



CANADA'S ECONOMIC NEWS

Date: September 21, 2006

MACROECONOMIC INDICATORS

- Real GDP...** remained essentially unchanged from May, as the production of goods declined, offsetting gains in service industries. The economy grew by 0.2% in April, followed by a 0.1% increase in May. From a quarterly perspective, the economy slowed in the second quarter as real GDP advanced 0.5%, following a robust 0.9% increase in the first quarter. This slower growth reflected reduced but sustained growth in consumer spending and business investment in plant and equipment as well as a cooling in the housing market. (August 31)
- Provincial and Territorial Real GDP...** rose in all provinces and territories in 2004 except for Newfoundland and Labrador. GDP growth in Alberta (4.3%) and British Columbia (4.0%) posted the strongest growth. (November 8)
- The Bank of Canada...** held its target for the overnight rate at 4.25%, as it continued to anticipate the Canadian economy to operate close to its production potential, with total CPI inflation returning to the 2 percent inflation target in the second half of 2007. (September 6)
- *Corporate Profits (before taxes)...** rose a marginal 0.4% (annualized) in the second quarter, after decreasing at an annualized rate of 3.7% in the first quarter. (August 31)
- Employment...** remained steady for the third consecutive month in August, marking the longest stretch without gains since the end of 2001. The overall growth so far this year stands at 1.2% (+194,000), up from the 1.0 gain in the first eight months of 2005. Although the unemployment rate edged up 0.1 percentage points from last month to 6.5%, it was still among the lowest in 30 years and was due mainly to the growing number of people entering the labour force looking for work, particularly in Ontario and British Columbia. After falling for much of the previous two years, labour force participation in Canada has edged up 0.1 percentage points since the start of 2006 to 67.2% in August. (September 8)

**The Conference Board of
Canada's Index of Business
Confidence...**

remained strong in the second quarter of 2006, standing 5.5 points higher than a year ago despite slowing a modest 3.1 points to 142.9 from the previous quarter. The survey, completed over a three-week period in June and July reflects continued optimism among respondents regarding the financial position of their firms and robust near-term investment intentions. It also shows that business leaders have adjusted well to the realities of a strong dollar and elevated commodity prices, while dealing with higher interest rates and a tight labour market. (July 24)

**The Composite Index of
Leading Indicators...**

grew 0.2% in August following revised gains of 0.3% in June and July. Seven of the ten components rose in August, up from five in July. While household spending softened, business spending remained strong, and the weakness in manufacturing appeared to moderate. (September 20)

**Private and Public Investment
Intentions...**

are expected to increase 6.1% in 2006. Investment in plant and equipment (8.2%) is expected to remain robust this year, boosted by strong intentions in the booming oil and gas sector (6.0%), and public utilities (27.8%), according to a sample survey of 29,000 businesses, governments, and institutions. (February 23)

SECTORAL INDICATORS

**Investment in residential
structures...**

totalled \$20.8 billion in the second quarter of 2006, up 8.5% from the second quarter of 2005, a record year in residential investment. Spending on new housing construction reached \$10.4 billion in the second quarter of 2006, up 9.8% compared with the second quarter of 2005. Spending on renovations to existing dwellings totalled \$8.6 billion in the second quarter, up 8.1% compared to the second quarter of last year. Acquisition costs came to \$1.8 billion in the second quarter of 2006, up 3.4% compared to the first quarter of 2005. (September 1)

**Investment in non-residential
building construction...**

rose 3.6% (annualized) in the second quarter to \$8.7 billion - the thirteenth consecutive record high, once again the result of major gains in Alberta and British Columbia. Second quarter investments in commercial buildings rose 2.8% (annualized), while institutional investment increased at an annualized rate of 14.0% to \$2.3 billion. These gains easily offset an annualized 10.4% decline (following eight consecutive increases) in the industrial component to \$1.4 billion. (July 11)

****Operating Profits of
Enterprises...**

rose at a modest 2.8% (annualized) rate in the second quarter to \$57.0 billion, just short of the all-time record high of \$57.6 billion reached in the fourth quarter. (August 24)

- Manufacturing Shipments...** increased 0.8% in July to \$49.9 billion, the highest level so far in 2006. Automotive manufacturing shipments rose 2.7% to \$5.0 billion as auto assembly plants took shorter than usual shutdowns in July. Shipments of non-durable goods increased 1.8% to \$23.1 billion, led by an 8.4% increase in petroleum product shipments to \$5.8 billion. In July, gains were posted in 11 of 21 manufacturing industries. (September 14)
- Wholesale Trade...** jumped 2.1% to a record high of \$42.2 billion in July, more than reversing a 0.8% drop in June. Five out of the seven wholesale trade categories registered gains, led primarily by wholesalers of automotive products (+8.4%). Most of the remaining growth originated from the “other products” sector, which is mainly made up of wholesalers of recycled metals, chemicals and seeds, and the machinery and electronic equipment (+2.8%) sector and building materials (+1.8%). Total wholesale sales have been on a rising trend since September 2003 with most trade groups showing strength during this period. (September 20)
- New Motor Vehicle Sales...** increased 3.0% in July, more than offsetting declines in April, May, and June combined. Consumers purchased 139,399 new vehicles in July, an increase of about 4,000 vehicles from the previous month and the highest level of the year. The July sales increase was led largely by a 7.8% rise in truck sales (minivans, sport-utility vehicles, light and heavy trucks, vans and buses). The return of some incentive programs and a 1% drop in the GST were also contributing factors. Although sales of overseas-built passenger cars increased 5.6%, overall sales of passenger cars fell 1.1% due to a 4.7% sales decline in North American-built cars. (September 15)
- Retail Sales..** soared to a new record high of \$33.0 billion in July, more than offsetting declines in May and June. This is a gain of 1.5% from the previous month. Six out of eight retail sectors reported sales gains headed by the automotive sector (+4.0%) - the result of a combination of higher sales at gasoline stations and the return of some incentive programs new car dealers. Other sectors with sales increases include the pharmacies & personal care stores (+0.8%), food & beverage stores (+0.4%), general merchandise stores (+0.4%), furniture, home furnishings and electronic stores (+0.3%) and building and outdoor home supplies stores (+0.3%). (September 21)

* National accounts basis.

** Does not include corporations that are government controlled or not-for-profit.

*** Canada's Economic News is a bi-weekly report compiled by the Investment Policy and Strategy Division (IPS) of the Investment Promotion Bureau (ITT). This report uses data from a variety of official sources, primarily Statistics Canada, Canada Mortgage and Housing Corporation and the Conference Board of Canada. It provides current economic information that could assist you in your investment marketing activities. Please note that the report focuses primarily on positive economic news within selected macroeconomic and sectoral indicators. It is not intended to be a balanced presentation of the current economic situation.

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