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Monthly Economic Indicators

November 2004

**Includes a special report on:
Canada's Oil and Gas Sector**

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

Canada 

MONTHLY ECONOMIC INDICATORS

November 2004

HIGHLIGHTS

-  **Real GDP rose 0.5% in August, fuelled by growth in manufacturing and trade. This was the sixth consecutive monthly increase.**
-  **The labour market added 34,000 net positions in October, mostly in services and concentrated in Ontario and British Columbia. The unemployment rate remained at 7.1%.**
-  **These developments together with strong retail sales point to growth of 3.0% to 3.5% in the third quarter, led by domestic demand.**
-  **The United States (U.S.) economy grew 3.7% in the third quarter, with consumer spending accounting for most of the growth.**
-  **The Federal Reserve increased its fed funds rate by 25 basis points to 2.0% on November 10. The Bank of Canada has left the door open for another rate hike on December 7.**
-  **In recent weeks the Canadian dollar has traded above US¢83, which is estimated by the OECD to be near its long-term equilibrium value.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,052.6	0.5	4.6	Aug.
Goods	330.6	0.6	5.3	Aug.
Services	723.1	0.4	4.3	Aug.
Composite Index	199.9	0.3	8.4	Sep.
Employment (000's)	16,111	0.2	1.8	Oct.
Full-time	13,160	0.1	2.5	Oct.
Part-time	2,951	0.7	-0.9	Oct.
Unemployment* (%)	7.1	7.1	7.6	Oct.
Youth*	13.4	13.5	13.9	Oct.
Adult*	5.9	5.8	6.4	Oct.
CPI inflation*	1.8	1.9	2.2	Sep.
Retail Sales (\$M)	29,085	0.8	3.4	Aug.
Housing Starts (000's)**	225.0	-5.4	-7.3	Oct.
Trade Balance* (\$M)	5,055	6,438	5,371	Sep.
Exports	36,088	-3.4	8.8	Sep.
Imports	31,033	0.4	11.6	Sep.
M&E	8,794	-0.5	7.5	Sep.

		October	
		November 17 ***	2004
3-mth Corp. paper (%)*	2.76	2.60	2.71
Long bond yield (%)*	4.45	4.52	4.85
Canadian dollar (US¢)*	83.79	82.10	75.84

*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 2004

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This issue uses data available as of November 17, 2004. It has been prepared by Éric Chalifoux, Stéphane Crépeau, Kevin Koch, Joseph Macaluso, Sue Moore, François Poitras 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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Economic activity continued to pick up in August...

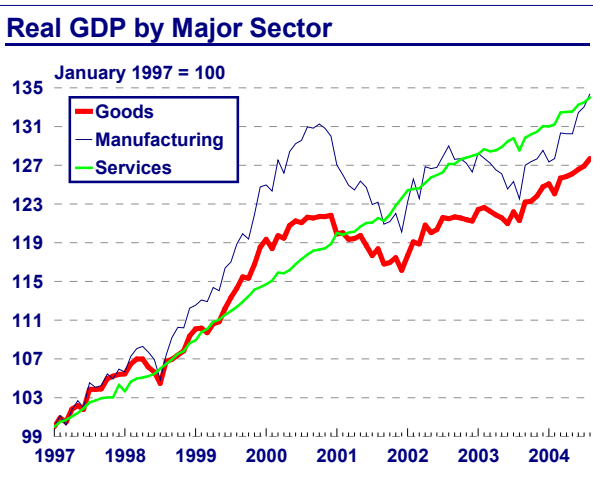
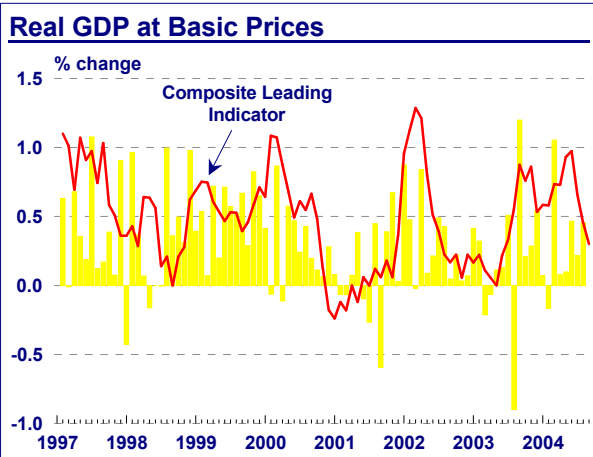
- Real GDP at basic prices rose 0.5% in August, after increasing 0.2% in July. Information and communication technologies (ICT) industries continued to recover as production rose 14.4% compared to the year before. Average real GDP in July and August was 3.2% (annual rate) higher than in the second quarter, suggesting continued robust growth in the third quarter.

...as output in the goods sector rose...

- Goods production was up 0.6% in August after rising 0.3% in July. Industrial production (manufacturing, mining and utilities) was up 0.9% in August, marking the sixth consecutive month of expansion. The utilities sector led the increase followed by manufacturing and mining. Stronger domestic demand coupled with a build-up of inventories fuelled the increase in the manufacturing sector.

...and the service sector increased

- Service output increased 0.4% after edging up 0.2% in July. Increases were widespread, led by the arts, entertainment and recreation (AER) industry (3.4%) and retail trade (1.1%). Wholesale trade also increased strongly (0.8%) as sales of automotive products, machinery and electronic equipment surged. On a year-over-year basis, services output was up 4.3%, led by wholesale trade (15.1%), AER (6.8%), transportation and warehousing (6.7%), and public administration (4.0%).



Real GDP at Basic Prices (1997 chained dollars)

	\$ millions	monthly change	% Change since last	
			month	year
August 2004				
Total Economy	1,052,578	4,769	0.5	4.6
Business Sector	894,228	4,337	0.5	4.9
Goods-producing	330,596	1,998	0.6	5.3
Agri., Forest, Fish, Hunt*	23,665	-73	-0.3	2.9
Mining & Oil & Gas Extraction	37,968	140	0.4	1.9
Utilities	25,918	311	1.2	1.2
Construction	57,177	-217	-0.4	1.3
Manufacturing	185,490	1,869	1.0	8.8
Services-producing	723,131	2,748	0.4	4.3
Wholesale Trade	67,245	528	0.8	15.1
Retail Trade	59,879	678	1.1	2.7
Transportation & Warehousing	50,371	-29	-0.1	6.7
Information & Cultural	43,185	-7	0.0	1.8
FIRE**	211,099	675	0.3	3.7
Professional***	46,475	83	0.2	2.8
Admin. & Waste Mgmt	22,265	112	0.5	3.6
Education	45,719	143	0.3	2.7
Health & Social	63,101	111	0.2	2.0
Arts, Entertain. & Recreation	9,907	330	3.4	6.8
Accommodation & Food	23,275	27	0.1	2.1
Other	24,493	40	0.2	2.0
Public Administration	57,642	67	0.1	4.0

*Agriculture, Forestry, Fishing & Hunting

**Finance, Insurance & Real Estate

***Professional, Scientific & Technical services

THE ECONOMY



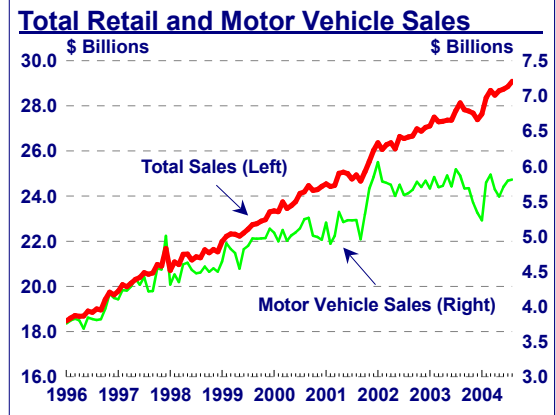
Consumer Spending and Attitudes

Consumer spending grew in the third quarter...

- Real retail sales remained brisk, rising in both July (0.4%) and August (0.8%). Assuming no growth in September, real retail sales will rise 5.5% in the third quarter, following a 2.4% increase in the second.
- New motor vehicle sales have declined 9.5% in the third quarter, following an increase of 19.2% in the second. However, this latest decline was accompanied by an 11.2% rise in the average vehicle price, following a similar decline in the second quarter.

...and rising income and high confidence bode well for sustained growth

- In the third quarter, major collective bargaining settlements provided base rate wage increases of 1.3% on average, the same as in the second quarter. Combined with employment growth in September (0.3%) and October (0.2%), this bodes well for sustained growth in personal income and consumption.
- Moreover, while the consumer confidence index retreated slightly (2.6 points) in October, it remains at a high level compared to its 10-year average (112.8).

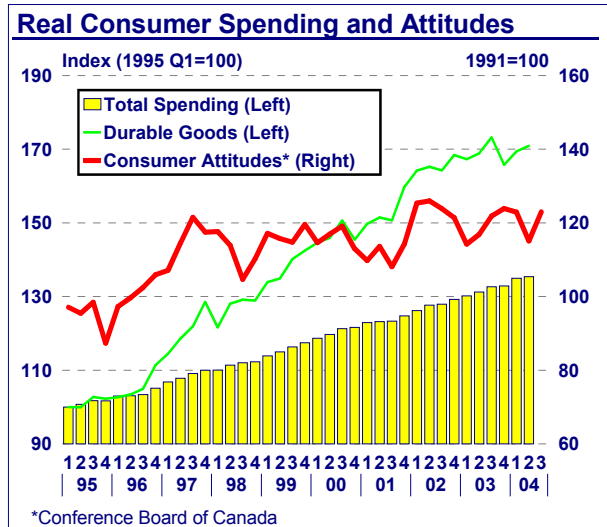


Retail Sales and Consumer Credit

	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	29,085	0.8	3.4
Food	5,679	0.8	4.7
Drug Stores	1,917	1.8	7.7
Clothing	1,666	-1.5	3.7
Furniture	1,867	0.8	3.2
Automotive	9,776	0.9	1.6
General Merch. Stores	3,527	-0.0	4.0
All other Stores	4,653	1.6	3.5
Total ex. motor vehicles	22,075	0.9	4.8
Consumer Credit	262	1.1	10.6

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	2002	2003	2004 Q1	2004 Q2
Real Consumption (97\$)	601,594	620,444	635,614	637,677
% change	3.4	3.1	6.4	1.3
Durable Goods	93,099	94,923	95,286	96,145
% change	8.3	2.0	9.2	3.7
Semi-Durable Goods	54,472	56,142	58,391	58,720
% change	3.8	3.1	15.7	2.3
Non-Durable Goods	137,196	140,078	142,661	142,269
% change	2.3	2.1	5.3	-1.1
Services	317,627	330,098	339,967	341,399
% change	2.6	3.9	4.9	1.7
Disposable Income	692,691	713,548	731,080	745,344
% change	3.8	3.0	6.6	8.0
Saving Rate (%)	3.2	1.4	0.8	1.5
Debt-to-Income Ratio (%)	98.1	101.6	103.3	103.0



THE ECONOMY



Business Investment

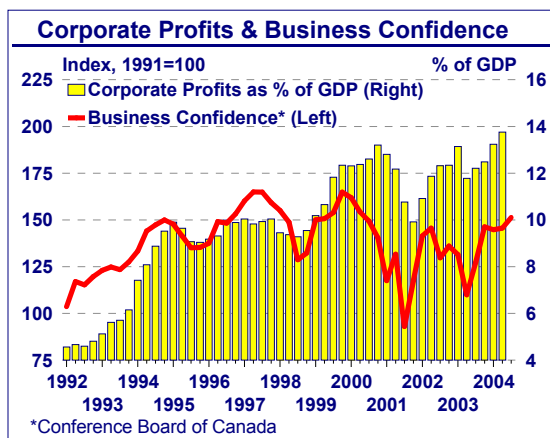
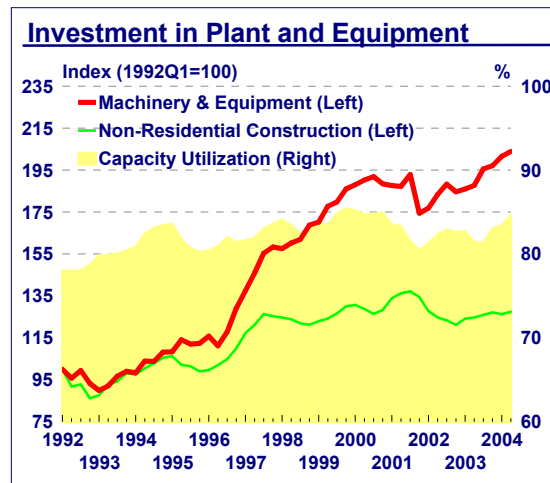
Investment rose in the second quarter, notably in the energy sector...

- Investment in construction and machinery and equipment in the energy sector rose 13.3%* and 16.2%*, respectively. This was much higher than growth of 3.4% and 4.5% in total investment for these two categories, respectively.

...but prospects are mixed for the third quarter

- Real business investment in non-residential structures declined 2.7% in the third quarter, following a drop of 7.3% in the second.
- Shipments of machinery rose 17.0% in the third quarter while exports of M&E declined 2.6%. This, combined with the fact that imports of M&E increased slightly in the third quarter, suggest M&E investment might rise in the third quarter.
- Sustained profits, high business confidence, and a strong Canadian dollar vis-a-vis the US greenback auger well for investment prospects.

*Data from the Conference Board of Canada.



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q3	2003 Q4	2004 Q1	2004 Q2
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	82,715	86,441	88,229	88,920	90,973	91,985
% change	-1.2	4.5	17.8	3.2	9.6	4.5
Non-residential Construction (1997\$)	44,493	44,928	45,109	45,501	45,238	45,613
% change	-8.3	1.0	4.0	3.5	-2.3	3.4
Capacity Utilization (% , Non-farm goods)	82.3	82.1	81.3	83.0	83.4	84.6
Capacity Utilization (Mfg. sector)	83.3	83.0	81.6	84.2	85.0	86.6
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	149,969	172,118	171,528	178,676	194,936	202,952
% change	4.8	14.8	22.8	17.7	41.7	17.5
Profits - Non-financial industries	115,798	128,203	125,872	131,604	143,232	153,088
% change	8.8	10.7	19.0	19.5	40.3	30.5
Profits - Financial industries	34,169	43,915	45,656	47,072	51,704	49,860
% change	-6.8	28.5	34.2	13.0	45.6	-13.5
Business Credit	890,789	905,602	906,185	911,884	922,183	936,077
% change	3.8	1.7	1.5	2.5	4.6	6.2

THE ECONOMY

Housing



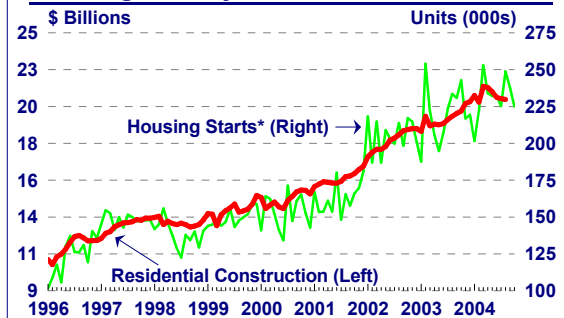
Housing activity moderated in the third quarter...

- Residential construction fell again in August (0.3%), the fifth consecutive month of decline. However, it was still up 5.2% compared to the level a year earlier.
- The value of residential building permits issued fell 3.3% in September. This was the first time since late 1997 that permits have fallen three months in a row. However, September's value was 4.3% higher than the average monthly level in 2003.
- Housing starts fell 5.4% in October, after declining 1.2% in the third quarter from the second. The urban declines were concentrated in British Columbia (21.2%) and Atlantic Canada (13.7%). In Ontario, housing starts also fell (3.8%). However, housing starts remain at a high level and are on pace to reach a 17-year high this year, according to the Canada Mortgage and Housing Corporation.

...helping the housing market to become more balanced

- Another sign that the housing market is cooling off is the recent moderation in housing prices. New housing prices rose by 5.8% in September, down slightly from the 6.0% and over posted in recent months. The average house prices have risen by more than 40% over the past four years amid rising demand associated with low mortgage rates, strong employment growth and pent-up demand.
- However, rising interest rates and exhausted pent-up demand are dampening housing demand and prices. Consequently, most analysts now expect a shift from a seller's to a balanced market.

Housing Activity



*Canada Mortgage and Housing Corporation

Monthly Housing Indicators

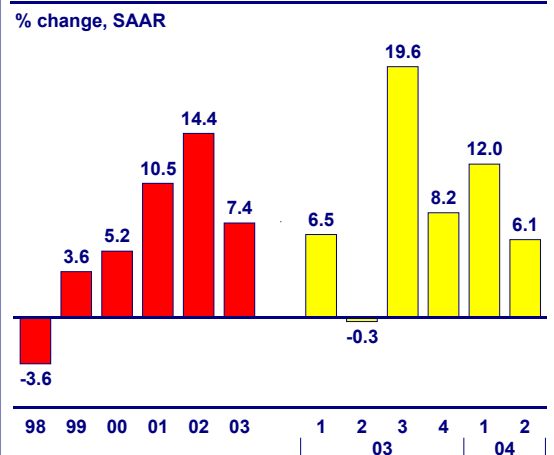
	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	20,671	-0.3%	5.2%
Building Permits, \$M (2)*	2,955	-4.3%	2.3%
Sales of Existing Homes (3)** (# of units)	25,111	-1,079	-2,236
Housing Starts, (3)*** (# of units, SAAR)	225,000	-12,900	-17,800
Newfoundland & Labrador	2,700	-100	-700
Prince Edward Island	900	200	200
Nova Scotia	4,600	-700	1,100
New Brunswick	3,400	-1,200	-600
Quebec	56,200	-2,900	-100
Ontario	83,300	-2,700	-16,200
Manitoba	4,400	0	-2,000
Saskatchewan	4,200	700	800
Alberta	38,100	700	4,300
British Columbia	27,200	-6,900	-4,600

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)			
	2002	2003	2004 Q1	2004 Q2
Residential Construction	58,133	62,452	66,634	67,632
% change	14.4	7.4	12.0	6.1
New Housing	28,900	30,678	33,072	33,449
% change	23.2	6.2	12.9	4.6
Alterations & Improvements	20,600	22,619	24,000	24,040
% change	4.7	9.8	13.1	0.7
Ownership & Transfer Costs	8,639	9,204	9,628	10,128
% change	11.5	6.5	7.1	22.4

Growth in Real Residential Construction





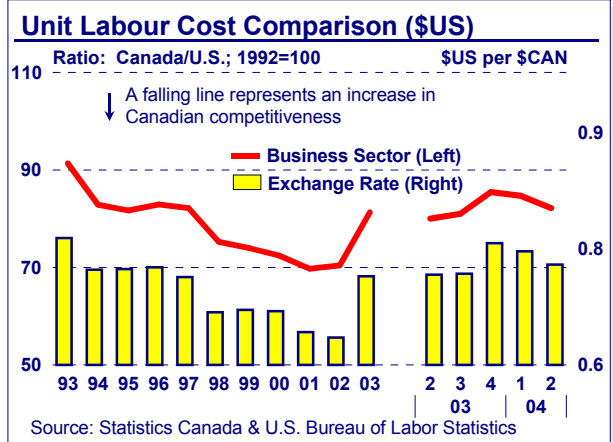
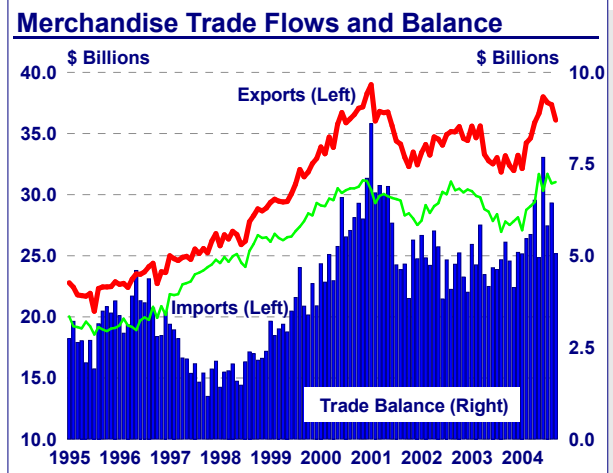
Trade and Competitiveness

Imports rose and exports declined in September...

- Merchandise exports declined 3.4% in September after declining 0.4% in the previous month. Exports to the U.S., Japan and the European Union decreased, while exports to other major trading areas increased. On a commodity basis, exports fell in all principal groupings, led by agricultural and fishing products, machinery and equipment and automotive products. In the third quarter, export prices and volumes both rose 0.2%.
- Imports rose 0.4% in September following a decrease of 2.5% in August. Imports from the U.S. and the European Union rose, while those from other major trading areas fell. Agricultural and fishing products, forestry products and industrial goods and materials led the increase. Import prices declined 1.4%, while import volumes rose 3.9% in the third quarter.

...pushing the trade surplus lower

- As a result of exports declining and imports increasing, Canada's trade surplus declined by \$1.4 billion to \$5.1 billion. Furthermore, the trade surplus with the U.S. deteriorated. In the third quarter, the trade surplus fell to \$17.3 billion. Consequently, net exports had a negative impact on economic growth in the third quarter after a substantial contribution in the second quarter.



Merchandise Trade

September 2004	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	August 2004	September 2004	Jan.-Sep. 2003	Jan.-Sep. 2004	Aug. to Sep. 2004	Aug. to Sep. 2004	Jan.-Sep. 2003 to Jan.-Sep. 2004	
Exports	37,354	36,088	302,466	322,477	-1,266	-3.4	6.6	
to United States	30,236	29,425	250,671	263,134	-811	-2.7	5.0	
Imports	30,916	31,033	258,363	269,933	117	0.4	4.5	
from United States	21,340	21,529	181,369	187,239	189	0.9	3.2	
Trade Balance	6,438	5,055	44,103	52,544	-1,383			
with United States	8,896	7,896	69,302	75,895	-1,000			
Exports by Commodity								
Agriculture/Fishing Products	2,776	2,468	21,821	23,711	-308	-11.1	8.7	
Energy Products	6,011	5,906	47,061	50,473	-105	-1.7	7.3	
Forestry Products	3,468	3,387	25,649	29,930	-81	-2.3	16.7	
Industrial Goods & Materials	6,670	6,555	49,304	57,893	-115	-1.7	17.4	
Machinery & Equipment	7,964	7,552	67,633	69,434	-412	-5.2	2.7	
Automotive Products	7,665	7,440	65,731	68,019	-225	-2.9	3.5	
Other Consumer Goods	1,433	1,400	12,978	13,073	-33	-2.3	0.7	
Imports by Commodity								
Agriculture/Fishing Products	1,741	1,805	16,301	15,960	64	3.7	-2.1	
Energy Products	2,041	1,989	14,770	17,321	-52	-2.5	17.3	
Forestry Products	269	273	2,288	2,367	4	1.5	3.5	
Industrial Goods & Materials	6,278	6,362	49,196	53,984	84	1.3	9.7	
Machinery & Equipment	8,836	8,794	74,396	77,773	-42	-0.5	4.5	
Automotive Products	6,820	6,755	57,807	58,353	-65	-1.0	0.9	
Other Consumer Goods	3,964	3,974	34,815	35,319	10	0.3	1.4	



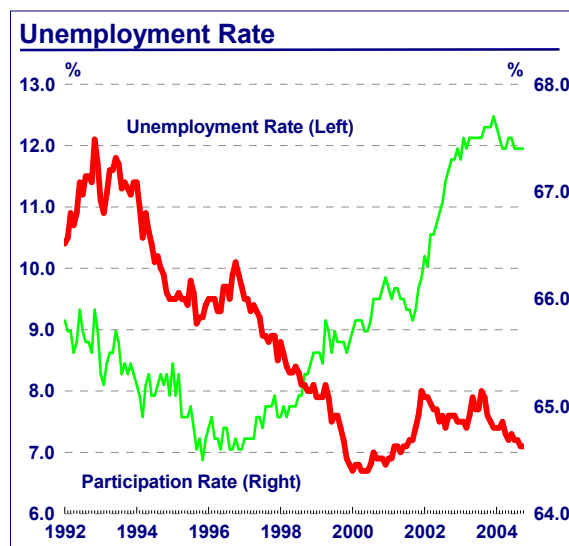
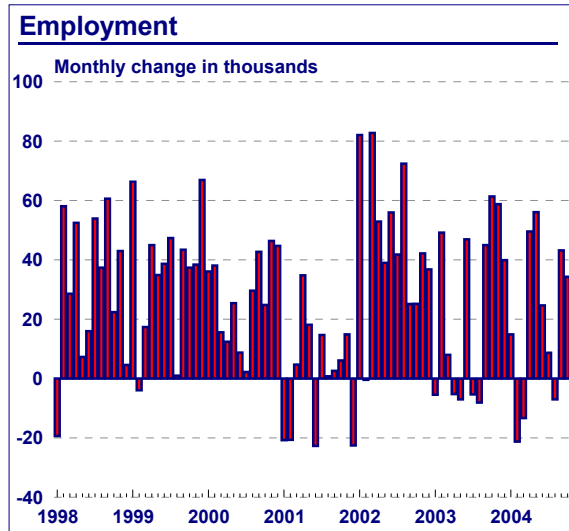
Employment and Unemployment

Employment up further in October...

- Employment rose 34,000 in October, the second consecutive monthly increase following a pause in the previous two months. October gains reflect an increase of 13,000 full-time and 21,000 part-time jobs. Since the beginning of the year, full-time employment has risen 243,000 (1.9%), more than offsetting a decline of 52,000 (1.7%) in part-time jobs.
- The number of hours worked edged down 0.6% in October. Most of the decline is associated with an estimated 60,000 federal government employees that were absent from work due to a labour dispute during the Labour Force Survey reference week.
- Youth employment rose 11,000, all in part-time. (18,000). So far this year, youth employment has risen 27,000 (2.1%).
- The employment rate edged up 0.1 percentage point to 62.7% to reach its historical peak.

...and the unemployment rate remained at 7.1%

- Despite the employment gains, the unemployment rate remained at 7.1%, as more people sought jobs in October.
- The unemployment rate edged down to 13.4% for youths and rose to 5.9% for adults.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2003 October	2004 September	2004 October	last month	last year	year-to- date	last month	last year
Employment	15,822.0	16,076.4	16,110.7	34.3	288.7	190.0	0.2	1.8
Full-time	12,843.0	13,146.5	13,159.7	13.2	316.7	242.5	0.1	2.5
Part-time	2,979.0	2,929.9	2,951.0	21.1	-28.0	-52.4	0.7	-0.9
Youth 15-24	2,397.6	2,434.8	2,445.3	10.5	47.7	26.5	0.4	2.0
Adult 25+	13,424.5	13,641.5	13,665.4	23.9	240.9	163.6	0.2	1.8
Self-employed	2,433.8	2,472.4	2,485.3	12.9	51.5	47.9	0.5	2.1
Unemployment	1,304.3	1,221.4	1,230.6	9.2	-73.7	-36.2	0.8	-5.7
Unemployment Rate	7.6	7.1	7.1	0.0	-0.5	-0.3		
Youth 15-24	13.9	13.5	13.4	-0.1	-0.5	-0.6		
Adult 25+	6.4	5.8	5.9	0.1	-0.5	-0.2		
Labour Force	17,126.3	17,297.8	17,341.2	43.4	214.9	153.8	0.3	1.3
Participation Rate	67.6	67.4	67.4	0.0	-0.2	-0.3		
Employment Rate	62.4	62.6	62.7	0.1	0.3	0.0		



Industry Overview

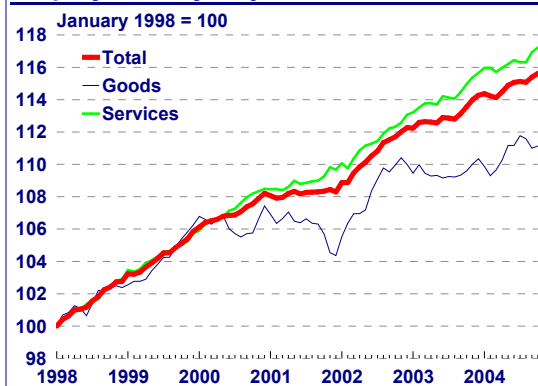
Employment in the Goods sector recovered partially, fuelled by job gains in construction

- Employment in the Goods sector edged up 5,000 in October, following declines in August (7,000) and September (21,000). Employment rose in construction and agriculture, offsetting losses in utilities, natural resources and manufacturing. Since the beginning of 2004, the Goods sector has gained 29,000 jobs (0.7%), due to 56,000 more jobs in construction.
- Employment in the manufacturing sector posted its third consecutive monthly decline (totalling 34,000), wiping out job gains recorded earlier this year. Manufacturing employment is down by about 85,000 since its peak in November 2002, with most losses concentrated in Quebec and Ontario.

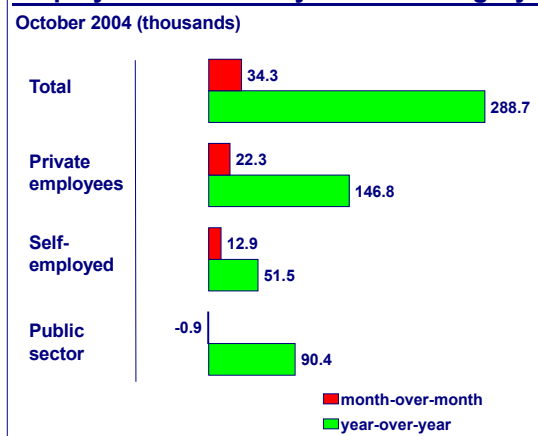
Strong job creation in sales pushed employment in services up further

- Employment rose 30,000 in the Services sector, following an increase of 64,000 in September. The highest gains were in trade (45,000), while the largest losses were in transportation* (19,000) and FIRE* (16,000).
- Employment in the service sector has risen 161,000 (1.4%) since the beginning of 2004, concentrated mostly in trade (68,000), professional, scientific and technical services (48,000), FIRE* (35,000), and health care & social assistance (23,000). Industries posting job losses were only accommodation & food (13,000), educational services (9,000) and transportation* (3,000).

Employment by Major Sector



Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2003 October	2004 September	2004 October	last month	last year	year-to- date	last month	last year
Goods-producing	3,988.0	4,039.2	4,044.0	4.8	56.0	28.7	0.1	1.4
Agriculture	334.8	325.7	330.0	4.3	-4.8	-16.5	1.3	-1.4
Natural Resources*	300.7	299.9	296.3	-3.6	-4.4	0.3	-1.2	-1.5
Utilities	133.4	134.3	130.3	-4.0	-3.1	-0.4	-3.0	-2.3
Construction	946.6	998.7	1,012.9	14.2	66.3	55.8	1.4	7.0
Manufacturing	2,272.5	2,280.5	2,274.6	-5.9	2.1	-10.4	-0.3	0.1
Services-producing	11,834.0	12,037.2	12,066.7	29.5	232.7	161.3	0.2	2.0
Trade	2,474.2	2,499.9	2,545.1	45.2	70.9	67.7	1.8	2.9
Transportation*	775.3	798.0	779.2	-18.8	3.9	-3.0	-2.4	0.5
FIRE*	953.1	1,007.2	991.6	-15.6	38.5	34.9	-1.5	4.0
Professional/Scientific	998.8	1,021.2	1,032.3	11.1	33.5	47.8	1.1	3.4
Business/Building	615.5	644.5	641.4	-3.1	25.9	3.8	-0.5	4.2
Educational Services	1,047.4	1,046.3	1,052.1	5.8	4.7	-9.0	0.6	0.4
Health Care/Social Assistance	1,712.2	1,754.7	1,755.1	0.4	42.9	22.9	0.0	2.5
Information/Culture/Recreation	713.0	720.4	723.5	3.1	10.5	6.5	0.4	1.5
Accommodation & Food	1,026.1	1,011.0	1,016.9	5.9	-9.2	-12.6	0.6	-0.9
Other Services	688.5	703.0	700.8	-2.2	12.3	1.2	-0.3	1.8
Public Administration	829.8	831.1	828.6	-2.5	-1.2	1.0	-0.3	-0.1

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

LABOUR MARKET TRENDS



Provincial Overview

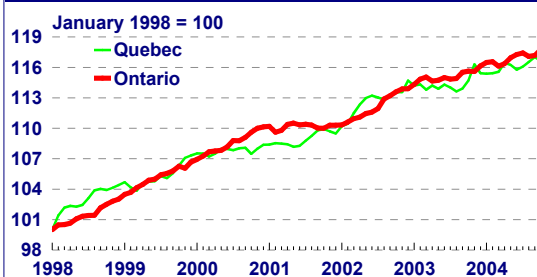
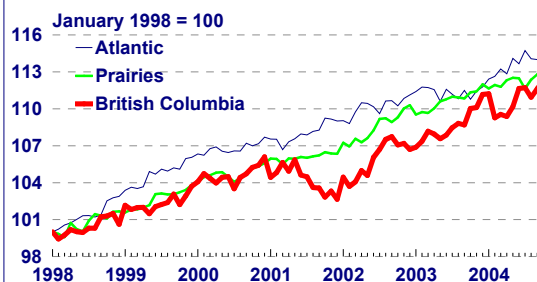
Job gains were concentrated in British Columbia and Ontario...

- Among western provinces, British Columbia registered the highest employment increase (12,000) in October, all in full-time (31,000). Employment also rose in Saskatchewan and Manitoba, while it declined in Alberta.
- Ontario's employment surged 33,000 in October, bringing its job gains to 88,000 (1.4%) so far this year. Quebec lost 12,000 jobs, mostly in the manufacturing sector (19,000), but has gained 39,000 jobs since last December.
- There were small employment changes in the Atlantic provinces, except in New Brunswick where employment declined 3,000. Over the last twelve months, all provinces have posted employment growth, led by Nova Scotia (3.3%), New Brunswick (2.7%) and British Columbia (2.0%).

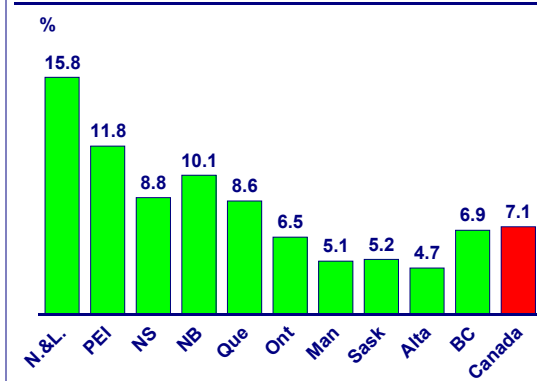
...while the unemployment rate declined in all western provinces

- With British Columbia's unemployment rate falling to 6.9%, all western provinces now have an unemployment rate lower than the national average. Over the past year, British Columbia has posted the largest decline in the unemployment (0.9 percentage points) among all provinces.
- Despite large employment gains, Ontario's unemployment rate remained at 6.5% as more people entered the labour force. Job losses pushed up the unemployment rate to 8.6% in Quebec and to 10.1% in New Brunswick.
- Prince Edward Island's unemployment rate rose 0.5 percentage point to 11.8% as the labour force grew at a faster pace than employment.

Regional employment patterns



Unemployment Rates --October 2004



Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment Rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since	
	2004 October	(000's)	%	(000's)	%	2004 October	last month	last year
Canada	16,110.7	34.3	0.2	288.7	1.8	7.1	0.0	-0.5
Newfoundland & Labrador	219.6	0.1	0.0	3.8	1.8	15.8	-0.1	-0.8
Prince Edward Island	69.8	0.5	0.7	0.9	1.3	11.8	0.5	1.2
Nova Scotia	446.7	-0.2	-0.0	14.2	3.3	8.8	0.0	-0.7
New Brunswick	353.7	-3.0	-0.8	9.4	2.7	10.1	0.5	-0.7
Quebec	3,720.7	-11.8	-0.3	61.9	1.7	8.6	0.3	-0.7
Ontario	6,373.9	32.8	0.5	116.3	1.9	6.5	0.0	-0.4
Manitoba	579.0	1.2	0.2	9.3	1.6	5.1	-0.5	-0.2
Saskatchewan	493.2	4.9	1.0	8.3	1.7	5.2	-0.6	-0.4
Alberta	1,762.4	-2.0	-0.1	23.1	1.3	4.7	-0.1	-0.3
British Columbia	2,091.7	11.8	0.6	41.5	2.0	6.9	-0.2	-0.9

PRICES and FINANCIAL MARKETS



Consumer and Commodity Prices

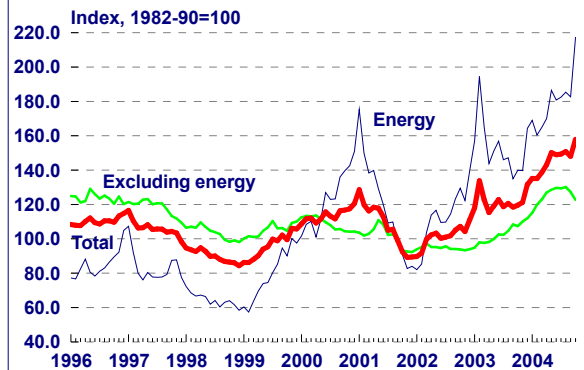
Inflation moderated to 1.8% in September...

- On a year-over-year basis, the increase in the Consumer Price Index (CPI) moderated to 1.8% in September from 1.9% in August. A decline in natural gas prices (-2.3%) and purchase costs of automobiles (-2.0%) contributed to the moderation. The rise in gasoline prices in September (7.2%) also eased compared to summer months. Excluding energy, inflation in September (1.4%) was lower than in August (1.5%).
- Inflation moderated in most provinces, led by Manitoba (2.6% in August to 1.8% in September) and Alberta (2.0% to 1.5%). Inflation was unchanged in Ontario and increased in Nova Scotia and New Brunswick.
- On a month-to-month basis (seasonally adjusted), the CPI rose 0.2% after falling 0.2% in August.
- The year-over-year increase in commodity prices was 32.1% in October, up from 25.0% in September. The jump was due to energy price inflation, which rose to 55.5% from 35.3% in September. On a monthly basis, commodity prices jumped 6.8% following a 1.9% decrease in September. Excluding energy prices, commodity prices fell 3.5% in October following a 2.2% decrease in September.

...and the "core" rate remained at 1.5%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, remained at 1.5% in September, below the midpoint of the 1%-3% official target range.

Commodity Prices (\$US basis)



Consumer Prices

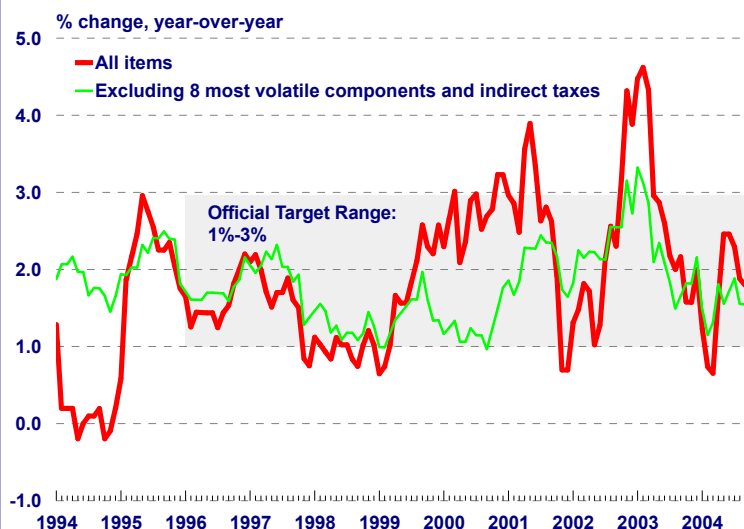
September 2004

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	124.9	0.1	1.8
Food	124.7	-0.5	2.8
Shelter	121.2	0.2	2.8
Household operations	115.4	0.3	0.3
Clothing & Footwear	104.9	3.0	-0.1
Transportation	143.7	-0.7	1.3
Health & Personal Care	119.2	0.3	1.4
Recreation, Educ. & Reading	129.4	0.6	0.4
Alcohol & Tobacco	144.6	-0.1	5.5
Excl. 8 Most Volatile/Indirect Taxes	124.7	0.3	1.5
Energy	151.7	-0.5	5.8

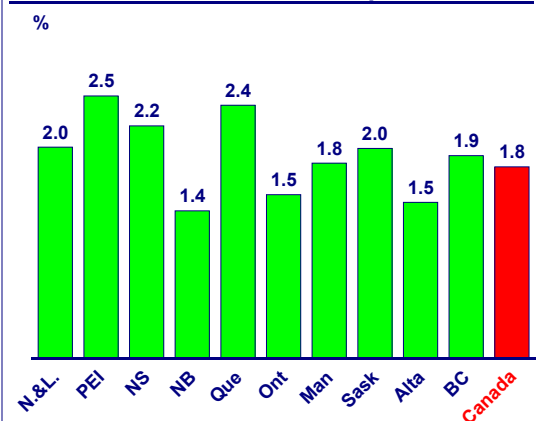
Commodity Prices (October 2004)

Index, 1982-90=100	158.0	6.8	32.1
Excluding Energy	122.7	-3.5	14.2
Energy	217.5	19.0	55.5

Consumer Price Index



Provincial CPI Inflation -- September 2004





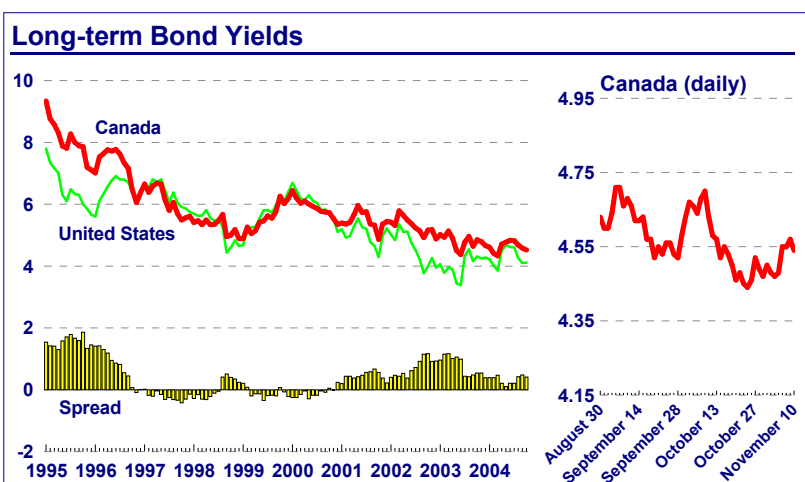
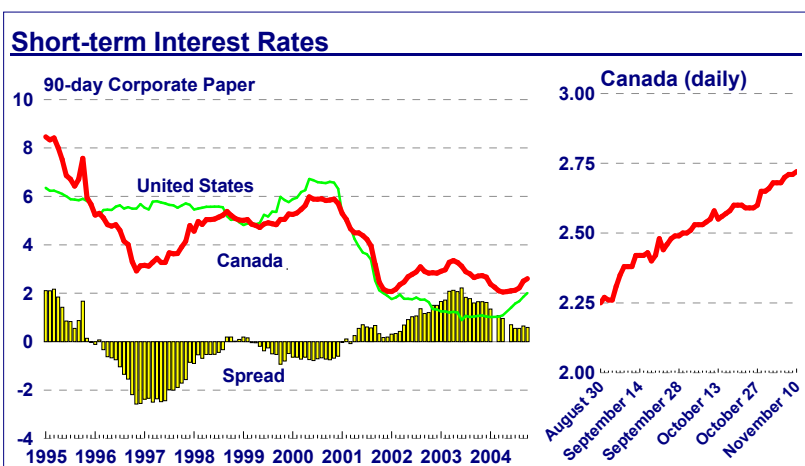
Short-term and Long-term Interest Rates

Short-term interest rates in North America trended higher...

- In the United States, the Federal Reserve raised its fed funds rate by 25 basis points (bps) to 2.0% on November 10, the fourth consecutive rate increase. The Fed noted that the economy appeared to be growing as expected despite the rise in energy prices, as labor market conditions have improved and inflation expectations remained contained. The Bank of Canada raised its target for the overnight rate by 25 basis points (bps) to 2.50% on October 19, following a 25 bps increase in September, and left the door open for further increases on December 7, the next scheduled announcement.
- The rate on three-month corporate paper was 2.75% in Canada on November 15 and 2.21% in the U.S., up about 65 bps since mid-August.

...and long-term yields also edged up

- Evidence of healthy labour markets on both sides of the border gave some support to bond yields. U.S. 10-year yields rose about 20 bps to 4.20% on November 15, up from 4.0% on October 25. However, Canadian yields rose less, edging up slightly from 4.44% in late October to 4.51% on November 15, and resulting in a narrowing of the spread to about 30 bps.
- One-year mortgage rates were 4.90% on November 10, up from 4.80% one month ago. Five-year mortgage rates eased back to 6.30% on November 10, from a brief jump to 6.50% in mid-October.



Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2002	2.83	1.50	4.88	0.93
2003	2.66	1.62	4.66	0.39
May	2.07	N/A	4.77	0.10
June	2.10	0.70	4.83	0.21
July	2.12	0.55	4.82	0.21
August	2.22	0.55	4.68	0.42
September	2.50	0.65	4.58	0.48
October	2.60	0.59	4.52	0.41
Nov. 10 *	2.72	0.55	4.54	0.29

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
2002	2.75	4.50	4.90	6.70
2003	2.75	4.50	4.75	6.45
May	2.00	3.75	4.55	6.50
June	2.00	3.75	4.70	6.70
July	2.00	3.75	4.60	6.55
August	2.00	3.75	4.40	6.30
September	2.25	4.00	4.80	6.30
October	2.50	4.25	4.90	6.40
Nov. 10 *	2.50	4.25	4.90	6.30

* Bank of Canada's Weekly Financial Statistics

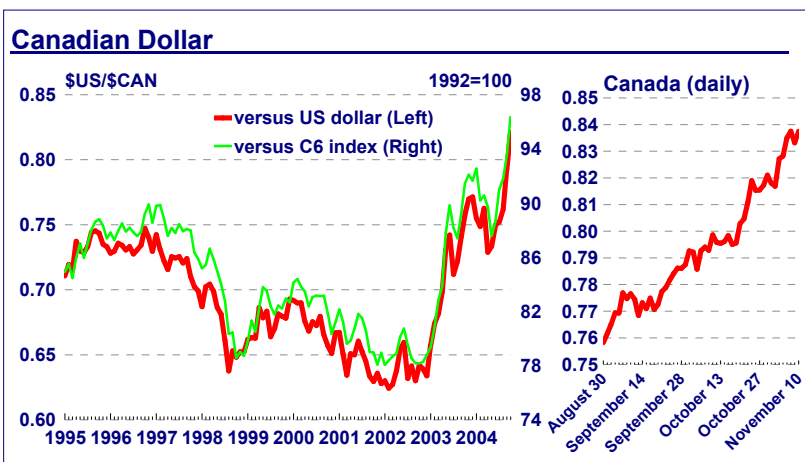


The Canadian dollar is near its equilibrium level

- Since the beginning of September, the Canadian dollar has appreciated steadily, rising about US¢7.5 (9.6%) to close at US¢83.3 on November 15. Since early November, the loonie has traded above US¢83, which is considered by the OECD to be its long-term equilibrium value. The U.S.-Canada exchange rate has been trading below its long-term equilibrium value for over a decade, but it is not uncommon for major currencies to trade above or below their estimated equilibrium levels for an extended period of time.
- The upward trend of the Canadian dollar against the euro and Japanese yen continued in November. In the last six months, the dollar appreciated about 7.3% against the euro and 8.3% against the yen.

Stock markets rose in November

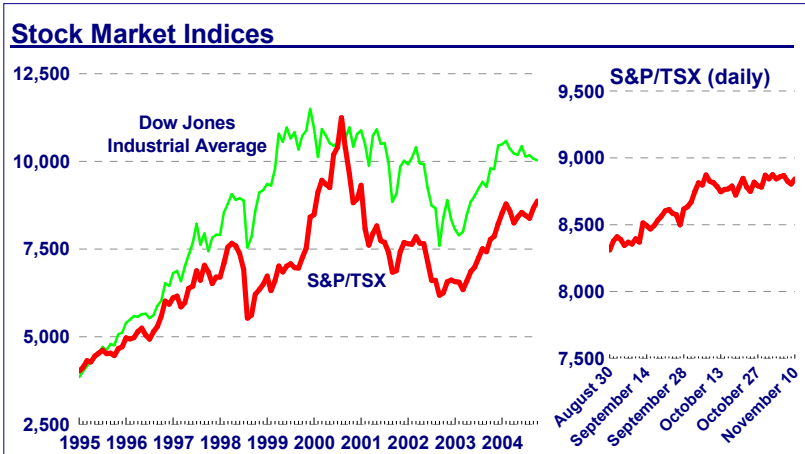
- The S&P/TSX has maintained its momentum amid further evidence of good economic and employment conditions. The index closed at 8,937 on November 15, the highest in 45 months. The index rose 7.6% in August with gains in resource and financial stocks.
- With oil prices at two-month lows, the Dow Jones picked up in mid-November after falling below 10,000 in October. The index closed at 10,550 on November 15, 8.2% above its level on October 25 (9,750).



The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2002	0.6339	78.80	n/a	n/a
2003	0.7713	91.65	1.628	82.86
May	0.7335	87.57	1.662	80.23
June	0.7497	88.68	1.627	81.59
July	0.7522	91.00	1.599	83.64
August	0.7616	91.80	1.599	83.19
September	0.7926	93.52	1.569	87.21
October	0.8210	96.36	1.559	86.88
Nov. 10	0.8375	99.93*	1.540	89.74

* Bank of Canada's Weekly Financial Statistics



Key Stock Market Indexes

	October Close	% change from	
		last month	last year
S&P/TSX	8,871	2.3	14.1
Energy	192	2.4	41.4
Metals & Mining	236	-4.4	22.2
Utilities	151	4.1	1.3
Materials	157	-2.9	13.5
Industrial	70	1.1	-6.5
Financial	151	4.8	17.5
Gold	218	1.2	4.6
Telecommunication	65	6.5	6.5
Information Technology	31	5.8	25.8
Consumer Discretionary	87	0.8	2.4
Consumer Staples	178	0.6	4.7
S&P 500	1,130.2	1.4	7.6
Dow Jones	10,027	-0.5	2.3



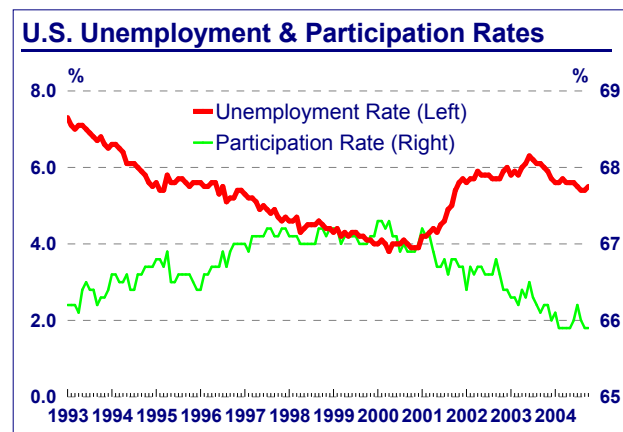
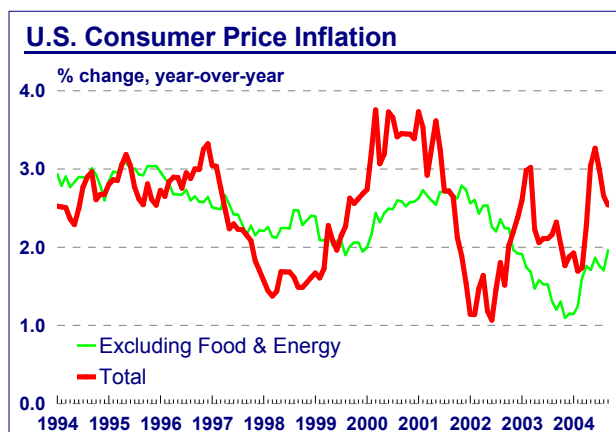
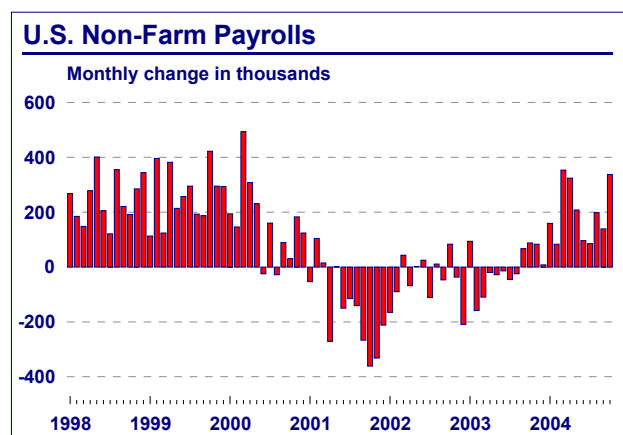
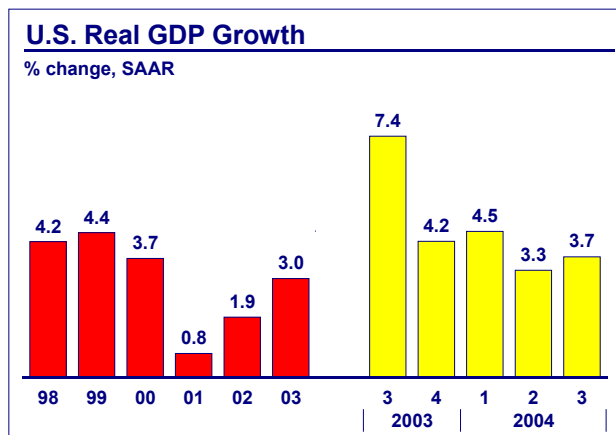
U.S. Economic Trends

U.S. growth picked up slightly in the third quarter

- According to advanced estimates, real gross domestic product (GDP) increased 3.7% (annual rate) in the third quarter following a 3.3% rise in the second quarter. Growth was fuelled by consumer spending which rose 4.6%, up from 1.6% in the second quarter. Moreover, net exports exerted a lesser drag. Business investment in equipment and software also contributed, rising 14.9% in the third quarter following a 14.2% rise in the second quarter. These factors more than offset a drop in inventory investment as the level of inventories went down in the third quarter.
- Third quarter labour productivity rose 1.9% in the non-farm business sector following strong increases of 3.9% (revised up from 2.5% due to upward revision to output growth and downward revision to hours) in the second quarter and 3.7% in the first quarter. The slowdown reflected an increase in total hours worked, which rose 2.1% in the third quarter compared to 0.3% in the second quarter as output growth remained just above 4.0%. Employment growth has contributed to output growth since the third quarter of 2003, but, by and large, productivity has remained the major engine of growth. This is particularly the case in the manufacturing sector where hours worked has resumed declines in the past two quarters.

Non-farm employment increased sharply in October

- Non-farm employment rose by 337,000 in October, double the gain expected by analysts and the largest increase since March 2004. Gains were broadly based, with notable increases in professional and business services (97,000) as well as education and health services (62,000). Due to reconstruction efforts in hurricane-stricken areas, construction employment increased by 71,000 in October. Non-farm employment (payroll concept) figures were upwardly revised by 40,000 to 139,000 in September and 70,000 to 198,000 in August.



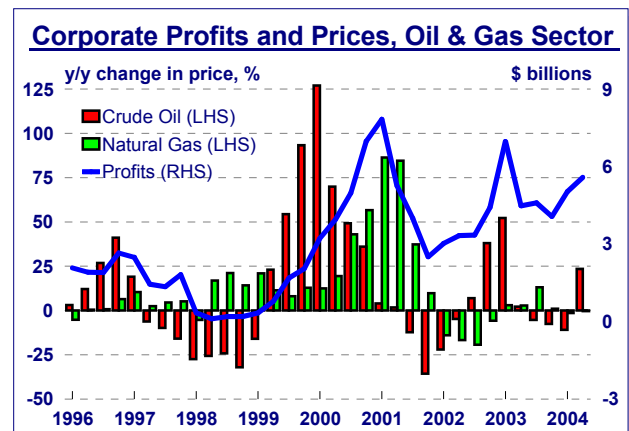
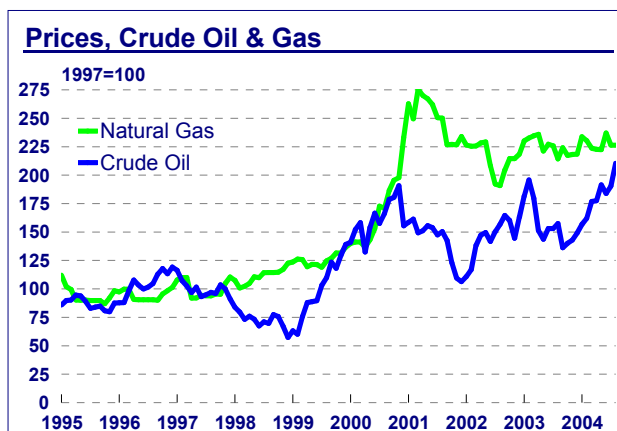
Source: U.S. Bureau of Economic Analysis & U.S. Bureau of Labor Statistics

SPECIAL REPORT

Canada's Oil and Gas Sector

The rise in the price of oil is a threat to global growth...

- The price of crude oil closed the week of November 5 near US\$50, a 68% increase from the same week in 2003 and 14% above the average price of about US\$44 in the third quarter of 2004. The rising price of oil is mostly due to higher demand, particularly from China and other newly industrialized economies in Asia. Demand in North America has also not abated, where automobile and house sales rose so far in 2004 and have contributed to demand for gasoline and home heating oil.
- Most analysts anticipate oil prices to stabilize at a higher level than expected one year ago due to robust world growth. The International Monetary Fund (IMF) estimates world growth at 5.0% in 2004 before moderating somewhat to 4.3% in 2005. The strength of the global economic recovery has led the International Energy Agency (IEA) to revise upward its oil demand forecast all through 2004. At the same time, uncertain supply conditions including some disruptions in major oil producing countries like Russia, Nigeria, and Venezuela have also put upward pressure on crude oil prices.
- According to the IMF, Germany, France, and other countries in the eurozone, with already sluggish output and employment growth, are expected to face a more pronounced economic growth slowdown in 2004 and 2005. They are more dependent on oil imports than economies in North America and Japan. The United States (U.S.) economy is less vulnerable to rising oil prices as it satisfies over 40% of its oil needs with domestic production, but its oil intensity is higher. Nevertheless, analysts widely forecast that the rising price of crude oil has already reduced U.S. GDP growth by 0.5 to 0.8 percentage point in 2004.
- As a net exporter of oil, Canada's receipts from the rest of the world will increase, as will profits in the oil and gas sector. Oil rich provinces such as Alberta and Newfoundland and Labrador benefit most. In addition, a rise in natural gas prices (which tend to follow a rise in oil prices) can provide some benefit to British Columbia, Saskatchewan, and gas-producing Atlantic provinces (Newfoundland and Nova Scotia). On the downside, provinces (Ontario, Quebec, and Manitoba) with relatively large energy-intensive sectors like manufacturing and transportation face a moderation in economic growth.
- A sustained rise in energy prices normally leads to an increase in consumer and producer prices, and lower spending by consumers and businesses. A slowdown in consumption, particularly in the U.S. (Canada's largest trading partner) will undoubtedly reduce Canada's growth prospects. Canada's outward-oriented economy is more vulnerable to a slowdown in global demand than other industrial economies, which will likely have an impact in the longer term as oil-importing countries reduce their demand for Canadian goods and service exports. In October's Monetary Policy Report, the Bank of Canada revised down Canada's growth for 2005 by 0.5 percentage point to about 3.0%. It indicated that higher oil prices are likely to have a small negative impact on Canadian GDP in the near term, before the positive impact of higher energy output and capital spending is realized.

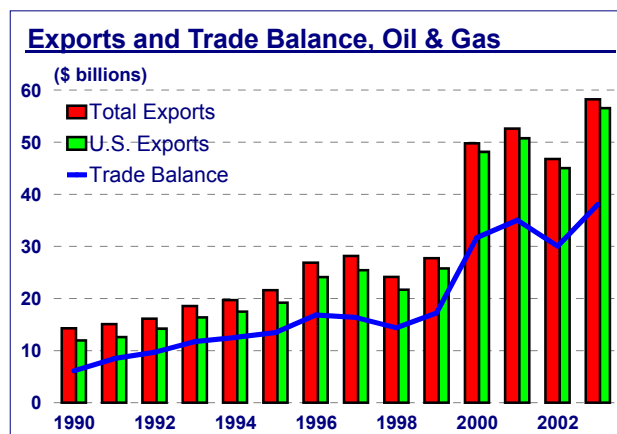
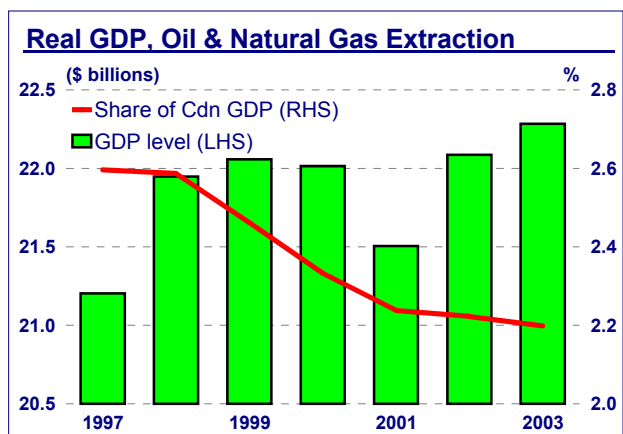


SPECIAL REPORT

Canada's Oil and Gas Sector

...but how will it impact Canada's oil and gas sector?

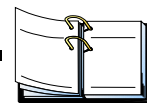
- The benefit to Canada of rising oil prices stems from increased activity in the oil and gas sector, which will be reviewed in this section.
- In 2003, the oil and gas extraction sector accounted for 2.2% (\$22.3 billion) of total Canadian output and 0.3% (41,300) of total employment. From 1997 to 2003, real output in the sector grew at an average rate of 0.9% per year compared to 3.7% for the total economy. In these years, employment in oil and gas extraction (3.3%) grew at a faster average annual rate than employment in the total economy (2.4%).
- The oil and gas industry is a large component of Canada's trade. Oil and gas exports rose 24.5% from 2002 to 2003 and accounted for 15.3% of total merchandise exports. In 2003 the trade surplus in crude oil and natural gas was \$32.7 billion, more than half of the overall merchandise trade surplus of \$58.1 billion. Canada has long been a net exporter of oil, and the U.S. is essentially our only trading partner. It was the market for 97 percent of Canada's oil and gas exports in 2003, and all of Canada's crude oil and natural gas exports in the first quarter of 2004.
- Corporate profits in the energy sector increased 42.5% in 2003. Profits have risen at a healthy pace so far in 2004 due to higher crude oil prices, but their growth will likely moderate compared to 2003. Nonetheless, profits will remain at historically high levels. This is expected to lead to further exploration and development of non-conventional sources of crude oil such as the oil sands in northern Alberta and off-shore drilling in Atlantic Canada. These new projects face high development and extraction costs, and so become viable when the price of oil and profits face a sustained rise. The Canadian Association of Petroleum Producers (CAPP) estimates exploration and development costs are twice as high in Canada than the world average.
- Increases in productivity can also contribute to the profitability of new developments. According to the Conference Board, labour productivity rose 1.9% per year from 1987 to 2002, which was mostly due to a high level of investment in capital stock and new technologies. At the same time, capacity utilization fell from 81% in 1995 to 63% in 2003, well below the historical average, indicating that the sector may be able to expand output without an immediate need to increase its capital stock.
- The benefit of higher oil prices has already been evident in the sector. After growing 0.9% in 2002, the sector grew an average of 5.0% in the first two quarters of 2004, leading to a rise in capacity utilization to 65.2% in the second quarter. In the short-term, however, development of new projects, which are subject to regulatory approval, and tight markets for some inputs, including skilled labour, may limit the direct positive impact of higher oil prices on activity.



Sources: Bank of Canada, October Monetary Policy Report; Canadian Association of Petroleum Producers; Conference Board of Canada; International Energy Agency; International Monetary Fund, World Economic Outlook (September 2004); Statistics Canada.

COMING UP

Key Future Data Releases and Planned Events



CANADA

Consumer Price Index - October	November 23
Financial Statistics for Enterprises - 3rd Quarter 2004	November 24
Balance of International Payments - 3rd Quarter 2004	November 29
National Economic and Financial Accounts - 3rd Quarter 2004	November 30
Real GDP by Industry - September	November 30
Labour Force Survey - November	December 3
Key Policy Interest Rate Announcement	December 7
Canadian International Merchandise Trade - October	December 14
Monthly Survey of Manufacturing - October	December 14

UNITED STATES

GDP - 3rd Quarter 2004 (preliminary)	November 30
The Employment Situation - November	December 3
International Trade in Goods and Services - October	December 14
Federal Open Market Committee Meeting	December 14
Consumer Price Index - November	December 17

Note: The November 2004 MEI uses data available as of November 17, 2004