



Industry
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Monthly Economic Indicators

February 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

February 2005

HIGHLIGHTS

-  **Real Gross Domestic Product (GDP) rose 0.2% in November, largely reflecting strong growth in wholesale trade and in the oil, gas and mining industry.**
-  **Employment declined by 5,700 in January, as 47,900 net job losses in the public sector more than offset a 42,300 net job creation in the private sector. The unemployment rate, however, remained at 7.0%.**
-  **Real merchandise exports fell 0.5% in the fourth quarter while imports rose 2.1%, in part resulting from a substantial increase in imports of machinery and equipment (M&E).**
-  **These developments suggest economic growth moderated in the fourth quarter from 3.2% (annual rate) in the third.**
-  **In the United States (U.S.), real GDP growth slowed to 3.1% (advance estimate) in the fourth quarter from 4.0% in the third, with domestic demand remaining strong.**
-  **The Canadian dollar has trended down in recent weeks, closing at US¢80.83 on February 16, in part due to Canadian short-term interest rates falling below their U.S. counterparts.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,056.2	0.2	3.2	Nov.
Goods	330.8	0.1	3.2	Nov.
Services	726.6	0.3	3.2	Nov.
Composite Index	200.9	0.2	6.6	Dec.
Employment (000's)	16,057	0.0	1.4	Jan.
Full-time	13,097	0.0	1.7	Jan.
Part-time	2,961	-0.1	0.3	Jan.
Unemployment* (%)	7.0	7.0	7.3	Jan.
Youth*	12.8	12.7	13.8	Jan.
Adult*	5.8	5.9	6.1	Jan.
CPI inflation*	2.1	2.4	2.0	Dec.
Retail Sales (\$M)	29,530	-0.1	6.7	Nov.
Housing Starts (000's)**	203.7	-13.8	1.6	Jan.
Trade Balance* (\$M)	5,209	5,488	5,089	Dec.
Exports	36,482	2.6	9.8	Dec.
Imports	31,273	4.0	11.2	Dec.
M&E	8,609	3.2	6.7	Dec.

		January	
		February 16 ***	2005
3-mth Corp. paper (%)*	2.60	2.56	2.37
Long bond yield (%)*	4.18	4.21	4.61
Canadian dollar (US¢)*	80.83	80.57	75.48

*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

MONTHLY ECONOMIC INDICATORS

February 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

This issue uses data available as of February 16, 2005. It has been prepared by Jean-François Arsenault, Éric Chalifoux, Stéphane Crépeau, Kevin Koch, Sue Moore and François Rimbaud of the Micro-Economic Analysis Directorate, under the direction of Hossein Rostami. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support.

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

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Real GDP by Industry

Economic activity improved slightly in November...

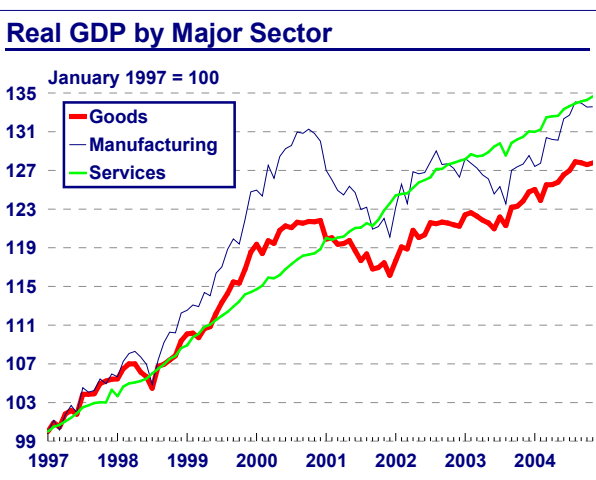
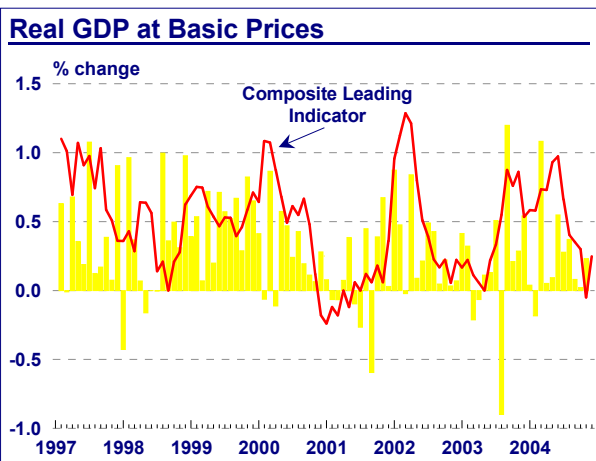
- Real GDP at basic prices rose 0.2% in November, following two months of little growth. However, this renewed growth concealed continued weakness in export-oriented sectors. On a year-over-year basis, November's real GDP grew 3.2%. Still, average real GDP in October and November was only 1.3% higher than in the third quarter (annual rate), down from a rise of 3.9% in the third quarter. The February Consensus Forecast expects real GDP to rise 2.8% in 2005, following an estimated growth of 2.7% in 2004.

as the goods sector reported mixed results...

- Goods production was up a mere 0.1% in November after declining 0.2% in October. Strong performance in the mining sector (0.8%) and utilities (0.3%) accounted for the rise. These advances were somewhat offset by a decline in agriculture (0.4%) and a stagnant output in both manufacturing and construction. Oil and gas extraction benefited from higher energy prices while the manufacturing industry, which has not grown since August, continued to adjust to the surge in the Canadian dollar.

...while the service sector continued to grow

- Service output increased 0.3% in November after edging up 0.1% in October. Growth was driven by robust wholesale trade (1.5%) and a recovery in public administration (0.7%). Wholesalers reaped the benefits of a rising currency in the form of cheaper machinery and electronic equipment while public administration bounced back as federal strike activities ended. However, arts, entertainment and recreation declined substantially (3.3%), due in part to the National Hockey League lock-out. Moreover, transportation & warehousing output, which relies heavily on trade with the U.S., was down 0.5%.



Real GDP at Basic Prices (1997 chained dollars)

November 2004	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	1,056,158	2,439	0.2	3.2
Business Sector	897,414	1,762	0.2	3.5
Goods-producing	330,810	474	0.1	3.2
Agri., Forest, Fish, Hunt*	23,760	-93	-0.4	2.7
Mining & Oil & Gas Extraction	37,938	297	0.8	1.8
Utilities	26,296	77	0.3	2.7
Construction	58,068	-10	-0.0	0.6
Manufacturing	184,377	50	0.0	4.6
Services-producing	726,567	1,989	0.3	3.2
Wholesale Trade	67,498	1,012	1.5	5.7
Retail Trade	60,344	-252	-0.4	4.9
Transportation & Warehousing	50,307	-232	-0.5	3.4
Information & Cultural	43,370	213	0.5	3.4
FIRE**	213,913	989	0.5	4.4
Professional***	46,437	-4	-0.0	2.0
Admin. & Waste Mgmt	22,174	44	0.2	2.4
Education	46,099	323	0.7	2.7
Health & Social	63,015	6	0.0	1.3
Arts, Entertain. & Recreation	9,057	-306	-3.3	-3.6
Accommodation & Food	23,497	-113	-0.5	0.4
Other	24,594	16	0.1	1.1
Public Administration	57,905	395	0.7	1.8

*Agriculture, Forestry, Fishing & Hunting

**Finance, Insurance & Real Estate

***Professional, Scientific & Technical services

THE ECONOMY



Consumer Spending and Attitudes

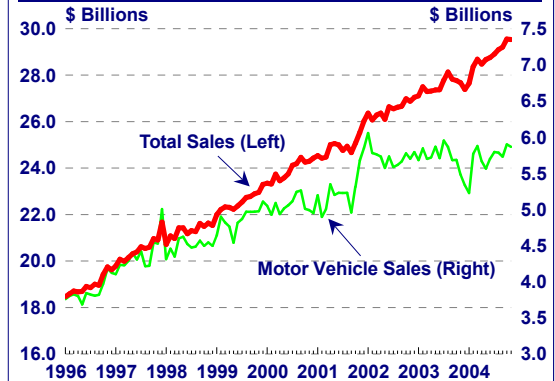
Consumer spending grew in the fourth quarter...

- Assuming no growth in December, real retail sales would increase 4.2% (annualized) in the fourth quarter. Real retail sales declined 0.4% in November following a 0.7% increase in October.
- Despite declining in both November and December, sales of new motor vehicles increased 4.5% in the fourth quarter. Moreover, the average price of vehicles sold in the fourth quarter was 3.6% higher than in the third quarter.
- Average consumer credit in October and November was 10.0% higher than in the third quarter (annual rate), suggesting continued consumer spending growth in the fourth quarter.

...but signals are mixed for the first quarter of 2005

- The index of consumer confidence rose slightly to 124.2 in January, remaining above its ten-year average of 113.2. Consumers seemed more enthusiastic regarding big-ticket items and their employment prospects.
- Preliminary estimates for January point to a 1.0% decline in new motor vehicle sales. Assuming no growth in February and March, motor vehicle sales would decline 4.3% in the first quarter of 2005.
- The February Consensus Forecast expects personal expenditure to grow 3.1% in 2005.

Total Retail and Motor Vehicle Sales



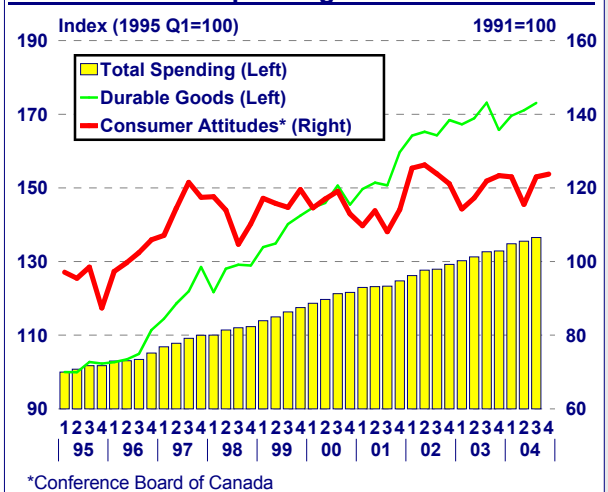
Retail Sales and Consumer Credit

	November 2004 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	29,530	-0.1	6.7
Food	5,830	2.1	6.8
Drug Stores	1,961	0.7	8.4
Clothing	1,665	-0.1	1.1
Furniture	1,872	-2.1	2.8
Automotive	10,062	-0.3	10.1
General Merch. Stores	3,503	-2.3	2.5
All other Stores	4,637	0.0	5.8
Total ex. motor vehicles	22,389	-0.0	6.8
Consumer Credit	269	0.7	11.0

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

Real Consumer Spending and Attitudes





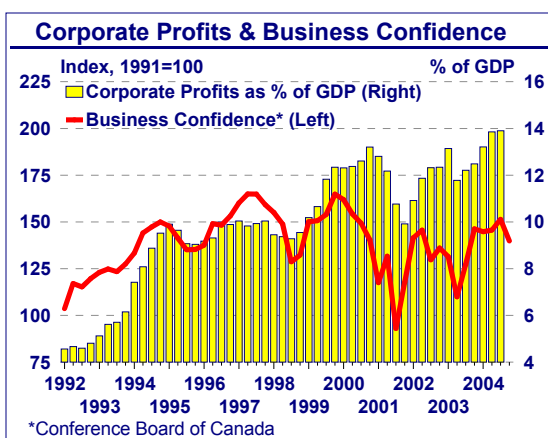
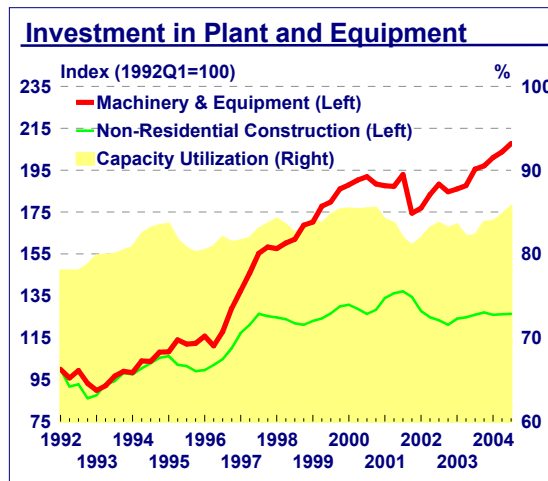
Business Investment

Indicators point to a further increase in machinery and equipment (M&E) investment...

- Imports of machinery and equipment (M&E) recovered partially (3.2%) in December, following a decline of 5.0% in November. However, as prices for M&E imports were 7.1% (on average) lower in the fourth quarter than in the third, real imports of M&E rose 16.6% in the fourth quarter, following a 20.1% increase in the third.
- This points to continued growth in M&E investment which rose 8.2% in the third quarter.

...despite a decline in business confidence

- The Index of Business Confidence fell 11.6 points to 139.8 in the fourth quarter, but remained near its ten-year average of 142.4. This was essentially due to a deteriorating balance of opinion regarding financial position prospects and capital expenditure.
 - Despite a decline, the majority of respondents (55.4%) felt this was a good time to undertake capital expenditures.
 - While firms' prospects regarding their financial situation declined, the profit share of GDP had reached 13.9% in both the second and third quarters, compared to a ten-year average of 11.1%.



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	904,664	910,911	920,410	933,893	949,301
% change	3.8	1.6	2.5	4.2	6.0	6.8

THE ECONOMY

Housing



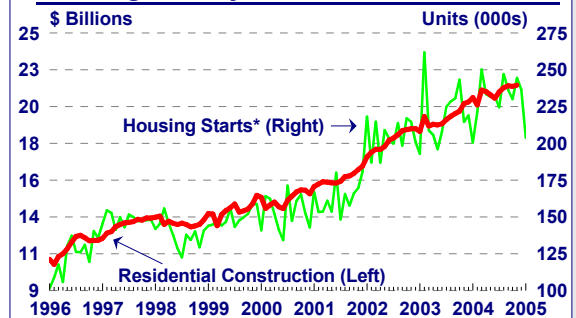
Housing activity moderated in the fourth quarter...

- Housing starts rose 1.6% in the fourth quarter, following a 6.5% increase in the third.
- Sales of existing homes declined 9.9% in the fourth quarter, following a 12.9% decline in the third.
- Despite some moderation in the latter part of the year, housing starts rose 5.8% in 2004, reaching a 17-year high. The largest increases were witnessed in British Columbia (24.8%) and Quebec (16.0%), while the largest decline was witnessed in Ontario (1.6%).
- New housing prices rose 5.8% (year-over-year) in December, following a 6.0% increase in November. Price increases have been on a downward trend since June, when they rose 7.3%.

...and prospects suggest some slowdown in 2005

- The value of residential building permits issued ended the year on a strong note, rising 8.2% in December, following an increase of 2.2% in November. This points to continued robust activity in the beginning of this year.
- The February Consensus Forecast expects housing starts to average 209,000 in 2005, down from 233,000 in 2004.

Housing Activity



*Canada Mortgage and Housing Corporation

Monthly Housing Indicators

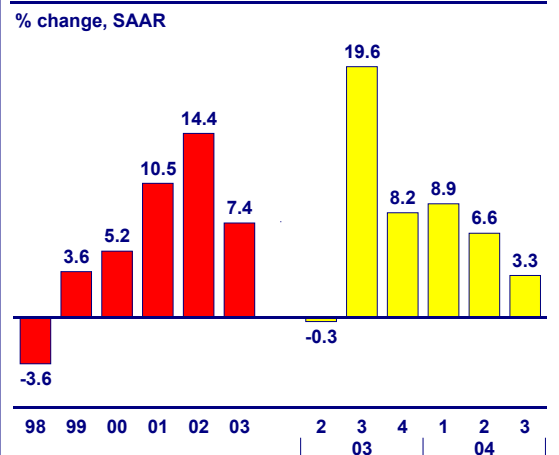
	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	21,559	0.3%	5.5%
Building Permits, \$M (2)*	3,365	8.2%	14.1%
Sales of Existing Homes (2)** (# of units)	25,595	-434	-147
Housing Starts, (3)*** (# of units, SAAR)	203,700	-32,600	3,200
Newfoundland & Labrador	2,900	100	300
Prince Edward Island	1,800	1,100	300
Nova Scotia	4,600	-800	600
New Brunswick	2,500	-2,000	-100
Quebec	55,400	-5,300	6,800
Ontario	71,700	-9,600	3,200
Manitoba	3,800	0	300
Saskatchewan	2,600	-1,100	-600
Alberta	30,800	-8,000	-2,400
British Columbia	27,600	-7,000	-5,200

1 - November data; 2 - December data; 3 - January 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





Trade and Competitiveness

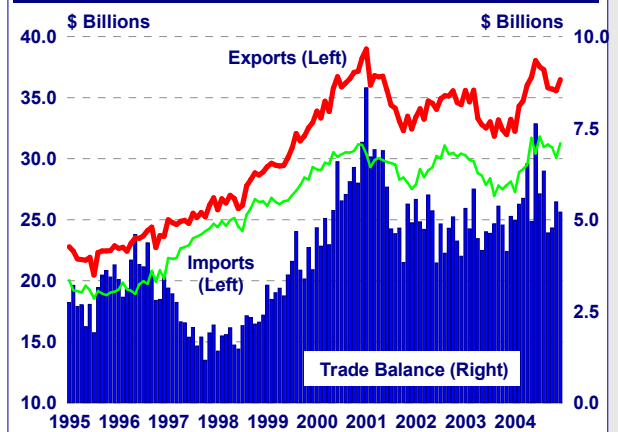
Imports increased more than exports in December...

- Imports increased 4.0% in December after declining 2.8% in November. Imports rose in all principal groupings except agricultural and fishing products. The increase was led by energy products and automotive products. Imports from the U.S. were up 7.3% while non-U.S. imports declined from a record high. Import volumes rose 2.1% and prices were down 3.9% in the fourth quarter.
- Merchandise exports rose 2.8% in December, after edging down 0.4% in November. The increase was mostly concentrated in exports of automotive and energy products. Overall, export volumes were up 1.6% while prices increased 1.2%. Nonetheless, export volumes edged down 0.5% and prices decreased 2.1% in the fourth quarter.

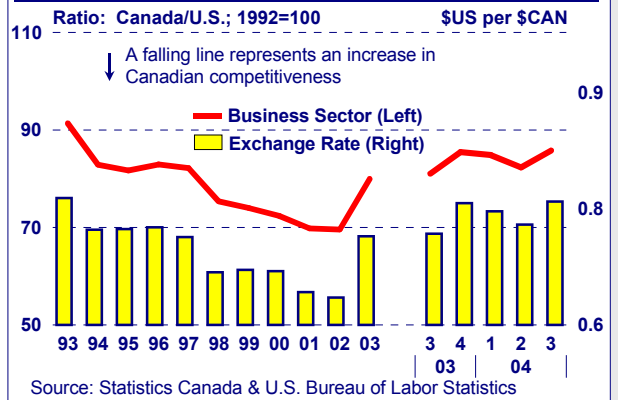
...pushing the trade surplus lower

- Canada's trade surplus declined by \$0.3 billion to \$5.2 billion in December. The trade surplus with the U.S. contracted by \$0.4 billion to \$8.8 billion and the trade deficit with other countries edged down by \$0.1 billion to \$3.6 billion.
- Canada's trade surplus stood at \$67.2 billion in 2004, the second highest level on record. Exports increased 7.6% (6.8% in volume and 0.8% in prices) and imports were up 6.2% (9.0% in volume and -2.8% in prices) after both declining in 2003.

Merchandise Trade Flows and Balance



Unit Labour Cost Comparison (\$US)



Merchandise Trade

December 2004	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	November 2004	December 2004	Jan.-Dec. 2003	Jan.-Dec. 2004	Nov. to Dec. 2004	Nov. to Dec. 2004	Jan.-Dec. 2003 to Jan.-Dec. 2004
Exports	35,558	36,482	400,011	430,357	924	2.6	7.6
to United States	29,141	30,183	330,376	351,937	1,042	3.6	6.5
Imports	30,070	31,273	341,832	363,125	1,203	4.0	6.2
from United States	19,899	21,350	239,871	249,982	1,451	7.3	4.2
Trade Balance	5,488	5,209	58,179	67,232	-279		
with United States	9,242	8,833	90,505	101,955	-409		
Exports by Commodity							
Agriculture/Fishing Products	2,447	2,363	29,258	30,699	-84	-3.4	4.9
Energy Products	6,416	6,751	60,499	69,199	335	5.2	14.4
Forestry Products	3,057	3,026	34,454	39,199	-31	-1.0	13.8
Industrial Goods & Materials	6,485	6,798	66,538	77,591	313	4.8	16.6
Machinery & Equipment	7,430	7,380	88,606	91,791	-50	-0.7	3.6
Automotive Products	7,074	7,425	87,374	90,324	351	5.0	3.4
Other Consumer Goods	1,385	1,423	17,184	17,299	38	2.7	0.7
Imports by Commodity							
Agriculture/Fishing Products	1,760	1,754	21,517	21,367	-6	-0.3	-0.7
Energy Products	2,406	2,584	19,625	24,886	178	7.4	26.8
Forestry Products	277	282	3,022	3,178	5	1.8	5.2
Industrial Goods & Materials	6,200	6,436	65,182	73,467	236	3.8	12.7
Machinery & Equipment	8,344	8,609	98,239	103,697	265	3.2	5.6
Automotive Products	6,240	6,549	76,360	77,303	309	5.0	1.2
Other Consumer Goods	3,977	4,096	46,260	47,665	119	3.0	3.0



Employment and Unemployment

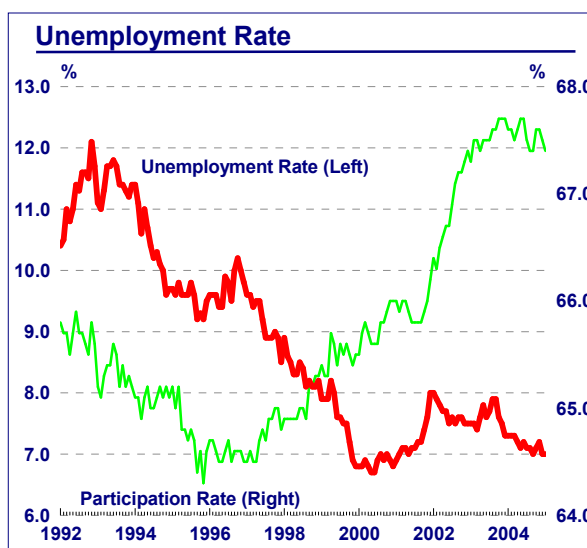
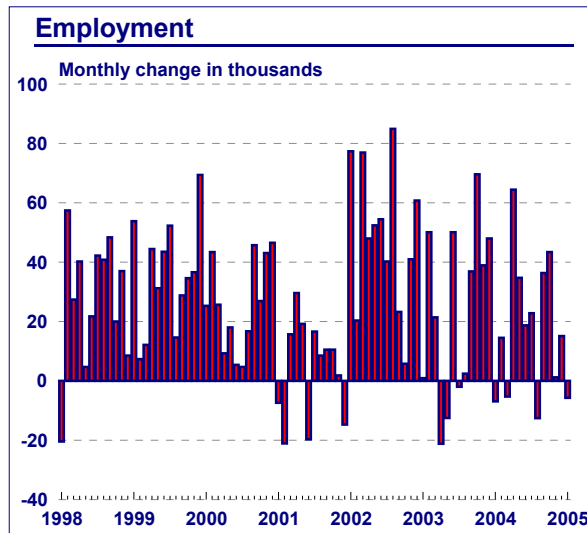
Employment declined in January...

- Employment edged down 5,700 in January. This was the third consecutive month of insignificant movement in employment and the first decline since August.
- Employment losses were in both part-time (3,600) and full-time employment (2,100). Most employment losses were among youth (20,800). However, in the last 12 months, 227,500 jobs have been created, almost all in full-time.
- The number of jobs in the public sector fell 47,900, but remained almost the same as last January. This was partially offset by net job creation in the private sector for both paid employment (24,500) and self-employment (17,800).
- Both the participation and employment rates (67.4% and 62.7%, respectively) remained near their historical peaks.

...but the unemployment rate remained at 7.0%

- Despite lower employment, the unemployment rate was unchanged at 7.0%, as less people sought jobs.

Labour Force Survey (LFS) estimates have undergone extensive revisions. Among them, all estimates have been adjusted to reflect 2001 Census population counts (previously based on the 1996 Census estimates) and industry estimates have been classified from the 1997 to the 2002 North American Industry Classification System (NAICS). As a result of these changes, LFS estimates have been revised back to January 1976.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2004 January	2004 December	2005 January	last month	last year	year-to- date	last month	last year
Employment	15,829.9	16,063.1	16,057.4	-5.7	227.5	-5.7	-0.0	1.4
Full-time	12,877.9	13,098.7	13,096.6	-2.1	218.7	-2.1	-0.0	1.7
Part-time	2,952.0	2,964.4	2,960.8	-3.6	8.8	-3.6	-0.1	0.3
Youth 15-24	2,435.4	2,484.9	2,464.1	-20.8	28.7	-20.8	-0.8	1.2
Adult 25+	13,394.5	13,578.2	13,593.3	15.1	198.8	15.1	0.1	1.5
Self-employed	2,433.2	2,453.4	2,471.2	17.8	38.0	17.8	0.7	1.6
Unemployment	1,253.4	1,216.9	1,206.4	-10.5	-47.0	-10.5	-0.9	-3.7
Unemployment Rate	7.3	7.0	7.0	0.0	-0.3	0.0		
Youth 15-24	13.8	12.7	12.8	0.1	-1.0	0.1		
Adult 25+	6.1	5.9	5.8	-0.1	-0.3	-0.1		
Labour Force	17,083.3	17,280.0	17,263.8	-16.2	180.5	-16.2	-0.1	1.1
Participation Rate	67.6	67.5	67.4	-0.1	-0.2	-0.1		
Employment Rate	62.6	62.8	62.7	-0.1	0.1	-0.1		



Industry Overview

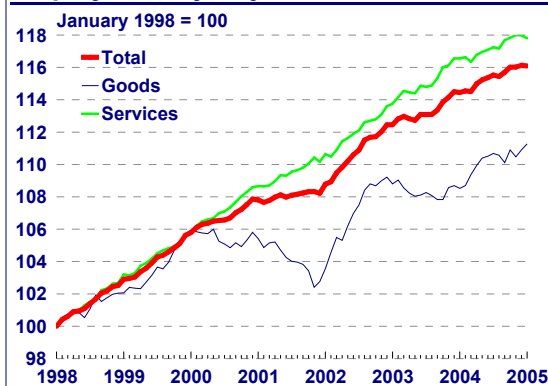
Employment rose further in the Goods sector...

- Employment in the Goods sector rose 13,100 in January, following an increase of 16,100 in December. Job gains in the manufacturing (13,900) and construction (10,300) sectors offset losses in agriculture (4,600), natural resources (4,000), and utilities (2,500).
- Despite job gains recorded in January, employment in the manufacturing sector declined 29,200 over the last seven months of 2004. This sector has been affected by a higher Canadian dollar and substantial increases in energy prices in recent months. The construction sector has continued to perform well, as 84,300 jobs have been added to this industry over the past 13 months.

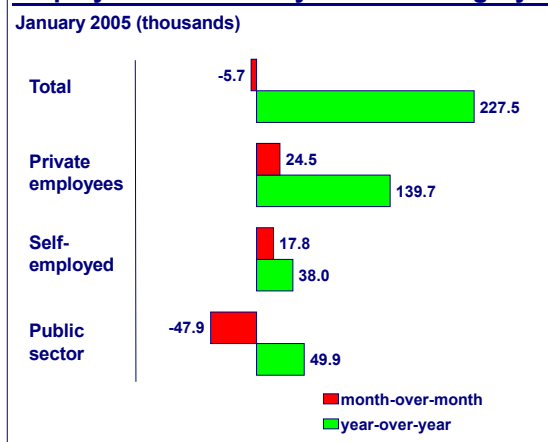
...but decreased in the Services sector

- Employment decreased 18,800 in the Service sector, following a slight decline the previous month. Employment in the Service sector has been relatively unchanged since October. Most job losses in January were in public administration (14,300), health care & social assistance (14,300) and information, culture & recreation (12,300). The highest gains were posted in trade (18,300) and accommodation & food services (9,300).

Employment by Major Sector



Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2004 January	2004 December	2005 January	last month	last year	year-to- date	last month	last year
Goods-producing	3,937.3	4,023.9	4,037.0	13.1	99.7	13.1	0.3	2.5
Agriculture	326.9	321.7	317.1	-4.6	-9.8	-4.6	-1.4	-3.0
Natural Resources*	280.0	301.2	297.2	-4.0	17.2	-4.0	-1.3	6.1
Utilities	132.7	124.6	122.1	-2.5	-10.6	-2.5	-2.0	-8.0
Construction	915.7	995.0	1,005.3	10.3	89.6	10.3	1.0	9.8
Manufacturing	2,282.0	2,281.5	2,295.4	13.9	13.4	13.9	0.6	0.6
Services-producing	11,892.6	12,039.2	12,020.4	-18.8	127.8	-18.8	-0.2	1.1
Trade	2,495.5	2,524.2	2,542.5	18.3	47.0	18.3	0.7	1.9
Transportation*	817.1	786.6	792.9	6.3	-24.2	6.3	0.8	-3.0
FIRE*	929.0	984.4	985.1	0.7	56.1	0.7	0.1	6.0
Professional/Scientific	996.8	1,029.8	1,030.1	0.3	33.3	0.3	0.0	3.3
Business/Building	625.5	632.8	622.4	-10.4	-3.1	-10.4	-1.6	-0.5
Educational Services	1,042.4	1,056.7	1,047.8	-8.9	5.4	-8.9	-0.8	0.5
Health Care/Social Assistance	1,732.2	1,736.4	1,722.1	-14.3	-10.1	-14.3	-0.8	-0.6
Information/Culture/Recreation	729.2	733.3	721.0	-12.3	-8.2	-12.3	-1.7	-1.1
Accommodation & Food	998.1	1,016.7	1,026.0	9.3	27.9	9.3	0.9	2.8
Other Services	705.5	702.0	708.5	6.5	3.0	6.5	0.9	0.4
Public Administration	821.3	836.2	821.9	-14.3	0.6	-14.3	-1.7	0.1

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

LABOUR MARKET TRENDS



Provincial Overview

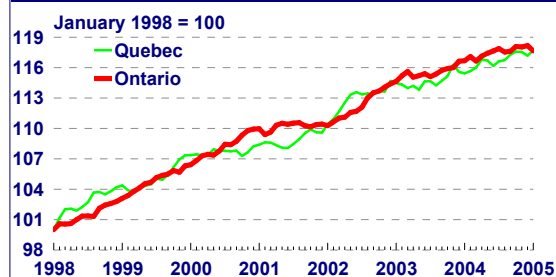
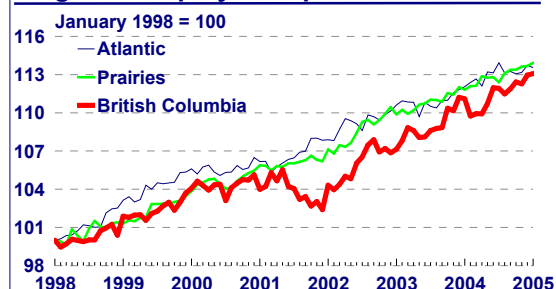
Job gains were concentrated in the western provinces and Quebec in January...

- Employment increased in all western provinces, but Manitoba. British Columbia's (B.C.) employment edged up 2,200 as a gain of 16,800 full-time jobs offset a loss of 14,700 part-time positions. Alberta reported the strongest gain while employment edged up 500 in Saskatchewan.
- Quebec reported the highest employment gain among provinces (15,700) following a decline of 11,400 in December, all in full-time. In Ontario, employment declined 28,300 and was widespread among industries. Ontario's employment has not changed much since September.
- In the Atlantic provinces, the only significant change occurred in New Brunswick where employment declined 2,600.

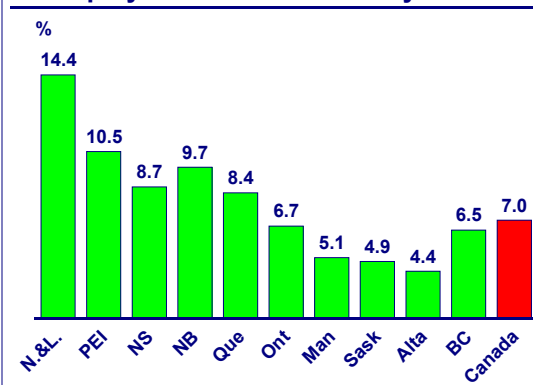
...and the unemployment rate decreased in four provinces

- Employment gains in B.C. were more than offset by higher labour force participation, pushing up the unemployment rate by 0.3 percentage point to 6.5% in January. Alberta's unemployment rate declined to 4.4%, the lowest in the country.
- Strong employment gains pushed Quebec's unemployment rate to 8.4% in January. Meanwhile, lower labour force participation allowed Ontario's unemployment rate to decline to 6.7%.
- The unemployment rate rose to 9.7% and 10.5%, respectively, in Prince Edward Island and New Brunswick, while it declined to 8.7% in Nova Scotia.

Regional employment patterns



Unemployment Rates -- January 2005



Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment Rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since	
	2005 January	(000's)	%	(000's)	%	2005 January	last month	last year
Canada	16,057.4	-5.7	-0.0	227.5	1.4	7.0	0.0	-0.3
Newfoundland & Labrador	216.0	0.0	0.0	0.7	0.3	14.4	0.0	-1.6
Prince Edward Island	68.5	-0.2	-0.3	2.3	3.5	10.5	0.1	-0.6
Nova Scotia	444.6	1.2	0.3	9.2	2.1	8.7	-0.2	-0.5
New Brunswick	350.3	-2.6	-0.7	2.0	0.6	9.7	0.3	-0.4
Quebec	3,719.6	15.7	0.4	71.2	2.0	8.4	-0.2	-0.5
Ontario	6,325.2	-28.3	-0.4	52.4	0.8	6.7	-0.1	0.0
Manitoba	579.7	-0.6	-0.1	5.9	1.0	5.1	0.1	-0.1
Saskatchewan	487.4	0.5	0.1	11.4	2.4	4.9	-0.4	-0.7
Alberta	1,774.5	6.4	0.4	35.6	2.0	4.4	0.0	-0.5
British Columbia	2,091.7	2.2	0.1	36.8	1.8	6.5	0.3	-0.9

PRICES and FINANCIAL MARKETS

Consumer and Commodity Prices



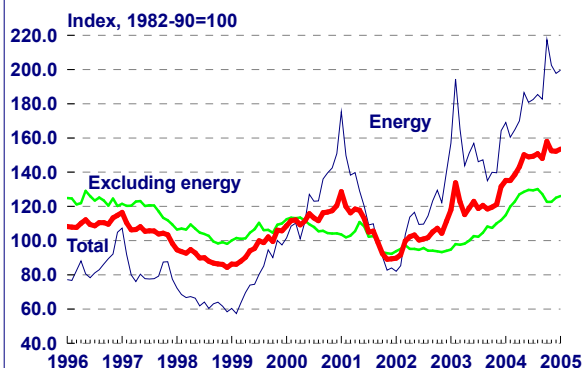
Inflation moderated to 2.1% in December...

- On a year-over-year basis, the increase in the Consumer Price Index (CPI) was 2.1% in December, down from 2.4% in November. A slowdown in the increase in gasoline prices from 17.7% in November to 12.1% contributed to the rise. Excluding energy, inflation was unchanged at 1.6% in December.
- Inflation edged down or stayed the same in all provinces except Newfoundland & Labrador, where it rose to 3.2%.
- On a month-to-month basis (seasonally adjusted), the CPI was stable in December following a rise of 0.3% in November.
- The year-over-year increase in commodity prices has slowed in recent months and was 13.5% in January as energy price inflation moderated to 18.1%, the smallest increase since March 2004. On a monthly basis, commodity prices rose 0.9% following a small decline in December. Excluding energy, commodity prices rose 0.8% from December.

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

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, rose to 1.7% in December from 1.6% in November, below the midpoint of the 1%-3% official target range.

Commodity Prices (\$US basis)



Consumer Prices

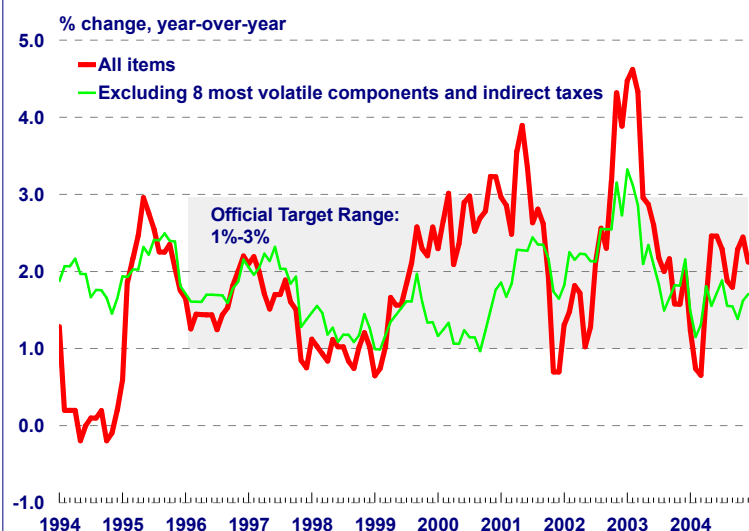
December 2004

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	125.4	-0.2	2.1
Food	127.2	0.5	3.1
Shelter	122.3	0.1	2.9
Household operations	115.3	0.2	0.3
Clothing & Footwear	100.8	-2.3	-1.7
Transportation	145.8	-0.6	3.6
Health & Personal Care	119.1	0.3	1.3
Recreation, Educ. & Reading	126.9	-0.4	0.3
Alcohol & Tobacco	144.5	-0.1	3.1
Excl. 8 Most Volatile/Indirect Taxes	125.2	-0.1	1.7
Energy	147.3	-2.9	8.1

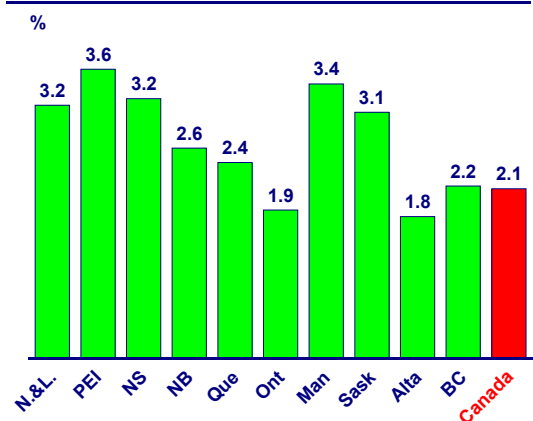
Commodity Prices (January 2005)

Index, 1982-90=100	153.5	0.9	13.5
Excluding Energy	126.1	0.8	9.6
Energy	199.6	1.0	18.1

Consumer Price Index



Provincial CPI Inflation -- December 2004





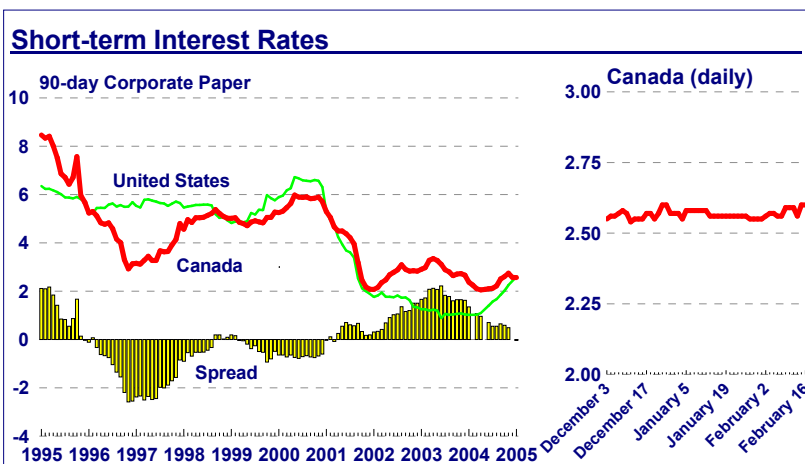
Short-term and Long-term Interest Rates

The U.S. short-term rate rose above its Canadian counterpart in February

- The Federal Reserve raised its fed funds rate by 25 basis points (bps) to 2.5% on February 2, which brought the cumulative increase since June 2004 to 150 bps. The U.S. economy has been growing at a moderate pace and the February Consensus Forecast outlook for 2005 has been slightly upgraded to 3.5%. While robust activity south of the border bodes well for Canada, momentum in Canada's economic growth remains uncertain due in part to the appreciation of the dollar. As a result, the Bank of Canada decided to keep the target for the overnight rate unchanged at 2.5% on January 25, and will likely remain on the sidelines in the short-term as the Federal Reserve expects to continue raising its policy rate.
- Canadian short-term rates have held steady in the 2.55%-2.60% range since December. During this time, U.S. rates rose about 40 bps to 2.71% on February 15, resulting in a negative Canada-U.S. rate spread (-10 bps), down from a spread of nearly 70 bps in September 2004.

Long-term yields have surprisingly trended down

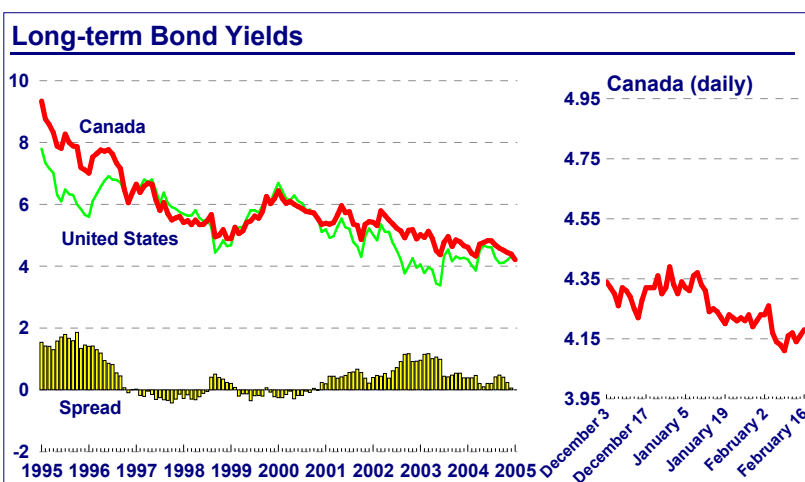
- Despite rising U.S. short-term rates and robust economic conditions and prosperity, long-term rates have trended down in recent weeks, a development puzzling to analysts and termed a conundrum by Federal Reserve Board Chairman Alan Greenspan. In the U.S., 10-year yields were 4.18% on February 16, down from 4.32% in late December. Yields in Canada fell from 4.39% on December 29 to 4.16% on February 16, narrowing the spread between yields in Canada and the U.S. to 2 bps.
- Mortgage rates have been stable since mid-December. One-year mortgage rates were 4.80% on February 16, and five-year mortgage rates held at 6.05%.



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
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
January	2.56	-0.04	4.21	0.00
Feb. 16 *	2.60	-0.13	4.18	0.02

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
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
January	2.50	4.25	4.80	6.05
Feb. 16 *	2.50	4.25	4.80	6.05

* Bank of Canada's Weekly Financial Statistics

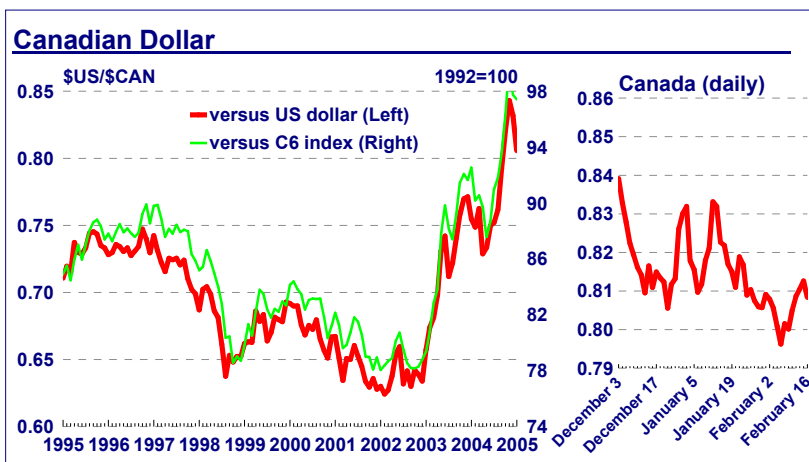


The Canadian dollar lost some ground in February...

- The Canadian dollar fell 2.8% from January 13 (US¢83.2) to close at US¢80.8 on February 16, due mostly to strengthening in the U.S. dollar. As well, rising short-term interest rates in the U.S. and a negative Canada-U.S. rate gap impacted the exchange rate. Nevertheless, a sustained rise in the greenback remains uncertain amid concerns of global trade imbalances, particularly the large U.S trade deficit.
- The Canadian dollar was near the same level vis-a-vis the euro on February 16 (\$1.61) compared to mid-January, and about 3.3% stronger compared to a recent low on December 23. After moving little against the yen since December, the dollar appreciated 1.5% from February 2 to 16.

...but North American stock indices trended higher

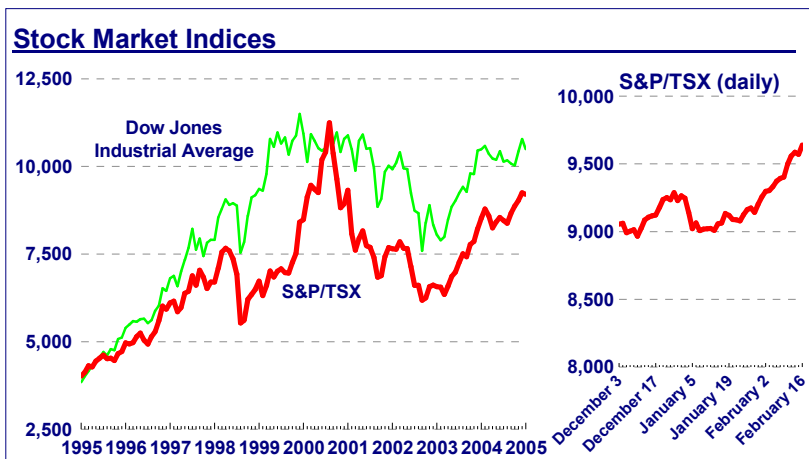
- The S&P/TSX index has risen steadily after a sharp decline in early January. The index closed at 9,640 on February 16, up 7.0% from 9,006 on January 7. Since declining in January, metals & mining and gold sub-indices recovered while the energy sub-index remained strong.
- The Dow Jones closed at 10,835 on February 16, 4.3% higher compared to 10,393 on January 21, a recent low. A downward trend in long-term bond yields have helped boost equity markets.



The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2003	0.7713	91.65	1.628	82.86
2004	0.8319	97.74	1.629	85.27
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	0.8319	97.74	1.629	85.27
January	0.8057	97.41	1.618	83.49
Feb. 16	0.8083	96.23*	1.611	85.23

* Bank of Canada's Weekly Financial Statistics



Key Stock Market Indexes

	January Close	% change from	
		last month	last year
S&P/TSX	9,204	-0.5	8.0
Energy	210	4.8	36.0
Metals & Mining	262	-1.9	22.3
Utilities	168	3.8	12.0
Materials	160	-4.2	9.0
Industrial	77	2.2	-0.1
Financial	151	-2.1	8.9
Gold	197	-4.8	-2.9
Telecommunication	75	4.5	9.5
Information Technology	30	-5.3	-11.8
Consumer Discretionary	93	-0.9	4.5
Consumer Staples	200	3.4	15.5
S&P 500	1,181.3	-2.5	4.4
Dow Jones	10,490	-2.7	0.0



U.S. Economic Trends

Economic growth moderated to 3.1% in the fourth quarter...

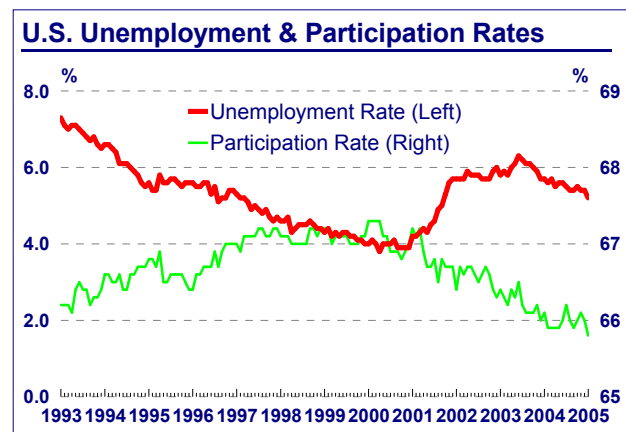
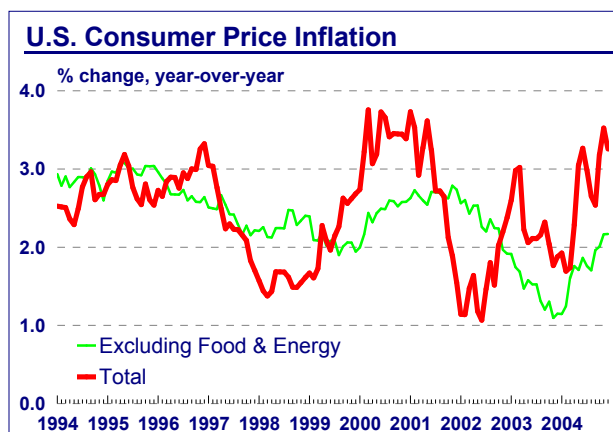
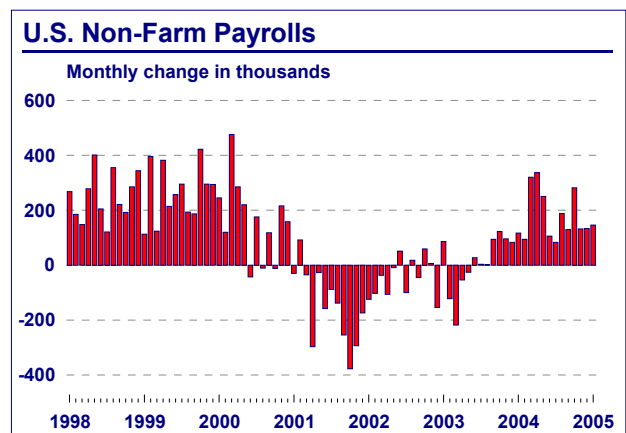
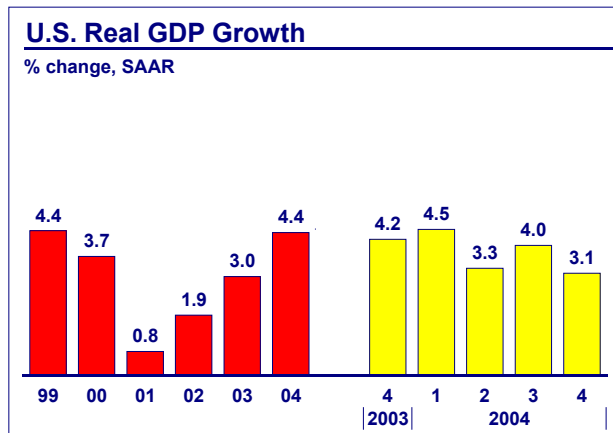
- According to preliminary estimates, real gross domestic product (GDP) increased at an annual rate of 3.1% in the fourth quarter, after increasing 4.0% in the third quarter. Economic growth was supported by strong consumer spending, business fixed investment, and a build-up in inventories. On the other hand, exports decreased 3.9%, the first decline in more than a year, and imports rose 9.1% as domestic demand remained buoyant. In 2004, real GDP increased 4.4% compared to 3.0% the previous year, the fastest pace in five years. However, the February Consensus Forecast expects growth to moderate to 3.5% in 2005.

...but productivity growth remained at 2.5%

- In the fourth quarter, according to preliminary estimates, labour productivity increased 2.5% in the business sector, virtually the same pace as in the previous quarter. The rise reflects an increase of 3.3% in output and 0.8% in hours worked. However, in the non-farm business sector, labour productivity growth moderated to only 0.8% in the fourth quarter, from 1.8% in the third quarter, as output increased 2.8% and hours worked 1.9%. In 2004, productivity increased 4.0% in the business sector and 4.1% in the non-farm business sector.

Recent indicators point to continued growth in the first quarter

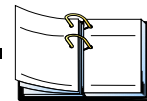
- The Institute of Supply Management (ISM) manufacturing and non-manufacturing indices decreased to 56.4 and 59.2, respectively, in January, suggesting a slower rate of economic growth. Moreover, non-farm employment increased 146,000 in January, following a gain of 133,000 in December. The unemployment rate declined to 5.2%. Manufacturing output rose further in January, while housing starts reached levels not seen since the mid-1970s. All this points to continued growth in the first quarter of 2005.



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

COMING UP

Key Future Data Releases and Planned Events



CANADA

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
Real GDP by Industry - December	February 28
Key Policy Interest Rate Announcement	March 2
Labour Force Survey - February	March 11
Canadian International Merchandise Trade - January	March 11
Monthly Survey of Manufacturing - January	March 15

UNITED STATES

Consumer Price Index - January	February 23
GDP - 4th Quarter 2004 (preliminary)	February 25
The Employment Situation - February	March 4
International Trade in Goods and Services - January	March 11
Federal Open Market Committee Meeting	March 22

Note: The February 2005 MEI uses data available as of February 16, 2005