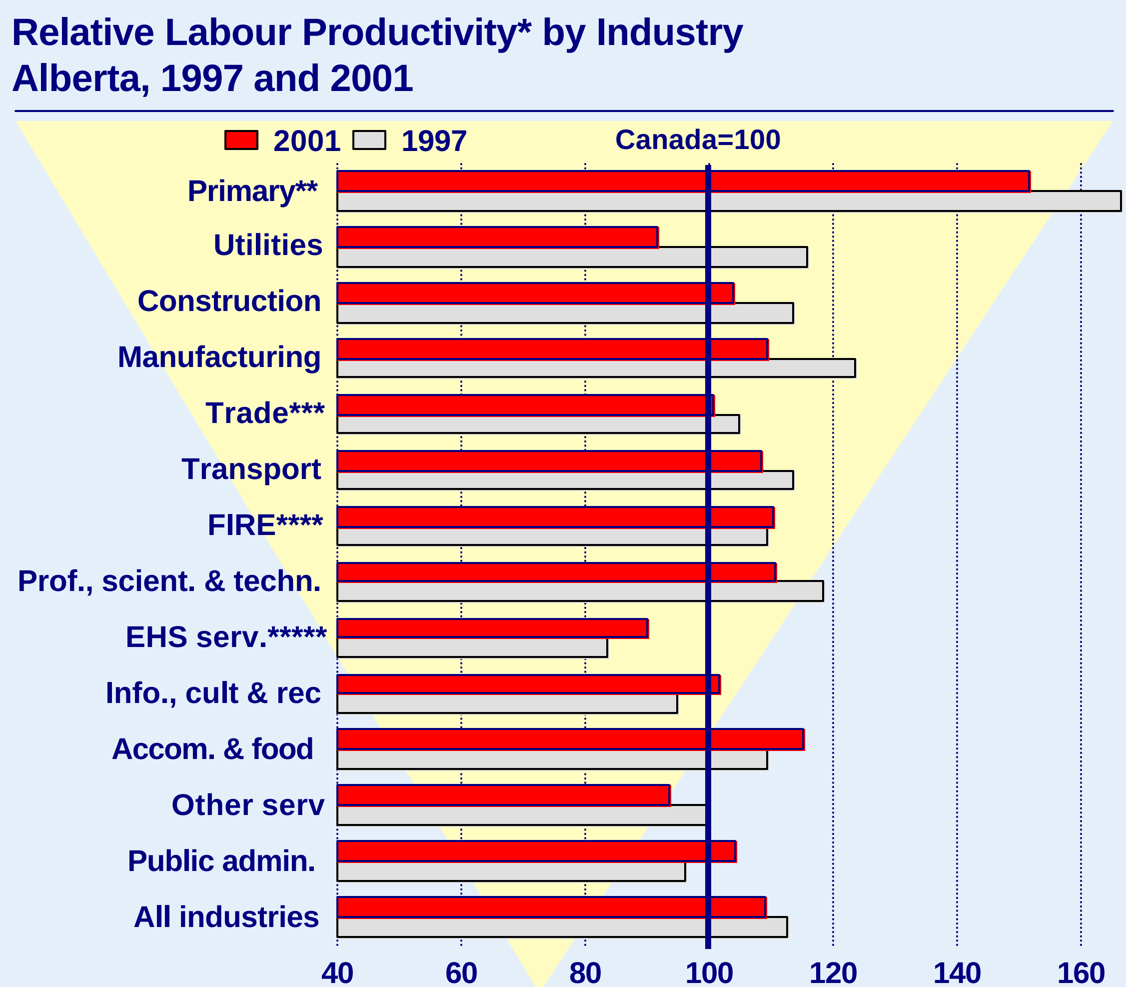
Source: IC calculations based on Statistics Canada data.

Alberta



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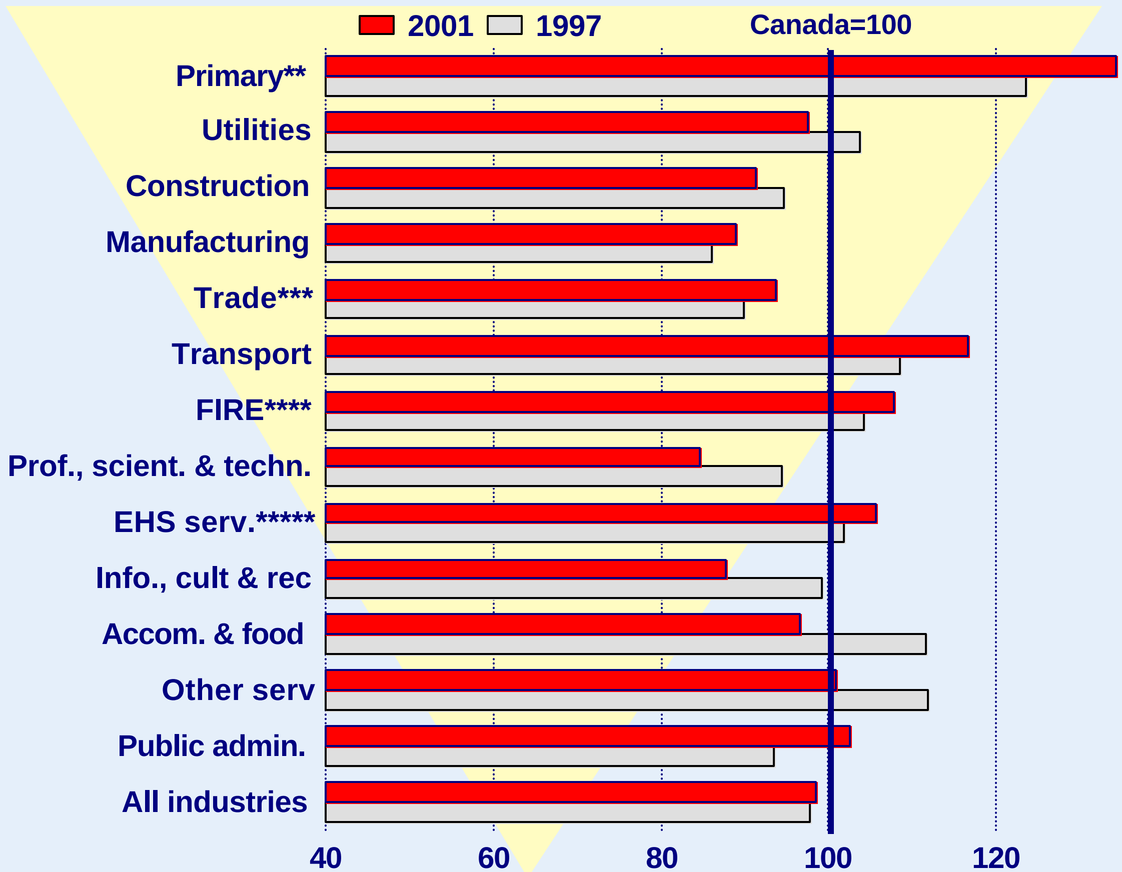
British Columbia

Relative Labour Productivity* by Industry
British Columbia, 1997 and 2001



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