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# Monthly Economic Indicators

**April 2005**

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/epic/internet/ineas-aes.nsf/en/h\\_ra01898e.html](http://strategis.ic.gc.ca/epic/internet/ineas-aes.nsf/en/h_ra01898e.html)


Canada 

# MONTHLY ECONOMIC INDICATORS


## April 2005


### HIGHLIGHTS


 **Real Gross Domestic Product (GDP) rose a further 0.2% in January, mostly due to strong retail sales and solid gains in the manufacturing sector.**


 **Employment was essentially flat (4,000) in March and the unemployment rate fell to 6.9%. Employment is up 0.2% since December, following a rise of 0.4% in the previous three months.**

 **Real merchandise exports were up 0.5% and imports decreased 1.7% in February, resulting in a partial recovery in the trade surplus.**

 **Overall, recent developments point to continued moderate growth in the first quarter, driven by domestic demand and continued drag from net exports.**

 **The Bank of Canada kept the overnight rate unchanged at 2.5% and revised its growth outlook for 2005 to 2.6% from 2.8%.**

 **In the United States (U.S.), the Federal Reserve raised its Fed funds rate by a further 25 basis points to 2.75% on March 22 and hinted at raising it at a similar pace in the coming months.**

 **The Canadian dollar lost some ground in April as oil prices pulled back from their record high and the negative spread between Canada and U.S. interest rates widened.**

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,061.4	0.2	3.2	Jan.
Goods	333.9	0.1	3.3	Jan.
Services	728.6	0.3	3.2	Jan.
Composite Index	201.3	0.0	5.6	Feb.
Employment (000's)	16,088	0.0	1.6	Mar.
Full-time	13,088	-0.2	1.4	Mar.
Part-time	3,000	1.1	2.5	Mar.
Unemployment* (%)	6.9	7.0	7.3	Mar.
Youth*	12.6	12.3	14.0	Mar.
Adult*	5.8	6.0	6.0	Mar.
CPI inflation*	2.1	2.0	0.7	Feb.
Retail Sales (\$M)	29,820	2.0	7.9	Jan.
Housing Starts (000's)**	218.5	0.3	-12.7	Mar.
Trade Balance* (\$M)	4,845	4,285	5,422	Feb.
Exports	36,537	1.4	6.5	Feb.
Imports	31,692	-0.2	9.7	Feb.
M&E	8,912	1.5	4.5	Feb.

	April 13 ***	March	
		2005	2004
3-mth Corp. paper (%)*	2.60	2.68	2.10
Long bond yield (%)*	4.19	4.39	4.33
Canadian dollar (US¢)*	80.74	82.67	76.26

\*Data in levels only – % change not reported  
 \*\*Canada Mortgage and Housing Corporation  
 \*\*\*Bank of Canada's Weekly Financial Statistics  
 All other data from Statistics Canada

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# MONTHLY ECONOMIC INDICATORS

## April 2005

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This issue uses data available as of April 15, 2005. It has been prepared by Jean-François Arsenault, Éric Chalifoux, Stéphane Crépeau, Kevin Koch, Sue Moore and François Rimbaud of the Micro-Economic Analysis Directorate, under the direction of Hossein Rostami. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support.

Sources of information primarily include Statistics Canada, as well as the Bank of Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Conference Board of Canada, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics. Unless cited otherwise, data contained in graphs and tables are derived from Statistics Canada.

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## Real GDP by Industry

### Economic activity grew further in January...

- Real GDP at basic prices rose 0.2% in January following an increase of 0.2% in December. Growth was mainly driven by strong retail sales and a healthy increase in manufacturing. The business sector rose 0.3% in January, outpacing the public sector. Moreover, real GDP was up 2.0% (annual rate) from its fourth quarter level, suggesting continued growth in the first quarter. According to the April Consensus Forecasts, real GDP is expected to rise 2.6% in 2005 and 2.9% in 2006.

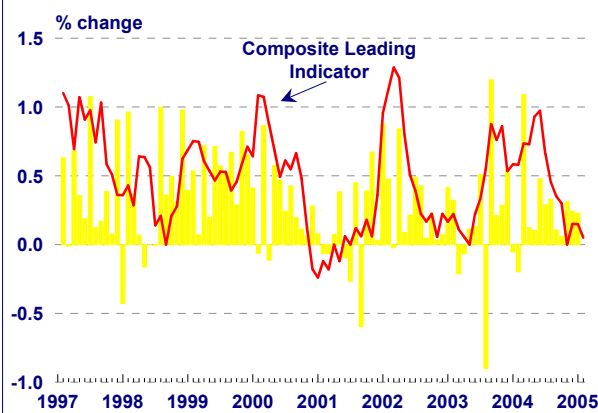
### ...with the goods sector reporting mixed results...

- Goods production was up only 0.1% in January after rising 0.4% in December. Solid gains in manufacturing (0.6%) and a slight increase in the mining, oil & gas sector (0.1%) were moderated by a 1.3% drop in utilities and declines in both construction (0.5%) and agriculture (0.6%). Manufacturing benefited from strong demand for aerospace products and heavy-trucks while output in the mining sector suffered from continued oil production difficulties and utilities retreated due to mild weather in January. Production in the construction sector declined for the first time in seven months as both residential (0.8%) and non-residential (1.1%) construction decreased. On a year-over-year basis, goods-producing industries grew 3.3%, up from 3.2% in December.

### ...and the service sector continuing to grow

- Service output increased 0.3% in January after rising 0.2% in December. Robust retail trade (2.3%) and continued strength in FIRE activities (0.3%) were the main contributors. Retailers bounced back as consumers redeemed their Christmas holiday gift cards and the strike in Quebec liquor store came to an end. However, wholesale activity declined 0.4% in January, affected particularly by weak motor vehicles wholesaling due to dealers working down their inventories built in November and December. Wholesale trade excluding motor vehicles advanced 0.4% in January.

**Real GDP at Basic Prices**



**Real GDP at Basic Prices (1997 chained dollars)**

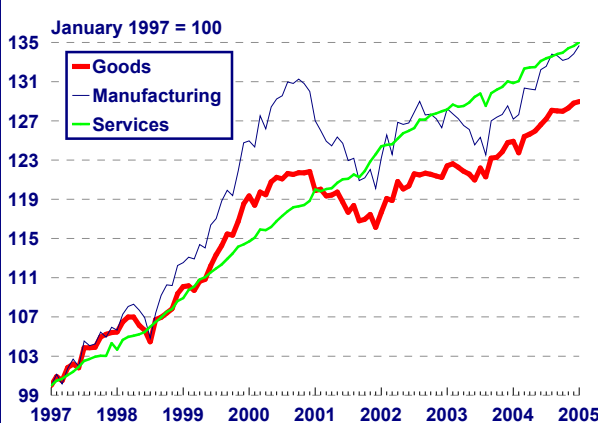
January 2005	\$ millions	monthly change	% Change since last	
			month	year
<b>Total Economy</b>	<b>1,061,426</b>	<b>2,427</b>	<b>0.2</b>	<b>3.2</b>
<b>Business Sector</b>	<b>903,500</b>	<b>2,332</b>	<b>0.3</b>	<b>3.6</b>
<b>Goods-producing</b>	<b>333,922</b>	<b>427</b>	<b>0.1</b>	<b>3.3</b>
Agri., Forest, Fish, Hunt*	24,187	-134	-0.6	1.5
Mining & Oil & Gas Extraction	37,883	53	0.1	-0.6
Utilities	26,647	-341	-1.3	-0.3
Construction	59,144	-309	-0.5	1.8
Manufacturing	185,931	1,182	0.6	5.9
<b>Services-producing</b>	<b>728,622</b>	<b>2,026</b>	<b>0.3</b>	<b>3.2</b>
Wholesale Trade	68,175	-256	-0.4	7.4
Retail Trade	61,053	1,360	2.3	6.5
Transportation & Warehousing	51,004	31	0.1	4.1
Information & Cultural	43,935	229	0.5	4.5
FIRE**	213,545	606	0.3	3.5
Professional***	46,657	153	0.3	2.0
Admin. & Waste Mgmt	22,165	33	0.1	2.0
Education	45,637	57	0.1	2.0
Health & Social	63,041	-48	-0.1	0.8
Arts, Entertain. & Recreation	9,395	-91	-1.0	-2.1
Accommodation & Food	23,589	-130	-0.5	1.4
Other	24,713	-5	-0.0	1.2
Public Administration	57,486	130	0.2	0.9

\*Agriculture, Forestry, Fishing & Hunting

\*\*Finance, Insurance & Real Estate

\*\*\*Professional, Scientific & Technical services

**Real GDP by Major Sector**



# THE ECONOMY



## Consumer Spending and Attitudes

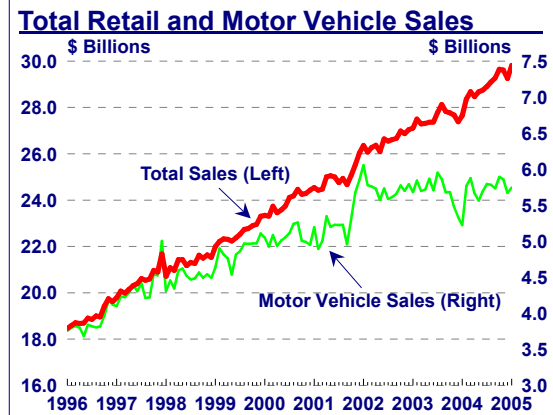
### Early signs point to sustained rise in consumption...

- Real retail sales rose 2.3% in January, following a 1.3% decline in December. Real retail sales are now 5.1% (annual rate) above their average fourth quarter level.
- New motor vehicle sales jumped 12.8% in February following a 2.3% decline in January. While preliminary data from the industry indicate a 7.0% decline in March, sales would still rise 4.0% in the first quarter, following a 6.6% increase in the fourth.

### ...amid rising consumer confidence and personal wealth

- Consumer confidence recovered in March, rising 3.1 points to 124.5, following a 2.8 point decline in February. This is above its 10-year average\* of 113.8. The recovery reflected an increase in the number of people who felt the time was right for big-ticket purchases and as a more optimistic view of the employment situation.
- Personal net worth rose 4.0% in the fourth quarter, following a 1.4% increase in the third.
- Employment rose further (0.6%) in the first quarter, following a 1.5% increase in the fourth.
- High confidence, rising wealth and employment bode well for sustained consumption.

\* The average is based on quarterly data as the monthly survey started in December 2001.

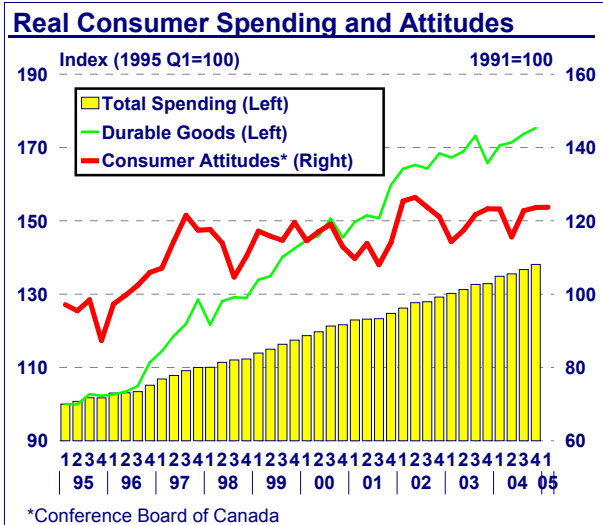


### Retail Sales and Consumer Credit

January 2005	\$ millions	% Change since	
		last month	last year
<b>Total Retail Sales (S.A.)</b>	29,820	2.0	7.9
Food	5,909	1.3	6.8
Drug Stores	1,962	2.6	5.0
Clothing	1,706	0.2	3.1
Furniture	1,944	2.6	7.4
Automotive	9,950	0.5	11.6
General Merch. Stores	3,666	4.9	5.2
All other Stores	4,684	3.9	7.0
Total ex. motor vehicles	22,809	2.4	7.2
<b>Consumer Credit</b>	272	0.8	10.6

### Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)	2003		2004	
	2003	2004	2004 Q3	2004 Q4
<b>Real Consumption (97\$)</b>	620,444	641,863	643,833	650,300
% change	3.1	3.5	3.6	4.1
Durable Goods	94,923	97,156	97,669	98,601
% change	2.0	2.4	5.3	3.9
Semi-Durable Goods	56,142	59,285	60,047	60,031
% change	3.1	5.6	8.4	-0.1
Non-Durable Goods	140,078	143,453	143,511	145,274
% change	2.1	2.4	2.9	5.0
Services	330,098	342,878	343,636	347,336
% change	3.9	3.9	2.8	4.4
<b>Disposable Income</b>	713,548	741,230	744,116	752,180
% change	3.0	3.9	2.6	4.4
<b>Saving Rate (%)</b>	1.4	0.4	0.3	0.0
<b>Debt-to-Income Ratio (%)</b>	101.6	104.6	105.1	105.8



# THE ECONOMY

## Business Investment

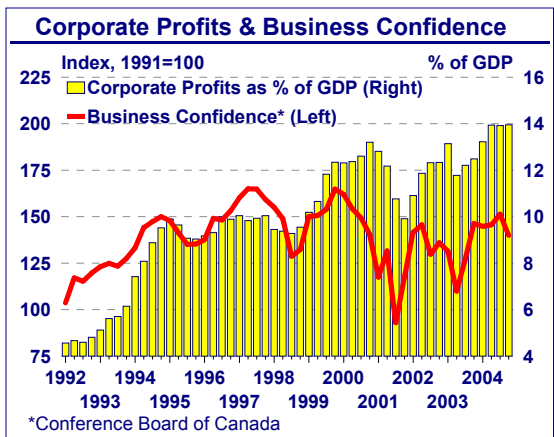
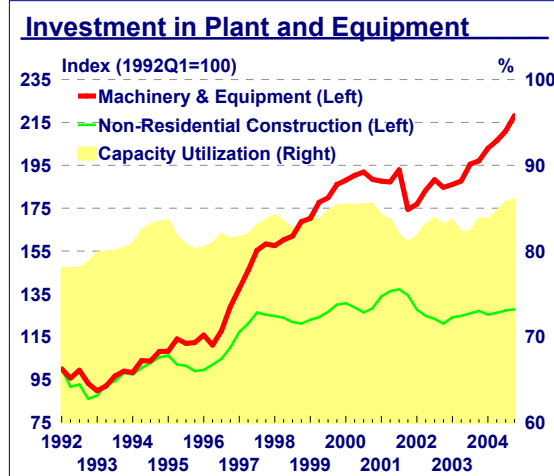


### Investment in Machinery & Equipment (M&E) is poised to rise further in the first quarter...

- Assuming no growth in March, real imports of M&E will increase 7.0% in the first quarter, following a 16.6% increase in the fourth.
- Shipments of machinery rose 2.1% in February, following a surge of 7.6% in January. Assuming no growth in March, shipments of machinery will rise 33.2% in the first quarter. New orders of machinery rose 5.4% in February, and 18.8% in January, suggesting an increase in March.
- While these developments point to a further increase in M&E investment, real business investment in non-residential construction declined 0.9% in the first quarter, following a 2.9% increase in the fourth. The decline was the result of lower (3.0%) commercial construction as industrial construction rose 6.0%.

### ...and prospects are good for sustained growth in 2005

- According to the latest (Spring) *Business Outlook Survey* by the Bank of Canada, M&E investment intentions remain strong and are focused on industries where capacity constraints are more pressing. Meanwhile, manufacturers' intentions continue to be oriented towards productivity enhancing investment.
- The April Consensus Forecast expects real M&E investment to rise 11.0% in 2005, following a 9.4% increase in 2004.



### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2003	2004	2004 Q1	2004 Q2	2004 Q3	2004 Q4
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1997\$)</b>	86,441	94,598	91,569	93,153	95,206	98,464
% change	4.5	9.4	12.5	7.1	9.1	14.4
<b>Non-residential Construction (1997\$)</b>	44,928	45,361	44,900	45,177	45,589	45,777
% change	1.0	1.0	-5.2	2.5	3.7	1.7
<b>Capacity Utilization (% , Non-farm goods)</b>	83.0	85.0	83.7	84.6	85.7	86.0
Capacity Utilization (Mfg. sector)	83.0	87.0	84.5	86.4	88.5	88.5
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
<b>Corporate Operating Profits</b>	172,118	204,505	194,124	205,304	206,828	211,764
% change	14.8	18.8	39.3	25.1	3.0	9.9
Profits - Non-financial industries	128,203	154,083	142,732	155,416	155,632	162,552
% change	10.7	20.2	38.4	40.6	0.6	19.0
Profits - Financial industries	43,915	50,421	51,392	49,888	51,192	49,212
% change	28.5	14.8	42.1	-11.2	10.9	-14.6
<b>Business Credit</b>	904,391	940,499	920,080	933,069	948,344	960,502
% change	1.6	4.0	3.9	5.8	6.7	5.2



## Housing

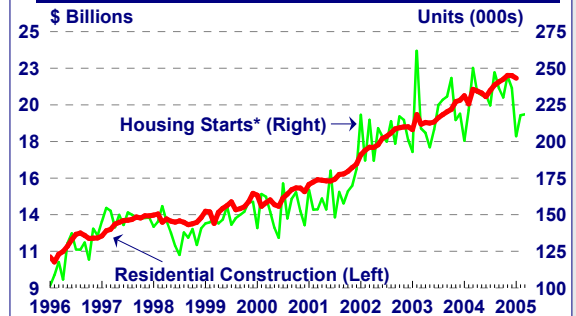
### Housing starts declined in the first quarter...

- Housing starts declined 34.4% in the first quarter, following a 1.6% increase in the fourth.
- The weakness occurred early in the quarter. Following a 13.9% decline in January, housing starts partially recovered in both February (7.0%) and March (0.3%).
- On a provincial basis, in March, strength in British Columbia and Alberta offset weakness in Quebec and Ontario.
- The sale of existing homes (in major markets) rose 1.5% in the first quarter, following a 10.2% decline in the fourth.
- The quarter's strength was the result of a 2.6% increase in February, as sales of existing homes registered declines in both January (0.5%) and March (1.0%).

### ...and prospects are for a cooling off of the housing market

- New house prices have been rising at a slower pace. The annual rate of increase in the new housing price index stood at 5.6% in February 2005. It has been trending downward since June 2004 when it rose 7.3%.
- The April Consensus Forecast expects housing starts to average 209,000 in 2005, down from 233,000 in 2004.

### Housing Activity



\*Canada Mortgage and Housing Corporation

### Monthly Housing Indicators

	Levels	Change since	
		Last month	Last year
<b>Residential Construction (1)*</b> (\$97M, basic prices)	21,874	-0.8%	5.1%
<b>Building Permits, \$M (2)*</b>	3,375	11.8%	21.4%
<b>Sales of Existing Homes (3)**</b> (# of units, major markets)	26,316	-270	-2,126
<b>Housing Starts, (3)***</b> (# of units, SAAR)	218,500	700	-31,700
Newfoundland & Labrador	2,600	-1,200	0
Prince Edward Island	1,300	0	400
Nova Scotia	3,800	-600	-6,100
New Brunswick	3,400	900	900
Quebec	50,100	-3,700	-17,100
Ontario	76,800	-1,600	-14,600
Manitoba	5,300	1,200	1,200
Saskatchewan	2,300	-300	-1,300
Alberta	38,900	2,700	2,700
British Columbia	34,000	3,300	2,200

1 - January data; 2 - February data; 3 - March data

Sources: \*Statistics Canada; \*\*Canadian Real Estate Association;

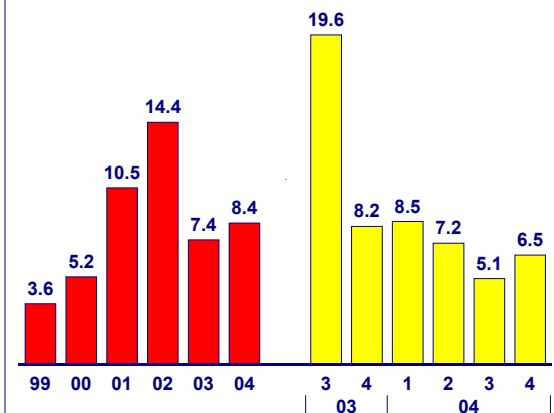
\*\*\*Canada Mortgage and Housing Corporation

### Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)				
	2003	2004	2004 Q3	2004 Q4
Residential Construction	62,452	67,681	68,119	69,205
% change	7.4	8.4	5.1	6.5
New Housing	30,678	33,317	33,539	34,165
% change	6.2	8.6	7.2	7.7
Alterations & Improvements	22,619	24,627	24,804	25,688
% change	9.8	8.9	12.8	15.0
Ownership & Transfer Costs	9,204	9,830	9,872	9,576
% change	6.5	6.8	-13.5	-11.5

### Growth in Real Residential Construction

% change, SAAR







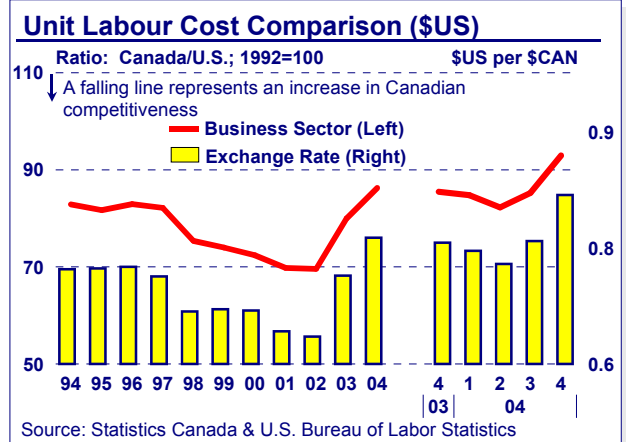
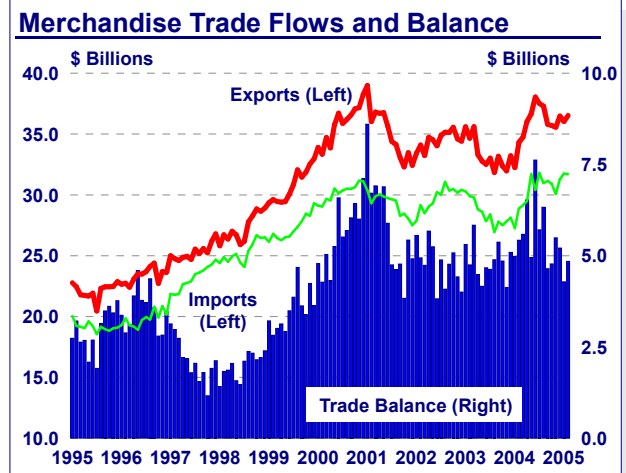
## Trade and Competitiveness

### Exports increased while imports decreased in February...

- Merchandise exports increased 1.4% in February, after declining 1.2% in January. Wheat exports rose 40.1% as a result of increased demand from Asia and Latin America. Exports to the U.S. were up 1.5% while exports to non-U.S. destinations rose 0.9%. Overall, export volumes were up 0.5% while prices increased 0.9%.
- Exports have been volatile in recent months, but are now 4.0% below their recent peak in June 2004.
- Imports decreased 0.2% in February after increasing 1.5% in January. Imports of apparel and accessories registered a record high, as a result of increased volumes from China. Imports from the U.S. were down 0.7% while non-U.S. imports rose 1.0%. Overall, import prices were up 1.5% while volumes decreased 1.7%.
- Despite the decline, imports are near their peak of \$31.8 billion in July 2004.

### ...pushing the trade surplus higher

- Canada's trade surplus increased by \$0.6 billion to \$4.8 billion in February. The trade surplus with the U.S. rose by \$0.6 billion to \$8.7 billion and the trade deficit with other countries increased by \$42 million to \$3.9 billion.
- Assuming no change in March, the real trade surplus would be down from the fourth quarter and a drag on growth again.



### Merchandise Trade

February 2005	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	January 2005	February 2005	Jan.-Feb. 2004	Jan.-Feb. 2005	Jan. to Feb. 2005	Jan. to Feb. 2005	Jan.-Feb. 2004 to Jan.-Feb. 2005
<b>Exports</b>	<b>36,037</b>	<b>36,537</b>	<b>66,546</b>	<b>72,574</b>	<b>500</b>	<b>1.4</b>	<b>9.1</b>
to United States	29,522	29,965	54,312	59,487	443	1.5	9.5
<b>Imports</b>	<b>31,752</b>	<b>31,692</b>	<b>56,145</b>	<b>63,444</b>	<b>-60</b>	<b>-0.2</b>	<b>13.0</b>
from United States	21,387	21,228	39,265	42,615	-159	-0.7	8.5
<b>Trade Balance</b>	<b>4,285</b>	<b>4,845</b>	<b>10,401</b>	<b>9,130</b>	<b>560</b>		
with United States	8,135	8,737	15,047	16,872	602		
<b>Exports by Commodity</b>							
Agriculture/Fishing Products	2,414	2,530	4,909	4,944	116	4.8	0.7
Energy Products	5,918	5,992	10,216	11,910	74	1.3	16.6
Forestry Products	3,113	3,178	5,926	6,291	65	2.1	6.2
Industrial Goods & Materials	6,952	7,067	11,863	14,019	115	1.7	18.2
Machinery & Equipment	7,462	7,569	14,569	15,031	107	1.4	3.2
Automotive Products	7,509	7,554	14,180	15,063	45	0.6	6.2
Other Consumer Goods	1,473	1,483	2,818	2,956	10	0.7	4.9
<b>Imports by Commodity</b>							
Agriculture/Fishing Products	1,907	1,831	3,437	3,738	-76	-4.0	8.8
Energy Products	2,587	2,549	3,304	5,136	-38	-1.5	55.4
Forestry Products	265	268	475	533	3	1.1	12.2
Industrial Goods & Materials	6,580	6,484	11,029	13,064	-96	-1.5	18.5
Machinery & Equipment	8,778	8,912	16,364	17,690	134	1.5	8.1
Automotive Products	6,618	6,404	12,104	13,022	-214	-3.2	7.6
Other Consumer Goods	4,026	4,105	7,567	8,131	79	2.0	7.5





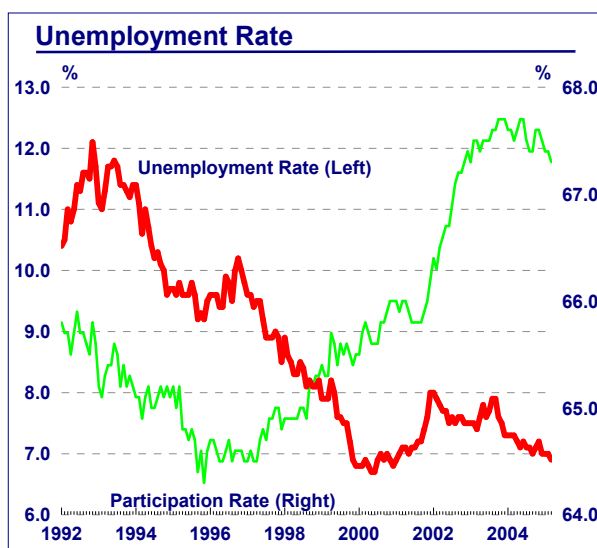
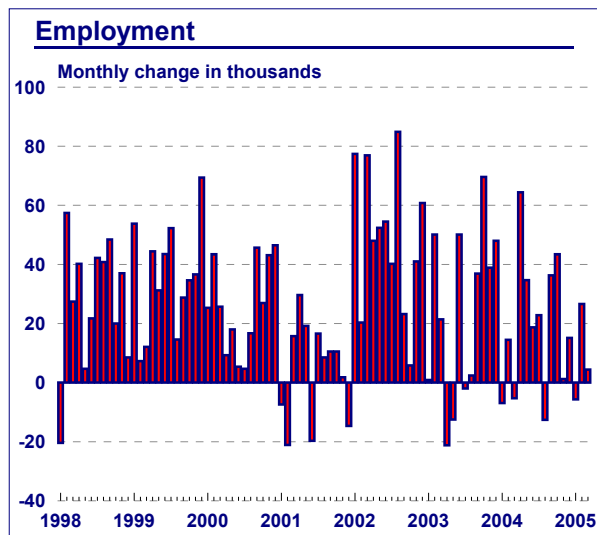
## Employment and Unemployment

### Employment edged up in March...

- Employment edged up 4,000 in March, following a gain of 27,000 in February. Over the first three months of 2005, employment rose 0.2% (or 25,000), following a rise of 0.4% in the previous three months.
- All employment gains were in part-time (34,000), as full-time employment declined 30,000. However, in the last 12 months, 249,000 net jobs have been created, 7 out of 10 in full-time.
- Employment rose again in the public sector (17,000) while it declined in the private sector (13,000). Over the last three months, employment in the public sector has risen 8,000 while paid employment in the private sector has declined 38,000. At the same time, self employment has risen 56,000.
- Youth employment declined 21,000, mostly in full-time. However, youth employment is up 32,000 (or 1.3%) over the past year.

### ...helping to push down the unemployment rate to 6.9%

- With fewer people looking for work, the national unemployment rate edged down 0.1 percentage point to 6.9% in March, the lowest rate since January 2001.
- Youth's unemployment rate rose 0.3 percentage point to 12.6%.
- The participation rate fell to 67.3%, down 0.4 percentage point from a record high of 67.7% in June.



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2004 March	2005 February	2005 March	last month	last year	year-to- date	last month	last year
<b>Employment</b>	15,839.1	16,084.0	16,088.4	4.4	249.3	25.3	0.0	1.6
<b>Full-time</b>	12,911.1	13,117.8	13,088.3	-29.5	177.2	-10.4	-0.2	1.4
<b>Part-time</b>	2,928.0	2,966.1	3,000.0	33.9	72.0	35.6	1.1	2.5
<b>Youth 15-24</b>	2,421.9	2,474.4	2,453.8	-20.6	31.9	-31.1	-0.8	1.3
<b>Adult 25+</b>	13,417.2	13,609.6	13,634.5	24.9	217.3	56.3	0.2	1.6
<b>Self-employed</b>	2,412.1	2,494.9	2,509.0	14.1	96.9	55.6	0.6	4.0
<b>Unemployment</b>	1,252.3	1,208.5	1,192.7	-15.8	-59.6	-24.2	-1.3	-4.8
<b>Unemployment Rate</b>	7.3	7.0	6.9	-0.1	-0.4	-0.1		
<b>Youth 15-24</b>	14.0	12.3	12.6	0.3	-1.4	-0.1		
<b>Adult 25+</b>	6.0	6.0	5.8	-0.2	-0.2	-0.1		
<b>Labour Force</b>	17,091.5	17,292.5	17,281.0	-11.5	189.5	1.0	-0.1	1.1
<b>Participation Rate</b>	67.5	67.4	67.3	-0.1	-0.2	-0.2		
<b>Employment Rate</b>	62.6	62.7	62.6	-0.1	0.0	-0.2		



## Industry Overview

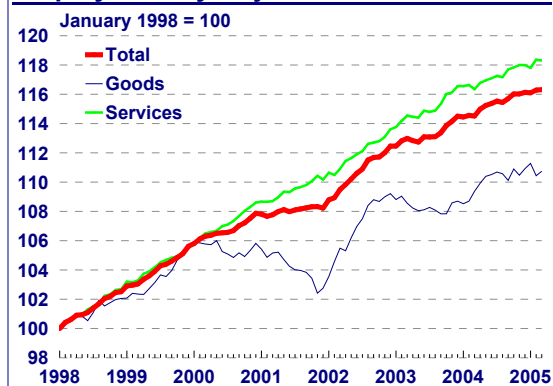
### Employment in the Goods sector recovered partially...

- Employment in the Goods sector rose 11,000 in March, following a decline of 30,000 in February. The gains were concentrated in agriculture (8,000) and utilities (6,000). Nonetheless, agriculture's employment is only up 0.5% compared to March 2004 while employment in utilities is down 6%.
- Manufacturing employment was essentially unchanged in March, but it has fallen by 35,000 over the past 12 months, with most losses in Ontario. Despite small losses in March, employment in natural resources and construction is up 6.6% and 7.8% over the past year.

### ...but edged down in the Services sector

- Employment in the Service sector declined 6,000 in March, following an increase of 57,000 in February. The largest declines were concentrated in accommodation & food services (18,000), transportation & warehousing (14,000), and professional scientific & technical services (15,000), mostly in computer systems design. Despite job losses in professional, scientific & technical services, employment was up 1.6% from 12 months ago. The highest employment increase was in finance, insurance, real estate & leasing (12,000).

### Employment by Major Sector



### Employment Growth by Worker Category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2004 March	2005 February	2005 March	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,968.3	4,006.7	4,017.5	10.8	49.2	-6.4	0.3	1.2
Agriculture	331.2	324.8	333.0	8.2	1.8	11.3	2.5	0.5
Natural Resources*	279.8	300.6	298.3	-2.3	18.5	-2.9	-0.8	6.6
Utilities	133.6	119.7	125.6	5.9	-8.0	1.0	4.9	-6.0
Construction	921.1	994.3	993.2	-1.1	72.1	-1.8	-0.1	7.8
Manufacturing	2,302.6	2,267.3	2,267.5	0.2	-35.1	-14.0	0.0	-1.5
<b>Services-producing</b>	11,870.9	12,077.2	12,070.9	-6.3	200.0	31.7	-0.1	1.7
Trade	2,497.5	2,548.5	2,556.2	7.7	58.7	32.0	0.3	2.4
Transportation*	816.8	798.0	783.6	-14.4	-33.2	-3.0	-1.8	-4.1
FIRE*	932.5	989.2	1,000.7	11.5	68.2	16.3	1.2	7.3
Professional/Scientific	1,002.6	1,032.9	1,018.2	-14.7	15.6	-11.6	-1.4	1.6
Business/Building	614.4	635.8	634.0	-1.8	19.6	1.2	-0.3	3.2
Educational Services	1,034.2	1,068.3	1,075.9	7.6	41.7	19.2	0.7	4.0
Health Care/Social Assistance	1,732.2	1,732.0	1,737.1	5.1	4.9	0.7	0.3	0.3
Information/Culture/Recreation	721.7	736.0	744.5	8.5	22.8	11.2	1.2	3.2
Accommodation & Food	1,006.9	1,005.8	987.5	-18.3	-19.4	-29.2	-1.8	-1.9
Other Services	692.0	707.6	699.0	-8.6	7.0	-3.0	-1.2	1.0
Public Administration	820.1	823.2	834.1	10.9	14.0	-2.1	1.3	1.7

\*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.

# LABOUR MARKET TRENDS



## Provincial Overview

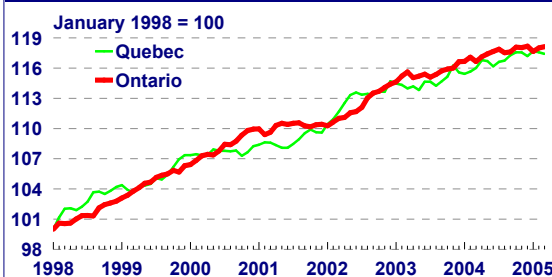
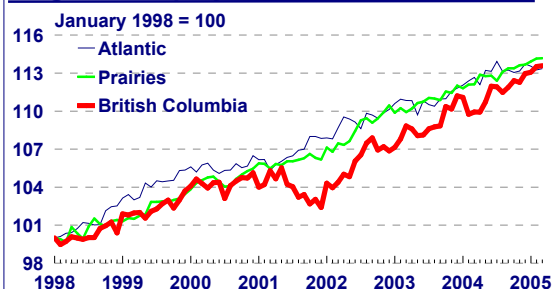
### Notable gains were recorded in Alberta and Ontario in March...

- Employment rose in all western provinces, but Manitoba. Alberta recorded the highest employment gain (5,000), mostly in part-time. Over the past 12 months, employment has risen in all western provinces, notably in British Columbia (3.3%) and Saskatchewan (2.8%).
- Ontario's employment edged up 7,000 as an increase of 38,000 part-time jobs was offset by a decline of 31,000 in full-time employment. In Quebec, employment declined 5,000 in March, following a 3,000 decline in February.
- Newfoundland & Labrador reported the highest employment gain (2,600) among the Atlantic provinces, recovering from February's losses. Employment in the Atlantic provinces has been relatively unchanged over the last 10 months.

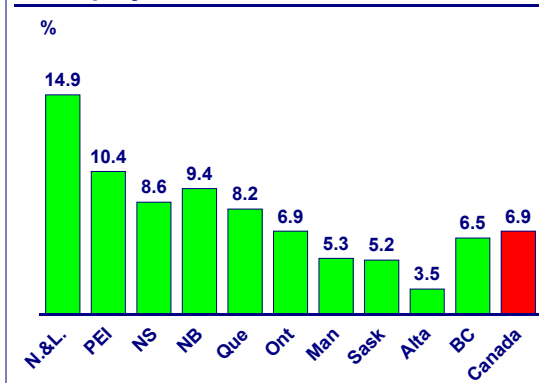
### ...while the unemployment rate fell significantly in Alberta and British Columbia

- A small employment gain and decline in the labour force pushed down British Columbia's unemployment rate 0.5 percentage to 6.5%, the lowest in two decades. Alberta's unemployment rate decreased to a 24-year low of 3.5% in March.
- Ontario's unemployment rate edged up to 6.9% as the labour force grew at a faster pace than employment. Quebec's unemployment rate rose to 8.2%.
- The unemployment rate declined by 1.2 percentage points to 8.6% in Nova Scotia, as less people sought jobs. The unemployment rate declined to 14.9% in Newfoundland & Labrador while it rose to 10.4% in Prince Edward Island.

### Regional employment patterns



### Unemployment Rates -- March 2005



### Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment Rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since last year	
	2005 March	(000's)	%	(000's)	%	2005 March	last month	last year
Canada	16,088.4	4.4	0.0	249.3	1.6	6.9	-0.1	-0.4
Newfoundland & Labrador	216.5	2.6	1.2	-0.1	-0.0	14.9	-0.3	-0.7
Prince Edward Island	68.4	-0.3	-0.4	2.6	4.0	10.4	0.2	-1.2
Nova Scotia	443.1	0.3	0.1	5.3	1.2	8.6	-1.2	-0.4
New Brunswick	349.6	-1.6	-0.5	-1.1	-0.3	9.4	0.0	-0.2
Quebec	3,710.8	-5.4	-0.1	44.2	1.2	8.2	0.2	-0.2
Ontario	6,351.4	7.1	0.1	79.7	1.3	6.9	0.1	0.0
Manitoba	576.5	-6.0	-1.0	4.3	0.8	5.3	0.3	0.3
Saskatchewan	489.6	1.3	0.3	13.4	2.8	5.2	0.3	-0.7
Alberta	1,781.6	5.3	0.3	33.6	1.9	3.5	-0.7	-1.2
British Columbia	2,101.0	1.2	0.1	67.5	3.3	6.5	-0.5	-1.2

# PRICES and FINANCIAL MARKETS

## Consumer and Commodity Prices



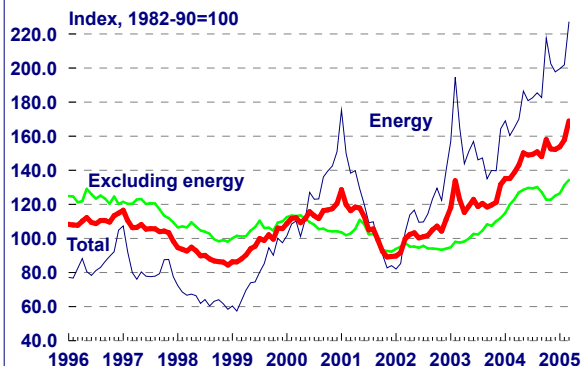
### Inflation rose to 2.1% in February...

- On a year-over-year basis, the increase in the Consumer Price Index (CPI) was 2.1% in February, up from 2.0% in January. Excluding energy, inflation was 1.6% in February, up slightly from 1.5% in January.
- Inflation rose in five provinces led by Ontario, Manitoba and Newfoundland and Labrador. Inflation in Alberta remained at 1.5%, the lowest among provinces.
- On a month-to-month basis (seasonally adjusted), the CPI increased 0.2% in February following a 0.1% decline in January.
- The year-over-year increase in commodity prices jumped to 21.9% in March, up from 16.7% in February. Energy price inflation rose to 37.8% in March, from 25.9%, the largest increase since November 2004. On a monthly basis, commodity prices rose 7.2% after rising 2.5% in February. Excluding energy, commodity prices moderated to 2.3% from 3.8% in February.

### ...and the core inflation rate rose to 1.8%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, rose to 1.8% in February from 1.6% in January, below the midpoint of the 1%-3% official target range.

### Commodity Prices (\$US basis)



### Consumer Prices

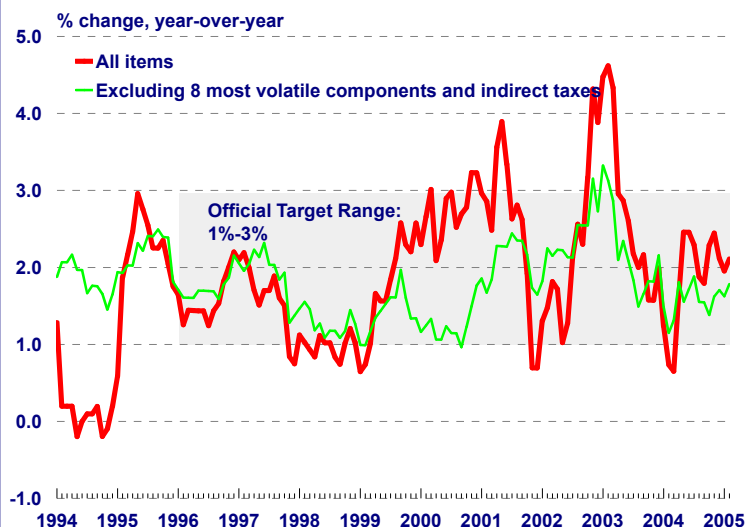
February 2005

	Index (1992=100)	% Change since	
		last month	last year
<b>All items CPI</b>	125.8	0.4	2.1
Food	126.6	-0.2	2.6
Shelter	122.6	0.2	3.0
Household operations	115.5	0.2	0.3
Clothing & Footwear	103.0	3.0	-1.0
Transportation	147.0	0.5	3.6
Health & Personal Care	119.7	0.6	1.7
Recreation, Educ. & Reading	126.3	0.6	-0.2
Alcohol & Tobacco	145.2	0.1	2.9
<b>Excl. 8 Most Volatile/Indirect Taxes</b>	125.5	0.3	1.8
<b>Energy</b>	152.3	2.1	7.3

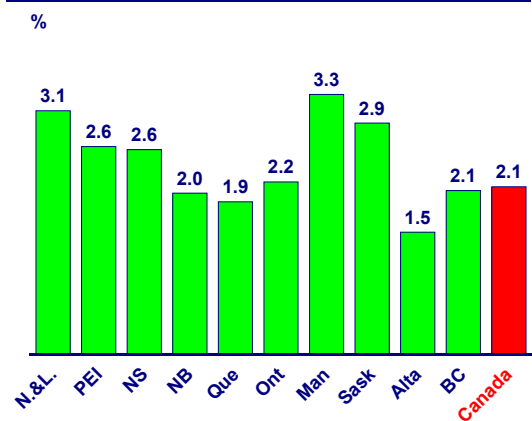
### Commodity Prices (March 2005)

	Index, 1982-90=100	7.2	21.9
Excluding Energy	134.4	2.4	9.4
Energy	227.2	12.5	37.8

### Consumer Price Index



### Provincial CPI Inflation -- February 2005





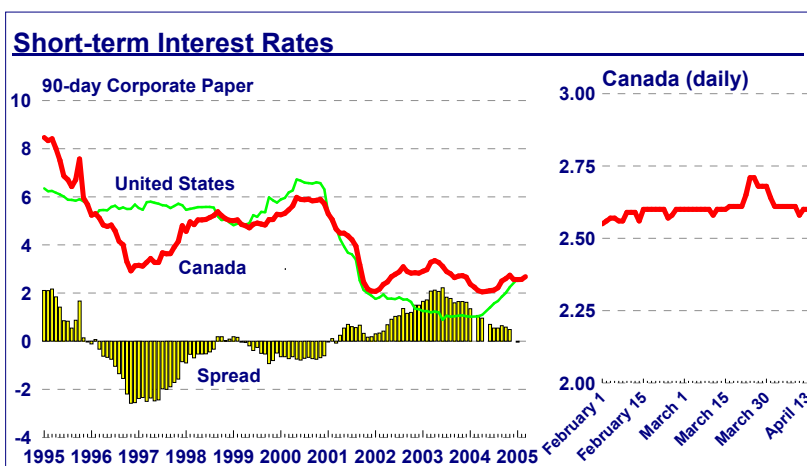
## Short-term and Long-term Interest Rates

### The Canadian short-term rate remained stable in April...

- The Bank of Canada kept the target for the overnight rate unchanged at 2.5% on April 12, as developments since its latest rate announcement on March 1 continued to point to moderate growth and low inflation. The Bank of Canada revised down its growth forecast for 2005 to 2.6% from the 2.8% expected in the January update. In the U.S., the Federal Open Market Committee (FOCM) raised the Fed funds rate by 25 bps to 2.75% on March 22. The Minutes of the FOCM, released on April 12, revealed some concerns about inflation, but concluded that it was appropriate to keep increasing rates at a measured pace. This points to another 25 bps increase to 3.0% at the next Federal Reserve meeting on May 3.
- Canadian short-term rates were stable at 2.6% from mid-March to mid-April. After raising sharply in March, U.S. rates stabilized around 3.0% in April and the negative spread between Canada-U.S. rates widened slightly from about -35 bps to -38 bps.

### ...and North American long-term yields pulled back

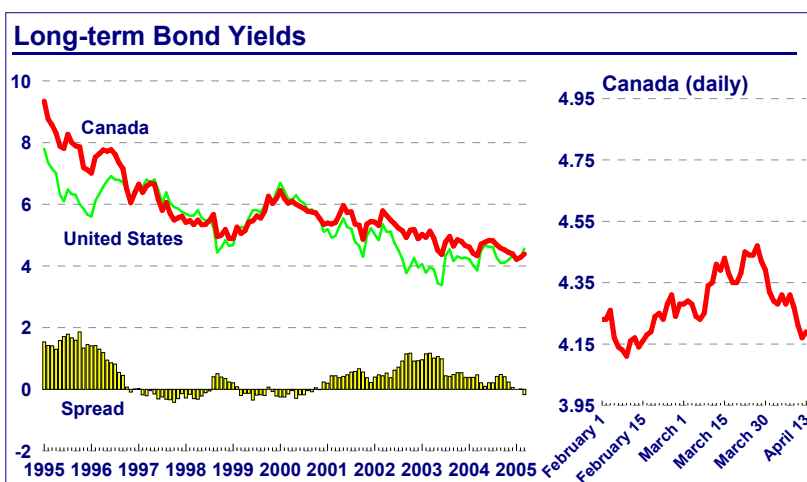
- Long-term rates retreated sharply in April, as concerns about the Federal Reserve shifting towards a more aggressive stance in the near-term were pushed aside. In the U.S., 10-year yields were 4.35% on April 12, down over 25 bps since March 22. Yields in Canada fell about 30 bps, from a recent high in March, to 4.19% on April 13, leading the negative Canada-U.S. spread on long-term yields to widen slightly to 19 bps.
- Reflecting an earlier rise in long-term yields, mortgage rates edged up in April. One-year mortgage rates rose 25 bps to 5.05% on April 6, and five-year mortgage rates climbed from 6.05% to 6.25%.



### Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2003	2.66	1.62	4.66	0.39
2004	2.57	N/A	4.39	0.06
October	2.60	0.59	4.52	0.41
November	2.74	0.49	4.44	0.24
December	2.57	N/A	4.39	0.06
January	2.56	-0.04	4.21	0.00
February	2.57	N/A	4.28	0.01
March	2.68	N/A	4.39	-0.17
April 13 *	2.60	-0.42	4.19	-0.19

A positive spread indicates that Canadian rates are above their U.S. counterparts. \* Bank of Canada's Weekly Financial Statistics



### Key Lending Rates

(end of period)	Overnight Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
2003	2.75	4.50	4.75	6.45
2004	2.50	4.25	4.80	6.05
October	2.50	4.25	4.90	6.40
November	2.50	4.25	5.00	6.30
December	2.50	4.25	4.80	6.05
January	2.50	4.25	4.80	6.05
February	2.50	4.25	4.80	6.05
March	2.50	4.25	5.05	6.25
April 13 *	2.50	4.25	5.05	6.25

\* Bank of Canada's Weekly Financial Statistics

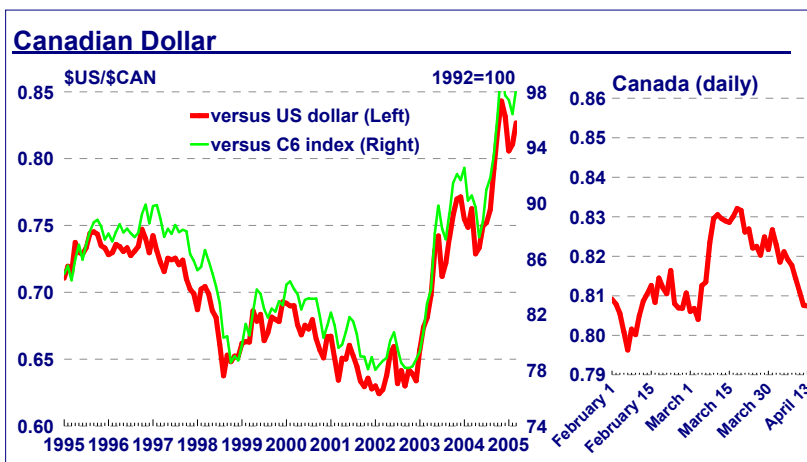


### The Canadian dollar lost some ground in April

- The Canadian dollar declined 2.9% from its recent high on March 17 (US¢83.2) to close at US¢80.8 on April 12, a level similar to that in early March. The greenback regained some strength amid strong U.S. GDP growth and a widening negative spread between Canadian and U.S. interest rates. The recent pull back in the Canadian dollar was also due to oil prices declining substantially from a recent high. The price of West Texas Intermediate (WTI) fell from a record high of 58.27\$ per barrel on April 1 to 51.86\$ on April 12.
- The Canadian dollar appreciated marginally vis-à-vis the euro and the Japanese yen in recent weeks. The loonie gained 0.7% against the euro from March 17 to April 12, and 0.3% against the yen from March 17 to April 12.

### North American stock indices bounced back as long-term interest rates edged down

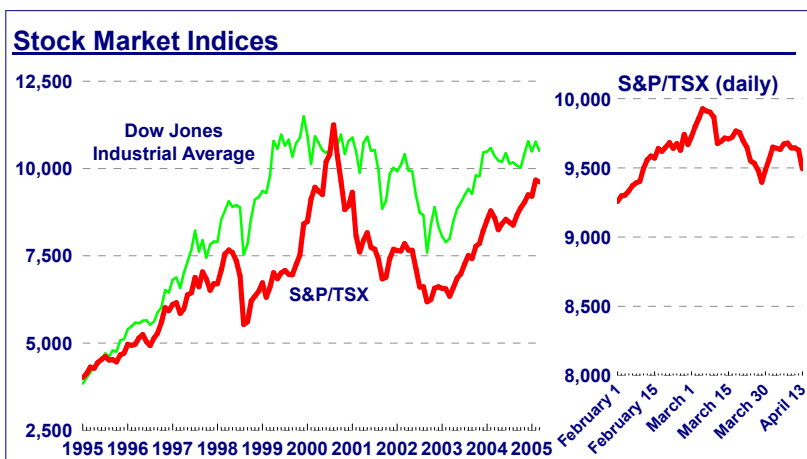
- The S&P/TSX index bounced back and closed at 9,629 on April 12 after hitting a low of 9,395 on March 29. While most sub-indices closed at a similar level in mid-April than in mid-March, metals & mining, materials, and gold posted significant monthly losses.
- The Dow Jones closed at 10,508 on April 12, up from 10,404 on April 1. Equity markets bounced back as yields on long-term bonds retreated.



### The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2003	0.7713	91.65	1.628	82.86
2004	0.8319	97.74	1.629	85.27
October	0.8210	96.36	1.559	86.88
November	0.8432	99.92	1.577	86.76
December	0.8319	97.74	1.629	85.27
January	0.8057	97.41	1.618	83.49
February	0.8107	96.40	1.633	84.75
March	0.8267	98.17	1.568	88.65
April 13	0.8074	96.77*	1.599	86.71

\* Bank of Canada's Weekly Financial Statistics



### Key Stock Market Indexes

	March Close	% change from	
		last month	last year
<b>S&amp;P/TSX</b>	<b>9,612</b>	<b>-0.6</b>	<b>12.0</b>
Energy	235	-0.1	41.8
Metals & Mining	312	-2.7	39.8
Utilities	163	-0.2	4.7
Materials	165	-5.5	6.5
Industrial	81	2.4	8.1
Financial	158	0.5	11.4
Gold	194	-6.9	-15.6
Telecommunication	78	1.5	21.7
Information Technology	29	3.0	-10.1
Consumer Discretionary	93	-2.0	7.1
Consumer Staples	203	-0.5	15.3
<b>S&amp;P 500</b>	<b>1,180.6</b>	<b>-1.9</b>	<b>4.8</b>
<b>Dow Jones</b>	<b>10,504</b>	<b>-2.4</b>	<b>1.4</b>



# THE UNITED STATES ECONOMY



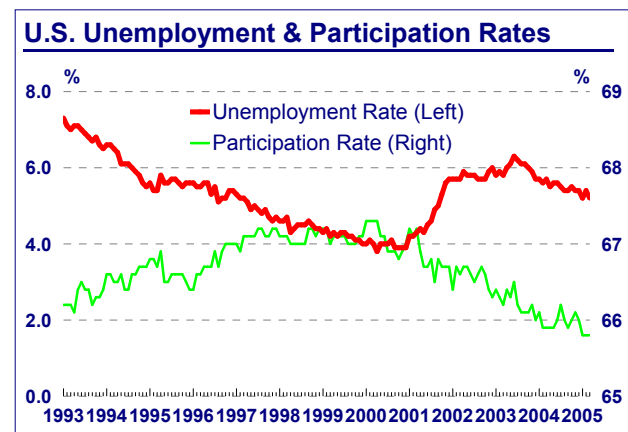
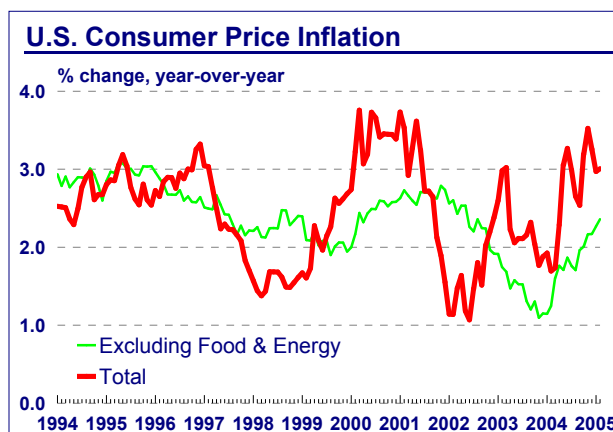
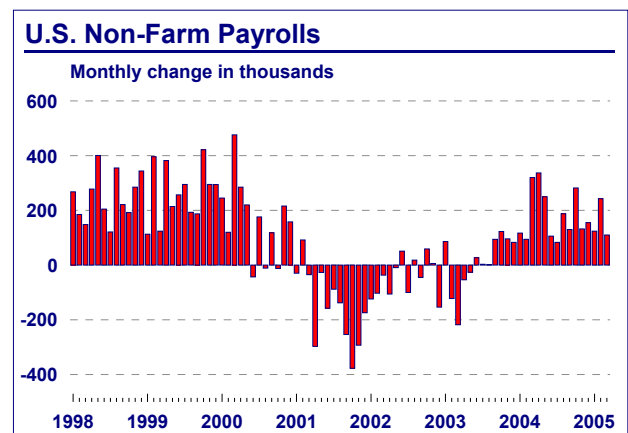
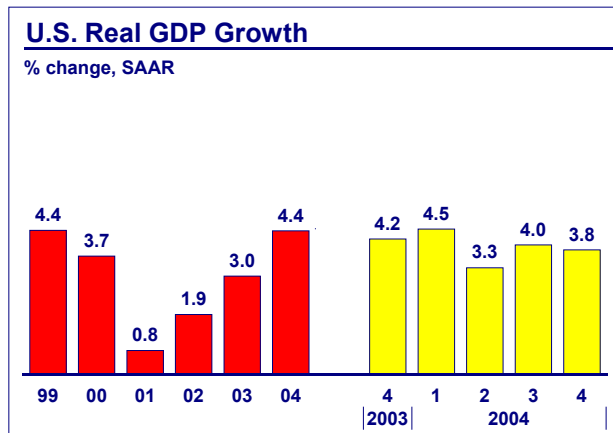
## U.S. Economic Trends

### Recent indicators point to continued growth in the first quarter

- After growing by 3.8% in the fourth quarter of 2004, real GDP is poised to rise further on the continued strength of strong domestic demand.
- Non-farm employment increased by 110,000 in March after increasing 243,000 in February. Gains were led by professional and business services, construction, and education and health services. The construction sector has added 489,000 jobs since March 2003 as residential construction continues to be brisk. The unemployment rate edged down to 5.2% in March from 5.4% in February as less people were unemployed.
- In February, industrial production rose 0.3% and manufacturing output increased 0.5%. The increase in manufacturing production was largely a result of higher output of motor vehicles and parts and a rise in the production of computer and electronic products. Moreover, real consumer spending increased 0.3% in February and would rise by over 3% (annualized) in the first quarter assuming no growth in March.
- The Institute of Supply Management (ISM) manufacturing index edged down to 55.2 in March from 55.3 in the previous month (a reading above 50 indicates the sector is expanding) while the non-manufacturing index surged to 63.1.

### The trade deficit widens sharply in February

- The trade deficit widened to a record high in February as imports increased more than exports. Exports of goods and services edged up \$0.1 billion to \$100.5 billion as exports of industrial supplies and materials and consumer goods rose strongly. On the other hand, imports increased \$2.6 billion to \$161.5 billion, mostly as a result of higher industrial supplies and materials and consumer goods imports. On a year-over-year basis, exports are up 8.7% and imports 16.8% resulting in a widening of the trade deficit.

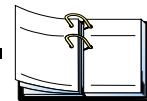


Source: U.S. Bureau of Economic Analysis & U.S. Bureau of Labor Statistics

## COMING UP

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### Key Future Data Releases and Planned Events



#### CANADA

Consumer Price Index - March	April 22
Real GDP by Industry - February	April 29
Labour Force Survey - April	May 6
Canadian International Merchandise Trade - March	May 11
Monthly Survey of Manufacturing - March	May 13
Key Policy Interest Rate Announcement	May 25
Financial Statistics for Enterprises - 1st Quarter 2005	May 26
Balance of International Payments - 1st Quarter 2005	May 30
National Economic and Financial Accounts - 1st Quarter 2005	May 31

#### UNITED STATES

Consumer Price Index - March	April 20
GDP - 1st Quarter 2005 (advance)	April 28
Federal Open Market Committee Meeting	May 3
The Employment Situation - April	May 6
International Trade in Goods and Services - March	May 11

Note: The April 2005 MEI uses data available as of April 15, 2005