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# Monthly Economic Indicators

**December 2003 / January 2004**


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/vwGeneratedInterE/h\\_ra01898e.html](http://strategis.ic.gc.ca/epic/internet/ineas-aes.nsf/vwGeneratedInterE/h_ra01898e.html).


Canada


# MONTHLY ECONOMIC INDICATORS


## December 2003 / January 2004


### HIGHLIGHTS


 **Real Gross Domestic Product (GDP) edged up 0.2% in October, after rising 1.1% in September.**

 **Employment surged 53,000 in December, resulting in 219,000 job gains over the past four months and 271,000 in 2003. The unemployment rate edged down to 7.4%.**

 **Strong employment growth and other indicators point to an acceleration in growth in the fourth quarter from 1.1% (annualized) in the third.**

 **In the United States (U.S.), recent indicators point to a moderation of growth from the sizzling pace of 8.2% in the third quarter.**

 **The Canada's trade surplus declined further in November as exports fell and imports rose, reflecting the sharp appreciation of the dollar in 2003.**

 **The Bank of Canada reduced its overnight rate by 0.25 percentage point to 2.5% on January 20 to help offset the negative effect of the dollar on the economy.**

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,020.4	0.2	1.7	Oct
Goods	319.0	0.1	0.9	Oct
Services	702.9	0.2	2.1	Oct
Composite Index	186.9	0.8	4.2	Nov
Employment (000's)	15,921	0.3	1.7	Dec
Full-time	12,917	0.4	1.9	Dec
Part-time	3,003	0.3	0.9	Dec
Unemployment* (%)	7.4	7.5	7.5	Dec
Youth*	14.0	13.3	13.3	Dec
Adult*	6.1	6.4	6.4	Dec
CPI inflation*	2.0	1.6	3.9	Dec
Retail Sales (\$M)	26,431	0.2	2.1	Oct
Housing Starts (000's)**	217.6	1.2	8.4	Dec
Trade Balance* (\$M)	4,319	5,155	4,328	Nov
Exports	32,146	-1.1	-6.7	Nov
Imports	27,827	1.7	-7.6	Nov
M&E	8,039	3.6	-11.7	Nov

	January 21***	December	
		2003	2002
3-mth Corp. paper (%)*	2.42	2.66	2.83
Long bond yield (%)*	4.47	4.66	4.88
Canadian dollar (US¢)*	76.88	77.13	63.39

\*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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## December 2003 / January 2004

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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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# THE ECONOMY

## Real GDP by Industry

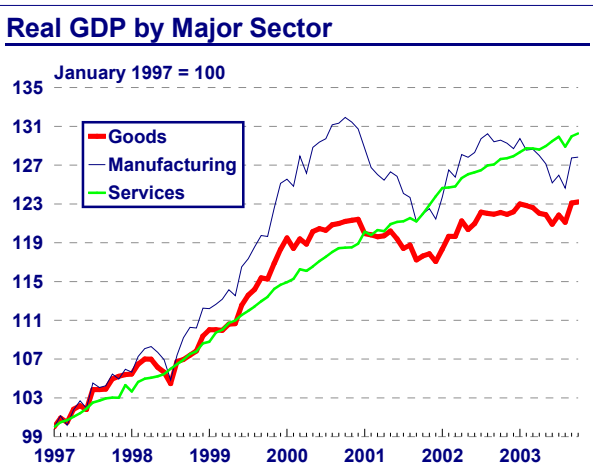
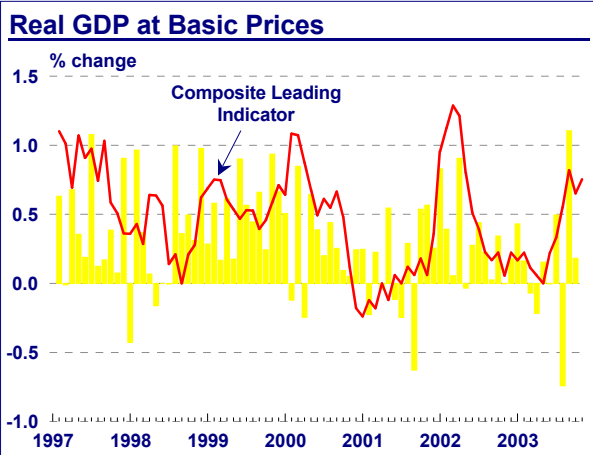


### Economic activity expands in October on the heels of a strong September...

- The economy expanded 0.2% in October following an increase of 1.1% in the previous month, due to the recovery after the power blackout in Ontario. Real GDP (at basic prices) was 2.7% (annually) above its level in the third quarter. In line with this and other indicators, including employment, analysts expect real GDP (at market prices) to grow 3.5% to 4.5% (annual rate) in the fourth quarter, after rising 1.1% in the third.

### ...with gains in goods and services providing industries

- Output in the goods sector inched up 0.1% in October after surging 1.7% in September. Manufacturing production edged up 0.1%, but was 1.4% down from its level a year ago, reflecting the adverse effect of the sharp appreciation of the dollar over the past year. Increased production in this sector was concentrated in primary and fabricated metal products and food and wood products.
- Services-producing industries output rose 0.2% in October compared to 0.8% in the previous month. This increase was led by Retail and Wholesale Trade and Accommodation & Food Services. The travel and tourism industry continued its recovery from SARS and benefited from the strong domestic economy and the increase in international tourists.



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

October 2003	\$ millions	monthly change	% Change since last	
			month	year
<b>Total Economy</b>	<b>1,020,439</b>	<b>1,857</b>	<b>0.2</b>	<b>1.7</b>
<b>Business Sector</b>	<b>865,001</b>	<b>1,907</b>	<b>0.2</b>	<b>1.8</b>
<b>Goods-producing</b>	<b>318,991</b>	<b>302</b>	<b>0.1</b>	<b>0.9</b>
Agri., Forest, Fish, Hunt*	23,456	-59	-0.3	8.3
Mining & Oil & Gas Extraction	37,422	211	0.6	6.3
Utilities	25,038	-179	-0.7	-7.9
Construction	55,222	92	0.2	4.5
Manufacturing	176,439	117	0.1	-1.4
<b>Services-producing</b>	<b>702,914</b>	<b>1,581</b>	<b>0.2</b>	<b>2.1</b>
Wholesale Trade	64,487	535	0.8	6.0
Retail Trade	56,566	324	0.6	2.1
Transportation & Warehousing	45,930	25	0.1	-1.9
Information & Cultural	41,641	-391	-0.9	0.1
FIRE**	206,788	100	0.0	2.6
Professional***	44,990	166	0.4	2.9
Admin. & Waste Mgmt	22,439	125	0.6	2.9
Education	45,246	-150	-0.3	-0.8
Health & Social	61,380	142	0.2	3.8
Arts, Entertain. & Recreation	9,440	91	1.0	5.4
Accommodation & Food	23,008	451	2.0	-1.3
Other	24,302	100	0.4	1.3
Public Administration	57,687	50	0.1	1.5

\*Agriculture, Forestry, Fishing & Hunting

\*\*Finance, Insurance & Real Estate

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

# THE ECONOMY

## Consumer Spending and Attitudes



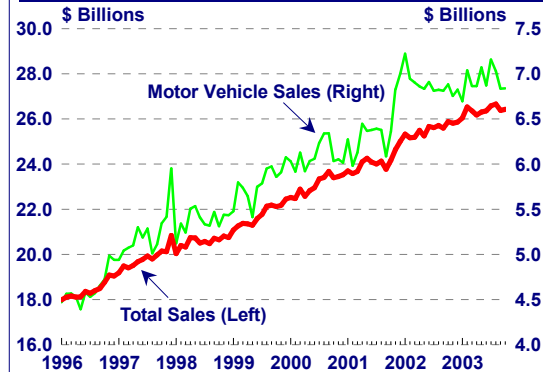
### Consumer spending strengthened further in the third quarter...

- Consumer spending recorded its eighth straight quarter of growth, rising 5.1% (annual rate) in the third quarter following a gain of 3.8% in the second.
- Growth was reported in all major categories, accelerating in durable (17.0%), semi-durable (3.5%) and non-durable (0.9%) goods spending. Growth in services (4.3%) spending, however, was slower compared to the second quarter.

### ...but some signs of moderation are evident in the fourth quarter

- For the October-November period, new motor vehicle sales were 6.3% lower than their third quarter level of 4.7%. Real retail sales for October were down 0.5% (annual rate) from their third quarter level.
- However, personal disposable income grew 3.1% in the third quarter, nearly twice the rate of the previous quarter. The consumer confidence index rose to 124.2 in the fourth quarter, its fourth straight quarterly increase.
- These factors, together with continued strength in the labour market, point to robust growth in personal income, which bodes well for sustained growth in consumer spending.

### Total Retail and Motor Vehicle Sales



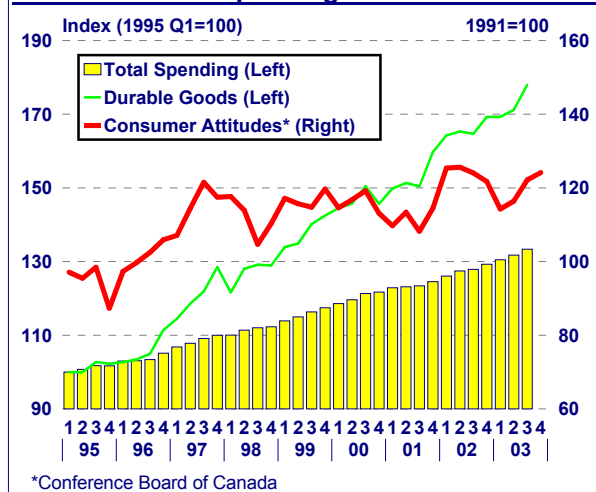
### Retail Sales and Consumer Credit

	October 2003 \$ millions	% Change since	
		last month	last year
<b>Total Retail Sales (S.A.)</b>	26,431	0.2	2.1
Food	5,920	1.9	4.2
Drug Stores	1,382	-0.1	5.8
Clothing	1,372	-0.2	0.1
Furniture	1,647	0.5	7.3
Automotive	10,347	-0.8	-0.7
General Merch. Stores	2,931	-0.0	3.7
All other Stores	2,831	0.7	3.3
Total ex. motor vehicles	19,592	0.2	3.1
<b>Consumer Credit</b>	242	0.9	8.0

### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	2001	2002	2003 Q2	2003 Q3
<b>Real Consumption (97\$)</b>	581,590	601,198	620,377	628,090
% change	2.6	3.4	3.8	5.1
Durable Goods	85,958	93,294	96,246	100,098
% change	4.2	8.5	4.4	17.0
Semi-Durable Goods	52,310	54,341	55,954	56,436
% change	3.8	3.9	2.9	3.5
Non-Durable Goods	133,791	136,534	139,627	139,936
% change	1.2	2.1	-0.2	0.9
Services	309,887	317,885	329,518	333,009
% change	2.7	2.6	5.7	4.3
<b>Disposable Income</b>	667,376	698,479	716,984	722,500
% change	4.4	4.7	1.6	3.1
<b>Saving Rate (%)</b>	4.5	4.2	2.2	1.3
<b>Debt-to-Income Ratio (%)</b>	95.9	97.3	100.1	101.0

### Real Consumer Spending and Attitudes



# THE ECONOMY



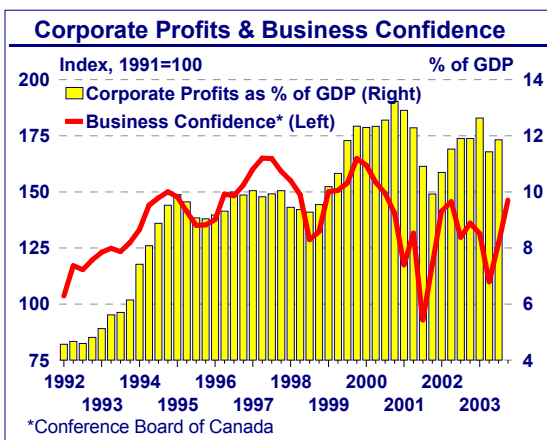
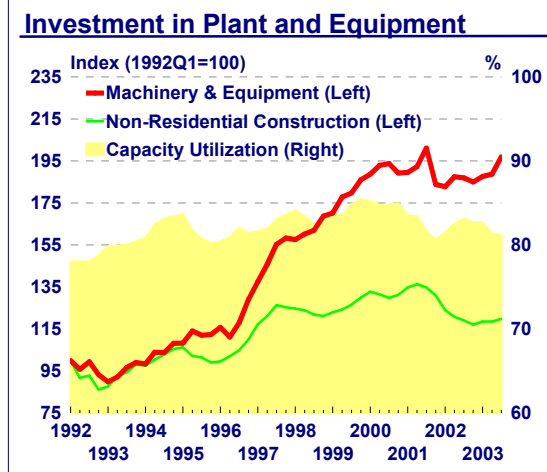
## Business Investment

### Business investment grew strongly in the third quarter

- Real investment in plant & equipment rose at an annual rate of 13.2% in the third quarter, the fastest rate since the fourth quarter of 1999. This reflected a surge of 18.8% in machinery & equipment (M&E) and a rise of 4.4% in non-residential construction.
- Non-financial corporate profit recovered in the third quarter, rising at an annual rate of 18.1%. Manufacturing profits were up 17.1% in spite of the impact of the blackout, following a streak of declines in the preceding three quarters.

### Business confidence improved further

- The Business Confidence Index recovered by about 15 points in each of the last two quarters of 2003, reaching the recent high recorded in the second quarter of 2002. The Conference Board's survey in the fourth quarter indicated that more businesses felt their financial position, profitability and investments would improve over the next six months.
- The data on shipments and imports of M&E in October and November point to further increases in M&E investments. However, real investment in commercial and industrial construction declined by 9.1% in the fourth quarter, following a rise of 3.8% in the third.



### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2001	2002	2002 Q4	2003 Q1	2003 Q2	2003 Q3
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1997\$)</b>	86,494	83,720	83,453	84,655	85,145	88,892
% change	0.3	-3.2	-4.1	5.9	2.3	18.8
<b>Non-residential Construction (1997\$)</b>	48,047	43,044	41,920	42,451	42,441	42,905
% change	2.2	-10.4	-6.5	5.2	-0.1	4.4
<b>Capacity Utilization (% , Non-farm goods)</b>	82.3	82.5	82.7	82.7	81.3	81.2
Capacity Utilization (Mfg. sector)	81.9	83.6	84.1	83.9	82.5	82.2
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
<b>Corporate Operating Profits</b>	138,563	146,312	155,212	175,472	160,560	166,508
% change	-16.1	5.6	15.8	63.4	-29.9	15.7
Profits - Non-financial industries	102,845	113,379	120,892	137,392	119,728	124,820
% change	-19.0	10.2	10.2	66.8	-42.3	18.1
Profits - Financial industries	35,718	32,934	34,320	38,080	40,832	41,684
% change	-6.3	-7.8	38.4	51.6	32.2	8.6
<b>Business Credit</b>	854,681	886,133	891,218	898,186	899,083	899,135
% change	5.5	3.7	1.1	3.2	0.4	0.0



## Housing

### Housing activity accelerated further in the third quarter...

- Real residential construction spending rose by 18.4% (annual rate) in the third quarter, more than three times the growth in the second quarter (5.5%) and was the fifth straight quarterly increase.

### ...with a mixed picture in the fourth quarter

- Sales of existing homes were down in both November and December with fourth quarter sales 6.0% lower than their third quarter level.
- Housing starts declined by 2.7% in the fourth quarter, despite a recovery in December to 217,600 units from 215,000 in November. Housing starts have moderated from a high level of 254,900 in February 2003, but at an estimated annual level of 217,800 for 2003, they were the highest since 1988, due to low mortgage rates, growing employment, and rising incomes.
- Real residential construction output rose 0.8% in October and was up 9.3% (annual rate) from its third quarter level.
- Building permits increased 0.4% in November and were up 16.9% from a year ago. Average building permits for the October-November period were 1.8% (annual rate) higher than its third quarter level.
- Following four years of strong performance, housing activity is expected to moderate 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)	20,214	0.8%	6.7%
<b>Building Permits, \$M (2)*</b>	2,822	0.4%	16.9%
<b>Sales of Existing Homes (3)**</b> (# of units)	25,260	-274	1,849
<b>Housing Starts, (3)***</b> (# of units, SAAR)	217,600	2,600	16,900
Newfoundland & Labrador	2,800	-400	300
Prince Edward Island	1,400	300	600
Nova Scotia	6,800	1,100	-300
New Brunswick	4,100	500	-100
Quebec	53,000	-1,600	9,700
Ontario	80,900	3,400	6,300
Manitoba	3,800	-400	500
Saskatchewan	2,800	-100	-1,300
Alberta	35,200	-600	-2,200
British Columbia	26,700	400	3,300

1 - October data; 2 - November data; 3 - December data  
Sources: \*Statistics Canada; \*\*Canadian Real Estate Association; \*\*\*Canada Mortgage and Housing Corporation

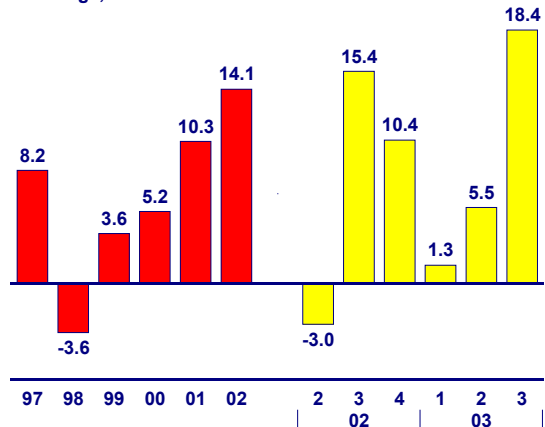
### Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)

	2001	2002	2003 Q2	2003 Q3
Residential Construction	50,705	57,854	60,877	63,501
% change	10.3	14.1	5.5	18.4
New Housing	23,374	28,782	29,880	30,946
% change	5.7	23.1	-2.2	15.1
Alterations & Improvements	19,629	20,605	22,480	22,852
% change	16.1	5.0	16.0	6.8
Ownership & Transfer Costs	7,748	8,484	8,628	9,684
% change	11.2	9.5	10.0	58.7

### Growth in Real Residential Construction

% change, SAAR





## Trade and Competitiveness

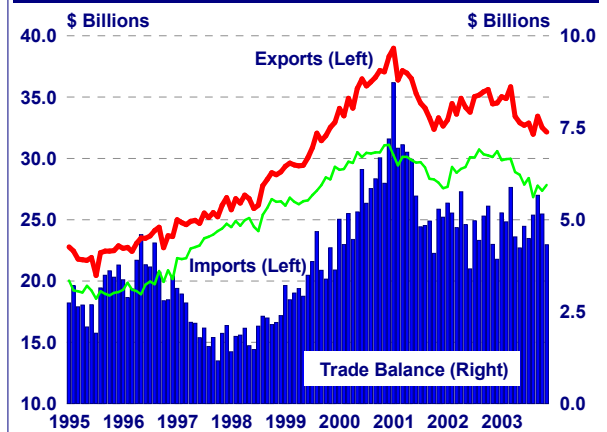
### Exports fell in November, as imports edged up...

- Merchandise exports fell 1.1%, following a 2.8% decrease in October. Lower exports of machinery & equipment, automotive products and industrial goods & materials more than offset increases in all other categories. Exports to both the U.S. and all other destinations declined. However, with export prices falling 1.6%, the volume of exports actually rose 0.5%. The average volume of exports in October and November was 1.6% higher than its third quarter level.
- Imports rose 1.7%, after declining 1.5% in October, led by machinery & equipment (3.6%) and consumer goods (2.7%). Imports of forestry products posted the largest decline (-2.4%). Imports from the U.S., Other OECD Countries and the E.U. increased, while those from All Other Countries and Japan decreased. Import prices fell 0.5%, resulting in the volume of imports rising 2.2%.

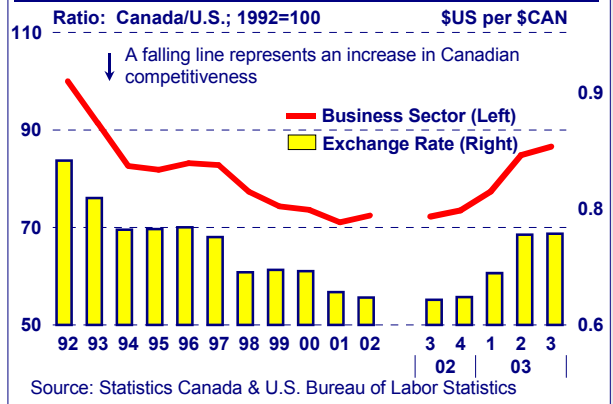
### ...lowering the trade surplus

- The merchandise trade surplus fell \$0.8 billion to \$4.3 billion in November, due to a decrease of \$0.3 billion in the surplus with the U.S. and a rise of \$0.5 billion in the deficit with non-U.S. partners. For the January-November period, exports and imports were down 3.2% and 3.8%, respectively, from their levels of the same period in 2002. As a result, the trade surplus was up \$0.4 billion to \$54.4 billion.

**Merchandise Trade Flows and Balance**



**Unit Labour Cost Comparison (\$US)**



### Merchandise Trade

November 2003	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	October 2003	November 2003	Jan.-Nov. 2002	Jan.-Nov. 2003	Oct. to Nov. 2003	Oct. to Nov. 2003	Jan.-Nov. 2002 to Jan.-Nov. 2003	
<b>Exports</b>	<b>32,514</b>	<b>32,146</b>	<b>379,787</b>	<b>367,733</b>	<b>-368</b>	<b>-1.1</b>	<b>-3.2</b>	
to United States	26,467	26,436	318,176	304,203	-31	-0.1	-4.4	
<b>Imports</b>	<b>27,359</b>	<b>27,827</b>	<b>325,866</b>	<b>313,380</b>	<b>468</b>	<b>1.7</b>	<b>-3.8</b>	
from United States	19,212	19,515	233,977	219,830	303	1.6	-6.0	
<b>Trade Balance</b>	<b>5,155</b>	<b>4,319</b>	<b>53,921</b>	<b>54,353</b>	<b>-836</b>			
with United States	7,255	6,921	84,199	84,373	-334			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,430	2,548	28,318	26,693	118	4.9	-5.7	
Energy Products	4,587	4,605	44,531	56,630	18	0.4	27.2	
Forestry Products	2,921	2,963	34,093	31,628	42	1.4	-7.2	
Industrial Goods & Materials	5,619	5,584	64,377	60,413	-35	-0.6	-6.2	
Machinery & Equipment	7,127	6,998	89,458	82,154	-129	-1.8	-8.2	
Automotive Products	7,351	6,931	89,604	80,474	-420	-5.7	-10.2	
Other Consumer Goods	1,350	1,407	16,186	15,688	57	4.2	-3.1	
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,732	1,731	19,955	19,779	-1	-0.1	-0.9	
Energy Products	1,484	1,510	14,956	17,802	26	1.8	19.0	
Forestry Products	249	243	2,878	2,773	-6	-2.4	-3.6	
Industrial Goods & Materials	5,242	5,254	62,985	59,685	12	0.2	-5.2	
Machinery & Equipment	7,757	8,039	97,077	90,307	282	3.6	-7.0	
Automotive Products	6,186	6,122	74,221	69,895	-64	-1.0	-5.8	
Other Consumer Goods	3,802	3,904	42,442	42,553	102	2.7	0.3	





## Employment and Unemployment

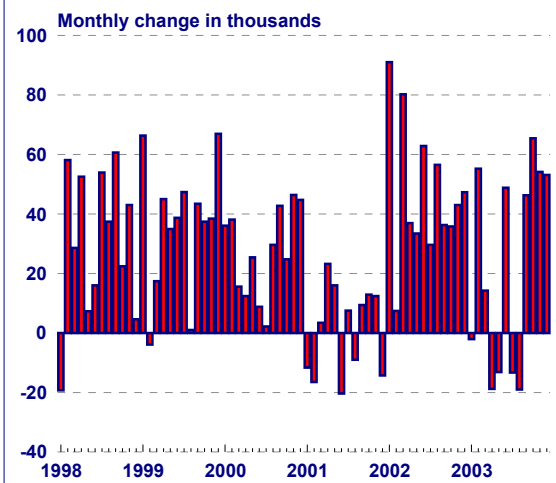
### Employment surged further in December...

- Employment went up by 53,100 in December, bringing job gains over the past four months to 219,000. This is a significant improvement over the first eight months of the year. Nonetheless, employment growth moderated to 1.7% in 2003 from a 3.1% growth in 2002.
- Employment gains in December were almost all in full-time jobs (45,500). In 2003, nearly all employment gains were in full-time positions (243,900).
- Employment increased for adult men (19,600) and women (33,000) and youths (600) in December. In 2003, adult employment rose by 256,600 while youth only gained 14,300 jobs.
- The participation rate rose to 67.7%, while the employment rate increased to 62.7%, the highest levels recorded since the inception of the Labour Force Survey in 1976. The employment rate (57.5%) and the participation rate (61.2%) of adult women both reached record levels in December 2003.

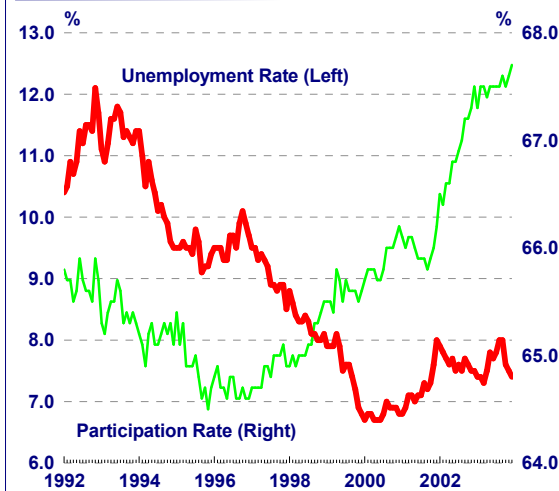
### ...and the unemployment rate fell to 7.4%

- The unemployment rate fell 0.1 percentage point to 7.4% in December, as the increase in employment more than offset an increase in the labour force. The unemployment rate for adults declined 0.3 percentage point to 6.1% in December while the youth unemployment rate rose 0.7 percentage point to 14.0%.

### Employment



### Unemployment Rate



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2002 December	2003 November	2003 December	last month	last year	year-to- date	last month	last year
<b>Employment</b>	15,649.7	15,867.4	15,920.5	53.1	270.8	270.8	0.3	1.7
<b>Full-time</b>	12,673.4	12,871.8	12,917.3	45.5	243.9	243.9	0.4	1.9
<b>Part-time</b>	2,976.3	2,995.6	3,003.2	7.6	26.9	26.9	0.3	0.9
<b>Youth 15-24</b>	2,404.5	2,418.2	2,418.8	0.6	14.3	14.3	0.0	0.6
<b>Adult 25+</b>	13,245.2	13,449.2	13,501.8	52.6	256.6	256.6	0.4	1.9
<b>Self-employed</b>	2,378.5	2,442.3	2,436.9	-5.4	58.4	58.4	-0.2	2.5
<b>Unemployment</b>	1,275.6	1,289.6	1,266.8	-22.8	-8.8	-8.8	-1.8	-0.7
<b>Unemployment Rate</b>	7.5	7.5	7.4	-0.1	-0.1	-0.1		
<b>Youth 15-24</b>	13.3	13.3	14.0	0.7	0.7	0.7		
<b>Adult 25+</b>	6.4	6.4	6.1	-0.3	-0.3	-0.3		
<b>Labour Force</b>	16,925.3	17,157.0	17,187.3	30.3	262.0	262.0	0.2	1.5
<b>Participation Rate</b>	67.5	67.6	67.7	0.1	0.2	0.2		
<b>Employment Rate</b>	62.4	62.5	62.7	0.2	0.3	0.3		



## Industry Overview

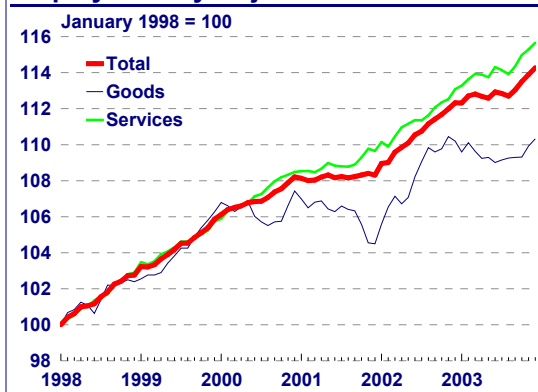
### Employment increased in the Goods sector...

- Employment in the Goods sector edged up 14,500 in December, following an increase of 22,300 in November. Construction posted the largest gain (10,400). In 2003, Construction and Natural Resources gained 45,200 and 25,800 jobs, respectively.
- Manufacturing lost 4,100 jobs in December and 57,300 in 2003, due in part to a higher Canadian dollar and weakness south of the border early in the year. This was in contrast with 2002, when Manufacturing created 88,900 jobs. Manufacturing job losses were concentrated in computer and electronic products and electrical equipment and appliance manufacturing.

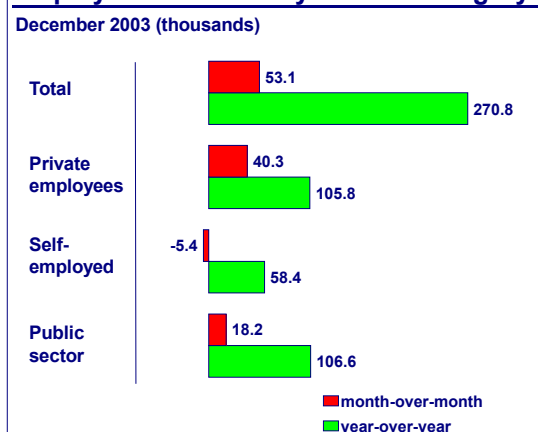
### ...and in the Services sector

- Employment in Services increased by 38,600 in December, following 31,800 job gains the previous month. The largest gains were in Health Care (28,400), Management (25,400) and Transportation (12,900).
- Professional/Scientific, Trade, Public Administration, Information, Culture & Recreation; and, Accommodation and Food posted job losses.
- Overall, the Services sector gained 266,500 (2.3%) jobs in 2003.

### Employment by Major Sector



### Employment Growth by Worker Category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2002 December	2003 November	2003 December	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	4,010.0	3,999.9	4,014.4	14.5	4.4	4.4	0.4	0.1
Agriculture	355.2	338.0	346.2	8.2	-9.0	-9.0	2.4	-2.5
Natural Resources*	270.3	292.9	296.1	3.2	25.8	25.8	1.1	9.5
Utilities	131.1	133.8	130.7	-3.1	-0.4	-0.4	-2.3	-0.3
Construction	911.3	946.1	956.5	10.4	45.2	45.2	1.1	5.0
Manufacturing	2,342.2	2,289.0	2,284.9	-4.1	-57.3	-57.3	-0.2	-2.4
<b>Services-producing</b>	11,639.6	11,867.5	11,906.1	38.6	266.5	266.5	0.3	2.3
Trade	2,446.5	2,491.9	2,477.8	-14.1	31.3	31.3	-0.6	1.3
Transportation*	765.8	769.3	782.2	12.9	16.4	16.4	1.7	2.1
FIRE*	903.6	950.7	956.8	6.1	53.2	53.2	0.6	5.9
Professional/Scientific	1,020.8	999.8	984.8	-15.0	-36.0	-36.0	-1.5	-3.5
Management/Administrative	612.3	612.2	637.6	25.4	25.3	25.3	4.1	4.1
Educational Services	1,050.2	1,052.7	1,061.1	8.4	10.9	10.9	0.8	1.0
Health Care/Social Assistance	1,654.8	1,703.6	1,732.0	28.4	77.2	77.2	1.7	4.7
Information/Culture/Recreation	693.5	721.9	716.7	-5.2	23.2	23.2	-0.7	3.3
Accommodation & Food	1,016.2	1,031.9	1,029.7	-2.2	13.5	13.5	-0.2	1.3
Other Services	695.1	697.9	699.5	1.6	4.4	4.4	0.2	0.6
Public Administration	781.0	835.6	827.9	-7.7	46.9	46.9	-0.9	6.0

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

# LABOUR MARKET TRENDS



## Provincial Overview

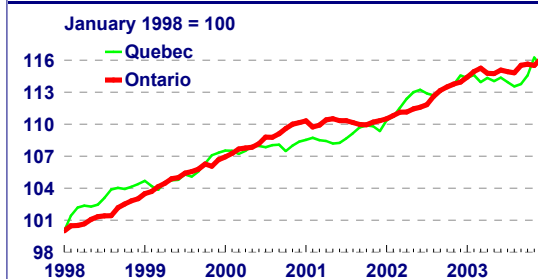
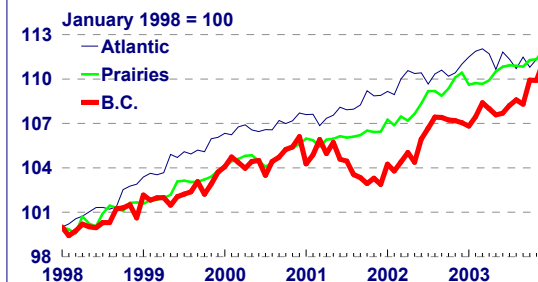
### Job gains were concentrated in Ontario and British Columbia...

- Ontario (35,400) and British Columbia (23,600) posted the strongest job gains in December. The bulk of the increase in Ontario was in management of companies and administrative and other support services, and in accommodation and food. Gains in B.C. were spread over several industries. Alberta (10,600) also posted a notable increase in employment. Quebec lost 26,900 jobs, all full-time, as a result of a drop in manufacturing jobs.
- In 2003, most provinces posted a gain, notably British Columbia (3.9%), Prince Edward Island (3.4%), Alberta (2.6%), and Ontario (1.9%). New Brunswick (-1.1%), Saskatchewan (-0.7%) and Manitoba (-0.3%) posted job losses.

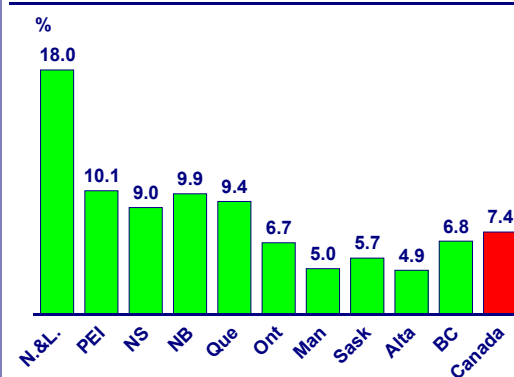
### ...and the unemployment rate fell in most provinces

- Job creation helped reduce the unemployment rates in most provinces in December. B.C. (-0.8 percentage point to 6.8%), Manitoba (-0.4 point to 5.0%) posted the largest declines.
- Newfoundland and Labrador posted the largest increase in the unemployment rate (0.6 point to 18.0%), reflecting an increase in its labour force. Other provinces registered small changes in their unemployment rates.
- In 2003, the unemployment rate was down in most provinces, particularly in B.C., P.E.I. and Newfoundland & Labrador, but was up sharply in Quebec.

### Regional employment patterns



### Unemployment Rates -- December 2003



### Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment Rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since	
	2003 December	(000's)	%	(000's)	%	2003 December	last month	last year
Canada	15,920.5	53.1	0.3	270.8	1.7	7.4	-0.1	-0.1
Newfoundland & Labrador	215.6	2.0	0.9	2.1	1.0	18.0	0.6	-0.5
Prince Edward Island	70.2	0.8	1.2	2.3	3.4	10.1	-1.0	-0.8
Nova Scotia	439.5	4.1	0.9	7.2	1.7	9.0	-1.1	-0.4
New Brunswick	346.1	-2.3	-0.7	-3.9	-1.1	9.9	-0.3	-0.4
Quebec	3,681.4	-26.9	-0.7	27.3	0.7	9.4	0.3	0.9
Ontario	6,285.8	35.4	0.6	119.8	1.9	6.7	-0.1	-0.3
Manitoba	570.5	3.1	0.5	-1.6	-0.3	5.0	-0.4	0.1
Saskatchewan	488.5	2.9	0.6	-3.2	-0.7	5.7	0.0	0.1
Alberta	1,751.5	10.6	0.6	44.0	2.6	4.9	-0.1	0.0
British Columbia	2,071.5	23.6	1.2	76.9	3.9	6.8	-0.8	-1.6

# PRICES and FINANCIAL MARKETS

## Consumer and Commodity Prices



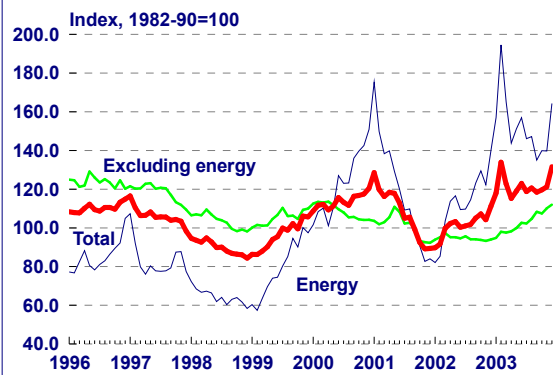
### Inflation increased to 2.0% in December...

- On a year-over-year basis, the Consumer Price Index (CPI) was 2.0% in December, up from 1.6% in November. The increase was mainly due to a refund given to Ontario electricity consumers in December 2002, causing the average electricity bill in December 2003 to be 84.8% higher. Excluding energy prices, inflation was 1.7% in December, down from 1.8% in November.
- On a monthly basis (seasonally adjusted), the CPI advanced 0.4% in December following an increase of 0.3% in November. Higher prices for shelter (0.4%), alcohol and tobacco products (1.9%), and food (0.3%) contributed to the increase.
- In December, year-over-year commodity prices increased to 18.4% from 16.3% in November. On a monthly basis, commodity prices jumped 8.6%, following a 1.3% rise in November. Excluding energy prices, commodity prices moderated from a 2.5% rise in November to 1.7% in December.

### ...and the "core" rate jumped to 2.2%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, was 2.2% in December, the first month since June 2003 that it was above the midpoint of the 1%-3% official target range.

### Commodity Prices (\$US basis)



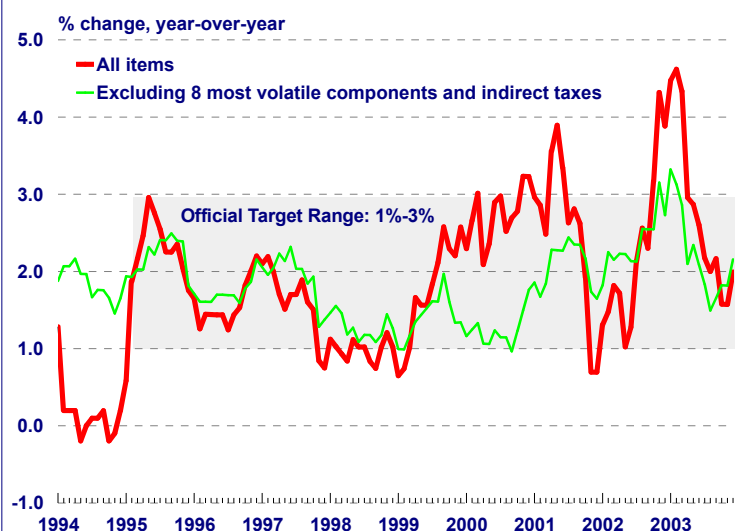
### Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
<b>All items CPI</b>	122.8	0.1	2.0
Food	123.4	0.9	1.8
Shelter	118.8	0.4	4.2
Household operations	114.9	0.0	0.8
Clothing & Footwear	102.5	-1.6	0.2
Transportation	140.8	-0.1	0.5
Health & Personal Care	117.6	-0.3	1.3
Recreation, Educ. & Reading	126.5	-0.8	0.4
Alcohol & Tobacco	140.1	1.8	6.5
<b>Excl. 8 Most Volatile/Indirect Taxes</b>	123.1	-0.2	2.2
Energy	136.2	0.6	6.7

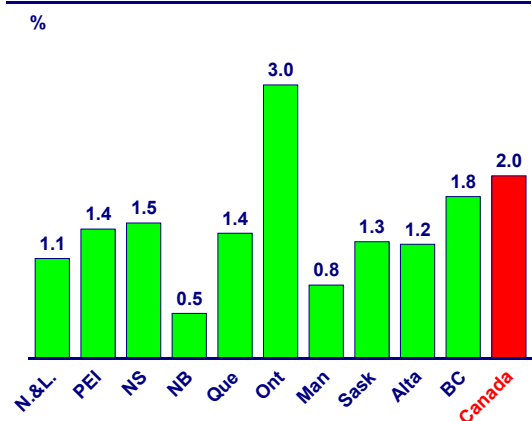
### Commodity Prices (December 2003)

Index, 1982-90=100	131.6	8.6	18.3
Excluding Energy	112.0	1.7	19.1
Energy	164.3	17.6	17.4

### Consumer Price Index



### Provincial CPI Inflation -- December 2003





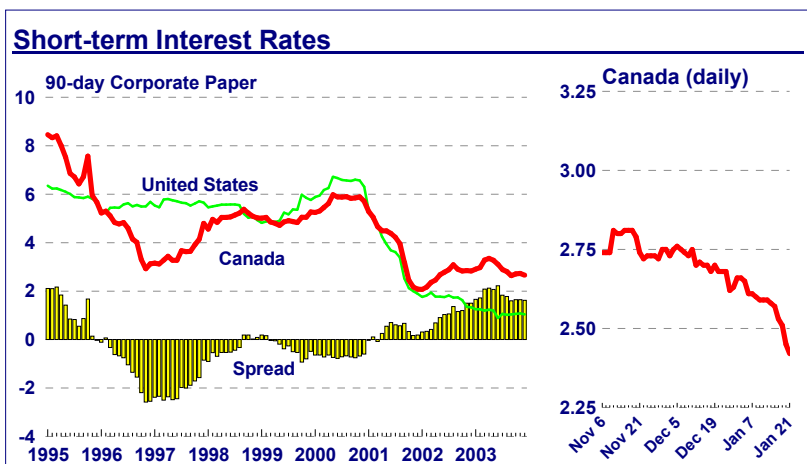
## Short-term and Long-term Interest Rates

### The Bank of Canada reduces rates

- The Bank of Canada reduced its overnight target rate by 25 basis points (bps) to 2.5% on January 20. The move reflected weaker than projected domestic demand in the fourth quarter of 2003 and evidence that the rising dollar has restrained overall growth in aggregate demand. On January 22, in its Monetary Policy Report, the Bank revised down its 2004 growth outlook to 2.75% from 3.25% projected in the October report. In the U.S., the Federal Reserve kept its federal funds rate unchanged at 1.0% on December 9, 2003. The next policy decision is scheduled for January 28 in the U.S. and March 2 in Canada.
- The rate on 3-month corporate paper in Canada eased to a low of 2.4% on January 21, down from 2.7% last December. Its U.S. counterpart was at 1.0% on January 21, leading to a narrowing of the interest rate differential by 23 basis points to 139 basis points since December.

### North American bond yields trended down in recent months

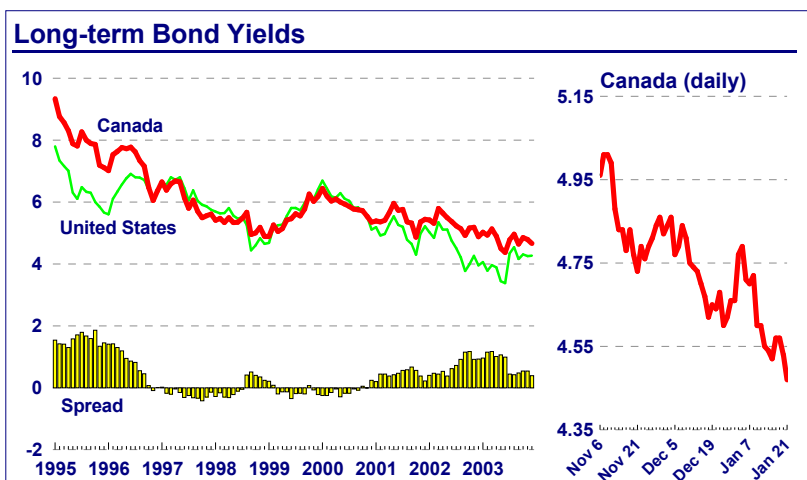
- North American long-term yields have retreated over the past couple of months, more so in Canada, reflecting expectations that monetary authorities will keep their accommodating stance for a while. Yields on ten-year government bonds have fallen by about 30 bps in Canada and 20 bps in the U.S. since November, to 4.5% in Canada and 4.1% in the U.S.
- One-year mortgage rates were at 4.5% on January 21, down from 4.75 in December of 2003. Five-year mortgage rates have also fallen to 6.15% on January 21, from 6.45 in December.



#### 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
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
November	2.73	1.65	4.79	0.54
December	2.66	1.62	4.66	0.39
Jan. 21*	2.42	1.39	4.47	0.42

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
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
November	2.75	4.50	4.75	6.50
December	2.75	4.50	4.75	6.45
Jan. 21*	2.50	4.25	4.50	6.15

\* Bank of Canada's Weekly Financial Statistics

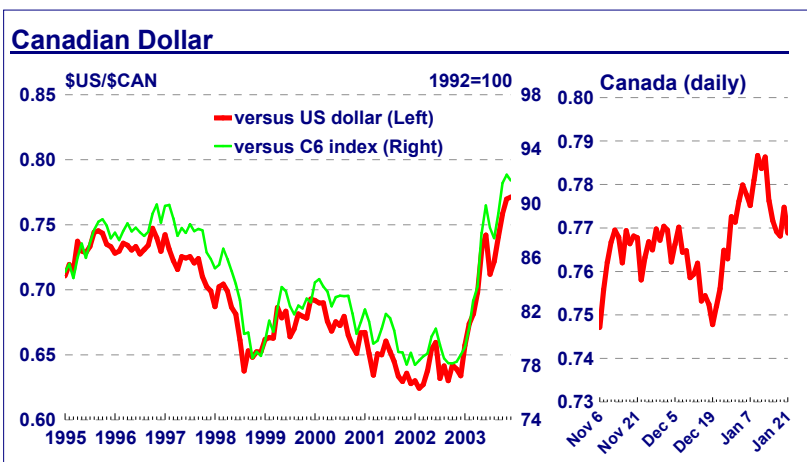


### The Canadian dollar hit a ten-year high in early January

- The Canadian dollar, along with other currencies, experienced significant volatility over the past few weeks amid uncertainty about global economic imbalances. The Canadian dollar rose 5% since December 19, reaching a ten-year high of US¢78.8 in early January, before coming under some downward pressure in part due to expectations that the Bank of Canada would reduce its policy rates. The Canadian dollar closed at US¢76.2 on January 23.
- The Canadian loonie has also gained ground against other major currencies in 2003. As of January 21, compared to the start of 2003, the loonie had risen 20% against the U.S. dollar, 8% against the Japanese yen, 5% against the U.K. pound, and was essentially unchanged against the euro.

### North American stock indices continue their upward trend

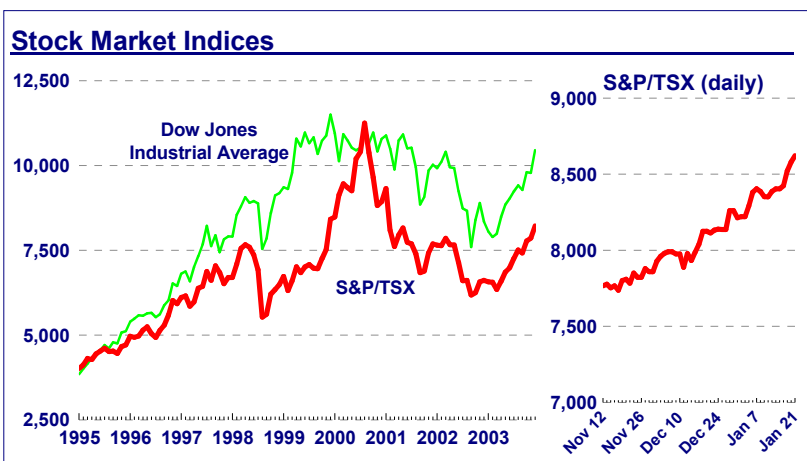
- North American stock indices continued to gain momentum towards the end of 2003 and early 2004 on optimism about a sustained recovery in corporate profits and some good news in the technology sector. The S&P/TSX closed at 8,605 on January 23, up 51% from the low of October 9, 2002, but still down 32% from its peak on September 1, 2000. In 2003, the largest gains were most evident in the information technology, metals & mining and telecommunication sub-indexes.
- The Dow Jones closed at 10,568 on January 23, up 45% from the low of October 2002, but still down 11% from its peak on January 14, 2000.



### The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2002	0.6339	78.80	1.483	78.20
2003	0.7713	91.65	1.583	82.08
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	0.7698	92.09	1.538	83.17
Dec	0.7713	91.65	1.614	82.08
Jan. 21*	0.7688	92.20	1.641	82.12

\* Bank of Canada's Weekly Financial Statistics



### Key Stock Market Indexes

	December Close	% change from	
		last month	last year
<b>S&amp;P/TSX</b>	<b>8,221</b>	<b>4.6</b>	<b>24.3</b>
Energy	156	11.4	23.6
Metals & Mining	230	16.5	76.3
Utilities	153	1.1	18.7
Materials	158	6.2	25.8
Industrial	77	6.7	21.5
Financial	132	2.3	24.4
Gold	228	-3.9	13.6
Telecommunication	63	3.1	30.4
Information Technology	25	1.7	59.3
Consumer Discretionary	87	4.3	19.5
Consumer Staples	177	6.1	18.9
<b>S&amp;P 500</b>	<b>1,111.9</b>	<b>5.1</b>	<b>26.4</b>
<b>Dow Jones</b>	<b>10,454</b>	<b>6.9</b>	<b>25.3</b>



## U.S. Economic Trends

### U.S. economic growth surged in the third quarter

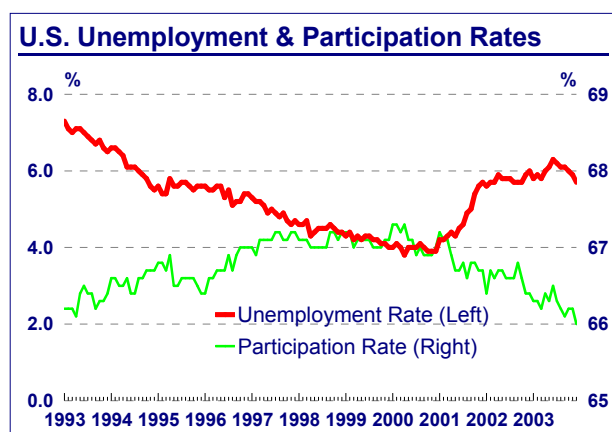
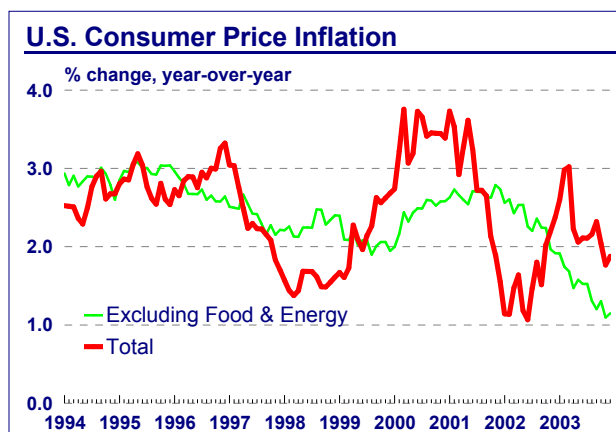
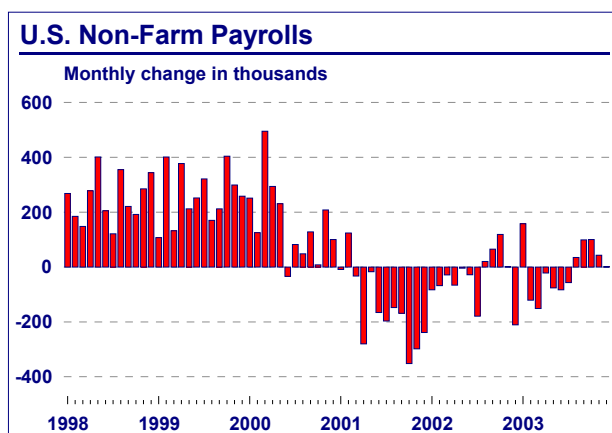
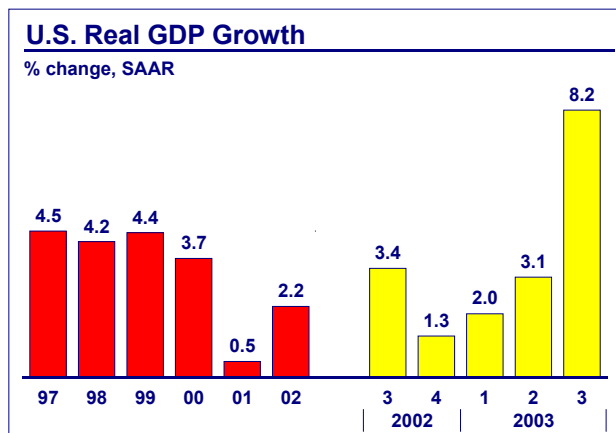
- Real GDP grew 8.2% (annual rate) in the third quarter of 2003, the fastest rate in 20 years and up sharply from 3.1% in the second quarter. The advance was led by consumer spending on durables and fixed business investments. Exports also had a positive impact after declining in the previous three quarters.

### Recent data point to slower growth in the fourth quarter

- In October and November, real personal consumption expenditure was up 1.9% (annual rate) from third quarter levels, following a rise of 6.9% in the third quarter. The Institute of Supply Management manufacturing index showed continued and widespread strength in manufacturing, but moderating activity in non-manufacturing. Industrial production accelerated from 3.8% (annual rate) in the third quarter to 6.1% in the fourth. Real imports of goods in October and November rose faster than real exports when compared to third quarter levels, resulting in a wider deficit in traded goods.

### Employment changed little in December

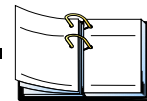
- Nonfarm employment was flat in December following gains totalling 277,000 in the previous four months. In the fourth quarter, nonfarm employment was up 0.6% (annual rate) while manufacturing employment posted its smallest decline since the fourth quarter of 2000. The unemployment rate in December was down from a recent high of 6.3% in June to 5.7%, partly due to a lower participation rate.
- Nonfarm business productivity rose by 9.4% (annual rate) in the third quarter following a rise of 7.0% in the second quarter. The index on aggregate hours in the fourth quarter was up 2.2% (annual rate) compared with a decline of 0.7% in the third quarter, pointing to a slowdown in labour productivity. The year-over-year change in total CPI, and CPI excluding food and energy were 1.9% and 1.1%, respectively, in December.



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

## COMING UP

### Key Future Data Releases and Planned Events



#### CANADA

Real GDP by Industry - November	January 30
Labour Force Survey - January	February 6
Canadian International Merchandise Trade - December	February 13
Monthly Survey of Manufacturing - December	February 13
Consumer Price Index - January	February 20
Financial Statistics for Enterprises - 4th Quarter	February 25
Balance of International Payments - 4th Quarter	February 26
National Economic and Financial Accounts - 4th Quarter	February 27
Key Policy Interest Rate Announcement	March 2

#### UNITED STATES

GDP - 4th Quarter 2003 (advance)	January 30
The Employment Situation - January	February 6
International Trade in Goods and Services - December	February 13
Consumer Price Index - January	February 20
Federal Open Market Committee Meeting	March 16

Note: The December 2003 / January 2004 MEI uses data available as of January 23, 2004