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# Monthly Economic Indicators

**May 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](http://strategis.ic.gc.ca/epic/internet/ineas-aes.nsf/en/h_ra01898e.html)

Canada 

# MONTHLY ECONOMIC INDICATORS

## May 2005

### HIGHLIGHTS

-  **Real Gross Domestic Product (GDP) rose 0.3% in February and 0.2% in January. Assuming no growth in March, real GDP would increase by 2.4% in the first quarter after a 2.1% gain in the fourth quarter.**
-  **Recent indicators suggest that consumer spending and business investment will be important contributors to first quarter growth.**
-  **Real exports grew significantly less than real imports in the first quarter, resulting in a net drag on growth.**
-  **Employment rose 29,000 in April, bringing total job gains this year to 55,000 (or 0.3%). The unemployment rate edged down 0.1 percentage point from March to 6.8%.**
-  **According to advance estimates, the United States (U.S.) economy grew 3.1% in the first quarter of 2005, less than the 3.8% gain in the previous quarter.**
-  **In the U.S., the Federal Reserve raised its fed funds rate by another 25 basis points to 3.0% on May 3.**
-  **Commodity prices, notably oil, softened further in May and were one of the factors contributing to a decline in the value of the Canadian dollar. The dollar closed at US¢78.8 on May 16, down 2.5% from mid-April.**

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,063.3	0.3	3.6	Feb.
Goods	332.2	-0.2	3.5	Feb.
Services	732.4	0.5	3.7	Feb.
Composite Index	202.4	0.2	5.4	Mar.
Employment (000's)	16,118	0.2	1.3	Apr.
Full-time	13,138	0.4	1.3	Apr.
Part-time	2,980	-0.7	1.6	Apr.
Unemployment* (%)	6.8	6.9	7.2	Apr.
Youth*	12.3	12.6	13.7	Apr.
Adult*	5.7	5.8	5.9	Apr.
CPI inflation*	2.3	2.1	0.7	Mar.
Retail Sales (\$M)	30,415	1.7	7.7	Feb.
Housing Starts (000's)**	230.4	5.5	-1.3	Apr.
Trade Balance* (\$M)	4,235	4,156	5,422	Mar.
Exports	35,763	0.2	2.9	Mar.
Imports	31,528	0.0	8.1	Mar.
M&E	8,976	0.1	7.5	Mar.

		April	
		May 11 ***	2005
3-mth Corp. paper (%)*	2.59	2.58	2.05
Long bond yield (%)*	4.12	4.14	4.71
Canadian dollar (US¢)*	80.14	79.46	72.88

\*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

## May 2005

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This issue uses data available as of May 13, 2005. It has been prepared by Éric Chalifoux, Stéphane Crépeau, Kevin Koch, Sue Moore and François Rimbaud of the Micro-Economic Analysis Directorate, under the interim direction of Robert Lamy. 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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# THE ECONOMY



## Real GDP by Industry

### Economic activity continued to expand in February...

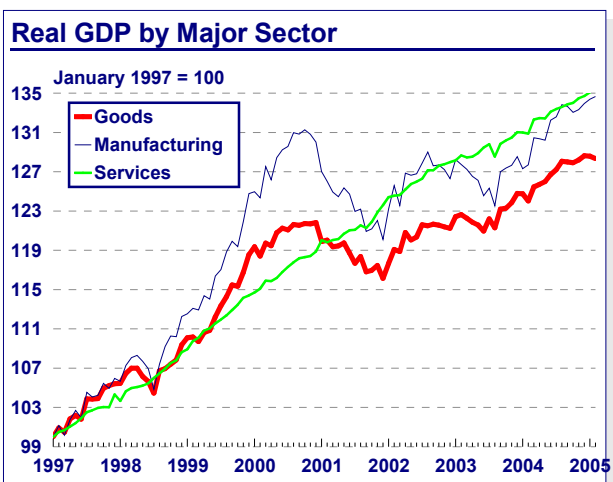
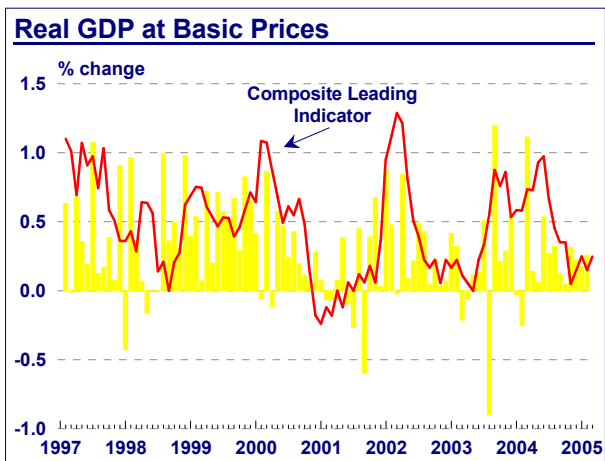
- Real GDP at basic prices rose 0.3% in February following an increase of 0.2% in January. Growth was mainly driven by strong activity in the retail and wholesale trade sectors. Assuming no growth in March, real GDP would be up by 2.4% (annual rate) in the first quarter, after expanding by 2.1% in the fourth quarter. On a year-over-year basis, real GDP was up 3.6% with the business sector expanding 4.1% and the non-business sector increasing 1.2%.

### ...with the goods sector edging down...

- Goods production edged down 0.2% in February after being flat in January. Gains were recorded in the manufacturing and agriculture, forestry, fishing and hunting sectors. Less than half of the manufacturing major groups reported gains in February with machinery and computer and electronic products rising strongly. Furthermore, the manufacturing of information and communication technologies goods reached its highest level since July 2001.

### ...and the service sector continuing to grow

- Service output increased 0.5% in February after rising 0.3% in January. Retail trade expanded a further 1.7%, mainly due to strong car sales, after increasing 2.3% in the previous month. Sales of alcoholic beverages was also strong as Quebec's liquor store strike ended and sales in other provinces increased. Moreover, wholesaling activity picked up steam after edging down in January with wholesalers of food and beverage products increasing output strongly.



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

February 2005	\$ millions	monthly change	% Change since last	
			month	year
<b>Total Economy</b>	<b>1,063,347</b>	<b>2,739</b>	<b>0.3</b>	<b>3.6</b>
<b>Business Sector</b>	<b>905,397</b>	<b>2,471</b>	<b>0.3</b>	<b>4.1</b>
<b>Goods-producing</b>	<b>332,238</b>	<b>-644</b>	<b>-0.2</b>	<b>3.5</b>
Agri., Forest, Fish, Hunt*	24,196	38	0.2	4.9
Mining & Oil & Gas Extraction	37,078	-498	-1.3	-2.3
Utilities	26,378	-207	-0.8	3.8
Construction	58,978	-83	-0.1	2.8
Manufacturing	185,864	378	0.2	5.4
<b>Services-producing</b>	<b>732,389</b>	<b>3,489</b>	<b>0.5</b>	<b>3.7</b>
Wholesale Trade	69,231	969	1.4	11.5
Retail Trade	62,151	1,032	1.7	6.2
Transportation & Warehousing	51,416	213	0.4	5.7
Information & Cultural	44,043	128	0.3	4.8
FIRE**	214,642	737	0.3	3.7
Professional***	46,598	37	0.1	1.5
Admin. & Waste Mgmt	22,252	47	0.2	2.1
Education	45,745	142	0.3	2.5
Health & Social	62,956	25	0.0	0.9
Arts, Entertain. & Recreation	9,382	10	0.1	-2.5
Accommodation & Food	23,648	92	0.4	1.7
Other	24,767	78	0.3	1.4
Public Administration	57,470	88	0.2	0.9

\*Agriculture, Forestry, Fishing & Hunting

\*\*Finance, Insurance & Real Estate

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

# THE ECONOMY



## Consumer Spending and Confidence

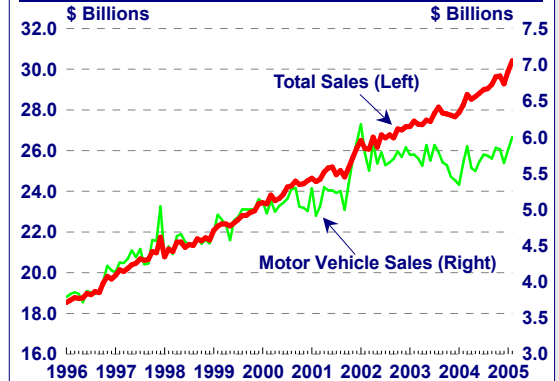
### Consumption poised to rise strongly in the first quarter...

- Real retail sales rose 1.7% in February, following a 2.3% increase in January. Assuming no-growth in March, real retail sales will rise 10.2% in the first quarter, following a 3.6% increase in the fourth. The strengthening in growth partly reflects solid employment growth and high consumer confidence.
- New motor vehicle sales declined 5.9% in March, after rising 12.2% in February. In the first quarter, sales rose 5.5%, following a 6.2% increase in the fourth.

### ...but most recent spending indicators point to a slowdown in the second quarter

- The index of consumer confidence receded 2.7% in April, reflecting lower optimism with respect to financial and job prospects as well as lower enthusiasm for big-ticket purchases. Nevertheless, the index remained well above its ten-year average (113.8).
- Consumer confidence declined in every region in April. The largest declines were witnessed in British Columbia (7.4%) and the Atlantic Provinces (4.8%).
- Preliminary figures from the auto industry indicate that April's new motor vehicle sales were largely unchanged from March, but stood 0.3% below their first quarter average.
- High levels of consumer confidence and healthy job creation bode well for future consumption.

### Total Retail and Motor Vehicle Sales



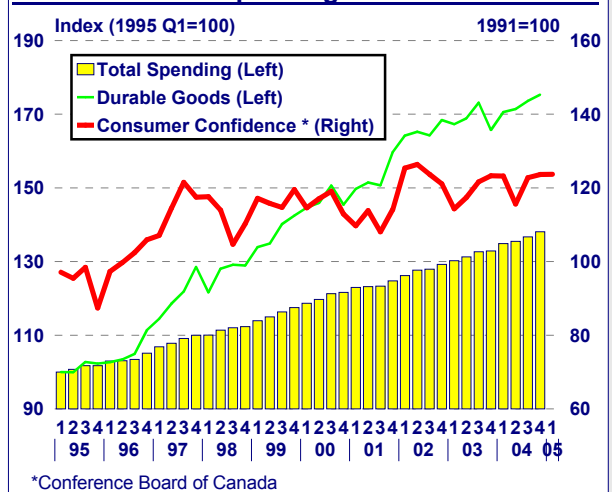
### Retail Sales and Consumer Credit

	February 2005 \$ millions	% Change since	
		last month	last year
<b>Total Retail Sales (S.A.)</b>	30,415	1.7	7.7
Food	5,969	-0.1	7.5
Drug Stores	1,970	0.6	6.5
Clothing	1,765	4.1	5.5
Furniture	2,013	2.4	10.5
Automotive	10,278	2.4	8.9
General Merch. Stores	3,608	-0.4	4.1
All other Stores	4,812	3.6	8.5
Total ex. motor vehicles	23,121	1.3	8.0
<b>Consumer Credit</b>	275	0.9	10.8

### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	2003	2004	2004 Q3	2004 Q4
<b>Real Consumption (97\$)</b>	620,444	641,863	643,833	650,300
% change	3.1	3.5	3.6	4.1
Durable Goods	94,923	97,156	97,669	98,601
% change	2.0	2.4	5.3	3.9
Semi-Durable Goods	56,142	59,285	60,047	60,031
% change	3.1	5.6	8.4	-0.1
Non-Durable Goods	140,078	143,453	143,511	145,274
% change	2.1	2.4	2.9	5.0
Services	330,098	342,878	343,636	347,336
% change	3.9	3.9	2.8	4.4
<b>Disposable Income</b>	713,548	741,230	744,116	752,180
% change	3.0	3.9	2.6	4.4
<b>Saving Rate (%)</b>	1.4	0.4	0.3	0.0
<b>Debt-to-Income Ratio (%)</b>	101.6	104.6	105.1	105.8

### Real Consumer Spending and Confidence



# THE ECONOMY



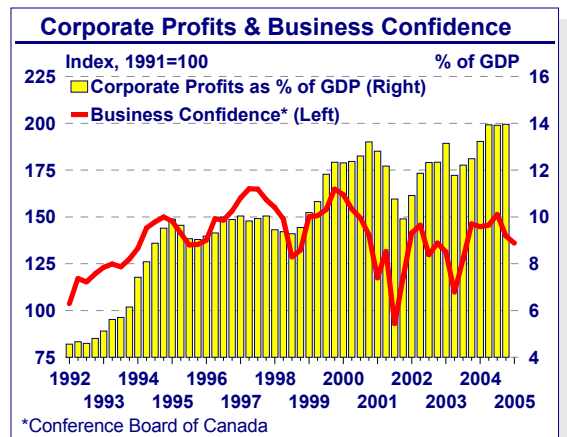
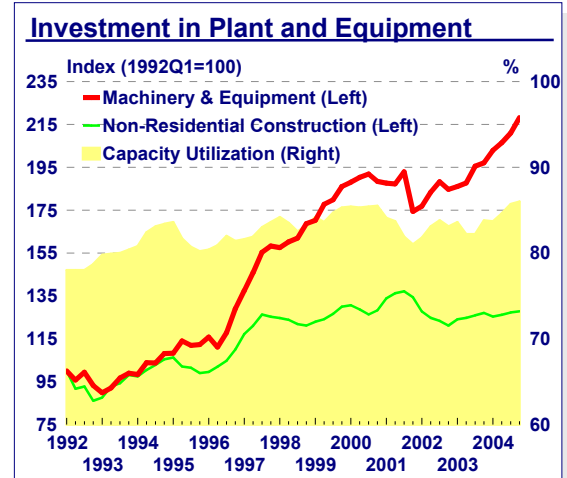
## Business Investment

### Machinery & equipment (M&E) investment should rise in the first quarter...

- Real imports of machinery and equipment (M&E) rose 3.2% in March, following a 0.5% decline in February. In the first quarter, real imports of M&E rose 18.5%, following an increase of 16.6% in the fourth, suggesting solid growth in M&E investment in the first quarter.
- Shipments of machinery declined 1.3% in March, following a 1.7% increase in February. Nonetheless, first quarter shipments rose 29.4%, as a result of a sizeable jump in January, following a 6.7% decline in the fourth.

### ...and prospects are good for sustained growth in 2005

- While the index of business confidence declined to 135.9 in April (from 139.8 in December). The number of respondents who felt this was a good time to invest in plant or equipment remained stable.
- The value of business (commercial and industrial) non-residential building permits jumped 20.2% in March, following a 13.1% increase in February. This bodes well for second quarter investment in structures.
- The May Consensus Forecast expects real M&E investment to rise 11.0% in 2005, following a 9.4% increase in 2004.



### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2003	2004	2004 Q1	2004 Q2	2004 Q3	2004 Q4
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1997\$)</b>	86,441	94,598	91,569	93,153	95,206	98,464
% change	4.5	9.4	12.5	7.1	9.1	14.4
<b>Non-residential Construction (1997\$)</b>	44,928	45,361	44,900	45,177	45,589	45,777
% change	1.0	1.0	-5.2	2.5	3.7	1.7
<b>Capacity Utilization (% , Non-farm goods)</b>	83.0	85.0	83.7	84.6	85.7	86.0
Capacity Utilization (Mfg. sector)	83.0	87.0	84.5	86.4	88.5	88.5
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
<b>Corporate Operating Profits</b>	172,118	204,505	194,124	205,304	206,828	211,764
% change	14.8	18.8	39.3	25.1	3.0	9.9
Profits - Non-financial industries	128,203	154,083	142,732	155,416	155,632	162,552
% change	10.7	20.2	38.4	40.6	0.6	19.0
Profits - Financial industries	43,915	50,421	51,392	49,888	51,192	49,212
% change	28.5	14.8	42.1	-11.2	10.9	-14.6
<b>Business Credit</b>	904,428	940,610	920,133	933,140	948,505	960,663
% change	1.6	4.0	3.9	5.8	6.8	5.2

# THE ECONOMY

## Housing



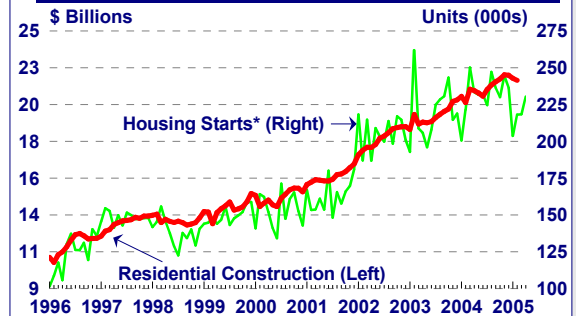
### *New residential construction weakened in the first quarter...*

- Residential building construction (GDP) declined in both January and February (0.8% and 0.6% respectively). Assuming no growth in March, residential construction will decline 3.7% in the first quarter, following an increase of 10.8% in the fourth.
- Housing starts declined 34.2% in the first quarter, following a 1.6% increase in the fourth. Meanwhile, year-over-year increases in new housing prices have been trending downward since June 2004. On average, the annual rate of increase was 5.7% in the first quarter, compared to 6.1% in the fourth.
- Nonetheless, the resale housing market improved in the first quarter. Sales of existing homes rose 1.6% in the first quarter, following two consecutive quarterly declines. Moreover, the average price of houses sold rose further (9.3%) in the first quarter, following a 15.7% increase in the fourth.

### *...and market analysts expect a decline in 2005*

- Housing starts rose to 230,400 in April from 218,400 in March. However, as some analysts point out, bad weather in the first quarter probably delayed some construction until spring and could provide a partial explanation for April's strong rebound.
- So far this year, housing starts have averaged 218,000, down from 232,000 for 2004 as a whole. The May Consensus forecast expect the average housing starts to decline 4.1% to 209,000 in 2005.

### 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)	21,724	-0.6%	6.7%
<b>Building Permits, \$M (2)*</b>	2,924	-12.2%	-0.9%
<b>Sales of Existing Homes (3)**</b> (# of units, major markets)	28,061	1,448	180
<b>Housing Starts, (3)***</b> (# of units, SAAR)	230,400	12,000	-3,000
Newfoundland & Labrador	1,600	-1,100	-1,200
Prince Edward Island	500	-800	-500
Nova Scotia	6,600	3,000	2,900
New Brunswick	3,600	-300	-500
Quebec	57,600	5,500	1,700
Ontario	81,500	9,200	-5,700
Manitoba	4,100	-1,100	-200
Saskatchewan	2,700	500	-1,300
Alberta	40,700	600	8,800
British Columbia	31,300	-3,700	-7,200

1 - February data; 2 - March data; 3 - April data

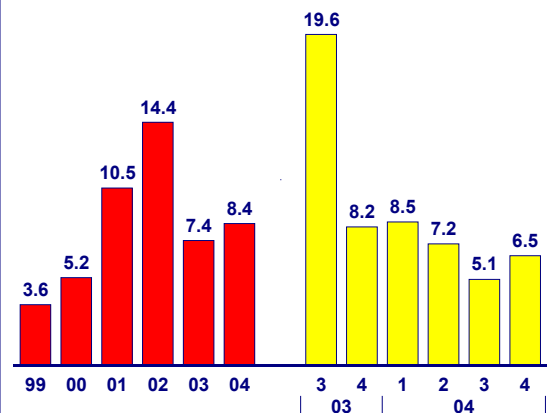
Sources: \*Statistics Canada; \*\*Canadian Real Estate Association; \*\*\*Canada Mortgage and Housing Corporation

### Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)				
	2003	2004	2004 Q3	2004 Q4
Residential Construction	62,452	67,681	68,119	69,205
% change	7.4	8.4	5.1	6.5
New Housing	30,678	33,317	33,539	34,165
% change	6.2	8.6	7.2	7.7
Alterations & Improvements	22,619	24,627	24,804	25,688
% change	9.8	8.9	12.8	15.0
Ownership & Transfer Costs	9,204	9,830	9,872	9,576
% change	6.5	6.8	-13.5	-11.5

### Growth in Real Residential Construction

% change, SAAR



# THE ECONOMY



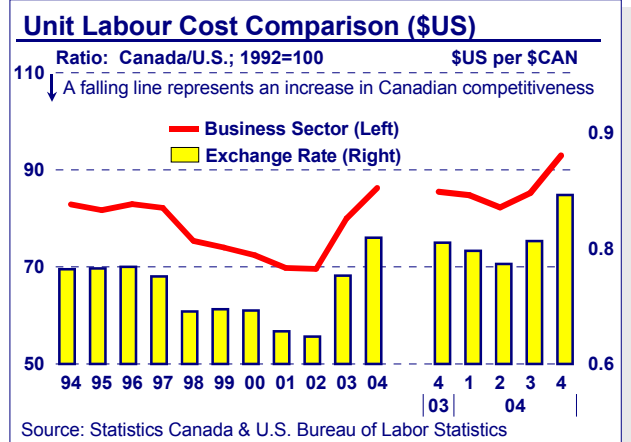
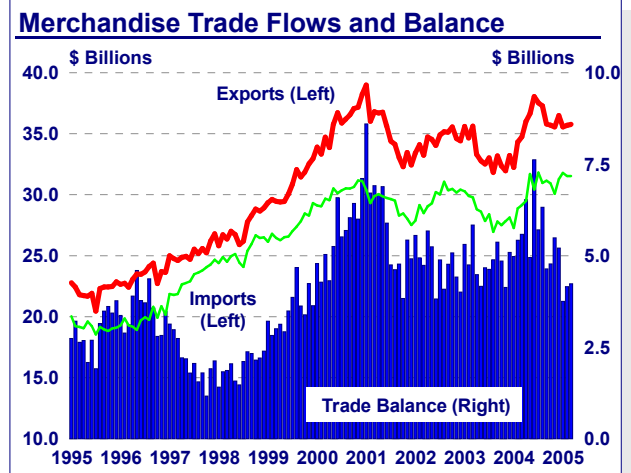
## Trade and Competitiveness

### Exports edged up while imports remained unchanged in March...

- Merchandise exports edged up 0.2% in March, after increasing 0.4% in February, as energy products and machinery and equipment exports rose strongly.
- Exports declined 0.7% in the first quarter after decreasing 2.6% in the fourth quarter.
- Imports remained unchanged in March after decreasing 0.8% in February. Imports of machinery and equipment increased as business investment rose for a fourth consecutive month in March due to high corporate profits and low interest.
- Imports increased 2.8% in the first quarter after declining 1.8% in the previous quarter.

### ...pushing the trade surplus slightly higher

- Canada's trade surplus increased by \$80 million to \$4.2 billion in March. The trade surplus with the U.S. rose by \$37 million to \$8.1 billion and the trade deficit with other countries decreased by \$42 million to \$3.9 billion.
- The real trade surplus will be a drag on economic growth in the first quarter as real imports increased almost 3.0% while real exports edged up 0.5%.



### Merchandise Trade

March 2005	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	February 2005	March 2005	Jan.-Mar. 2004	Jan.-Mar. 2005	Feb. to Mar. 2005	Feb. to Mar. 2005	Jan.-Mar. 2004 to Jan.-Mar. 2005
<b>Exports</b>	<b>35,684</b>	<b>35,763</b>	<b>101,287</b>	<b>106,995</b>	<b>79</b>	<b>0.2</b>	<b>5.6</b>
to United States	29,246	29,070	82,720	87,401	-176	-0.6	5.7
<b>Imports</b>	<b>31,528</b>	<b>31,528</b>	<b>85,302</b>	<b>94,851</b>	<b>0</b>	<b>0.0</b>	<b>11.2</b>
from United States	21,192	20,979	59,582	63,593	-213	-1.0	6.7
<b>Trade Balance</b>	<b>4,156</b>	<b>4,235</b>	<b>15,985</b>	<b>12,144</b>	<b>79</b>		
with United States	8,054	8,091	23,138	23,808	37		
<b>Exports by Commodity</b>							
Agriculture/Fishing Products	2,436	2,380	7,457	7,218	-56	-2.3	-3.2
Energy Products	5,560	6,150	15,246	17,320	590	10.6	13.6
Forestry Products	3,166	3,156	9,179	9,420	-10	-0.3	2.6
Industrial Goods & Materials	6,947	6,732	18,015	20,534	-215	-3.1	14.0
Machinery & Equipment	7,622	7,896	22,229	23,073	274	3.6	3.8
Automotive Products	7,438	6,872	21,844	21,724	-566	-7.6	-0.5
Other Consumer Goods	1,463	1,424	4,285	4,339	-39	-2.7	1.3
<b>Imports by Commodity</b>							
Agriculture/Fishing Products	1,826	1,788	5,224	5,517	-38	-2.1	5.6
Energy Products	2,507	2,764	5,171	7,864	257	10.3	52.1
Forestry Products	269	261	727	793	-8	-3.0	9.1
Industrial Goods & Materials	6,416	6,466	16,737	19,461	50	0.8	16.3
Machinery & Equipment	8,963	8,976	24,711	26,733	13	0.1	8.2
Automotive Products	6,352	6,098	18,470	19,065	-254	-4.0	3.2
Other Consumer Goods	4,125	4,128	11,420	12,286	3	0.1	7.6





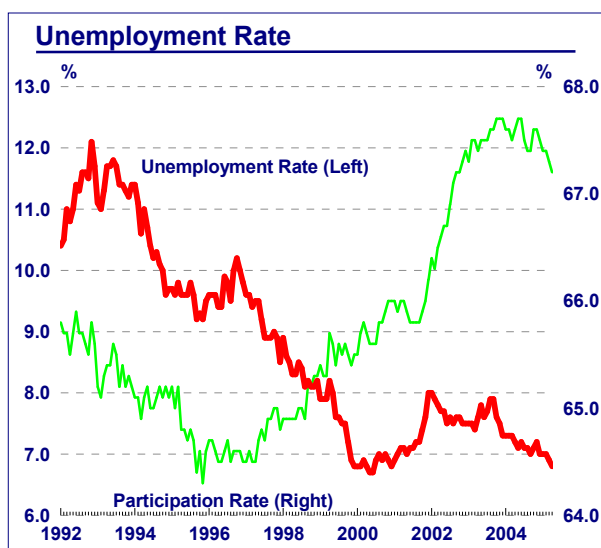
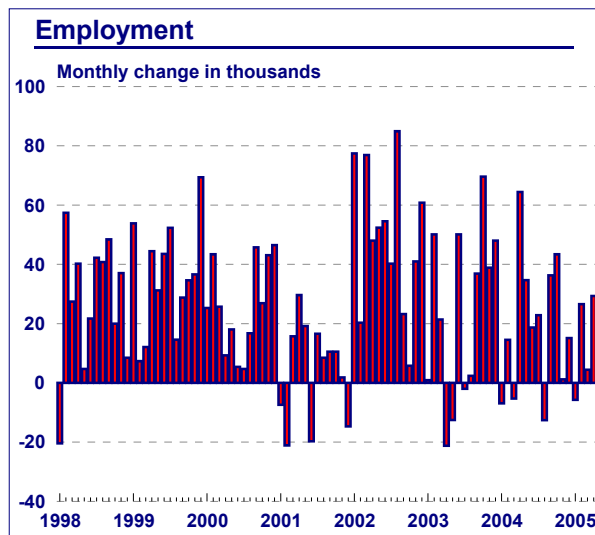
## Employment and Unemployment

### Employment strengthened in April...

- Employment rose 29,000 in April, following modest job growth over the previous five months. Employment gains were all in full-time (50,000), as part-time employment declined 20,000.
- Since the beginning of the year, employment has increased 0.3% (or 55,000), mostly in full-time employment. The number of hours worked rose 1.4% over the same period, helped by April's strong gains in full-time employment.
- All of the job gains in April were in the public sector (38,000) while employment in the private sector decreased 8,000. In the last three months, the public sector has accounted for all of the job growth.
- Youth employment edged up 1,000 in April, leaving losses over the first four months of 2005 to 30,000 (or 1.2%), all in full-time jobs.

### ...helping to push down the unemployment rate to 6.8%

- The national unemployment rate edged down 0.1 percentage point to 6.8%, the lowest level since December 2000.
- A decline in the labour force combined with a small employment increase pushed youth's unemployment rate down 0.3 percentage point to 12.3%.
- The employment rate rose 0.1 percentage point to 62.7%, near its record high of 62.8%.



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2004 April	2005 March	2005 April	last month	last year	year-to- date	last month	last year
<b>Employment</b>	15,903.5	16,088.4	16,117.7	29.3	214.2	54.6	0.2	1.3
<b>Full-time</b>	12,970.1	13,088.3	13,137.9	49.6	167.8	39.2	0.4	1.3
<b>Part-time</b>	2,933.5	3,000.0	2,979.9	-20.1	46.4	15.5	-0.7	1.6
<b>Youth 15-24</b>	2,450.2	2,453.8	2,455.2	1.4	5.0	-29.7	0.1	0.2
<b>Adult 25+</b>	13,453.3	13,634.5	13,662.6	28.1	209.3	84.4	0.2	1.6
<b>Self-employed</b>	2,446.6	2,509.0	2,501.6	-7.4	55.0	48.2	-0.3	2.2
<b>Unemployment</b>	1,236.0	1,192.7	1,172.4	-20.3	-63.6	-44.5	-1.7	-5.1
<b>Unemployment Rate</b>	7.2	6.9	6.8	-0.1	-0.4	-0.2		
<b>Youth 15-24</b>	13.7	12.6	12.3	-0.3	-1.4	-0.4		
<b>Adult 25+</b>	5.9	5.8	5.7	-0.1	-0.2	-0.2		
<b>Labour Force</b>	17,139.5	17,281.0	17,290.1	9.1	150.6	10.1	0.1	0.9
<b>Participation Rate</b>	67.6	67.3	67.2	-0.1	-0.4	-0.3		
<b>Employment Rate</b>	62.7	62.6	62.7	0.1	0.0	-0.1		

# LABOUR MARKET TRENDS



## Industry Overview

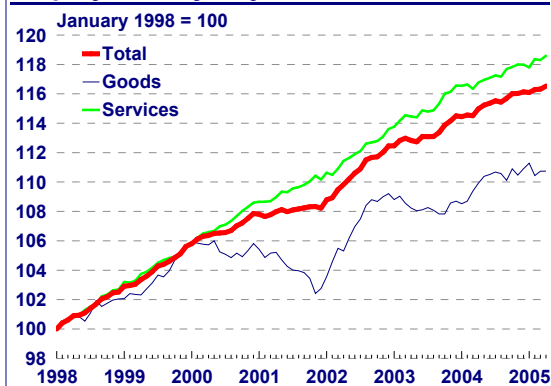
### *In the Goods sector, losses in manufacturing offset gains in other industries...*

- Employment in the Goods sector was unchanged in April, following an increase of 11,000 in March. Gains in construction (26,000) and in natural resources (6,000) offset a decline of 29,000 in the manufacturing sector.
- The higher value of the Canadian dollar has likely continued to impact employment in the manufacturing sector, bringing losses in the sector to 43,000 since last December. Since the beginning of the year, 6,000 net jobs have been lost in the Goods sector, all in manufacturing.

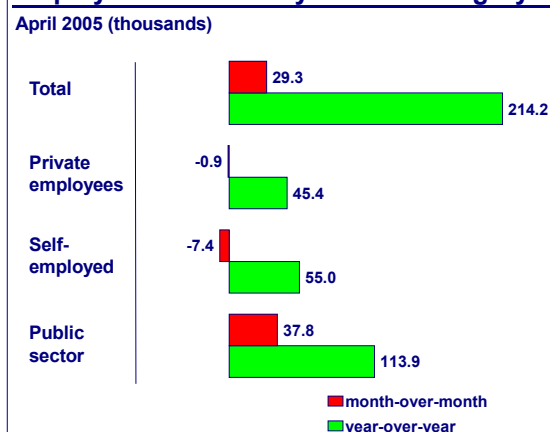
### *...and employment rebounded strongly in the Services sector*

- Employment in the Service sector rose 29,000 in April, following a slight decline (6,000) in March. The highest increases were witnessed in educational services (29,000), public administration (23,000) and professional, scientific & technical services (23,000). The largest decline was in health care & social assistance (23,000).
- Since the beginning of the year, employment gains in services have been concentrated in educational, public administration and finance, insurance, real estate & leasing services.

### Employment by Major Sector



### Employment Growth by Worker Category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2004 April	2005 March	2005 April	last month	last year	year-to-date	last month	last year
<b>Goods-producing</b>	3,988.1	4,017.5	4,017.9	0.4	29.8	-6.0	0.0	0.7
Agriculture	329.9	333.0	331.7	-1.3	1.8	10.0	-0.4	0.5
Natural Resources*	281.5	298.3	304.1	5.8	22.6	2.9	1.9	8.0
Utilities	134.6	125.6	125.3	-0.3	-9.3	0.7	-0.2	-6.9
Construction	931.7	993.2	1,018.8	25.6	87.1	23.8	2.6	9.3
Manufacturing	2,310.3	2,267.5	2,238.1	-29.4	-72.2	-43.4	-1.3	-3.1
<b>Services-producing</b>	11,915.5	12,070.9	12,099.8	28.9	184.3	60.6	0.2	1.5
Trade	2,482.9	2,556.2	2,536.3	-19.9	53.4	12.1	-0.8	2.2
Transportation*	815.9	783.6	784.5	0.9	-31.4	-2.1	0.1	-3.8
FIRE*	944.5	1,000.7	998.7	-2.0	54.2	14.3	-0.2	5.7
Professional/Scientific	1,006.9	1,018.2	1,041.3	23.1	34.4	11.5	2.3	3.4
Business/Building	626.6	634.0	634.2	0.2	7.6	1.4	0.0	1.2
Educational Services	1,032.8	1,075.9	1,104.4	28.5	71.6	47.7	2.6	6.9
Health Care/Social Assistance	1,743.6	1,737.1	1,714.4	-22.7	-29.2	-22.0	-1.3	-1.7
Information/Culture/Recreation	724.2	744.5	727.7	-16.8	3.5	-5.6	-2.3	0.5
Accommodation & Food	1,012.6	987.5	996.3	8.8	-16.3	-20.4	0.9	-1.6
Other Services	703.8	699.0	704.4	5.4	0.6	2.4	0.8	0.1
Public Administration	821.6	834.1	857.5	23.4	35.9	21.3	2.8	4.4

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

# LABOUR MARKET TRENDS



## Provincial Overview

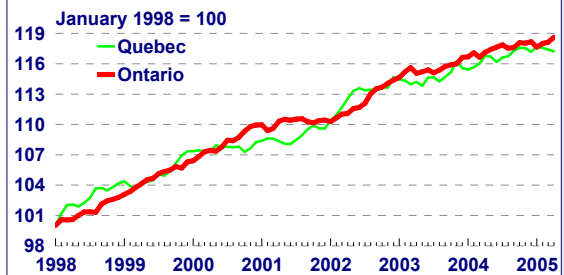
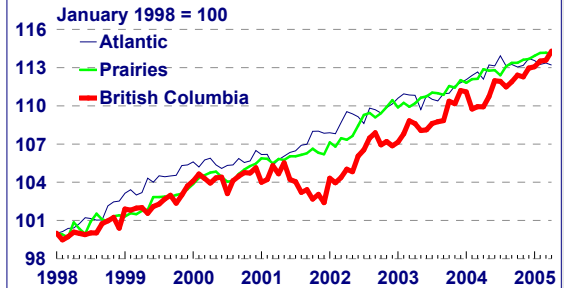
### Employment gains were concentrated in Ontario and British Columbia...

- British Columbia (B.C.) recorded the highest employment gain among western provinces in April (13,000). Employment in this province increased 4.0 percent in the past 12 months. Alberta's employment rose slightly (2,000) while it declined in Saskatchewan (4,000) and Manitoba (600).
- Ontario's employment rose by 26,000 as an increase of 59,000 full-time jobs was only partly offset by a decline in part-time employment. In Quebec, employment declined (6,000) for a third consecutive month, mostly in manufacturing and trade.
- Newfoundland & Labrador reported the largest employment loss (4,000) among the Atlantic provinces, with declines spread across several sectors. Employment in the Atlantic provinces has been relatively unchanged over the last 11 months.

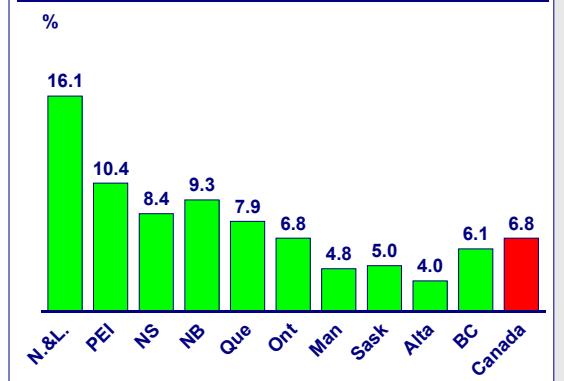
### ...while the unemployment rate fell in most provinces

- B.C.'s employment gain pushed its unemployment rate down to 6.1%, the lowest in almost 25 years. A strong increase in the labour force pushed Alberta's unemployment rate to 4.0%. In contrast, Manitoba's unemployment rate decline to 4.8% as less people sought jobs.
- Despite job losses, Quebec's unemployment rate declined to 7.9% as less people were looking for work. Ontario's unemployment rate edged down to 6.8%.
- The unemployment rate rose by 1.2 percentage points to 16.1% in Newfoundland & Labrador while there was little changes in other provinces.

### Regional employment patterns



### Unemployment Rates -- April 2005



### Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment Rate (%)		
	<u>Levels</u>	<u>Change since last month</u>		<u>Change since last year</u>		<u>Levels</u>	<u>Change since</u>	
	2005 April	(000's)	%	(000's)	%	2005 April	last month	last year
Canada	16,117.7	29.3	0.2	214.2	1.3	6.8	-0.1	-0.4
Newfoundland & Labrador	212.2	-4.3	-2.0	-1.0	-0.5	16.1	1.2	-0.1
Prince Edward Island	68.1	-0.3	-0.4	2.8	4.3	10.4	0.0	-1.5
Nova Scotia	444.9	1.8	0.4	5.4	1.2	8.4	-0.2	-0.5
New Brunswick	350.9	1.3	0.4	3.3	0.9	9.3	-0.1	-0.5
Quebec	3,704.9	-5.9	-0.2	13.3	0.4	7.9	-0.3	-0.5
Ontario	6,377.5	26.1	0.4	79.8	1.3	6.8	-0.1	0.0
Manitoba	575.9	-0.6	-0.1	1.0	0.2	4.8	-0.5	-0.4
Saskatchewan	485.2	-4.4	-0.9	4.1	0.9	5.0	-0.2	-0.4
Alberta	1,783.8	2.2	0.1	24.5	1.4	4.0	0.5	-0.3
British Columbia	2,114.3	13.3	0.6	81.1	4.0	6.1	-0.4	-1.4

# PRICES and FINANCIAL MARKETS

## Consumer and Commodity Prices



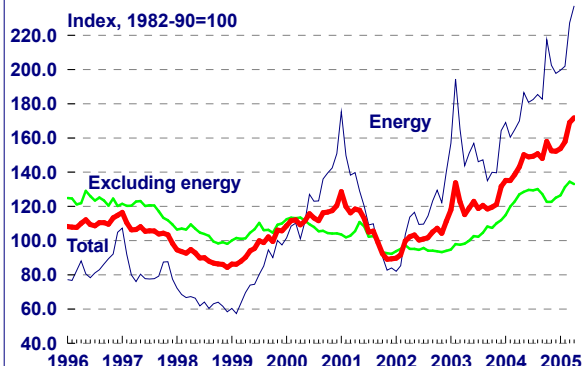
### Inflation rose to 2.3% in March...

- On a year-over-year basis, the increase in the Consumer Price Index (CPI) was 2.3% in March, up from 2.1% in February. Excluding energy, inflation also edged up to 1.7% from 1.6% in February.
- On a month-to-month basis (seasonally adjusted), the CPI increased 0.3% in March following a 0.2% rise in February.
- Year-over-year inflation in March was highest in Manitoba, Saskatchewan, and Newfoundland & Labrador. Inflation in Alberta and British Columbia was the lowest among provinces at 1.8% and 2.1%, respectively.
- The year-over-year increase in commodity prices was 20.1% in April, about the same as in March. Energy price inflation rose further to 39.6% in April from 37.9% in March. On a monthly basis, the rise in commodity prices moderated to 1.7% from 7.2% in February. Excluding energy, commodity prices declined 1.0% in April following a 2.3% rise in March.

### ...and the core inflation rate rose to 1.9%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, rose to 1.9% in March from 1.8% in February, below the midpoint of the 1%-3% official target range.

### Commodity Prices (\$US basis)



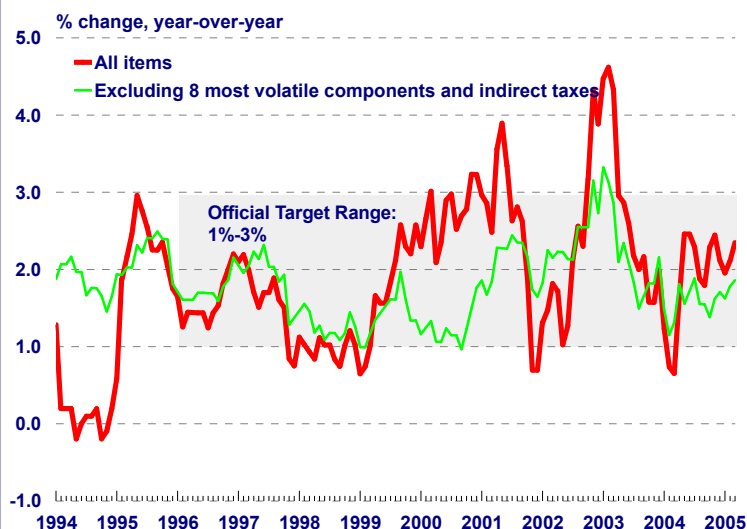
### Consumer Prices

	Index (1992=100)	% Change since	
		* last month	last year
<b>All items CPI</b>	126.5	0.3	2.3
Food	127.1	0.2	2.8
Shelter	123.0	0.3	3.4
Household operations	115.7	0.1	0.3
Clothing & Footwear	106.0	1.3	0.7
Transportation	148.3	0.9	3.9
Health & Personal Care	120.0	0.4	1.4
Recreation, Educ. & Reading	126.8	-0.2	-0.4
Alcohol & Tobacco	146.3	0.9	3.5
<b>Excl. 8 Most Volatile</b>	126.0	0.1	1.9
Energy	156.9	N/A	9.5

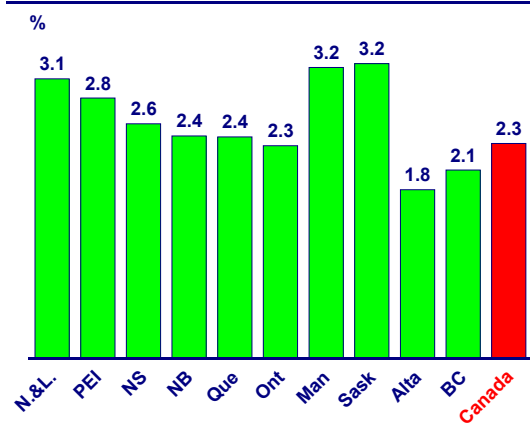
\* All items CPI & components seasonally adjusted

Commodity Prices (April 2005)			
Index, 1982-90=100	1.7	20.1	
Excluding Energy	133.0	-1.0	4.7
Energy	237.2	4.4	39.5

### Consumer Price Index



### Provincial CPI Inflation -- March 2005



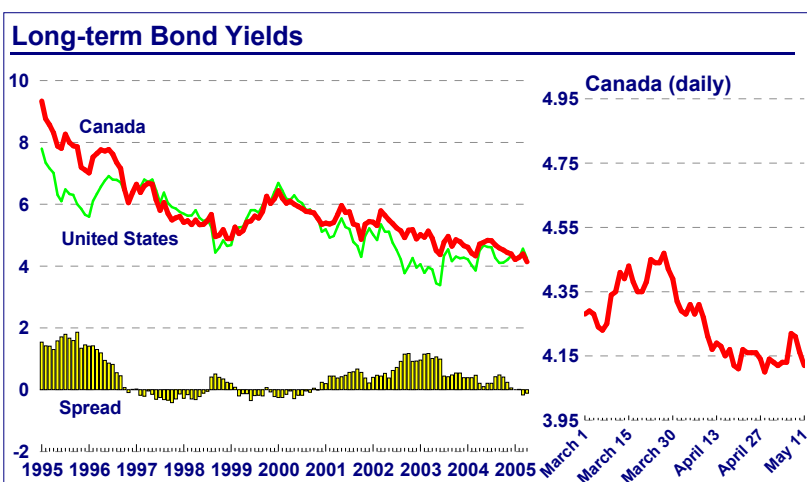
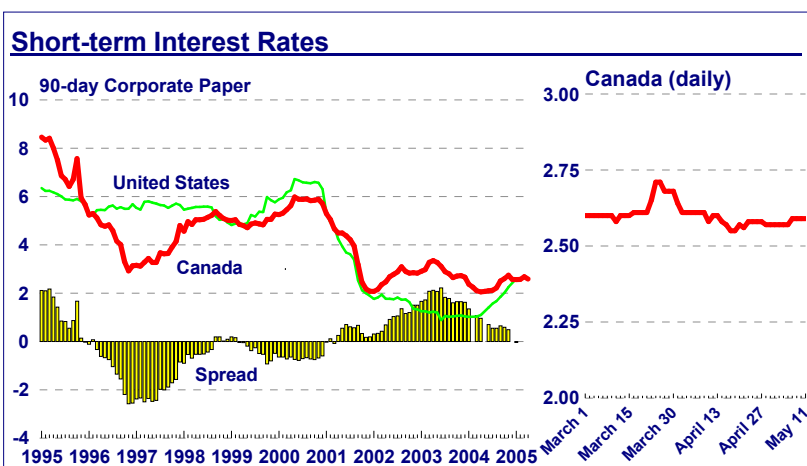


### U.S. short-term rates rose further in May...

- As widely expected, the Federal Reserve in the United States raised the fed funds rate by a further 25 basis points (bps) to 3.0% on May 3, bringing the cumulative rate increases since September 2004 to 2 percentage points. The measured pace of rate hikes have continued in an environment of gradual labour market improvements and low inflation in the U.S. In comparison, the Bank of Canada has kept the target for the overnight rate unchanged at 2.5% since October, and market analysts expect that the Bank will not likely adjust its policy rate on May 25, the next scheduled announcement date.
- Canadian short-term rates remained near 2.6% from mid-April to mid-May. Meanwhile, U.S. rates continued to rise in May, and were 3.1% on May 13. With U.S. rates rising and Canadian rates holding steady, the negative spread between Canada-U.S. rates widened from about -40 bps to -54 bps.

### ...and North American long-term yields retreated further

- Long-term rates fell further in May following a downturn in April, amid concerns of moderating economic activity in the U.S. Ten-year yields in the U.S. have trended down since March 28 (4.64%) and were 4.12% on May 16. In Canada, yields also fell about 50 bps since late March to 4.05% on May 16. The negative Canada-U.S. spread on long-term yields narrowed to -7 bps, compared to -20 bps in mid-April.
- With declining long-term yields, mortgage rates moderated again in mid-April. One-year mortgage rates were 4.90% on May 11, down 15 bps since April 20, and five-year rates fell back to 6.05% from 6.25%.



### 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	0.16	4.39	0.06
November	2.74	0.49	4.44	0.24
December	2.57	0.16	4.39	0.06
January	2.56	-0.04	4.21	0.00
February	2.57	-0.16	4.28	0.01
March	2.68	-0.31	4.39	-0.17
April	2.58	-0.48	4.14	-0.11
May 11 *	2.59	-0.55	4.12	-0.09

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
2003	2.75	4.50	4.75	6.45
2004	2.50	4.25	4.80	6.05
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
February	2.50	4.25	4.80	6.05
March	2.50	4.25	5.05	6.25
April	2.50	4.25	4.90	6.05
May 11 *	2.50	4.25	4.90	6.05

\* Bank of Canada's Weekly Financial Statistics

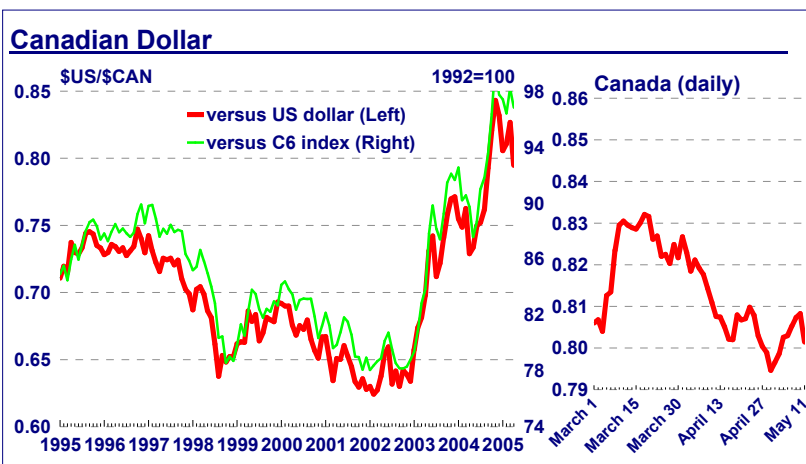


### The Canadian dollar has traded near US¢80 in May

- The Canadian dollar declined 2.5% from April 12, and 5.3% from a recent high on March 17 (US¢83.2), to close at US¢78.8 on May 16. The widening of the negative spread between Canadian and U.S. short-term interest rates and the decline in oil prices, which fell from a high of US\$58 per barrel in April to below US\$50 per barrel in mid-May, were factors contributing to the decline in the value of the Canadian dollar.
- The Canadian dollar gained some strength against the euro and Japanese yen in May. It appreciated 1.2% against the euro from April 29 to May 16 but was still 2.4% below its level in early April. Vis-à-vis the Japanese yen, the Canadian dollar also appreciated 1.2% from April 29 to May 16, but declined 5.2% from a recent peak on April 7.

### North American stock indices remain subdued

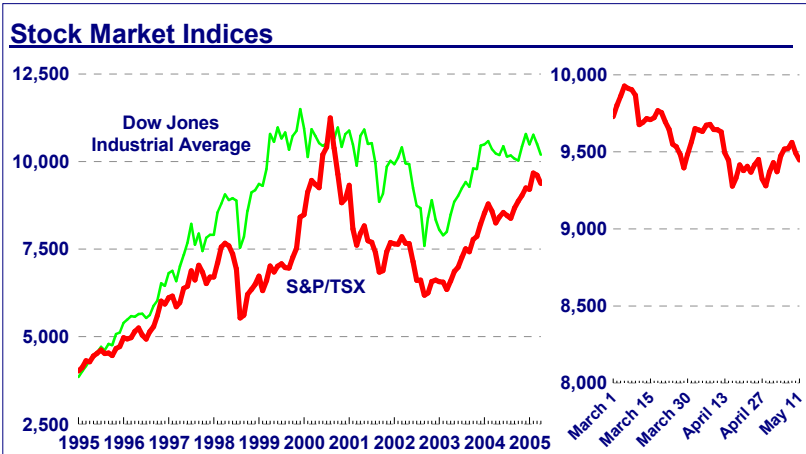
- Lower energy prices have impacted Canadian equity markets. Growth in the S&P/TSX index was flat from mid-April to mid-May, closing on May 16 at 9,323. This was 6.1% below its high on March 4. Most sub-indices, including energy, metals & mining, materials, and gold, posted notable losses in April.
- The Dow Jones closed at 10,252 on May 16, up 1.8% from a recent low of 10,070 on April 28, but below its level one month ago (10,508). Activity in U.S. equity markets appears to have dampened somewhat despite lower long-term bonds yields and falling oil prices in May.



### 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
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
February	0.8107	96.40	1.633	84.75
March	0.8267	98.17	1.568	88.65
April	0.7946	96.82	1.619	83.31
May 11	0.8014	95.95*	1.598	84.77

\* Bank of Canada's Weekly Financial Statistics



### Key Stock Market Indexes

	April Close	% change from	
		last month	last year
<b>S&amp;P/TSX</b>	<b>9,369</b>	<b>-2.5</b>	<b>13.7</b>
Energy	223	-5.3	35.4
Metals & Mining	291	-6.8	48.8
Utilities	164	0.2	9.5
Materials	154	-7.0	10.3
Industrial	80	-1.5	6.4
Financial	160	1.0	14.7
Gold	179	-7.5	-3.9
Telecommunication	78	0.5	26.8
Information Technology	27	-7.2	-7.5
Consumer Discretionary	94	1.1	6.4
Consumer Staples	203	0.0	19.1
<b>S&amp;P 500</b>	<b>1,156.8</b>	<b>-2.0</b>	<b>4.5</b>
<b>Dow Jones</b>	<b>10,193</b>	<b>-3.0</b>	<b>-0.3</b>

# THE UNITED STATES ECONOMY



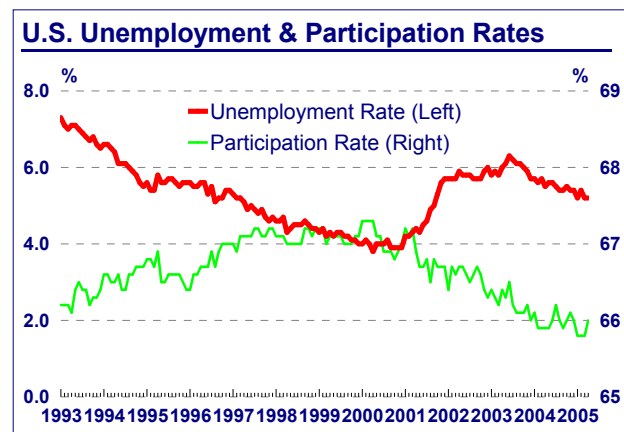
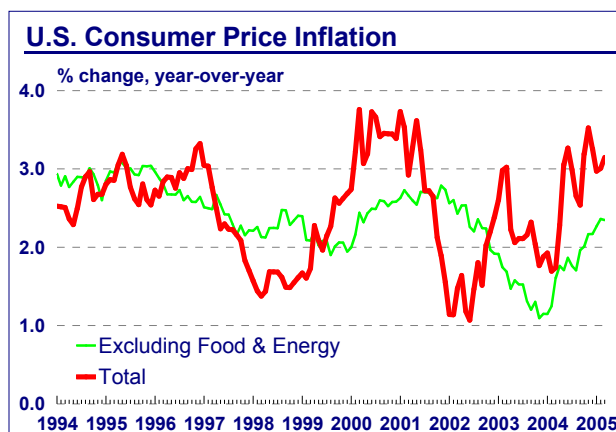
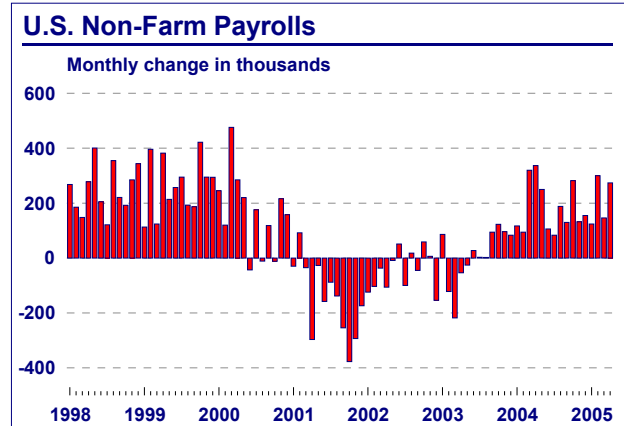
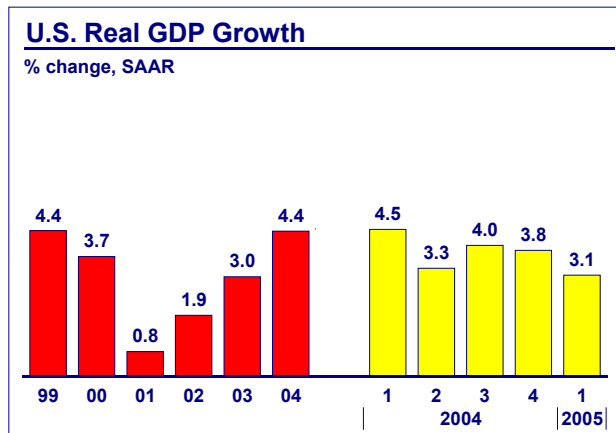
## U.S. Economic Trends

### Economic activity continued to expand, but at a slower pace, in the first quarter...

- Economic activity rose by 3.1% in the first quarter (advance estimates) after a 3.8% gain in the fourth quarter. Major contributors to growth were consumer spending, private inventories, exports, and business investment in equipment and software. The slowing in real GDP growth in the first quarter was mainly due to higher imports growth and lower growth of business investment in equipment and software.

### ...but growth should slow down in coming months

- The Institute of Supply and Management (ISM) manufacturing and non-manufacturing indexes declined in April but economic activity in both sectors continue to expand (a reading above 50 indicates the sector is expanding). The manufacturing index stood at 53.3 in April, down 1.9 points from March, while the non-manufacturing index reached 61.7, 1.4 points lower than in the previous month. Activity in the manufacturing sector increased for the 23rd consecutive month, the longest period of growth in the last 16 years.
- Privately-owned housing starts declined 17.6% in March from the previous month. Furthermore, building permits decreased 4.0% over the same period, suggesting that housing starts might weakened further in coming months.
- Non-farm employment rose by 274,000 in April after increasing by 146,000 in March. Notable increases were witnessed in construction, mining, food services and health care. Manufacturing employment was little changed. The unemployment rate remained unchanged at 5.2%.

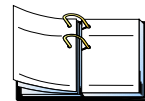


Source: U.S. Bureau of Economic Analysis & U.S. Bureau of Labor Statistics

## COMING UP

### Key Future Data Releases and Planned Events

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#### CANADA

Consumer Price Index - April	May 20
Key Policy Interest Rate Announcement	May 25
Financial Statistics for Enterprises - 1st Quarter 2005	May 26
Balance of International Payments - 1st Quarter 2005	May 30
Real GDP by Industry - March	May 31
National Economic and Financial Accounts - 1st Quarter 2005	May 31
Labour Force Survey - May	June 10
Canadian International Merchandise Trade - April	June 10
Monthly Survey of Manufacturing - April	June 14

#### UNITED STATES

Consumer Price Index - April	May 18
GDP - 1st Quarter 2005 (preliminary)	May 26
The Employment Situation - May	June 3
International Trade in Goods and Services - April	June 10
Federal Open Market Committee Meeting	June 29/30

Note: The May 2005 MEI uses data available as of May 13, 2005