



Industry
Canada

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Monthly Economic Indicators

November 2003


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/sc_ecnmy/mera/engdoc/03.html.


Canada


MONTHLY ECONOMIC INDICATORS


November 2003


HIGHLIGHTS

 **Real Gross Domestic Product (GDP) fell 0.7% in August as the power outage in Ontario hampered economic activity.**

 **Recent indicators, including employment, housing, exports, retail trade and shipments point to recovery in output in September.**

 **Employment surged 65,000 in October, almost all in full-time and in the service sector, following 46,000 job gains in September. The unemployment rate fell 0.4 percentage point to 7.6%.**

 **In the United States (U.S.), real GDP surged 7.2% in the third quarter. Recent indicators, including employment, point to continued growth.**

 **Long-term interest rates have risen by nearly 50 basis points since early October on better-than-expected economic news.**

 **The Canadian dollar strengthened further, reaching to nearly US¢77.0, its highest level in 10 years.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,007.7	-0.7	0.8	Aug
Goods	313.4	-0.5	-0.8	Aug
Services	695.9	-0.8	1.6	Aug
Composite Index	184.1	0.7	2.9	Sep
Employment (000's)	15,813	0.4	1.6	Oct
Full-time	12,836	0.5	2.0	Oct
Part-time	2,978	0.1	0.2	Oct
Unemployment* (%)	7.6	8.0	7.6	Oct
Youth*	14.0	14.6	13.7	Oct
Adult*	6.4	6.7	6.4	Oct
CPI inflation*	2.2	2.0	2.3	Sep
Retail Sales (\$M)	26,722	0.3	3.9	Aug
Housing Starts (000's)**	237.2	2.2	8.0	Oct
Trade Balance* (\$M)	5,648	5,338	5,101	Sep
Exports	33,684	4.7	-4.9	Sep
Imports	28,036	4.5	-7.6	Sep
M&E	8,167	1.6	-8.6	Sep

		October	
		November 12***	2003
3-mth Corp. paper (%)*	2.81	2.71	2.83
Long bond yield (%)*	4.99	4.85	5.16
Canadian dollar (US¢)*	76.68	75.84	64.21

*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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November 2003

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Sources of information include, primarily, 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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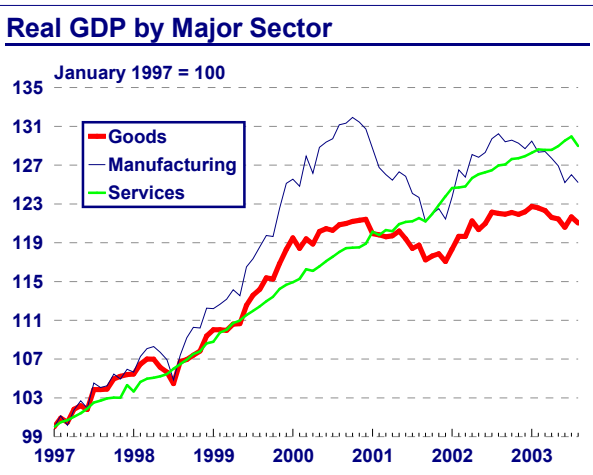
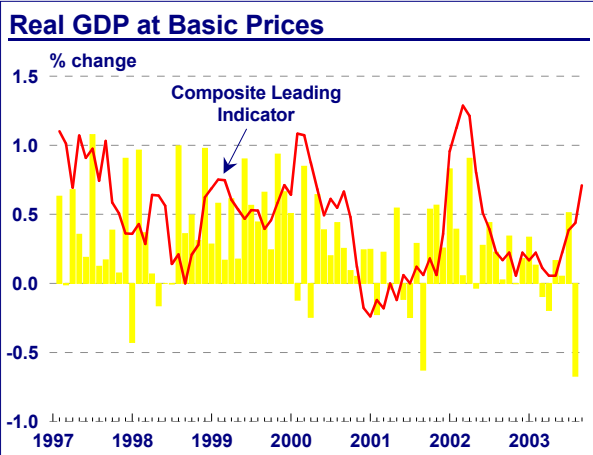


Economic activity suffers a setback in August...

- The power blackout in Ontario and subsequent request for reduced activity to conserve energy hampered economic activity in August, as real gross domestic product (GDP) fell 0.7%. This is the largest decline since September 2001, when GDP slid 0.6%. Production in all sectors of the economy posted losses except Construction and Accommodation & Food Services. However, more recent indicators, including employment and shipments, point to a recovery in output in September. Overall, real GDP is widely expected to show moderate growth in the third quarter, after stalling in the second.

...with widespread declines in the economy

- Goods output fell 0.5% in August, compared with a 0.9% gain in July. The declines in Mining & Oil & Gas Extraction and Utilities were the largest. A full-month shutdown by one of the major oil producers contributed to the lower oil and gas production. Construction, the only sector reporting a gain, was buoyed by the continuing demand for new housing.
- Economic activity of services-producing industries decreased 0.8% in August after rising 0.3% in the previous month. Reduced activity in Manufacturing hampered Wholesale Trade, which reported a sharp loss. Public Administration also contributed to the decline as most public servants in Ontario were asked to stay home to conserve energy.



Real GDP at Basic Prices (1997 chained dollars)

August 2003	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	1,007,694	-6,813	-0.7	0.8
Business Sector	853,543	-5,042	-0.6	0.8
Goods-producing	313,350	-1,598	-0.5	-0.8
Agri., Forest, Fish, Hunt*	22,196	-108	-0.5	2.5
Mining & Oil & Gas Extraction	36,226	-393	-1.1	3.5
Utilities	25,970	-176	-0.7	-2.3
Construction	55,071	346	0.6	4.6
Manufacturing	172,827	-1,111	-0.6	-3.9
Service-producing	695,945	-5,275	-0.8	1.6
Wholesale Trade	60,291	-2,092	-3.4	0.3
Retail Trade	56,938	-36	-0.1	3.4
Transportation & Warehousing	46,154	-487	-1.0	-1.3
Information & Cultural	42,105	-70	-0.2	1.2
FIRE**	205,739	-114	-0.1	2.5
Professional***	44,599	-279	-0.6	2.2
Admin. & Waste Mgmt	22,402	-197	-0.9	3.8
Education	45,951	-171	-0.4	0.6
Health & Social	60,957	-33	-0.1	3.9
Arts, Entertain. & Recreation	9,268	-199	-2.1	3.7
Accommodation & Food	22,524	116	0.5	-3.0
Other	23,877	-221	-0.9	0.3
Public Administration	55,956	-1,574	-2.7	-0.6

*Agriculture, Forestry, Fishing & Hunting

**Finance, Insurance & Real Estate

***Professional, Scientific & Technical services

THE ECONOMY

Consumer Spending and Attitudes



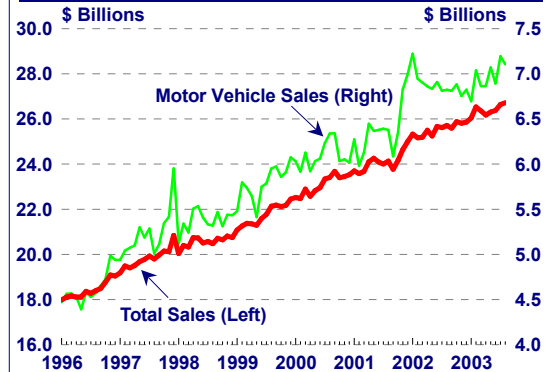
Consumer spending remained strong in the third quarter

- Following three consecutive monthly increases leading to a record level in July, real retail sales declined slightly (0.1%) in August. Average real retail sales for the July-August period were 5.9% (annual rate) higher than their second quarter level, when they rose 2.4%.
- Despite declines of 1.4% and 1.9% in August and September, respectively, new motor vehicle sales were 22.1% (annual rate) higher in the third quarter than in the second quarter, when they were down 4.5%.

Consumer confidence rose further in October

- The consumer confidence index rose for the second consecutive month in October to 122.8, reflecting consumers' growing willingness to spend and rising optimism of job prospects in the next six months.
- This, together with low interest rates and further employment growth in October, bodes well for continued growth in income and consumption.

Total Retail and Motor Vehicle Sales



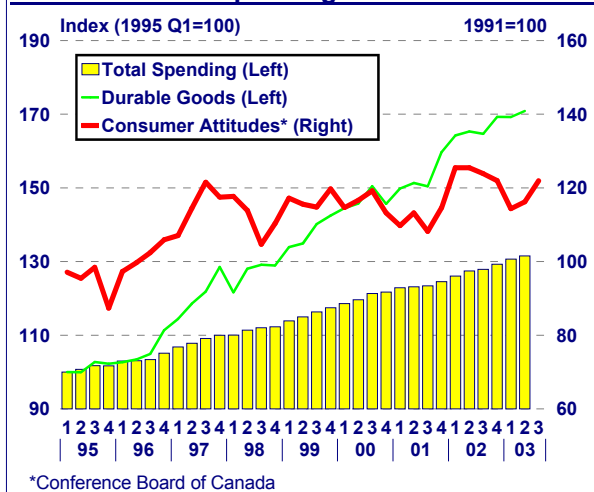
Retail Sales and Consumer Credit

	August 2003 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	26,722	0.3	3.9
Food	5,879	0.5	4.4
Drug Stores	1,356	-0.7	3.9
Clothing	1,344	-1.8	-0.2
Furniture	1,677	2.3	9.8
Automotive	10,729	0.1	3.8
General Merch. Stores	2,954	0.9	4.4
All other Stores	2,783	0.1	1.8
Total ex. motor vehicles	19,617	0.9	3.9
Consumer Credit	240	0.6	8.8

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	2001	2002	2003 Q1	2003 Q2
Real Consumption (97\$)	581,590	601,198	615,288	619,394
% change	2.6	3.4	4.4	2.7
Durable Goods	85,958	93,294	95,186	96,100
% change	4.2	8.5	-0.1	3.9
Semi-Durable Goods	52,310	54,341	55,557	55,910
% change	3.8	3.9	5.6	2.6
Non-Durable Goods	133,791	136,534	139,601	139,623
% change	1.2	2.1	4.6	0.1
Services	309,887	317,885	325,789	328,715
% change	2.7	2.6	5.3	3.6
Disposable Income	667,376	698,479	712,580	717,216
% change	4.4	4.7	3.1	2.6
Saving Rate (%)	4.5	4.2	2.3	2.4
Debt-to-Income Ratio (%)	95.9	97.3	99.1	100.1

Real Consumer Spending and Attitudes



*Conference Board of Canada



Business Investment

While signals are mixed for third quarter investment...

Business investment in non-residential construction should improve in the third quarter.

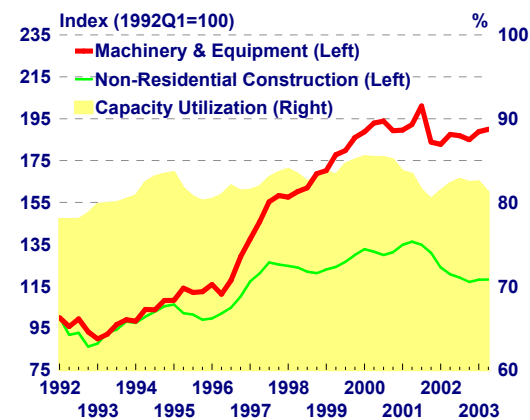
- On average, in July and August, non-residential construction GDP was 2.6% higher than in the second quarter.

However, in the latest quarter, imports of machinery & equipment fell 6.2% in nominal terms and 2.0% in real terms. This points to a slowdown in M&E investment in the quarter.

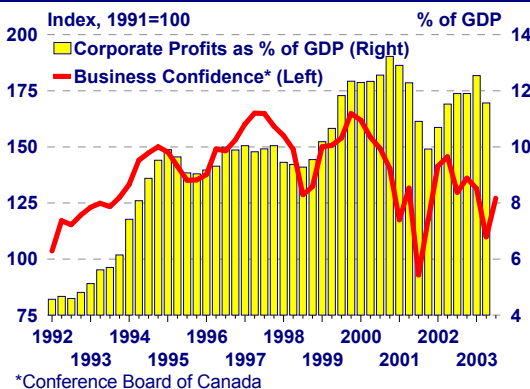
...business conditions and prospects appear to be improving

- The Business Conditions Survey showed improving balances of opinion in all areas for the fourth quarter.
 - 12 point increase in the number of respondents anticipating higher production prospects. The number of respondents that felt they had a higher than normal backlog of unfilled orders posted an 8 point increase.
 - 3 point increase in the number of respondents that anticipated increasing employment prospects.
- In autumn's Survey of Forecasters (conducted by the Conference Board), respondents were more optimistic than in the summer regarding the outlook for business investment in plant and equipment. A growth of 3.0% for 2003 is anticipated in the current survey, compared to 1.4% in the summer.

Investment in Plant and Equipment



Corporate Profits & Business Confidence



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2001	2002	2002 Q3	2002 Q4	2003 Q1	2003 Q2
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	86,494	83,720	84,340	83,453	85,199	85,703
% change	0.3	-3.2	-1.3	-4.1	8.6	2.4
Non-residential Construction (1997\$)	48,047	43,044	42,631	41,920	42,289	42,307
% change	2.2	-10.4	-5.4	-6.5	3.6	0.2
Capacity Utilization (% , Non-farm goods)	82.3	82.2	82.8	82.4	82.5	81.2
Capacity Utilization (Mfg. sector)	81.9	83.5	84.4	84.0	83.7	82.5
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	138,563	146,312	149,624	155,212	174,380	161,700
% change	-16.1	5.6	14.2	15.8	59.3	-26.1
Profits - Non-financial industries	102,845	113,379	117,980	120,892	136,872	122,820
% change	-19.0	10.2	26.7	10.2	64.3	-35.2
Profits - Financial industries	35,718	32,934	31,644	34,320	37,508	38,880
% change	-6.3	-7.8	-20.8	38.4	42.7	15.5
Business Credit	854,361	885,948	888,139	892,421	900,906	904,935
% change	5.5	3.7	1.9	1.9	3.9	1.8



The housing market remains red-hot...

- Housing starts surged to 237,200 units in October from 232,200 in September. October is the second highest monthly level in 12 years. For the first ten months of the year, starts are 7.1% higher than the same period last year.
- Ontario and Manitoba posted the largest gains in October while starts fell back in the Atlantic and Prairie provinces. Urban starts rose 6,300 to 211,300 while rural starts edged down 1,300 to 25,900.
- Real residential construction output rose 1.2% in August and was up 6.1% from last year.
- Building permits also increased 11.2% in the third quarter compared to the second quarter. September's level of 2.9 billion was up 19.1% from last year.

...and should stay healthy as fundamentals remain good

- The housing market is expected to remain strong in the short term as inventories of completed dwellings are low and mortgage rates remain favourable. However, housing is expected to cool in 2004 in line with declining pent-up demand and eroding affordability associated with higher mortgage rates and the rise in housing prices. On a year-over-year basis, the price index for new housing increased 5.1% in September, up from 4.7% in August.

Housing Activity



*Canada Mortgage and Housing Corporation

Monthly Housing Indicators

	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	19,748	1.2%	6.1%
Building Permits, \$M (2)*	2,896	10.0%	19.1%
Sales of Existing Homes (2)** (# of units)	27,580	618	3,039
Housing Starts, (3)*** (# of units, SAAR)	237,200	5,000	17,500
Newfoundland & Labrador	3,400	900	300
Prince Edward Island	1,200	600	600
Nova Scotia	3,600	-900	-1,700
New Brunswick	3,500	-800	-1,700
Quebec	53,400	-2,900	6,300
Ontario	95,600	9,200	7,900
Manitoba	6,300	2,000	2,100
Saskatchewan	3,700	500	400
Alberta	33,700	-4,600	-7,600
British Columbia	32,700	900	10,800

1 - August data; 2 - September data; 3 - October data

Sources: *Statistics Canada; **Canadian Real Estate Association; ***Canada Mortgage and Housing Corporation

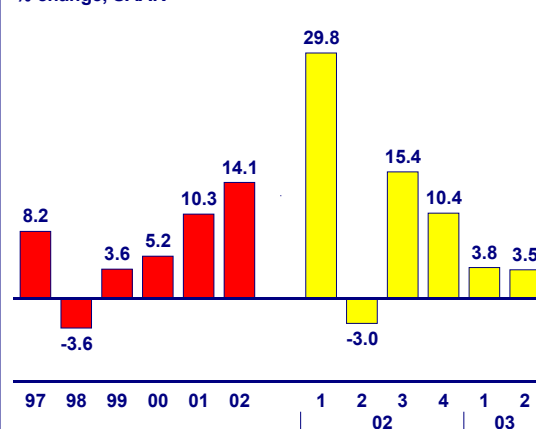
Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)

	2001	2002	2003 Q1	2003 Q2
Residential Construction	50,705	57,854	60,427	60,952
% change	10.3	14.1	3.8	3.5
New Housing	23,374	28,782	30,082	29,785
% change	5.7	23.1	-7.0	-3.9
Alterations & Improvements	19,629	20,605	21,900	22,736
% change	16.1	5.0	17.6	16.2
Ownership & Transfer Costs	7,748	8,484	8,524	8,572
% change	11.2	9.5	14.1	2.3

Growth in Real Residential Construction

% change, SAAR





Trade

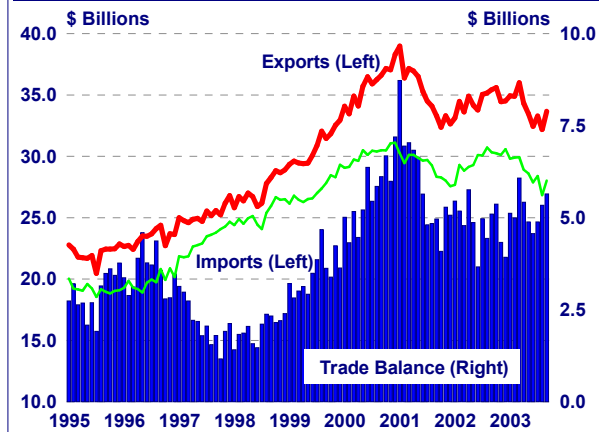
Exports and imports rebounded in September...

- Merchandise exports rose 4.7% to \$33.7 billion in September, following a 3.3% decline in August. The recovery was influenced largely by strong gains in exports of automotive products, which were adversely affected by the August power blackout. There were also significant gains elsewhere, particularly exports of energy products. Exports to both the U.S. (4.4%) and other countries (6.2%) rose.
- Imports rose 4.5%, after declining 5.5% in August. In addition to automotive products, notable gains were reported in energy products, industrial goods & materials, and machinery & equipment. While imports from the U.S. rose 4.0% in September, imports from other countries gained 5.5%.

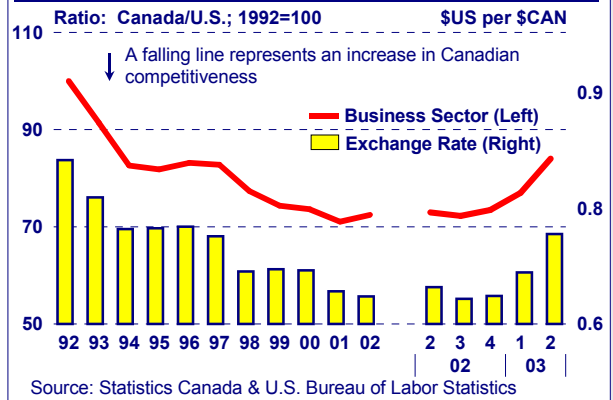
...raising the trade surplus

- The merchandise trade surplus rose by \$0.3 billion to \$5.6 billion in September, its highest level since March. This reflected an increase of \$0.4 billion in the surplus with the U.S. and a rise of \$95 million in the deficit with non-U.S. partners. For the January-September period, exports and imports were down 1.4% and 2.7%, respectively, from their levels of the same period in 2002. As a result, the trade surplus was up \$2.7 billion to \$46.9 billion.

Merchandise Trade Flows and Balance



Unit Labour Cost Comparison (\$US)



Merchandise Trade

September 2003	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	August 2003	September 2003	Jan.-Sep. 2002	Jan.-Sep. 2003	Aug. to Sep. 2003	Aug. to Sep. 2003	Jan.-Sep. 2002 to Jan.-Sep. 2003	
Exports	32,177	33,684	309,724	305,238	1,507	4.7	-1.4	
to United States	26,566	27,728	259,649	253,576	1,162	4.4	-2.3	
Imports	26,838	28,036	265,501	258,296	1,198	4.5	-2.7	
from United States	18,849	19,606	190,790	180,963	757	4.0	-5.2	
Trade Balance	5,338	5,648	44,223	46,942	310			
with United States	7,717	8,122	68,859	72,613	405			
Exports by Commodity								
Agriculture/Fishing Products	2,421	2,512	23,242	21,701	91	3.8	-6.6	
Energy Products	4,912	5,140	34,859	47,524	228	4.6	36.3	
Forestry Products	2,932	3,085	28,064	25,786	153	5.2	-8.1	
Industrial Goods & Materials	5,282	5,513	52,781	49,187	231	4.4	-6.8	
Machinery & Equipment	7,354	7,439	73,040	67,937	85	1.2	-7.0	
Automotive Products	6,728	7,425	73,743	66,177	697	10.4	-10.3	
Other Consumer Goods	1,410	1,505	13,195	12,986	95	6.7	-1.6	
Imports by Commodity								
Agriculture/Fishing Products	1,734	1,783	16,327	16,355	49	2.8	0.2	
Energy Products	1,536	1,698	11,762	15,113	162	10.5	28.5	
Forestry Products	252	251	2,341	2,285	-1	-0.4	-2.4	
Industrial Goods & Materials	5,073	5,198	51,472	49,062	125	2.5	-4.7	
Machinery & Equipment	8,036	8,167	79,263	74,402	131	1.6	-6.1	
Automotive Products	5,412	6,029	60,595	57,426	617	11.4	-5.2	
Other Consumer Goods	3,846	3,827	34,453	34,850	-19	-0.5	1.2	



Employment and Unemployment

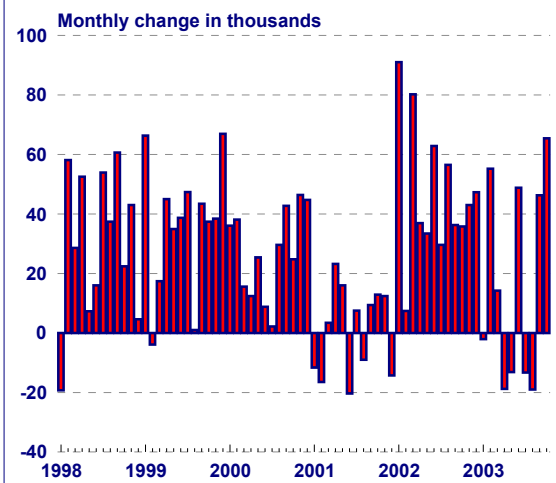
Employment surged in October...

- Employment went up by 65,000 in October, following an increase of 46,000 jobs in September and slow employment growth earlier in the year. Since the beginning of the year, employment has grown 1.0% (164,000), much slower than the 3.1% (470,000) growth observed over the same period of 2002.
- Employment gains in October were almost all in full-time jobs (62,000). So far this year, nearly all employment gains have been in full-time positions (162,000).
- Employment increased for adults (68,000), but decreased for youths (3,000) in October. Adult women gained 41,000 jobs, all full-time. Adults have gained 172,000 jobs since December, while youths have lost 9,000 jobs.
- The employment rate rose to 62.4%, near the all-time record of 62.5% set in March 2003.

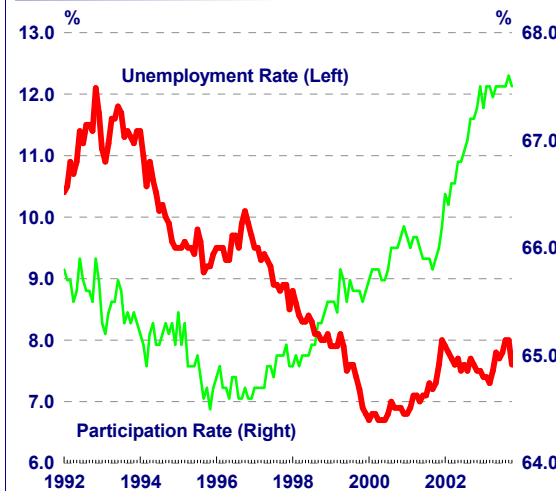
...and the unemployment rate fell to 7.6%

- The unemployment rate fell 0.4 percentage points to 7.6% in October, as the large increase in employment more than offset a small increase in the labour force. The unemployment rate for adults declined 0.3 percentage points, but was unchanged from October 2002. Youth unemployment fell 0.6 percentage point to 14.0%, reflecting a sharp decline in the number of youths looking for jobs.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2002 October	2003 September	2003 October	last month	last year	year-to- date	last month	last year
Employment	15,559.4	15,747.9	15,813.3	65.4	253.9	163.6	0.4	1.6
Full-time	12,587.5	12,773.6	12,835.7	62.1	248.2	162.3	0.5	2.0
Part-time	2,971.8	2,974.4	2,977.6	3.2	5.8	1.3	0.1	0.2
Youth 15-24	2,386.1	2,398.8	2,395.9	-2.9	9.8	-8.6	-0.1	0.4
Adult 25+	13,173.3	13,349.1	13,417.4	68.3	244.1	172.2	0.5	1.9
Self-employed	2,412.2	2,428.4	2,433.0	4.6	20.8	54.5	0.2	0.9
Unemployment	1,278.7	1,369.6	1,309.4	-60.2	30.7	33.8	-4.4	2.4
Unemployment Rate	7.6	8.0	7.6	-0.4	0.0	0.1		
Youth 15-24	13.7	14.6	14.0	-0.6	0.3	0.7		
Adult 25+	6.4	6.7	6.4	-0.3	0.0	0.0		
Labour Force	16,838.1	17,117.6	17,122.8	5.2	284.7	197.5	0.0	1.7
Participation Rate	67.2	67.6	67.5	-0.1	0.3	0.0		
Employment Rate	62.1	62.2	62.4	0.2	0.3	0.0		

LABOUR MARKET TRENDS



Industry Overview

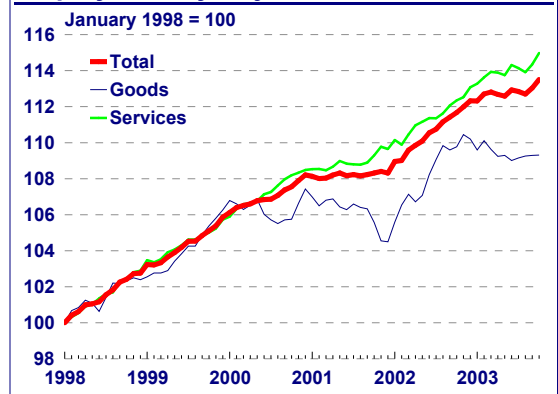
Employment changed little in the Goods sector...

- Employment in the Goods sector saw virtually no gain (+600) in October, following an increase of 1,400 in September. Natural Resources posted the largest gain (7,000), while 10,000 jobs were lost in Construction, nearly offsetting small gains in all other major groupings. Despite an October loss, Construction has gained 34,000 jobs so far this year due to a strong housing market.
- Manufacturing gained 800 jobs in October, but has lost 77,000 since the beginning of 2003, due in part to a higher Canadian dollar and weakness in the U.S. early in the year. This contrasts to the first ten months of 2002, when Manufacturing created 98,000 jobs.

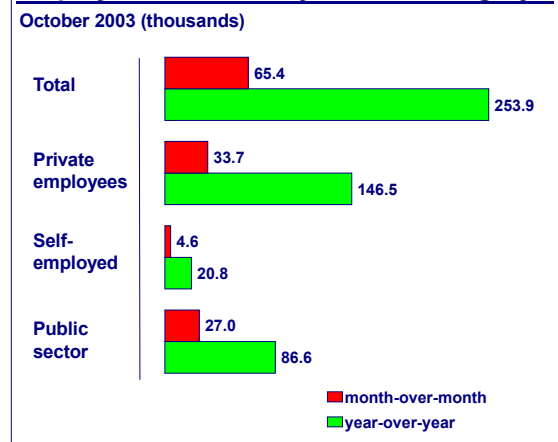
...but surged in the Services sector

- Employment in Services increased by 65,000 in October, following 45,000 job gains the previous month. The largest gains were in Health Care (20,000), Management (13,000) and Finance (13,000).
- Only three groups posted small job losses -- Other service category, Information, Culture & Recreation, and Public Administration.
- The Services sector has created 196,000 (1.7%) jobs so far this year, more than offsetting job losses in the Goods sector (32,000 or 0.8%).

Employment by Major Sector



Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2002 October	2003 September	2003 October	last month	last year	year-to- date	last month	last year
Goods-producing	3,994.6	3,977.0	3,977.6	0.6	-17.0	-32.4	0.0	-0.4
Agriculture	351.8	332.8	333.1	0.3	-18.7	-22.1	0.1	-5.3
Natural Resources*	268.1	292.7	300.0	7.3	31.9	29.7	2.5	11.9
Utilities	129.7	131.8	133.4	1.6	3.7	2.3	1.2	2.9
Construction	913.6	955.2	945.7	-9.5	32.1	34.4	-1.0	3.5
Manufacturing	2,331.4	2,264.5	2,265.3	0.8	-66.1	-76.9	0.0	-2.8
Services-producing	11,564.8	11,770.9	11,835.7	64.8	270.9	196.1	0.6	2.3
Trade	2,429.5	2,464.9	2,474.1	9.2	44.6	27.6	0.4	1.8
Transportation*	772.0	764.5	775.2	10.7	3.2	9.4	1.4	0.4
FIRE*	905.1	940.9	953.4	12.5	48.3	49.8	1.3	5.3
Professional/Scientific	1,008.9	996.4	1,001.8	5.4	-7.1	-19.0	0.5	-0.7
Management/Administrative	603.9	599.9	612.7	12.8	8.8	0.4	2.1	1.5
Educational Services	1,020.3	1,040.0	1,045.5	5.5	25.2	-4.7	0.5	2.5
Health Care/Social Assistance	1,645.3	1,690.7	1,710.6	19.9	65.3	55.8	1.2	4.0
Information/Culture/Recreation	683.6	718.5	712.3	-6.2	28.7	18.8	-0.9	4.2
Accommodation & Food	1,017.1	1,018.9	1,026.0	7.1	8.9	9.8	0.7	0.9
Other Services	696.8	700.8	693.8	-7.0	-3.0	-1.3	-1.0	-0.4
Public Administration	782.4	835.3	830.4	-4.9	48.0	49.4	-0.6	6.1

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

LABOUR MARKET TRENDS



Provincial Overview

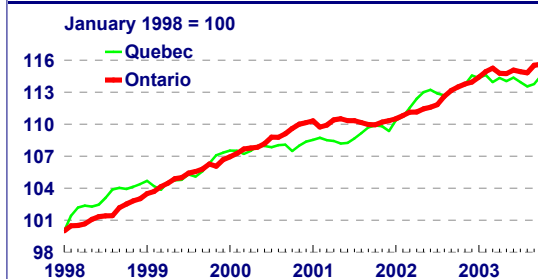
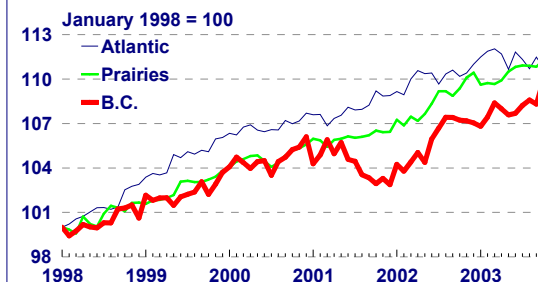
Job gains were concentrated in British Columbia and Quebec...

- British Columbia posted the strongest job gains in October at 30,000, mostly full-time. Increases were concentrated in Public Administration, Finance and Professional Services. B.C. has gained 54,000 jobs (2.7%) so far this year.
- Quebec gained 26,000 jobs, all part-time. Quebec has now recouped job losses earlier in 2003. Ontario gained only 5,000 jobs in October, after creating 39,000 jobs in September and 91,000 jobs so far this year. Alberta has also been a major contributor to employment growth this year (31,000). In October, small job gains were posted by all other provinces, except Newfoundland & Labrador (-4,000) and Nova Scotia (-4,000).

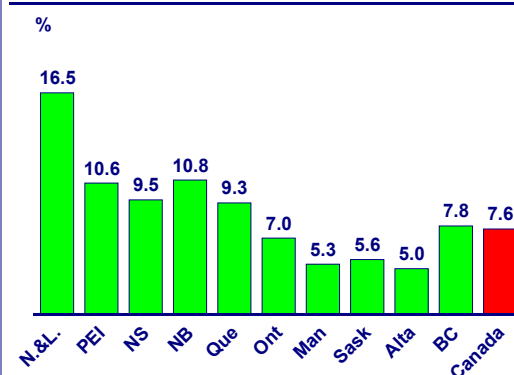
...and the unemployment rate fell in most provinces

- Job creation helped reduce the unemployment rates in B.C. (-1.3 percentage points to 7.8%), Manitoba (-0.5 to 5.3%), Quebec (-0.3 to 9.3%) and Ontario (-0.3 to 7.0%).
- Prince Edward Island posted the largest increase in the unemployment rate (0.3 to 10.6%), reflecting an increase in its labour force. Other provinces registered small changes in their unemployment rates.
- Compared to last October, the unemployment rate was down in most provinces, particularly Newfoundland & Labrador and P.E.I., but was up sharply in Quebec.

Regional employment patterns



Unemployment Rates -- October 2003



Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment Rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since	
	2003 October	(000's)	%	(000's)	%	2003 October	last month	last year
Canada	15,813.3	65.4	0.4	253.9	1.6	7.6	-0.4	0.0
Newfoundland & Labrador	216.4	-4.0	-1.8	5.1	2.4	16.5	0.1	-1.7
Prince Edward Island	69.0	0.1	0.1	1.4	2.1	10.6	0.3	-1.0
Nova Scotia	432.5	-3.7	-0.8	3.0	0.7	9.5	-0.2	0.1
New Brunswick	343.7	1.0	0.3	-3.7	-1.1	10.8	0.1	0.0
Quebec	3,654.1	25.5	0.7	34.9	1.0	9.3	-0.3	1.2
Ontario	6,257.0	5.3	0.1	114.9	1.9	7.0	-0.3	-0.1
Manitoba	569.2	5.5	1.0	-0.3	-0.1	5.3	-0.5	-0.1
Saskatchewan	484.4	1.7	0.4	-5.8	-1.2	5.6	-0.1	-0.2
Alberta	1,738.9	3.9	0.2	54.2	3.2	5.0	0.1	-0.7
British Columbia	2,048.1	30.1	1.5	50.2	2.5	7.8	-1.3	-0.5



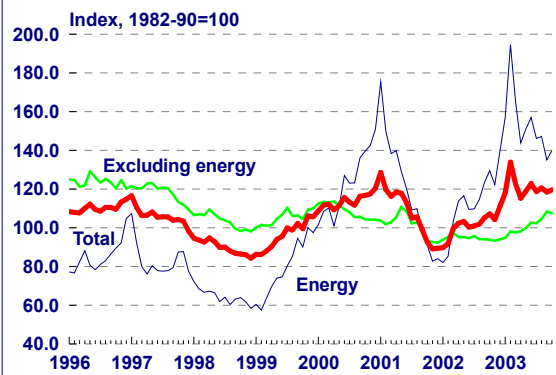
Inflation rose to 2.2% in September...

- The year-over-year increase in the Consumer Price Index (CPI) rose from 2.0% in August to 2.2% in September. The increase reflected a larger rise in household furnishing costs and in tuition fees compared to August, and a smaller decline in clothing prices. Energy prices had a dampening effect, rising 6.5% compared with 7.6% in August. Excluding the energy sub-index, inflation rose from 1.6% to 1.9% in September.
- On a monthly basis, the CPI was up 0.2%, as in August. Clothing prices jumped 3.1% following a series of small changes, while transportation costs fell 0.4% after rising 1.8% in August.
- In October, the year-over-year increase in commodity prices moderated to 11.6% from 12.7% in September. On a monthly basis, commodity prices rose 1.0%, partly offsetting the decline of 1.8% in September. Since their lows of late 2001, commodity prices were up by 34% in \$U.S. terms, which corresponds to an increase of about 14% in \$C terms.

...while the "core" rate rose to 1.7%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, increased from 1.5% in August to 1.7% in September. This remains below the midpoint of the 1%-3% target range.

Commodity Prices (\$US basis)



Consumer Prices

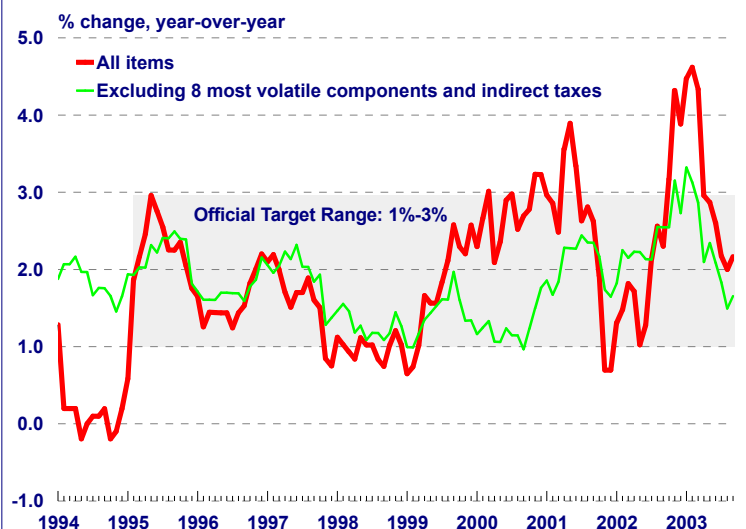
September 2003

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	122.7	0.2	2.2
Food	121.3	-0.7	1.8
Shelter	117.9	0.2	2.9
Household operations	115.1	0.3	1.1
Clothing & Footwear	105.0	3.1	-2.1
Transportation	141.9	-0.4	3.7
Health & Personal Care	117.6	0.2	1.6
Recreation, Educ. & Reading	128.9	0.7	0.2
Alcohol & Tobacco	137.1	0.0	5.5
Excl. 8 Most Volatile/Indirect Taxes	122.8	0.3	1.7
Energy	143.4	-0.1	6.5

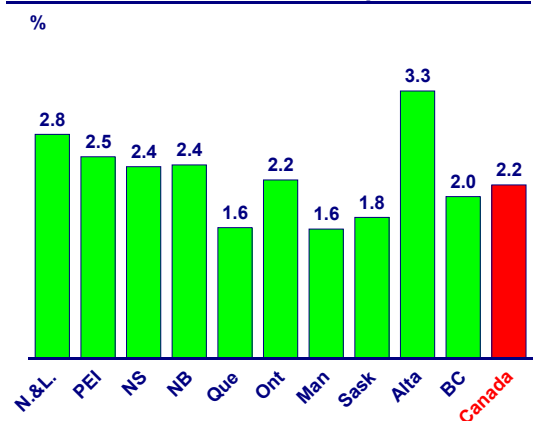
Commodity Prices (October 2003)

Index, 1982-90=100	119.6	1.0	11.6
Excluding Energy	107.4	-0.8	14.5
Energy	139.9	3.6	8.0

Consumer Price Index



Provincial CPI Inflation -- September 2003





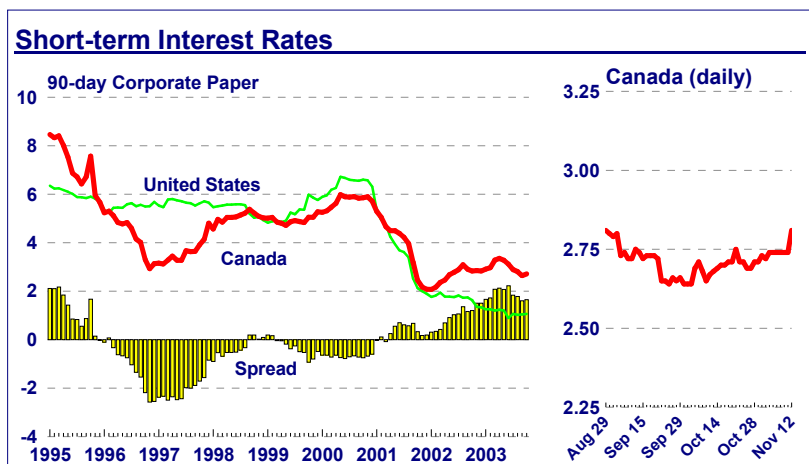
Short-term and Long-term Interest Rates

Short-term interest rates remain low

- The Bank of Canada kept its lending rate unchanged at 2.75% on October 15 and is widely expected to remain on the sidelines on December 2. In October's Monetary Policy Report, economic growth was expected to recover in the third quarter and to strengthen in the fourth. Economic growth was projected to be above potential in 2004, albeit with significant uncertainty surrounding the sustainability of the U.S. growth and the effects of exchange rate movements. In the U.S., the Federal Reserve is expected to keep its federal funds rate unchanged at 1.0% on December 9.
- Rates on 3-month corporate paper in Canada were at 2.8% on November 12, up from 2.6% at the end of September, but the same as in August. Their U.S. counterparts were at 1.1%, only slightly above the low of 0.9% in mid-June. The short-term rate differential was 172 basis points (bps), well below June's 222 bps level.

North American bond yields rebound on improving economic conditions

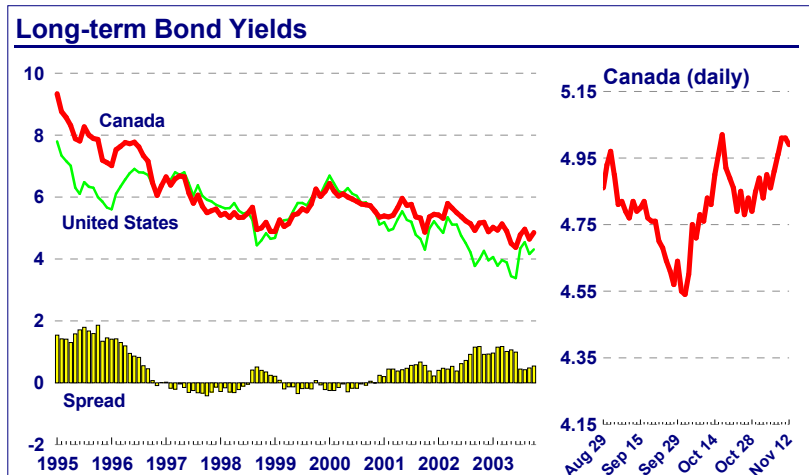
- North American long-term yields have recovered sharply from the lows of early October on better-than-expected labour and output market conditions and easing concerns about deflation in the U.S. On November 12, Canadian and U.S. long-term yields were at 5.0% and 4.4%, respectively; both up nearly 50 bps from their levels in early October.
- Canadian one-year mortgage rates have remained at a low of 4.55% since mid-July. Reflecting the recent rise in bond yields, five-year mortgage rates have risen from 6.15% in early October to 6.65% on November 12.



Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2001	2.08	0.19	5.44	0.22
2002	2.83	1.50	4.88	0.93
May	3.27	2.07	4.50	1.06
June	3.11	2.22	4.37	0.99
July	2.89	1.83	4.78	0.44
August	2.80	1.78	4.96	0.42
September	2.64	1.60	4.64	0.48
October	2.71	1.65	4.85	0.54
Nov. 12*	2.81	1.73	4.99	0.55

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	
	Rate	Rate	1 year	5 year
2001	2.25	4.00	4.60	6.85
2002	2.75	4.50	4.90	6.70
May	3.25	5.00	5.05	6.15
June	3.25	5.00	4.85	5.80
July	3.00	4.75	4.55	6.20
August	3.00	4.75	4.55	6.35
September	2.75	4.50	4.55	6.30
October	2.75	4.50	4.55	6.40
Nov. 12*	2.75	4.50	4.75	6.65

* Bank of Canada's Weekly Financial Statistics

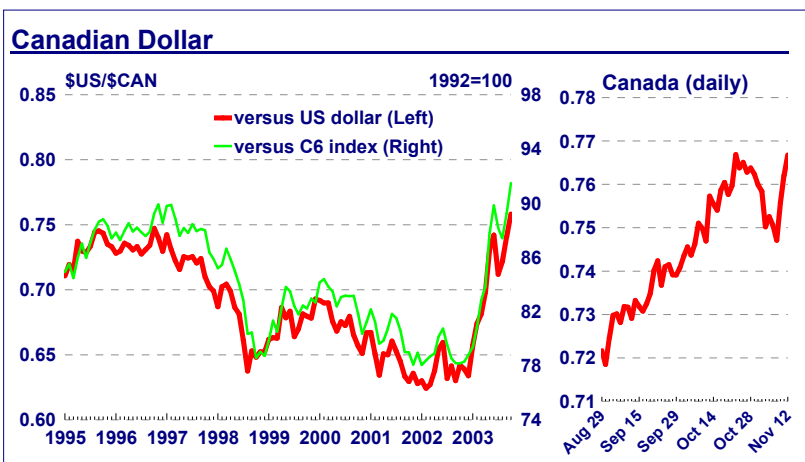


The Canadian dollar trends up further

- The Canadian dollar trended up from a low of US¢71.1 in mid-August to a high of US¢76.7 in mid-October before coming under downward pressures on stronger-than-expected U.S. data, which helped the greenback recover against major currencies. More recently, the loonie has regained strength, benefiting from strong data on domestic activity and trade. The Canadian dollar closed at US¢77.0 on November 13.
- Between the beginning of the year to November 12, the value of the Canadian currency has increased against all the major currencies, including: the U.S. dollar (+21%); the euro (+7%); the Japanese yen (+10%); and the U.K. pound (+15%).

North American stock indices retain earlier gains

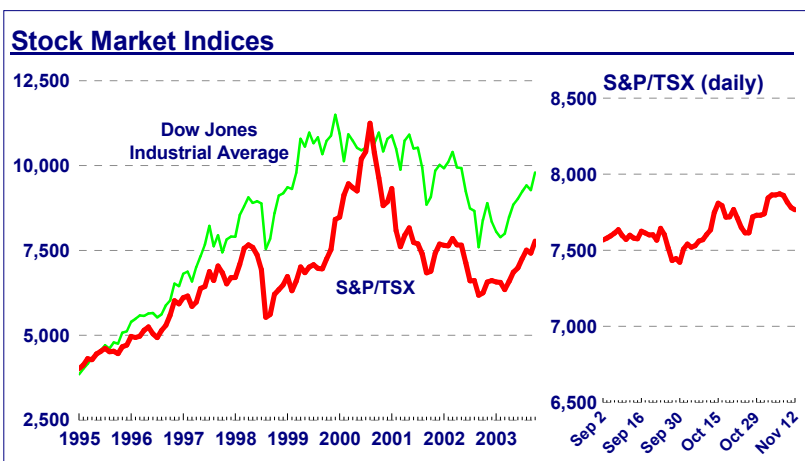
- The stock markets, which had recovered significantly since mid-March in anticipation of improving economic and profit conditions, have been moving in a narrow trading range in recent weeks as strong data confirmed earlier expectations. The S&P/TSX has increased by 23% from the lows of March 2003 to 7,768 on November 13, with the information technology and metals & mining sub-indexes rising at more than twice this pace. All the sub-indexes have increased between March and October.
- The Dow Jones has also risen by 31% from the lows of March to 9,838 on November 13.



The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2001	0.6278	78.95	1.387	80.76
2002	0.6339	78.80	1.483	78.20
May	0.7307	87.81	1.601	84.77
June	0.7421	89.83	1.579	87.50
July	0.7118	88.16	1.570	85.87
Aug	0.7217	87.40	1.556	84.95
Sep	0.7408	89.23	1.536	84.18
Oct	0.7584	91.48	1.549	82.83
Nov. 12*	0.7668	92.98	1.515	83.47

* Bank of Canada's Weekly Financial Statistics



Key Stock Market Indexes

	October Close	% change from	
		last month	last year
S&P/TSX	7,773	4.7	24.4
Energy	136	0.3	15.3
Metals & Mining	193	20.3	58.3
Utilities	149	5.7	11.7
Materials	138	7.2	20.3
Industrial	75	5.6	16.3
Financial	129	6.9	32.0
Gold	208	7.5	26.9
Telecommunication	61	5.3	41.5
Information Technology	25	2.2	70.2
Consumer Discretionary	85	6.1	16.8
Consumer Staples	170	5.2	12.6
S&P 500	1,050.7	4.4	18.6
Dow Jones	9,801	5.7	16.7



U.S. Economic Trends

The economy expanded at a rapid pace in the third quarter...

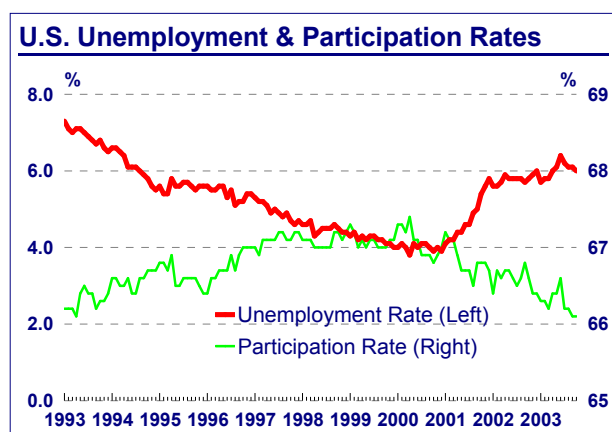
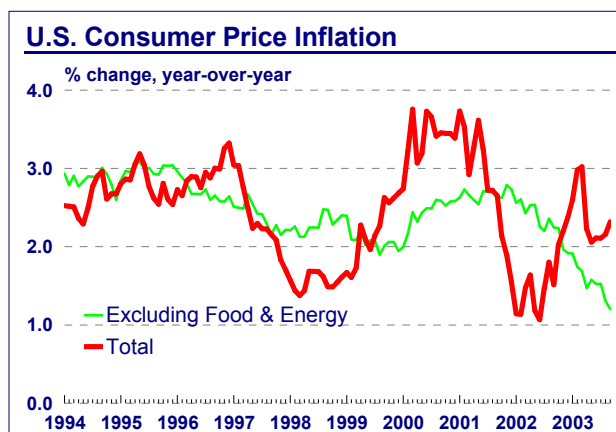
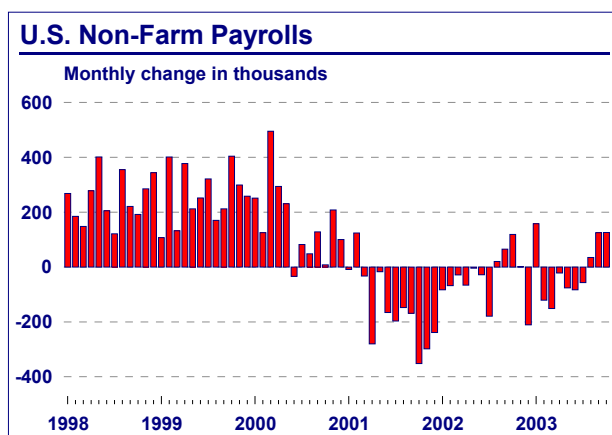
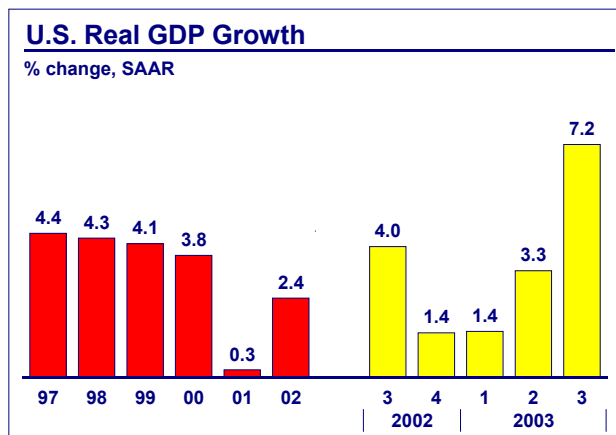
- Advance estimates show real GDP grew 7.2% (annual rate) in the third quarter of 2003, following 3.3% growth in the second. Growth was widespread. Consumer spending grew 6.6%, with expenditures on durable goods advancing 26.9%, and investment in equipment and software increasing 15.4%. Exports recovered in the third quarter after three quarters of decline and imports slowed, adding 0.8 percentage point to overall growth.

...and robust growth is expected to continue

- Recent indicators point to continued strength in the U.S. economy. In October, industrial production rose 0.2% as manufacturers began to replenish depleted inventories. The Institute of Supply Management manufacturing index rose to 57.0 in October, the fourth consecutive month the index registered above the 50-point mark (an index value greater than 50 indicates an expanding sector). However, total retail sales fell back 0.3%, mostly due to weaker auto sales after the summer. Ex-auto sales rose 0.2% in October.

Labour market conditions are improving

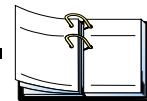
- Non-farm employment rose 126,000 in October, the third consecutive monthly increase. Employment gains were concentrated in services while the goods-producing sector shed 17,000 jobs including 24,000 in manufacturing. Since July, 286,000 jobs have been created, an improvement from over 500,000 job losses recorded in the first half of the year. The unemployment rate edged down slightly to 6% in October.
- Productivity in the non-farm sector rose 8.1% (annual rate, advance estimate) in the third quarter following a rise of 7.0% in the second quarter. High productivity has helped keep inflation low during periods of rising energy prices and the exchange rate-induced rise in import prices. CPI inflation edged up slightly in September to 2.3% (year-over-year), while core inflation fell further to 1.2%.



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

COMING UP

Key Future Data Releases and Planned Events



CANADA

Financial Statistics for Enterprises - 3rd Quarter	November 27
Balance of International Payments - 3rd Quarter	November 27
Real GDP by industry - September	November 28
National Economic and Financial Accounts - 3rd Quarter	November 28
Key Policy Interest Rate Announcement	December 2
Labour Force Survey - November	December 5
Canadian International Merchandise Trade - October	December 12
Monthly Survey of Manufacturing - October	December 16
Consumer Price Index - November	December 19

UNITED STATES

GDP - 3rd Quarter 2003 (preliminary)	November 25
The Employment Situation - November	December 5
Federal Open Market Committee Meeting	December 9
International Trade in Goods and Services - October	December 12
Consumer Price Index - November	December 16

Note: The November 2003 MEI uses data available as of November 14, 2003