



Industry
Canada

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Monthly Economic Indicators

January 2005

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

Canada 

MONTHLY ECONOMIC INDICATORS

January 2005

HIGHLIGHTS

-  **Real Gross Domestic Product (GDP) remained unchanged in October as the weakness in the goods sector continued.**
-  **Employment rose by 34,000 in December, bringing total job creation to 72,000 in the fourth quarter and 228,000 in 2004. The unemployment rate fell to 7.0 percent, the lowest since May 2001.**
-  **Merchandise trade balance recovered in November as imports fell (10.2%) more than exports (2.9%).**
-  **These developments, combined with strong retail sales and housing market, point to continued, albeit slower, growth in the final quarter of 2004.**
-  **In the United States (U.S.), recent indicators point to continued robust growth in the fourth quarter, led again by domestic spending.**
-  **The January Consensus Forecast calls for real GDP growth of 2.8 percent in Canada and 3.6 percent in the U.S. in 2005.**
-  **The Canadian dollar has been volatile in recent weeks, trading in a range of 81-83 U.S. cents, amid uncertainties about prospects for growth, interest rates, commodity prices and the U.S. trade deficit.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,053.6	0.0	3.2	Oct.
Goods	330.0	-0.2	3.4	Oct.
Services	724.8	0.1	3.2	Oct.
Composite Index	200.1	0.0	6.8	Nov.
Employment (000's)	16,149	0.2	1.4	Dec.
Full-time	13,176	0.3	2.0	Dec.
Part-time	2,973	-0.3	-1.0	Dec.
Unemployment* (%)	7.0	7.3	7.4	Dec.
Youth*	12.8	13.2	14.0	Dec.
Adult*	5.9	6.1	6.1	Dec.
CPI inflation*	2.4	2.3	1.6	Nov.
Retail Sales (\$M)	29,595	1.4	6.6	Oct.
Housing Starts (000's)**	234.4	-3.4	6.8	Dec.
Trade Balance* (\$M)	7,296	5,208	4,133	Nov.
Exports	34,706	-2.9	8.6	Nov.
Imports	27,410	-10.2	-1.5	Nov.
M&E	7,676	-11.6	-4.2	Nov.

	January 12 ***	December	
		2004	2003
3-mth Corp. paper (%)*	2.58	2.57	2.66
Long bond yield (%)*	4.31	4.39	4.66
Canadian dollar (US¢)*	83.31	81.49	77.13

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

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MONTHLY ECONOMIC INDICATORS

January 2005

CONTENTS	Page
The Economy	
<i>Real GDP by Industry</i>	3
<i>Consumer Spending and Attitudes</i>	4
<i>Business Investment in Plant and Equipment</i>	5
<i>Housing</i>	6
<i>Trade and Competitiveness</i>	7
Labour Market Trends	
<i>Employment and Unemployment</i>	8
<i>Industry Overview</i>	9
<i>Provincial Overview</i>	10
Prices and Financial Markets	
<i>Consumer and Commodity Prices</i>	11
<i>Short-term and Long-term Interest Rates</i>	12
<i>Exchange Rates and Stock Prices</i>	13
The United States Economy	
<i>U.S. Economic Trends</i>	14
Coming Up...	
<i>Key Future Data Releases/Planned Events</i>	15

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

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Real GDP by Industry

Economic activity remained unchanged in October...

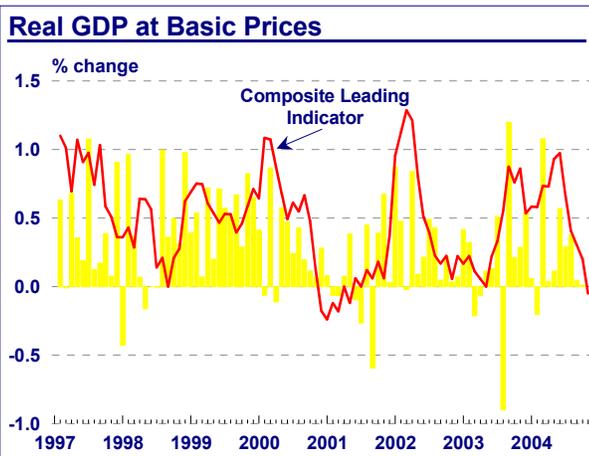
- Real GDP at basic prices posted no growth in September and October, after robust growth in the previous three months. However, on a year-over-year basis, October's real GDP was 3.2% higher and the output of the ICT (Information and Communications Technologies) industries was 6.6% higher. In light of recent economic weakness and the further appreciation of the dollar in recent months, Canada's growth outlook for 2005 has been revised down to 2.8% in the January Consensus Forecast from 3.2% expected in November.

as output in construction and manufacturing declined in the goods sector...

- The output of goods was down 0.2% in October, after a 0.1% decline in September. Lower output in construction, manufacturing and utilities accounted for the decline, as mining and agriculture outputs were up. In manufacturing, only 4 of 21 major groups posted advances, as foreign demand for fabricated products was reduced in the wake of a strengthening dollar. However, production in the mining, oil & gas sector benefitted from the end of a strike in the iron mines and from increased activity in oil & gas exploration.

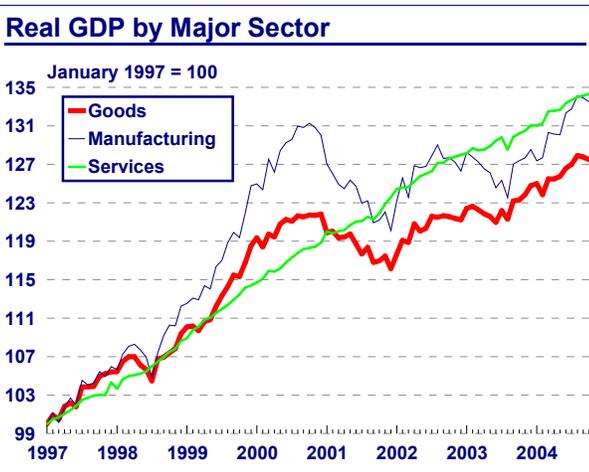
...while it continued to grow in services, led by retail

- The output of services increased 0.1% in October, the same pace as in September. The growth leaders were retail, transportation and the information industries. The retail output was propelled by motor vehicle sales, largely due to dealer incentives, and general merchandise and department store sales. However, overall growth was hampered by output declines in arts & entertainment and public administration. The National Hockey League lockout caused output of the arts & entertainment industries to drop 2.1% and strike activities by some federal government employees reduced the output of federal public administration by 1.3%.



Real GDP at Basic Prices (1997 chained dollars)

October 2004	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	1,053,578	102	0.0	3.2
Business Sector	895,481	403	0.0	3.5
Goods-producing	330,025	-744	-0.2	3.4
Agri., Forest, Fish, Hunt*	23,851	28	0.1	4.6
Mining & Oil & Gas Extraction	37,627	76	0.2	-0.0
Utilities	26,058	-74	-0.3	4.0
Construction	58,001	-327	-0.6	1.9
Manufacturing	184,269	-541	-0.3	4.8
Services-producing	724,768	904	0.1	3.2
Wholesale Trade	66,354	-86	-0.1	4.9
Retail Trade	60,742	540	0.9	5.0
Transportation & Warehousing	50,749	324	0.6	5.2
Information & Cultural	43,231	175	0.4	2.8
FIRE**	212,820	548	0.3	4.0
Professional***	46,414	76	0.2	2.0
Admin. & Waste Mgmt	22,142	-45	-0.2	2.3
Education	45,863	109	0.2	3.4
Health & Social	63,250	-3	-0.0	1.7
Arts, Entertain. & Recreation	9,400	-202	-2.1	-3.1
Accommodation & Food	23,476	-48	-0.2	0.9
Other	24,632	11	0.0	1.3
Public Administration	57,219	-448	-0.8	0.9



*Agriculture, Forestry, Fishing & Hunting
 **Finance, Insurance & Real Estate
 ***Professional, Scientific & Technical services

THE ECONOMY

Consumer Spending and Attitudes

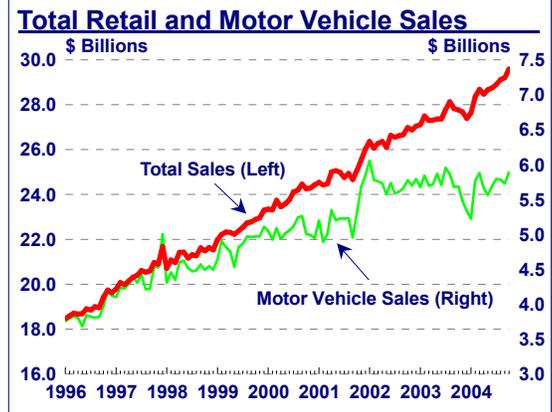


Early signs point to sustained consumption growth in the fourth quarter...

- Preliminary figures indicate that the sales of new motor vehicles should increase 6.8% in the fourth quarter, following an 8.2% decline in the third. Most of the strength occurred early in the quarter as sales are expected to have declined 2.0% in December.
- In real terms, retail sales increased 0.9% in October. Assuming no growth in November and December, real retail sales would increase 6.2% (annualized) in the fourth quarter.

...amid continued strong consumer fundamentals

- The index of consumer confidence rose slightly to 121.0 in December, remaining above its ten-year average of 113.2. While consumers seemed less enthusiastic regarding big-ticket purchases, they were generally more upbeat regarding their financial health.
- Major collective bargaining settlements provided an average base rate wage increase of 2.0% in October, higher than the 1.6% for the first 10 months of 2004. Moreover, the economy added 72,400 net jobs in the fourth quarter.
- High consumer confidence and rising income bode well for sustained consumption growth.

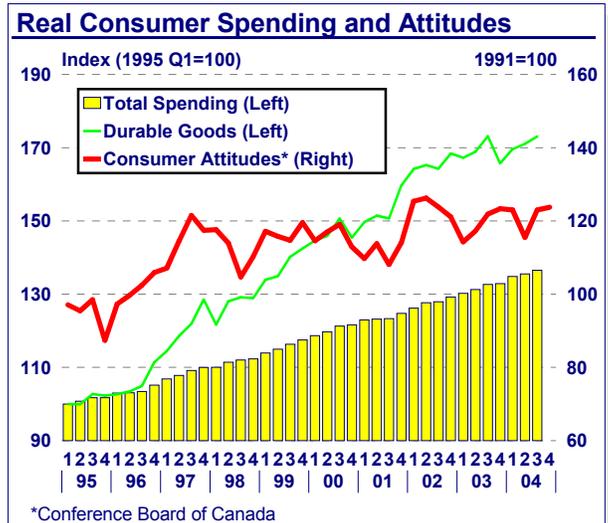


Retail Sales and Consumer Credit

	\$ millions	% Change since	
		last month	last year
October 2004			
Total Retail Sales (S.A.)	29,595	1.4	6.6
Food	5,698	-0.0	4.6
Drug Stores	1,939	0.6	6.7
Clothing	1,671	-1.2	2.5
Furniture	1,923	0.3	7.1
Automotive	10,090	4.0	8.4
General Merch. Stores	3,600	1.4	6.6
All other Stores	4,675	-0.7	6.5
Total ex. motor vehicles	22,458	0.9	7.7
Consumer Credit	267	1.1	11.1

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	2002	2003	2004 Q2	2004 Q3
Real Consumption (97\$)	601,594	620,444	638,154	642,868
% change	3.4	3.1	2.1	3.0
Durable Goods	93,099	94,923	96,213	97,345
% change	8.3	2.0	3.5	4.8
Semi-Durable Goods	54,472	56,142	58,800	60,071
% change	3.8	3.1	3.5	8.9
Non-Durable Goods	137,196	140,078	142,562	143,271
% change	2.3	2.1	0.2	2.0
Services	317,627	330,098	341,421	343,202
% change	2.6	3.9	2.3	2.1
Disposable Income	692,691	713,548	738,176	741,904
% change	3.8	3.0	5.0	2.0
Saving Rate (%)	3.2	1.4	0.5	0.0
Debt-to-Income Ratio (%)	98.1	101.6	104.0	105.1



THE ECONOMY

Business Investment



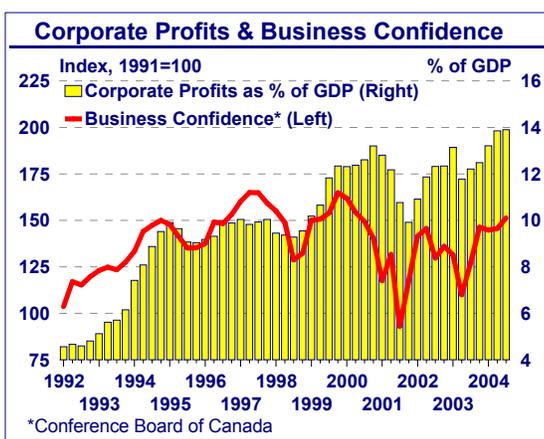
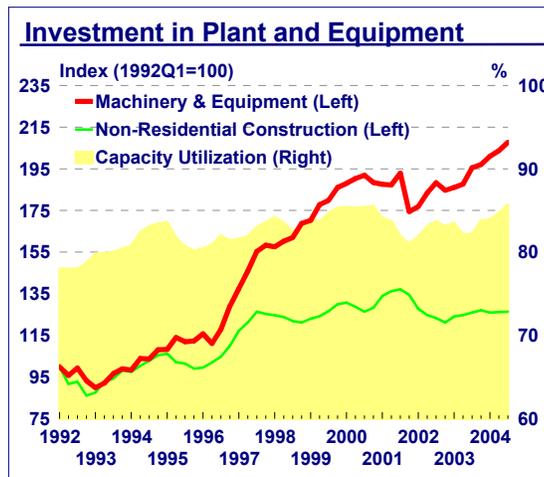
The energy sector drove third quarter investment...

- Investment in plant and equipment rose 5.2% in the third quarter, following a 3.7% increase in the second.
 - Investment in construction grew 0.6% in the third quarter, as energy-related construction rose 8.8% while non-energy related construction declined 7.5%*.
 - Energy related M&E investment grew 15.9% in the third quarter, while non-energy related investment grew 7.2%.

...but indicators are mixed in the fourth quarter

- Excluding the institutional component, real investment in non-residential building construction rose 3.5% in the fourth quarter, a partial recovery from the 4.0% decline in the third.
- Following a 3.1% increase in October, the volume of M&E imports declined 8.0% in November. Assuming no growth in December, imports of M&E will fall 10.9% in the fourth quarter.
- The January Consensus Forecast expects M&E investment to grow 9.4% in 2005, following an estimated growth of 7.7% in 2004.

* Data from the Conference Board of Canada



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q4	2004 Q1	2004 Q2	2004 Q3
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	82,715	86,441	88,920	90,688	91,906	93,735
% change	-1.2	4.5	3.2	8.2	5.5	8.2
Non-residential Construction (1997\$)	44,493	44,928	45,501	45,100	45,197	45,262
% change	-8.3	1.0	3.5	-3.5	0.9	0.6
Capacity Utilization (% , Non-farm goods)	83.0	82.9	83.8	83.9	84.7	85.7
Capacity Utilization (Mfg. sector)	83.3	82.9	84.2	84.6	86.4	88.5
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	149,969	172,118	178,676	194,124	205,244	205,320
% change	4.8	14.8	17.7	39.3	25.0	0.1
Profits - Non-financial industries	115,798	128,203	131,604	142,680	155,400	154,448
% change	8.8	10.7	19.5	38.2	40.7	-2.4
Profits - Financial industries	34,169	43,915	47,072	51,444	49,840	50,876
% change	-6.8	28.5	13.0	42.7	-11.9	8.6
Business Credit	890,038	904,934	911,271	920,854	934,518	950,046
% change	3.8	1.7	2.5	4.3	6.1	6.8

THE ECONOMY

Housing



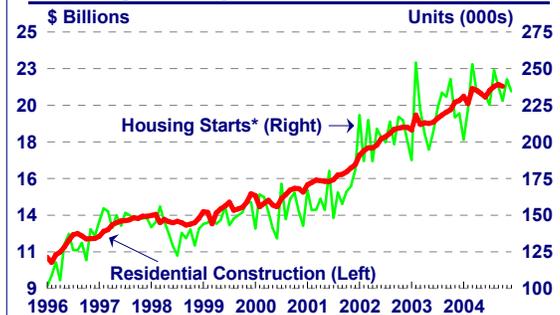
Housing starts were down in the fourth quarter, but activity was strong in 2004

- Housing starts decreased from 242,600 in November to 234,400 in December (seasonally adjusted & annualized), largely due to multiple starts. Declines were posted in all regions, except in British Columbia where starts were unchanged and Atlantic Canada where they increased.
- This was a strong finish to 2004 as housing starts rose 6.7% in the year to 233,000, a 17-year high. Starts were down 1.0% in the fourth quarter relative to the third.
- Housing starts are expected to fall to 206,000 in 2005, according to the January Consensus Forecast.

Other indicators also point to a slowing housing market

- In November, the value of residential building permits issued rose to \$3.1 billion, up 3.5% from October. On a year-to-date basis, a 15.2% increase in residential construction intentions is propelling the value of building permits to a record high in 2004.
- Sales of existing homes through MLS have been trending lower since March 2004 and according to CMHC, they are expected to slow in 2005. This has helped to moderate house price increases. The annual rate of increases in the New Housing Price Index has slowed from 6.2% in June to 5.6% in October and to 5.3% in December.

Housing Activity



*Canada Mortgage and Housing Corporation

Monthly Housing Indicators

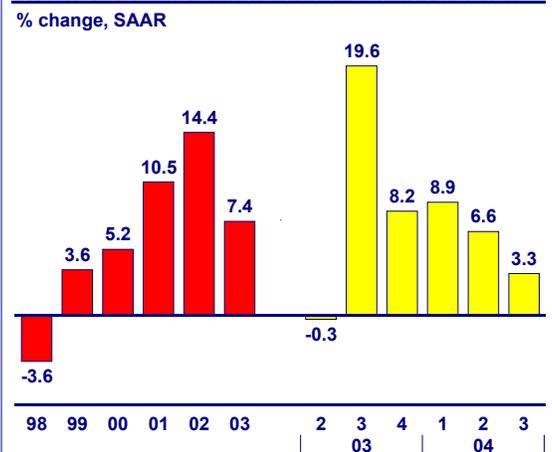
	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	21,408	-0.5%	7.2%
Building Permits, \$M (2)*	3,150	3.5%	11.7%
Sales of Existing Homes (3)** (# of units)	25,595	-434	-147
Housing Starts, (3)*** (# of units, SAAR)	234,400	-8,200	15,000
Newfoundland & Labrador	2,300	-100	-300
Prince Edward Island	800	-200	-100
Nova Scotia	5,600	1,300	-1,100
New Brunswick	4,000	700	-500
Quebec	60,800	-2,600	5,400
Ontario	78,700	-3,700	-3,100
Manitoba	4,300	-500	300
Saskatchewan	3,800	-1,000	1,300
Alberta	39,100	-2,100	4,900
British Columbia	35,000	0	8,200

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)				
	2002	2003	2004 Q2	2004 Q3
Residential Construction	58,133	62,452	67,247	67,792
% change	14.4	7.4	6.6	3.3
New Housing	28,900	30,678	32,995	33,377
% change	23.2	6.2	3.9	4.7
Alterations & Improvements	20,600	22,619	24,100	24,808
% change	4.7	9.8	2.1	12.3
Ownership & Transfer Costs	8,639	9,204	10,148	9,728
% change	11.5	6.5	25.1	-15.6

Growth in Real Residential Construction



THE ECONOMY

Trade and Competitiveness

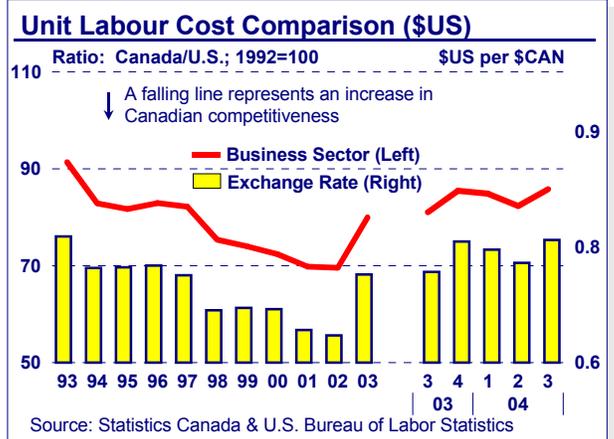
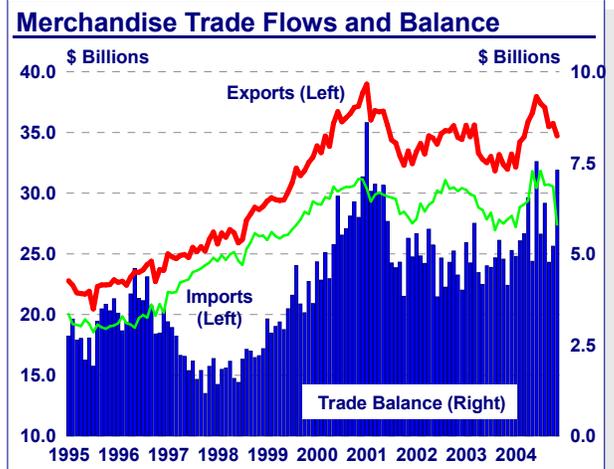


Imports declined more than exports in November...

- Imports declined 10.2% in November following a decrease of 0.6% in October. Imports decreased in all principal groupings, led by industrial goods & materials, energy products, and agricultural & fishing products. Import volumes decreased 7.1% and prices fell 3.1%.
- Merchandise exports decreased 2.9% in November, entirely due to lower prices, after increasing 0.8% in October. The drop was mostly concentrated in exports of automotive and energy products. Exports to all major trading areas except Japan declined. Overall, export volumes edged up 0.2% while prices decreased 3.1%.

...pushing the trade surplus higher

- Canada's trade surplus rose by \$2.1 billion to \$7.3 billion, the third highest since 1997. The trade surplus with the U.S. increased to \$10.3 billion and the trade deficit with other countries edged down to \$3.0 billion.
- Based on October and November data, real merchandise trade is likely to contribute positively to economic growth in the fourth quarter, after dragging growth down in the third.



Merchandise Trade

November 2004	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	October 2004	November 2004	Jan.-Nov. 2003	Jan.-Nov. 2004	Oct. to Nov. 2004	Oct. to Nov. 2004	Jan.-Nov. 2003 to Jan.-Nov. 2004
Exports	35,743	34,706	366,789	391,828	-1,037	-2.9	6.8
to United States	29,139	28,513	303,175	320,290	-626	-2.1	5.6
Imports	30,535	27,410	313,699	327,927	-3,125	-10.2	4.5
from United States	20,708	18,198	220,180	225,342	-2,510	-12.1	2.3
Trade Balance	5,208	7,296	53,090	63,901	2,088		
with United States	8,431	10,315	82,995	94,948	1,884		
Exports by Commodity							
Agriculture/Fishing Products	2,431	2,449	26,785	28,451	18	0.7	6.2
Energy Products	6,174	5,931	55,724	62,275	-243	-3.9	11.8
Forestry Products	3,133	3,023	31,556	35,961	-110	-3.5	14.0
Industrial Goods & Materials	6,439	6,324	60,650	70,426	-115	-1.8	16.1
Machinery & Equipment	7,450	7,336	81,541	84,004	-114	-1.5	3.0
Automotive Products	7,452	6,950	79,959	82,200	-502	-6.7	2.8
Other Consumer Goods	1,389	1,367	15,755	15,805	-22	-1.6	0.3
Imports by Commodity							
Agriculture/Fishing Products	1,827	1,610	19,764	19,368	-217	-11.9	-2.0
Energy Products	2,167	1,902	17,883	21,603	-265	-12.2	20.8
Forestry Products	260	254	2,781	2,875	-6	-2.3	3.4
Industrial Goods & Materials	6,370	5,570	59,758	65,898	-800	-12.6	10.3
Machinery & Equipment	8,687	7,676	90,167	94,709	-1,011	-11.6	5.0
Automotive Products	6,257	5,712	70,175	69,889	-545	-8.7	-0.4
Other Consumer Goods	4,039	3,666	42,487	42,991	-373	-9.2	1.2



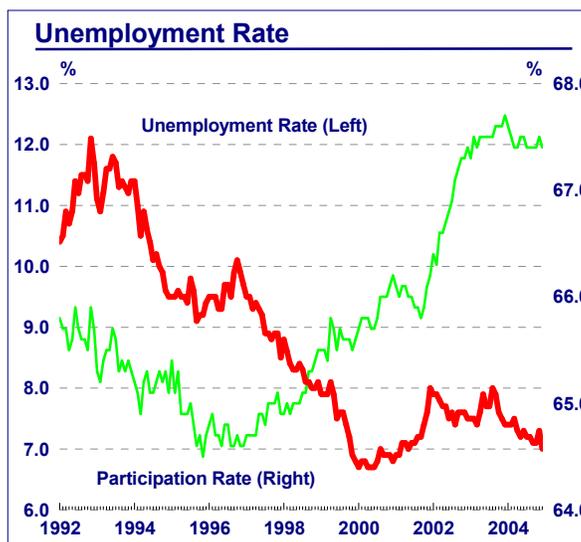
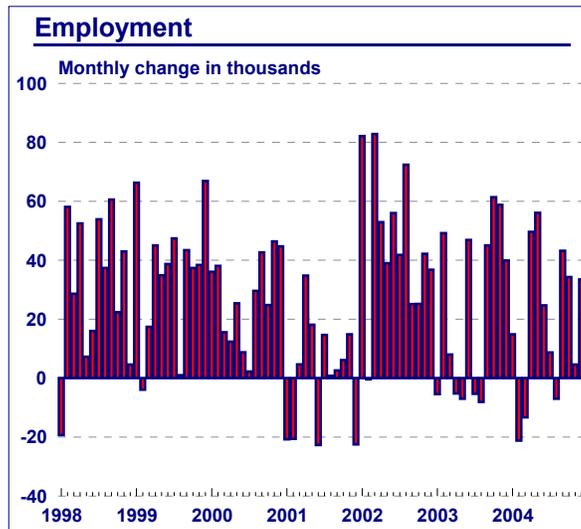
Employment and Unemployment

Employment rose further in December...

- Employment went up 34,000 in December, bringing job gains in 2004 to 228,000 (1.4%). More than 1 million net jobs have been created over the last three years.
- Employment gains in December were all in full-time (41,000). In 2004, 258,000 full-time jobs were created while 30,000 part-time positions were lost.
- Youth employment edged up 3,000 in December, and increased 26,000 (1.1%) in 2004.
- Employment rose in both the private (31,000) and public (21,000) sectors, leaving them up 91,000 (0.9%) and 88,000 (2.9%), respectively, in 2004.
- Both the participation (67.4%) and the employment rates (62.7%) remained near their historical peaks.

...and the unemployment rate declined to 7.0%

- The unemployment rate fell 0.3 percentage point to 7.0%, the lowest rate since May 2001.
- The youth unemployment rate fell 0.4 percentage point to 12.8%, as employment increased and less youth sought jobs.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2003 December	2004 November	2004 December	last month	last year	year-to- date	last month	last year
Employment	15,920.7	16,115.3	16,148.8	33.5	228.1	228.1	0.2	1.4
Full-time	12,917.2	13,134.4	13,175.6	41.2	258.4	258.4	0.3	2.0
Part-time	3,003.4	2,981.0	2,973.2	-7.8	-30.2	-30.2	-0.3	-1.0
Youth 15-24	2,418.8	2,441.7	2,445.1	3.4	26.3	26.3	0.1	1.1
Adult 25+	13,501.8	13,673.7	13,703.7	30.0	201.9	201.9	0.2	1.5
Self-employed	2,437.4	2,504.0	2,485.8	-18.2	48.4	48.4	-0.7	2.0
Unemployment	1,266.8	1,261.7	1,224.0	-37.7	-42.8	-42.8	-3.0	-3.4
Unemployment Rate	7.4	7.3	7.0	-0.3	-0.4	-0.4		
Youth 15-24	14.0	13.2	12.8	-0.4	-1.2	-1.2		
Adult 25+	6.1	6.1	5.9	-0.2	-0.2	-0.2		
Labour Force	17,187.4	17,377.0	17,372.8	-4.2	185.4	185.4	-0.0	1.1
Participation Rate	67.7	67.5	67.4	-0.1	-0.3	-0.3		
Employment Rate	62.7	62.6	62.7	0.1	0.0	0.0		



Industry Overview

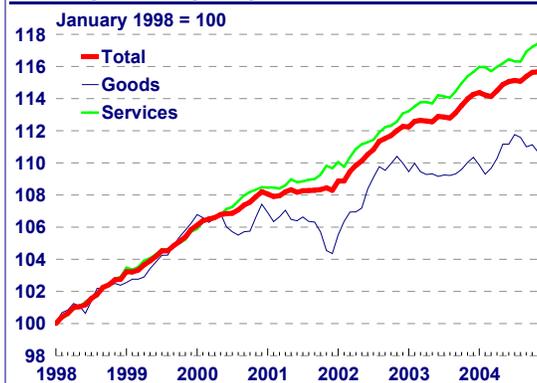
Employment recovered in the Goods sector...

- Employment in the Goods sector rose 18,000 in December, erasing November's decline. Employment increased in all sectors with natural resources (7,000), agriculture (6,000) and construction (4,000) recording the highest gains. Over the year, employment rose 30,000 (0.7%), following a gain of 13,000 (0.3%) in 2003. Gains were concentrated in the construction (61,000) and natural resources (12,000) sectors.
- Manufacturing employment rose marginally (1,000) in December, following four consecutive monthly declines during which 52,000 jobs were lost. A higher Canadian dollar and a substantial increase in crude oil prices were major factors underlying job losses in 2004.

...and rose further in the Services sector

- Employment rose 16,000 in the Services sector, following a 21,000 increase in November. The highest gains were in professional, scientific and technical (15,000), accommodation & food (12,000) and educational services (10,000). The largest loss was in trade (20,000).
- In 2004, employment in the Services sector rose 199,000 (1.7%), following a 265,000 (2.3%) increase in 2003. Job gains were fairly widespread, notably in trade (59,000), professional, scientific and technical (59,000) and FIRE* (56,000). Despite high gains in December, the largest job loss was posted in accommodation & food (13,000).

Employment by Major Sector



Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2003 December	2004 November	2004 December	last month	last year	year-to- date	last month	last year
Goods-producing	4,015.3	4,027.2	4,044.9	17.7	29.6	29.6	0.4	0.7
Agriculture	346.5	327.9	333.7	5.8	-12.8	-12.8	1.8	-3.7
Natural Resources*	296.0	300.7	307.6	6.9	11.6	11.6	2.3	3.9
Utilities	130.7	127.7	127.9	0.2	-2.8	-2.8	0.2	-2.1
Construction	957.1	1,014.1	1,017.7	3.6	60.6	60.6	0.4	6.3
Manufacturing	2,285.0	2,256.8	2,258.0	1.2	-27.0	-27.0	0.1	-1.2
Services-producing	11,905.4	12,088.1	12,103.9	15.8	198.5	198.5	0.1	1.7
Trade	2,477.4	2,556.1	2,536.4	-19.7	59.0	59.0	-0.8	2.4
Transportation*	782.2	785.6	786.4	0.8	4.2	4.2	0.1	0.5
FIRE*	956.7	1,012.8	1,013.0	0.2	56.3	56.3	0.0	5.9
Professional/Scientific	984.5	1,028.8	1,043.6	14.8	59.1	59.1	1.4	6.0
Business/Building	637.6	629.5	630.6	1.1	-7.0	-7.0	0.2	-1.1
Educational Services	1,061.1	1,067.1	1,077.3	10.2	16.2	16.2	1.0	1.5
Health Care/Social Assistance	1,732.2	1,760.3	1,761.4	1.1	29.2	29.2	0.1	1.7
Information/Culture/Recreation	717.0	718.5	712.8	-5.7	-4.2	-4.2	-0.8	-0.6
Accommodation & Food	1,029.5	1,004.1	1,016.4	12.3	-13.1	-13.1	1.2	-1.3
Other Services	699.6	701.2	700.6	-0.6	1.0	1.0	-0.1	0.1
Public Administration	827.6	824.2	825.5	1.3	-2.1	-2.1	0.2	-0.3

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

LABOUR MARKET TRENDS



Provincial Overview

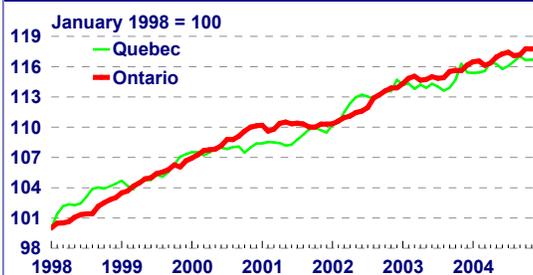
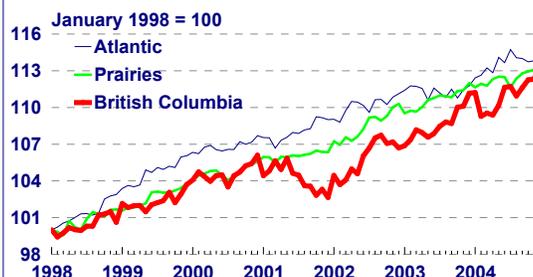
Most provinces posted job gains in December...

- British Columbia (B.C.) registered the highest employment increase (17,000) among provinces in December. Job gains were mainly in business & building services and health care & social assistance.
- Employment also rose in Ontario (9,000), Newfoundland & Labrador (5,000), Alberta (4,000), New Brunswick (3,000) and Saskatchewan (1,000). Quebec lost 4,000 jobs, as job losses in services more than offset gains in the goods sector.
- In 2004, all provinces posted employment gains. The Atlantic provinces reported the highest growth (2.5%), resulting from strong job creation in the first half of the year. Employment growth was also strong in B.C. (1.9%), mainly in the construction sector. Ontario's employment rose 1.5% while employment growth was below the national average in Quebec (1.0%) and Alberta (0.9%).

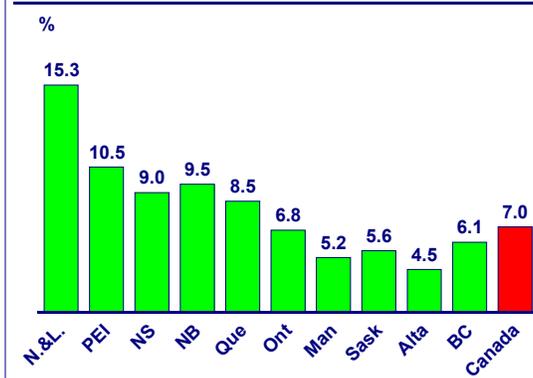
...and the unemployment rate decreased in six provinces

- Strong employment gains pushed B.C.'s unemployment rate to 6.1% in December, the lowest rate since June 1981. Employment growth also pushed down the unemployment rate in Alberta to 4.5%, the lowest among provinces.
- Quebec's unemployment rate fell to 8.5% as less people sought jobs. Higher employment in Ontario pushed down its unemployment rate 0.2 percentage point to 6.8%.
- The unemployment rate decreased to 15.3% and 9.5% in Newfoundland & Labrador and New Brunswick, respectively.

Regional employment patterns



Unemployment Rates -- December 2004



Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment Rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since	
	2004 December	(000's)	%	(000's)	%	2004 December	last month	last year
Canada	16,148.8	33.5	0.2	228.1	1.4	7.0	-0.3	-0.4
Newfoundland & Labrador	221.2	4.6	2.1	5.6	2.6	15.3	-1.2	-2.7
Prince Edward Island	71.7	-0.1	-0.1	1.5	2.1	10.5	0.0	0.4
Nova Scotia	447.7	-0.3	-0.1	8.5	1.9	9.0	0.0	0.0
New Brunswick	357.3	3.1	0.9	11.2	3.2	9.5	-0.4	-0.4
Quebec	3,718.9	-3.6	-0.1	37.0	1.0	8.5	-0.4	-0.9
Ontario	6,380.3	8.6	0.1	94.5	1.5	6.8	-0.2	0.1
Manitoba	578.9	-1.0	-0.2	8.3	1.5	5.2	0.1	0.2
Saskatchewan	495.6	1.0	0.2	7.2	1.5	5.6	0.2	-0.1
Alberta	1,766.9	3.7	0.2	15.4	0.9	4.5	-0.1	-0.3
British Columbia	2,110.2	17.3	0.8	38.8	1.9	6.1	-0.3	-0.7

PRICES and FINANCIAL MARKETS

Consumer and Commodity Prices



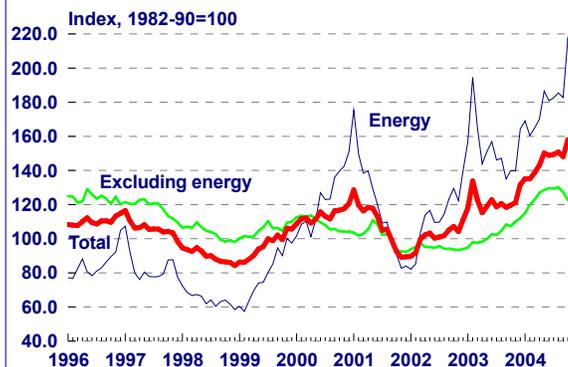
Inflation was 2.4% in November...

- On a year-over-year basis, the increase in the Consumer Price Index (CPI) was 2.4% in November, up slightly from 2.3% in October. An increase in gasoline prices (17.7%) as well as fuel oil (42.6%) and home renovation costs (6.4%) contributed most to the rise. Excluding energy, inflation also edged up to 1.6% in November from 1.5% in October.
- Inflation rose in all provinces except Newfoundland & Labrador, Quebec, and British Columbia. Alberta (1.9%) remained the only province with inflation below 2.0% in November.
- On a month-to-month basis (seasonally adjusted), the CPI rose 0.3% following a 0.4% rise in October.
- The year-over-year increase in commodity prices slowed to 15.7% in December from 25.8% in November. This was due to a moderation in energy price inflation which fell to 20.3%, the smallest increase in six months. On a monthly basis, commodity prices fell 0.2% following a 3.5% decline in November. Excluding energy prices, commodity prices fell 2.4% from November.

...and the "core" rate rose to 1.6%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, rose to 1.6% in November from 1.4% in October, below the midpoint of the 1%-3% official target range.

Commodity Prices (\$US basis)



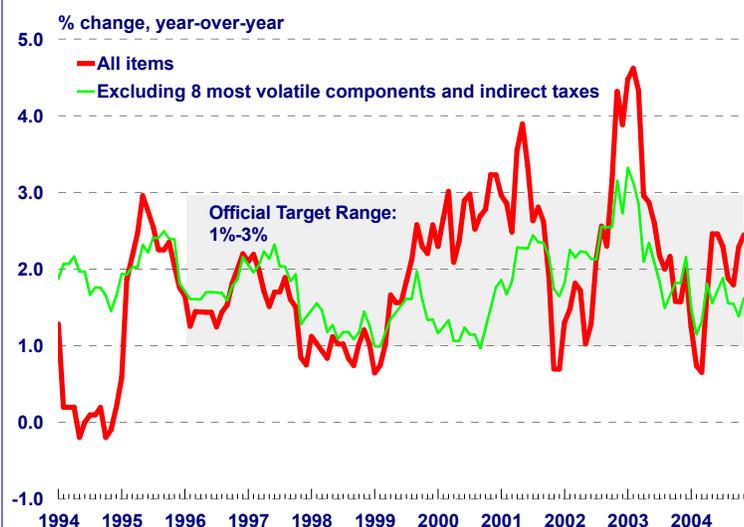
Consumer Prices

November 2004	Index (1992=100)	% Change since	
		last month	last year
All items CPI	125.7	0.4	2.4
Food	126.6	1.0	3.5
Shelter	122.2	0.3	3.3
Household operations	115.1	0.1	0.2
Clothing & Footwear	103.2	-2.1	-1.0
Transportation	146.7	1.5	4.1
Health & Personal Care	118.8	-0.3	0.7
Recreation, Educ. & Reading	127.4	-0.8	-0.1
Alcohol & Tobacco	144.7	0.1	5.2
Excl. 8 Most Volatile/Indirect Taxes	125.3	0.5	1.6
Energy	151.7	-2.1	12.0

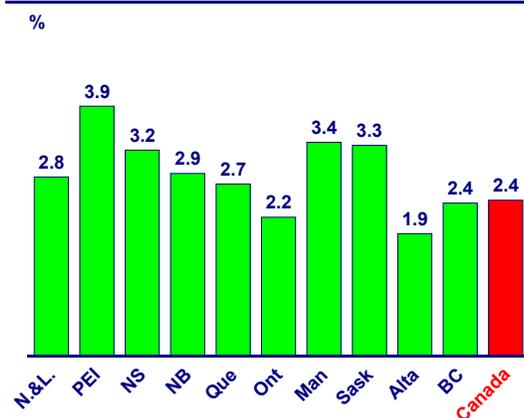
Commodity Prices (December 2004)

Index, 1982-90=100	152.2	-0.2	15.7
Excluding Energy	125.1	2.0	11.7
Energy	197.7	-2.4	20.3

Consumer Price Index



Provincial CPI Inflation -- November 2004





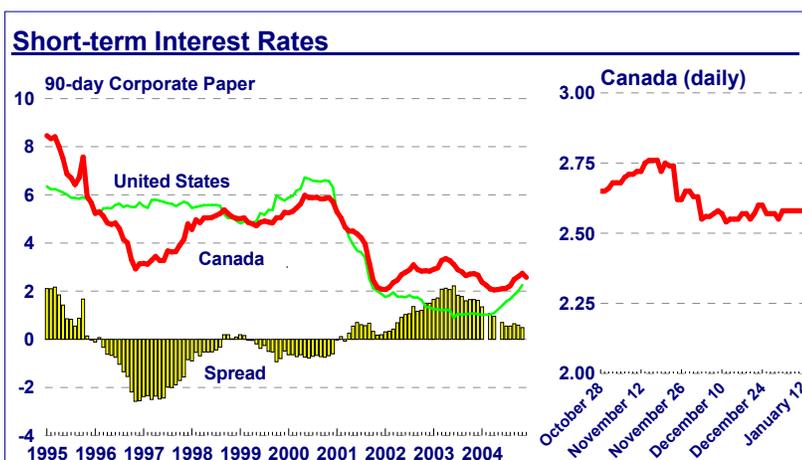
Short-term and Long-term Interest Rates

Movements in the Canadian dollar are impacting the Bank of Canada's decisions

- Concerns about the economic impact of the stronger Canadian dollar led the Bank of Canada to leave its target for the overnight rate unchanged at 2.5% on December 7. The next rate announcement date is January 25 and analysts expect that, due to moderating growth prospects, the Bank may again refrain from increasing rates. In the United States, the Federal Reserve recently expressed renewed concerns about rising inflation. This, together with firm economic expansion, suggests the Fed will raise its fed funds rate again on February 2 after raising it by 25 basis points (bps) to 2.25% on December 14.
- With Canadian short-term rates steady over the past month in the 2.55%-2.60% range and U.S. rates trending up, the rate differential has narrowed to about 5 bps on January 12, down from a recent spread of nearly 70 bps in September 2004.

Long-term yield spread narrowed in January

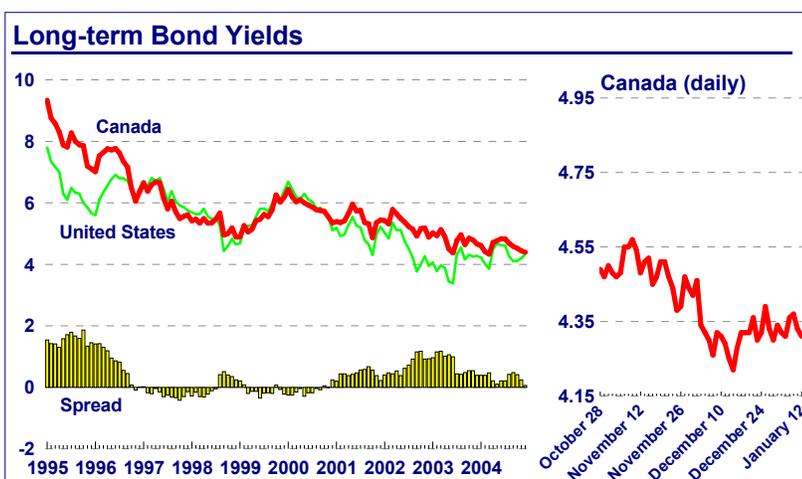
- Expectations of rising interest rates in the U.S. have also affected long-term bond yields. In the U.S., 10-year yields were 4.25% on January 12, up from 4.13% in mid-December, but down compared to 4.40% in early December. After falling in November and December, yields in Canada steadied around 4.35% in recent weeks and were 4.31% on January 12, resulting in the rate spread narrowing to under 10 bps.
- One-year mortgage rates were 4.80% on January 12 and were unchanged since mid-December. Five-year mortgage rates eased to 6.05% on January 12 and were also unchanged from one month ago.



Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2003	2.66	1.62	4.66	0.39
2004	2.57	N/A	4.39	0.06
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
November	2.74	0.49	4.44	0.24
December	2.57	N/A	4.39	0.06
Jan. 12 *	2.58	0.08	4.31	0.06

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	5 year
2003	2.75	4.50	4.75	6.45
2004	2.50	4.25	4.80	6.05
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
November	2.50	4.25	5.00	6.30
December	2.50	4.25	4.80	6.05
Jan. 12 *	2.50	4.25	4.80	6.05

* Bank of Canada's Weekly Financial Statistics

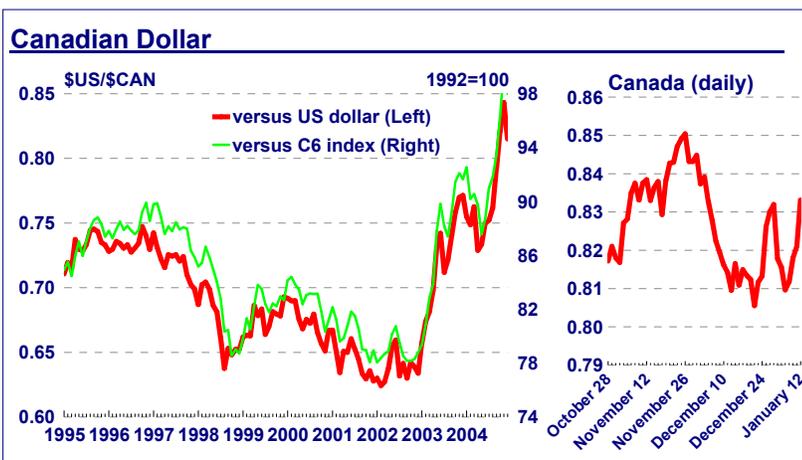


The Canadian dollar has been volatile in the new year...

- The Canadian dollar has traded in the US¢81 to US¢84 range in the first few weeks of the new year. It fell to US¢81.0 on January 6 as the U.S. dollar regained some ground, but positive developments in the Canadian labour market and trade surplus have since given the loonie some support. It closed at US¢83.3 on January 12, up 3.3% from its recent low on December 22. The Canada-U.S. exchange rate will likely remain volatile amid uncertainties about growth prospects in the U.S. and Canada, commodity prices, and the large U.S. trade deficit.
- The Canadian dollar also regained some of the value lost against the euro in December, appreciating 4.5% from December 23 to January 12. The Japanese yen moved less in the same time period, trading between 84 and 85 yen, down from 89 yen (-4.4%) on November 10.

...while North American stock indices moderated

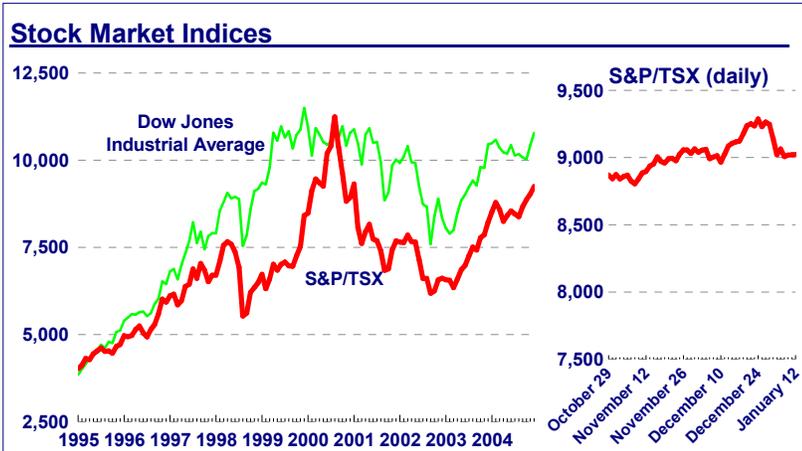
- The S&P/TSX index closed at 9,023 on January 12, down 2.8% from 9,287 on December 28. While industrial, financial, and telecommunications sub-indices rose in December, resource-based sub-indices like energy (-0.3%), gold (-6.8%), and materials (-0.9%) fell as commodity prices moderated.
- The Dow Jones closed at 10,618 on January 12, 2.2% lower compared to 10,855 on December 28, but about the same compared to one month ago. Concerns about the U.S. trade deficit and higher interest rates have adversely affected the stock market in recent weeks.



The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2003	0.7713	91.65	1.628	82.86
2004	0.8149	98.00	1.631	84.97
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
November	0.8432	99.92	1.577	86.76
December	0.8149	98.00	1.631	84.97
Jan. 12	0.8331	99.41*	1.592	85.38

* Bank of Canada's Weekly Financial Statistics



Key Stock Market Indexes

	December Close	% change from	
		last month	last year
S&P/TSX	9,247	2.4	12.5
Energy	200	-0.3	28.7
Metals & Mining	267	1.9	15.9
Utilities	161	2.2	5.5
Materials	167	-0.9	5.7
Industrial	75	7.0	-2.0
Financial	154	4.8	16.5
Gold	207	-6.8	-9.0
Telecommunication	72	3.9	13.5
Information Technology	32	0.8	24.8
Consumer Discretionary	94	6.0	8.2
Consumer Staples	193	3.0	9.3
S&P 500	1,211.9	3.2	9.0
Dow Jones	10,783	3.4	3.1



U.S. Economic Trends

Economic growth should remain robust in the fourth quarter...

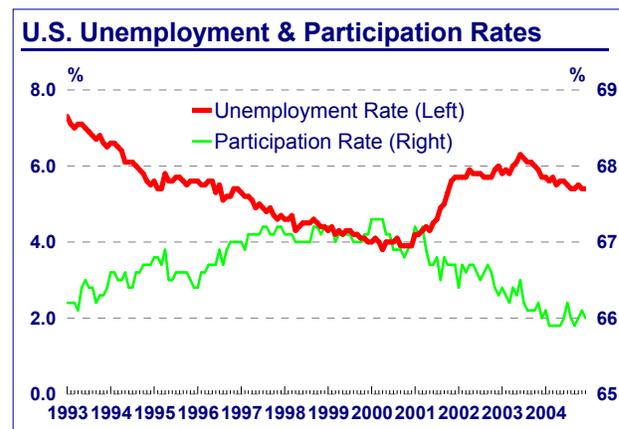
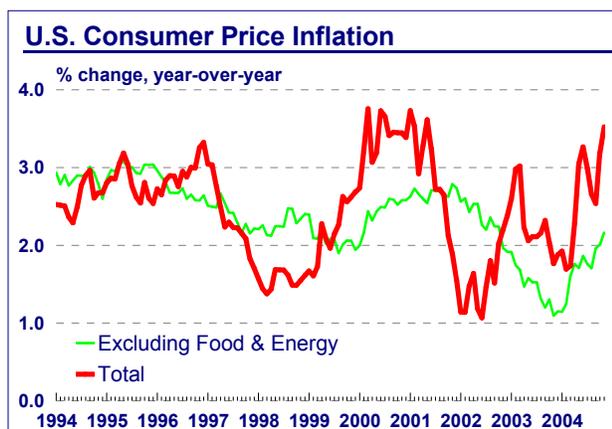
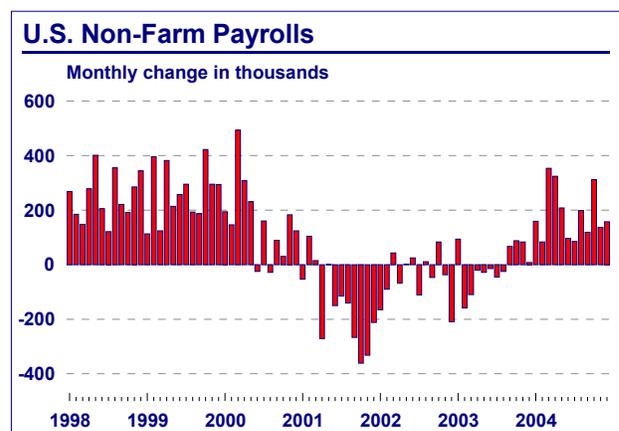
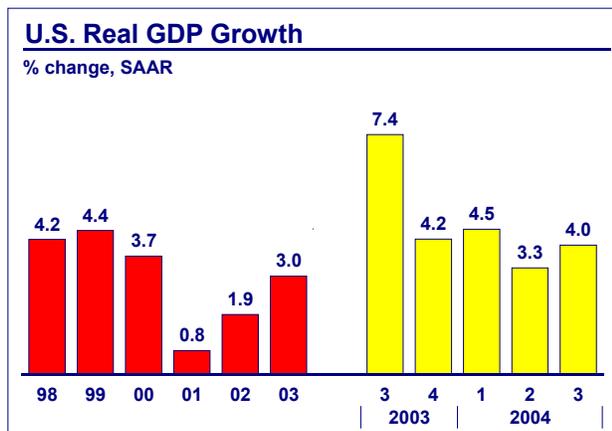
- Final estimates confirmed that real GDP growth increased from 3.3% in the second quarter to 4.0% in the third quarter, reflecting stronger domestic demand and a lesser drag from net exports. Meanwhile, recent indicators point to solid growth in the fourth quarter. The Institute of Supply Management (ISM) manufacturing and non-manufacturing indices rose to 58.6 and 63.1 in December, respectively, suggesting an expanding economy. Moreover, if nothing changes in December, fourth quarter industrial production would be up 3.3% from its third quarter level as manufacturing output and capacity utilization enjoyed post-hurricane rebounds in October and November. On the consumer side, average real spending in October and November was 3.1% above the third quarter level (annualized). This and a jump in December auto sales indicate strong consumer spending in the fourth quarter.

...and prospects remain good for 2005

- According to the January Consensus Forecast, real GDP is expected to grow by 3.6% in 2005, down from an estimated growth of 4.4% in 2004. Rising interest rates are expected to moderate growth in household spending and business investment, although domestic demand will remain the main source of growth. The depreciation of the U.S. dollar is only expected to prevent the current account deficit from widening much further--the deficit is forecast to be US\$686 billion in 2005, compared to an estimated deficit of US\$650 billion in 2004.

U.S. job creation picked up in 2004

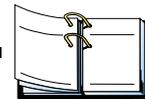
- Following three years of net job losses, U.S. employment increased by 1.7% (or 2.2 million) from December 2003 to December 2004, the largest percentage increase since 1999. Helped by the buoyant housing market, construction employment increased by 268,000 and led the pack in goods-producing industries. Net job creation totalled near 600,000 in professional and business services and 342,000 in the health sector. Overall, analysts expect similar net job creation figures in 2005.



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 31
Labour Force Survey - January	February 4
Canadian International Merchandise Trade - December	February 10
Monthly Survey of Manufacturing - December	February 14
Consumer Price Index - January	February 22
Financial Statistics for Enterprises - 4th Quarter 2004	February 25
Balance of International Payments - 4th Quarter 2004	February 25
National Economic and Financial Accounts - 4th Quarter 2004	February 28
Key Policy Interest Rate Announcement	March 2

UNITED STATES

GDP - 4th Quarter 2004 (advance)	January 28
Federal Open Market Committee Meeting	February 1/2
The Employment Situation - January	February 4
International Trade in Goods and Services - December	February 10
Consumer Price Index - January	February 23

Note: The January 2005 MEI uses data available as of January 12, 2005