

# *M*icro-Economic *Monitor*

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With the special report:

*Challenges of  
Rapid Technological Change*

Catching up with *The JETSONS* 

**Fourth Quarter, 1999**

Micro-Economic Analysis Directorate, Industry & Science Policy Sector, Industry Canada.  
This document is also available on the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/04.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/04.html)

MEPA - APME

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# Overview

## ***The economy closes out 1999 on a strong note...***

Real GDP expanded 4.6% (annual rate) in the fourth quarter of 1999, boosted by strength in both domestic and external demand.

- Business investment was up sharply, with increased inventory investment and higher spending on plant and equipment. Within the household sector, consumer spending remained strong while the housing market posted a solid advance. Exports continued to advance at a fast rate, although they were outpaced by import growth in the fourth quarter.

The better-than-expected fourth-quarter results brought annual growth for 1999 to 4.2%, the best result since 1994.

## ***...as the unemployment rate falls to a near 25-year low***

Employment increased by 427,000 in 1999, dropping the national unemployment rate to 6.8% by December (the lowest since 1976). Job gains led to growth of 3.5% in personal disposable income, and at least temporarily halted the steady deterioration in household finances evident over the course of the 1990s. Corporate profits also rebounded strongly in 1999.

The improved outlook for household and business finances bodes well for the economy in 2000. The latest consensus forecast projects growth of 3.9% overall in 2000.

Technological advances are altering our economy at an unprecedented pace, and business must react quickly to seize opportunities from this change. In particular, Canada's prosperity depends on rapid innovation, and on winning races to foster new and better products and services. This issue's special report, *Challenges of Rapid Technological Change – Catching up with the Jetsons* documents this rapid technological change and outlines its many challenges.



**Domestic Scene**

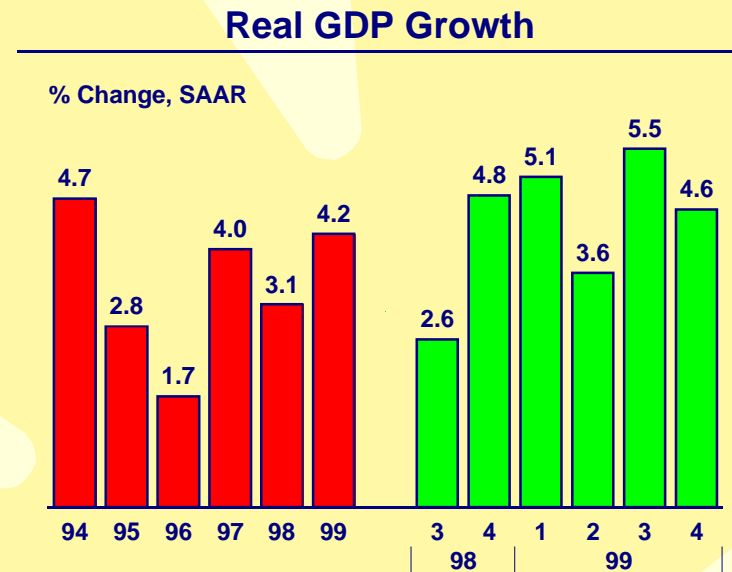
*Real Economic Activity*

## ***The economy steams ahead in the fourth quarter...***

Real GDP rose a solid 4.6% (annual rate) in the fourth quarter of 1999, marking the 18th straight increase. This is the longest string of quarterly gains since the 1960's.

- A pick-up in business investment led the advance, but consumer spending and exports were also higher.

The stronger-than-expected fourth quarter results boosted growth for 1999 as a whole to 4.2%, up from 3.1% in 1998.

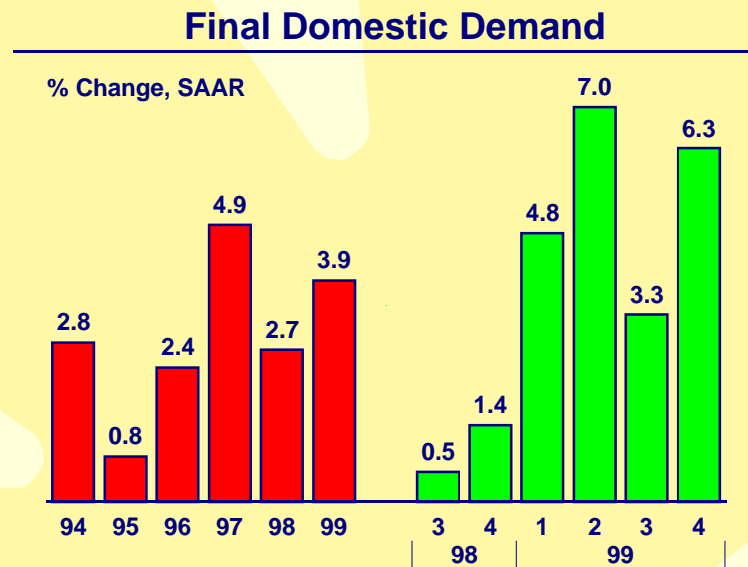


Source: Statistics Canada

*...boosted by surging domestic demand...*

Final domestic demand increased 6.3% (annual rate) in the fourth quarter of 1999, building on substantial gains earlier in the year.

- The increase was broadly based, with higher investment in M&E, inventories and construction. Increased consumer spending also contributed to domestic demand.



Source: Statistics Canada

## **...and a solid advance in exports**

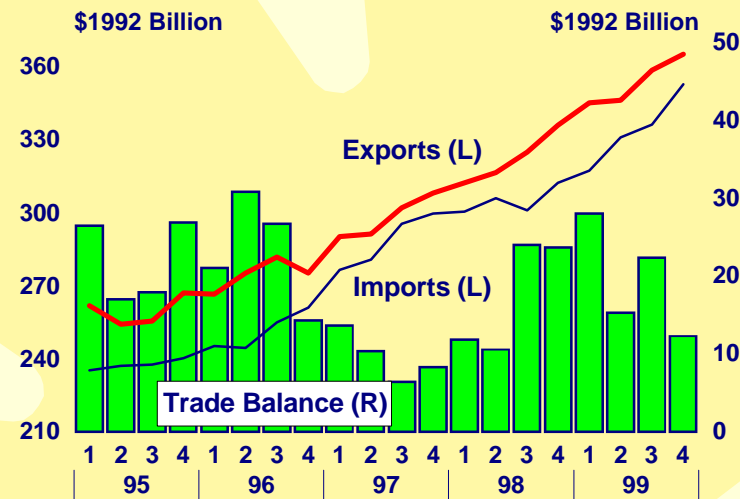
Exports of goods and services rose 7.4% (annual rate) in the fourth quarter, slowing somewhat from the pace of the previous quarter.

- Exports of M&E, Forestry Products, Automotive Products, and Industrial Goods & Materials were higher, while exports of Energy Products declined.

Faster import growth (21.2% annualized) cut into output growth, with a sharp increase for investment-related M&E (particularly aircraft and communication products).

With import growth greatly outpacing export growth, Canada's real trade surplus fell markedly in the final quarter of the year.

### Real Exports and Imports of Goods & Services



Source: Statistics Canada



## Investment in M&E rebounds sharply...

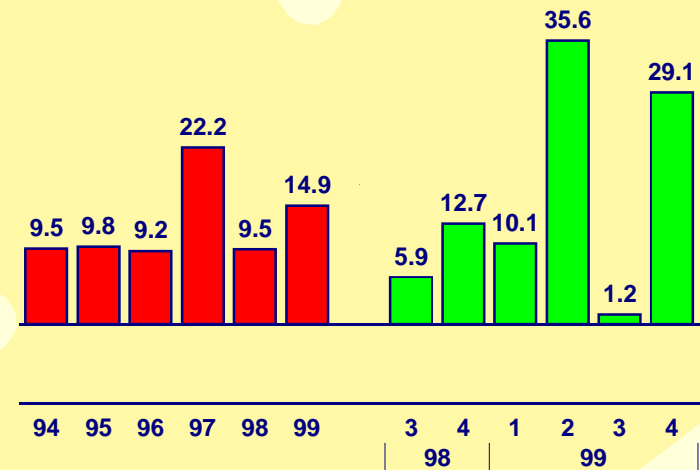
Following a pause in the third quarter, business investment in M&E regained its strong upward momentum in the fourth quarter, rising 29.1% (annual rate).

- The fourth-quarter advance was widespread, with purchases of computers, transportation equipment and telecommunications equipment recording the largest increases.

For the year as a whole, M&E investment was up nearly 15% in 1999 compared to its 1998 level.

### Real Machinery & Equipment Investment

% Change, SAAR



Source: Statistics Canada

**...and firms add to their stock of inventories...**

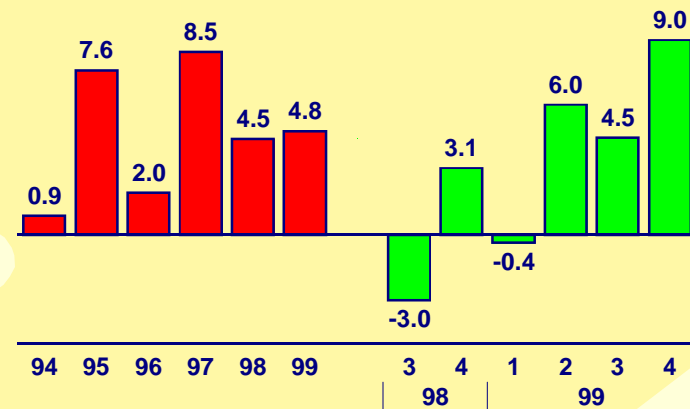
Business investment in non-farm inventories totalled \$9.0 billion in the fourth quarter of 1999, double that in the previous quarter.

- Inventory accumulations in Manufacturing and Wholesale Trade were concentrated in durable goods.

Despite a steady build-up of inventories over the past three quarters, the stock-to-sales ratio has fallen due to an even faster increase in sales.

### Non-farm Business Inventory Investment

\$1992 Billion, SAAR



Source: Statistics Canada

***...as consumer spending remains strong...***

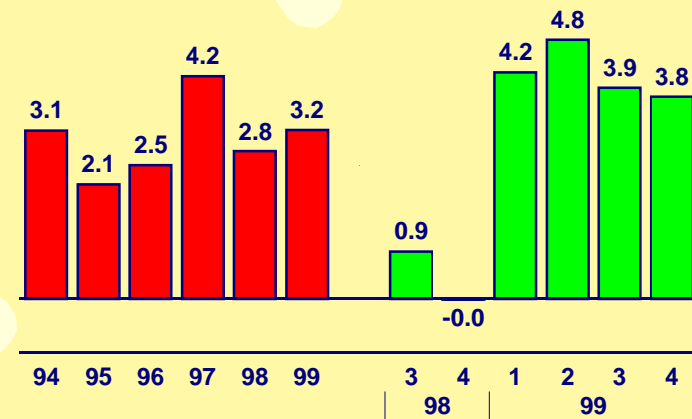
Consumer spending rose 3.8% (annual rate) in the fourth quarter, the fourth straight period of solid growth.

- Y2K-related celebrations and stockpiling provided a boost to fourth quarter spending, and auto sales also remained strong. Mild weather reduced demand for electricity, heating fuels, and winter clothing.

Rising consumer confidence and solid income growth bode well for further gains in consumer spending.

**Real Consumer Expenditure Growth**

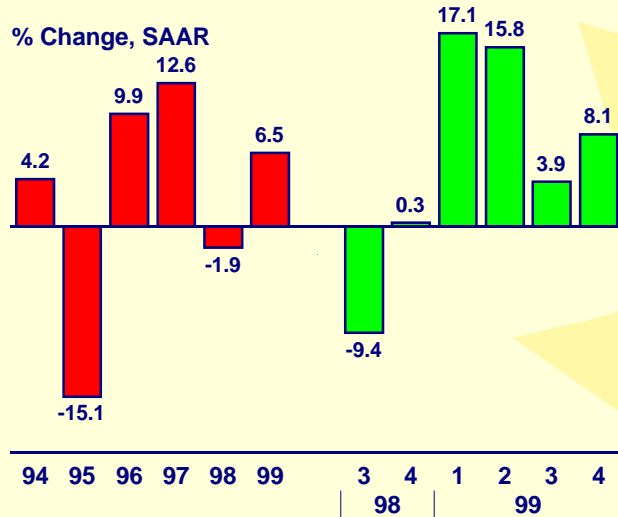
% Change, SAAR



Source: Statistics Canada

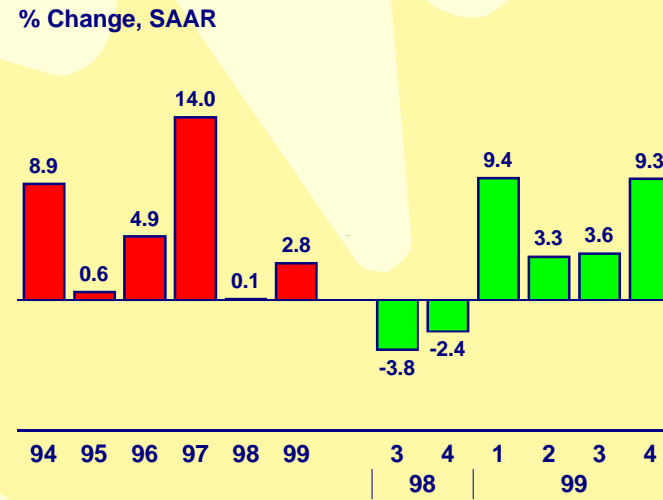
**...and the construction sector strengthens**

**Real Residential Construction Growth**



Source: Statistics Canada

**Real Non-residential Construction Growth**



Source: Statistics Canada

**Investment in Housing rose 8.1% (annual rate) in the fourth quarter of 1999, with advances in new housing construction and renovation activity. For the year as a whole, housing investment was up 6.5%, rebounding from a loss in 1998.**

**Investment in non-residential construction advanced a solid 9.3% (annual rate) in the fourth quarter. Strong growth in engineering construction more than offset a slight decline in building construction.**

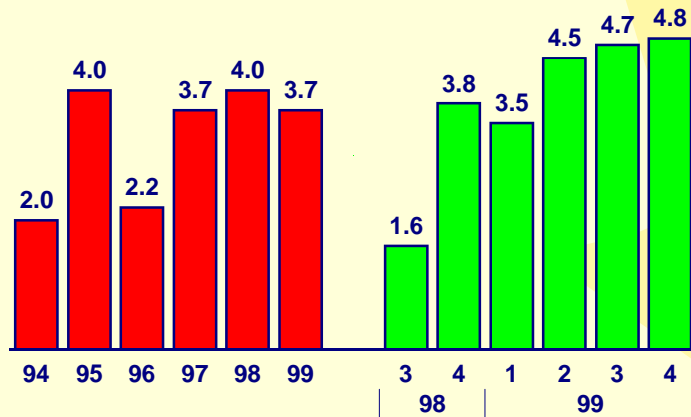
**Domestic Scene**

***Income Side***

## Growth in personal income strengthens...

### Growth in Personal Income

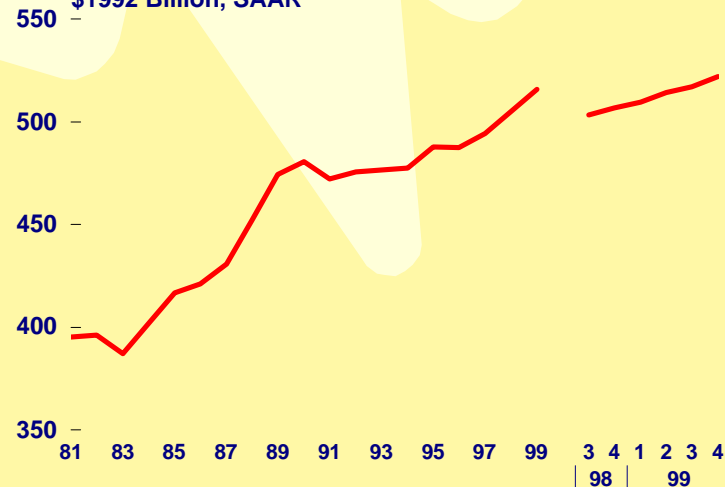
% Change, SAAR



Source: Statistics Canada

### Real Personal Disposable Income\*

\$1992 Billion, SAAR



\*Converted to real dollars using the chain price index for personal expenditure on goods and services.

Source: Statistics Canada and Industry Canada

**Growth in personal income increased steadily throughout 1999, reaching 4.8% (annual rate) in the fourth quarter, the biggest gain since the first quarter of 1998.**

**For the year as a whole, personal income was up 3.7% in 1999. However, as income taxes and employee contributions to social insurance programs rose at a slightly faster pace, personal disposable income increased by only 3.5% – 2.2% after adjusting for inflation.**

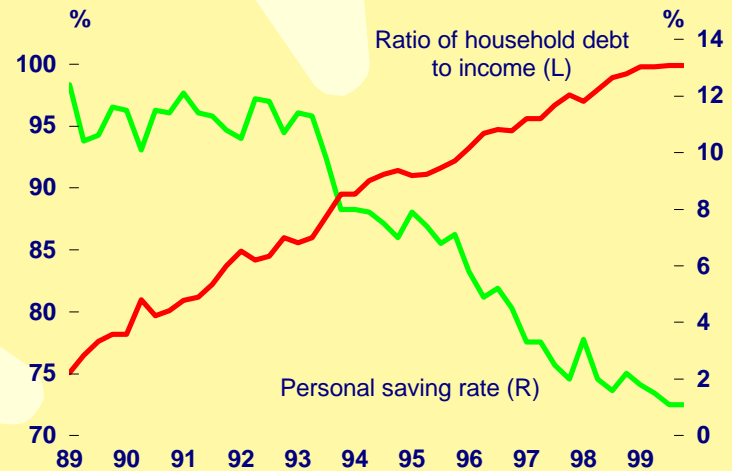
***...but household finances hold steady***

**The personal saving rate was unchanged at 1.1% in the fourth quarter of 1999.**

- **This is the lowest saving rate on record (available data extend back to 1961).**

**In addition, with consumer and mortgage debt levels rising at roughly the same rate as income, the household debt-to-income ratio held steady at 99.9% in the fourth quarter.**

**Personal Debt and Savings Rate**



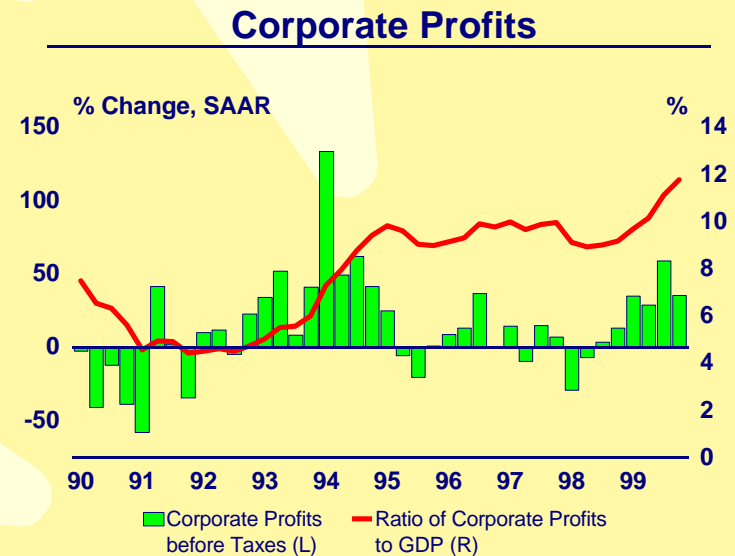
Source: Statistics Canada

## Corporate profits continue to surge

Corporate profits increased by 35.1% (annual rate) in the fourth quarter of the year, building on an exceptional gain in the previous period.

- Profits increased to 11.8% of GDP, a nineteen-year high.

Overall in 1999, corporate profits rose 25.2%, the biggest gain since 1994. Strong demand in North America and higher commodity prices have provided a boost to firms' finances.



Source: Statistics Canada



**Domestic Scene**

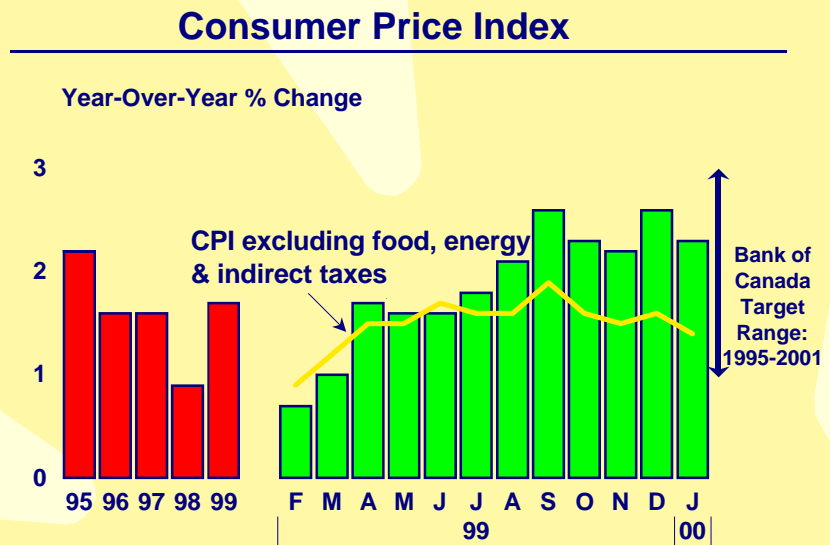
***Price Movements***

## ***Inflation rises over the course of 1999...***

After increasing by only 0.9% in 1998, consumer prices increased by 1.7% in 1999, comparable to increases in 1996 and 1997.

Inflation was 2.3% in January 2000, below that in December but similar to October and November's rate.

The "core" inflation rate – excluding the volatile food and energy components as well as the impact of indirect taxes – fell to 1.4% in January, well within the bottom half of the 1-3% target range set jointly by the Bank of Canada and Department of Finance.



Source: Statistics Canada & Bank of Canada

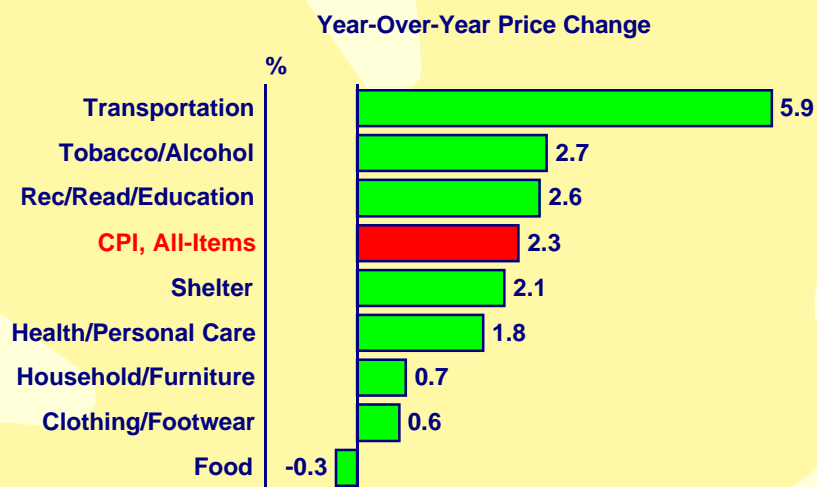
*...driven up by higher energy prices*

Higher energy costs – notably for gasoline, natural gas and heating oil – accounted for roughly half of the 2.3% year-over-year increase in consumer prices in January.

- Production cutbacks by members of OPEC have raised the price of gasoline by 25.3% compared to January 1999.

Excluding energy, the CPI was up only 1.1% in January.

### Components of CPI: January 2000



Source: Statistics Canada

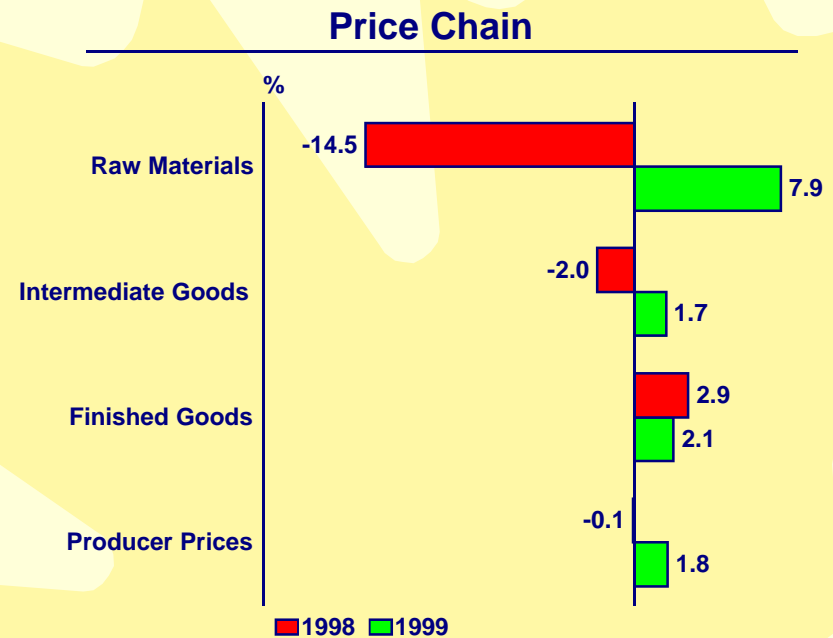
## Commodity prices rise sharply in 1999

The price of raw materials increased 7.9% in 1999, rebounding from two consecutive annual declines.

- This strength in commodity prices stems mainly from a sharp rise in the price of crude petroleum, which jumped up 36.5% in 1999.
- In contrast, there were major declines in the price of grains, oilseeds and ferrous materials such as iron ore and steel.

Industrial product prices – those received by producers at the factory gate – were up 1.8% in 1999. Though modest, this increase is nonetheless represents the highest increase since 1995.

- Although higher prices were due in large part to higher fuel prices, rising prices for lumber and motor vehicles also contributed, albeit to a lesser extent.



Source: Statistics Canada

**Domestic Scene**

***Labour Situation***

## Strong job growth in 1999...

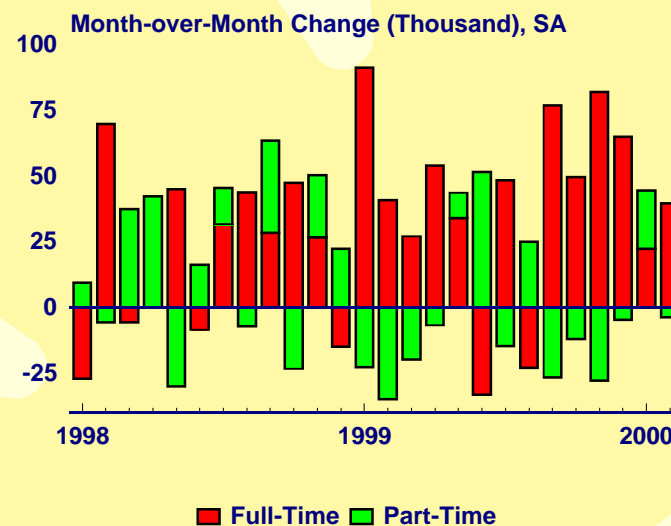
The economy generated 427,000 net new jobs in 1999, the third straight year of solid growth.

- The pace of job growth picked up considerably over the September-December period, with a net gain of roughly 200,000 jobs in that four month period.

All of the net job gains in 1999 were in full-time work. The number of full-time positions increased by 511,000, compared to a drop of 84,000 in part-time employment.

Job growth in January and February 2000 slowed somewhat from its fast pace at the end of 1999. Still, employment was up 80,000 in the first two months of 2000.

### Employment Growth



Source: Statistics Canada

**...with gains in both private and public sector employment...**

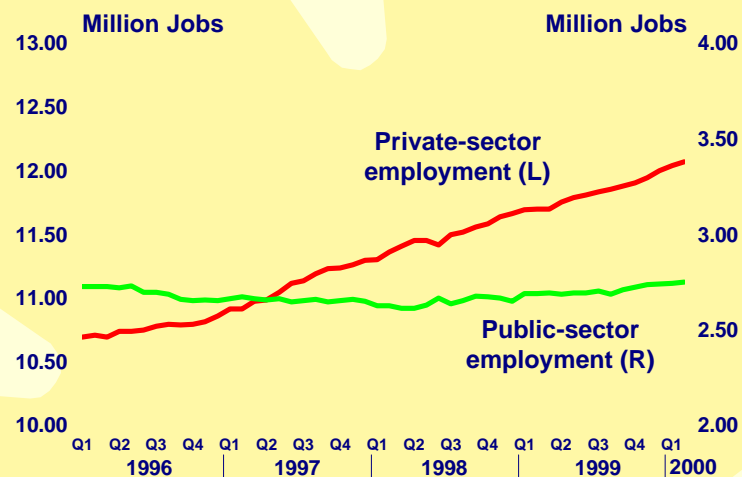
The private sector remained the biggest source of new jobs in the economy. Private-sector employment was up 336,000 in 1999, accounting for 80% of the total increase.

- Within the private sector, self employment increased by 46,000 on the year, its slowest pace in five years.

Employment in the public sector rose 91,000 in 1999, the first substantial annual increase since 1991.

- Even with this advance, public-sector employment is 130,000 below its peak in early 1993.

### Employment: Private vs. Public



Source: Statistics Canada

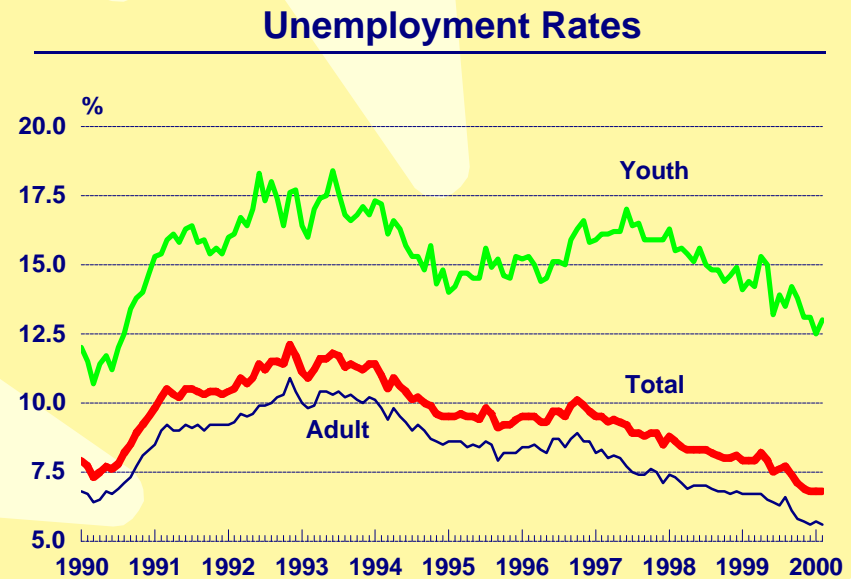
## ***...drops the unemployment rate to a 25-year low***

**Strong employment growth lowered the national unemployment rate to 6.8% in December 1999, its lowest level since April 1976.**

- **The unemployment rate held firm at 6.8% in January and February 2000, with employment gains matched by a higher labour force.**

**The youth unemployment rate fell 1.8 percentage points over the course of 1999, reaching a nine-year low of 13.1% in December. The adult unemployment rate dropped from 6.8% at the outset of the year to 5.6% by December 1999.**

- **There has been little change in unemployment rates for both groups in the first two months of 2000.**



Source: Statistics Canada



## ***Employment is up in every province...***

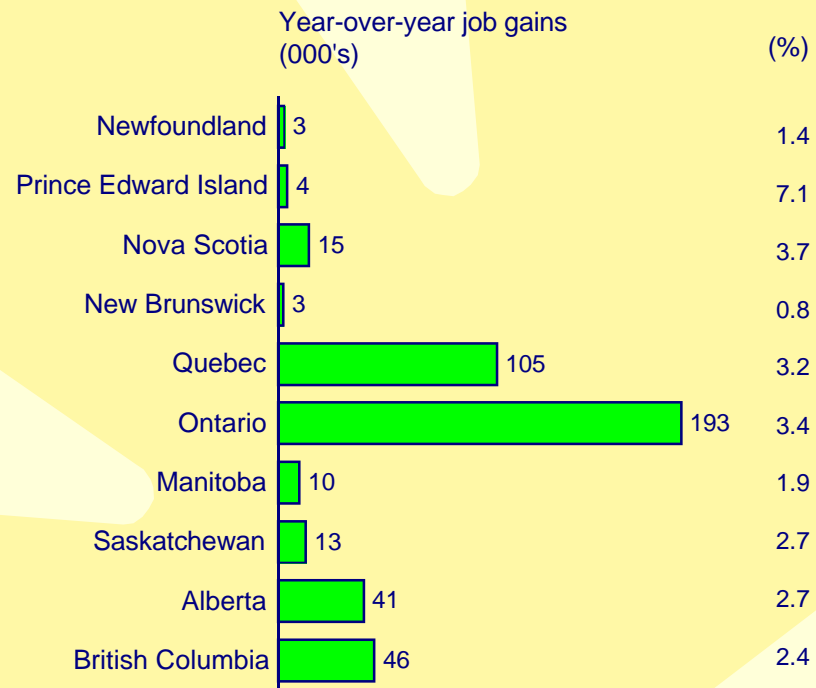
**As of February 2000, all provinces recorded a net employment gain on a year-over-year basis.**

**Nearly half of Canada's total job gains over this period have been in Ontario, where Manufacturing has been an important engine of growth. This sector has also been an important source of new jobs in Quebec.**

**In percentage terms, Newfoundland posted the fastest growth overall in 1999 (6.8%). However, employment fell back sharply in this province in January and February 2000.**

**Prince Edward Island and Nova Scotia have both enjoyed above average job growth on a year-over-year basis.**

### **Employment Growth by Province (February 1999 to February 2000)**



Source: Statistics Canada

**...leading to lower unemployment rates everywhere but Newfoundland**

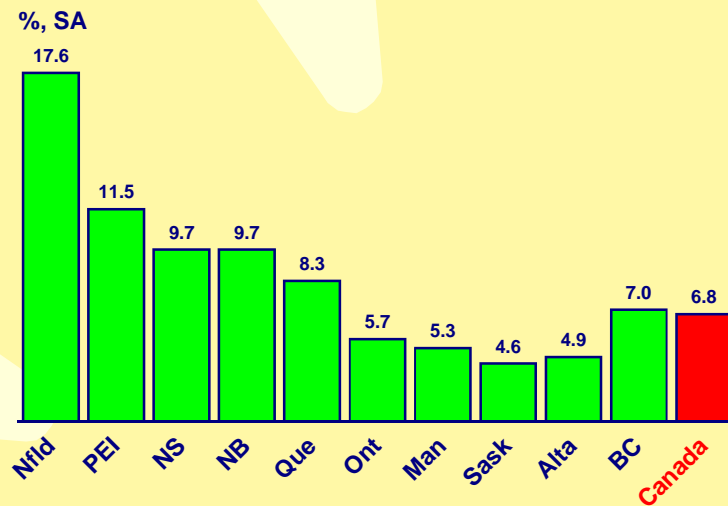
Unemployment rates are down in every province on a year-over-year basis except in Newfoundland.

Newfoundland's unemployment rate fell sharply over the course of 1999, dropping from 18.7% to 14.1% by December 1999.

- However, job losses in January and February took back most of this improvement, with the unemployment rate rising back up to 17.6% in February 2000.

As of February 2000, the largest year-over-year falls in unemployment rates have been registered by Prince Edward Island (-3.8 percentage points), Saskatchewan (-2.1 points) and New Brunswick (-1.9 points).

**Unemployment Rates: February 2000**



Source: Statistics Canada

**Domestic Scene**

***Financial Variables***

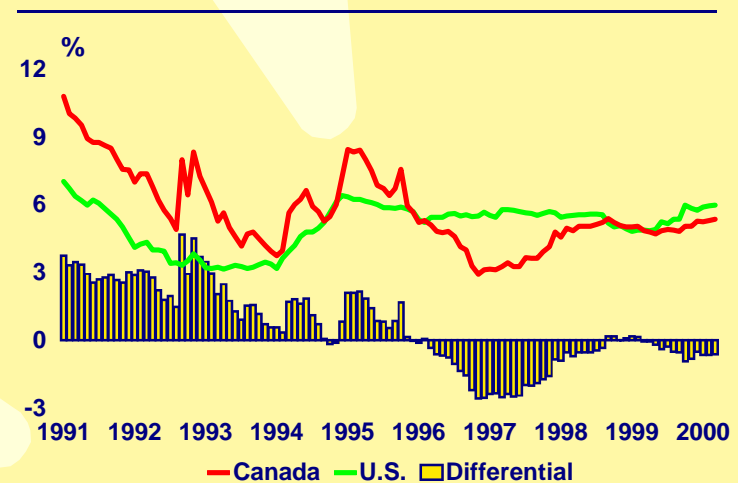
## ***The Bank of Canada raises interest rates...***

The Bank of Canada, which had last hiked interest rates in November, raised its trend-setting Bank Rate by 25 basis points on February 3. This move triggered a corresponding increase in the major banks' Prime Lending Rate to 6.75%.

U.S. and Canadian short-term interest rates rose in tandem through January and February, maintaining the gap between Canadian and U.S. rates at roughly 60 basis points in Canada's favour as of March 8.

The prospect of higher rates in the U.S. combined with growing evidence of Canada's strong economic performance increases the likelihood that the Bank of Canada will raise interest rates further to control the pace of growth and inflation.

### **Short-Term Interest Rates**



Last data point plotted: March 8, 2000

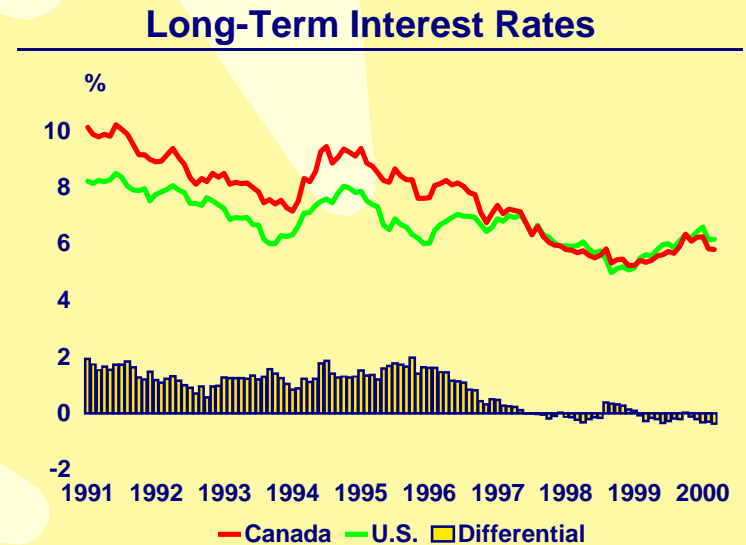
Source: Bank of Canada, 90-day Commercial Paper, last Wednesday in the month

***...but bonds yields trend lower in early 2000***

While inflation fears pushed up North American bond yields throughout 1999, long rates have edged down in the early months of 2000.

Bond yields have been trending down amid market expectations that higher short term interest rates will contain future inflation. An anticipated reduction in the supply of U.S. long bonds as the Treasury retires debt has also helped drive down long term yields on both sides of the border.

- Canadian long rates have fallen slightly faster than their American counterparts, widening the Canada-U.S. differential to 37 points as of March 8.



Last data point plotted: March 8, 2000

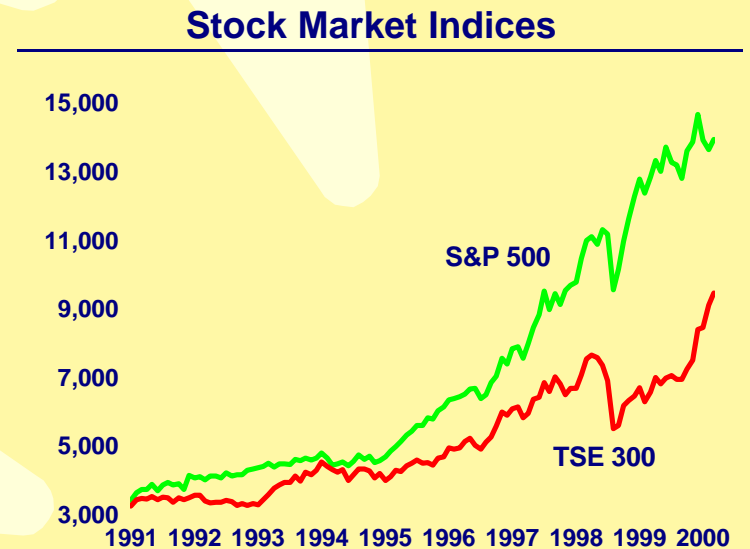
Source: Bank of Canada, Government long-term bond, last Wednesday in the month

## ***And while Canadian stock markets soar...***

Canadian stock prices continue to advance in early 2000, building on impressive gains throughout 1999.

The TSE 300 index hit a new high of 9516 on March 2, bringing total gains since November to just over 21%.

The strength of the TSE in January and February reflects the strong performance of high-tech stocks, which has also boosted the technology-heavy U.S. Nasdaq. In contrast, the more traditional U.S. Dow Jones and S&P 500 indexes struggled in February, tumbling heavily over mounting fears of higher interest rates.



Last data point plotted: March 10, 2000

Source: Statistics Canada

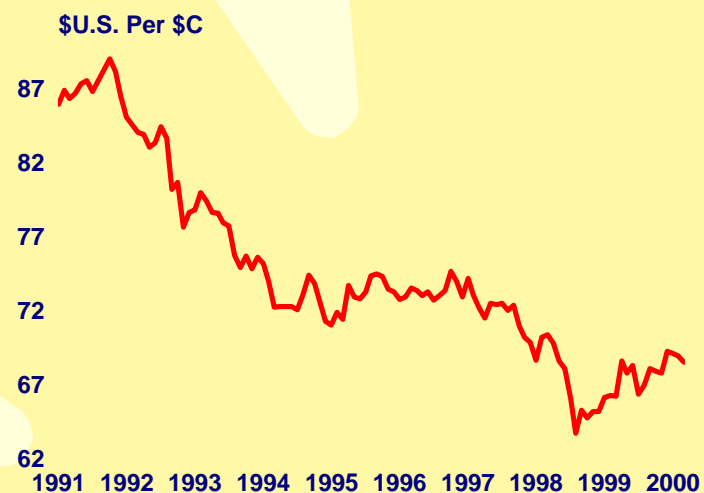
***...the dollar remains stuck below U.S. 70¢***

Over the course of 1999, the Canadian dollar gained roughly 4 cents, reaching U.S. 69.29¢ by year-end. This momentum extended early in the new year, with the dollar climbing to a high of 69.67¢ on January 27.

Following this, however, the dollar weakened somewhat in light of concerns that interest rates will be raised more forcefully in the U.S.

Still, market analysts believe that the dollar will pick up strength through 2000. The stronger-than-expected economy, firming commodity prices and the much-improved fiscal situation should all provide underlying support for the dollar in coming months.

### Canada-U.S. Exchange Rate



Last data point plotted: March 10, 2000

Source: Bank of Canada

**Domestic Scene**

***Fiscal Track***



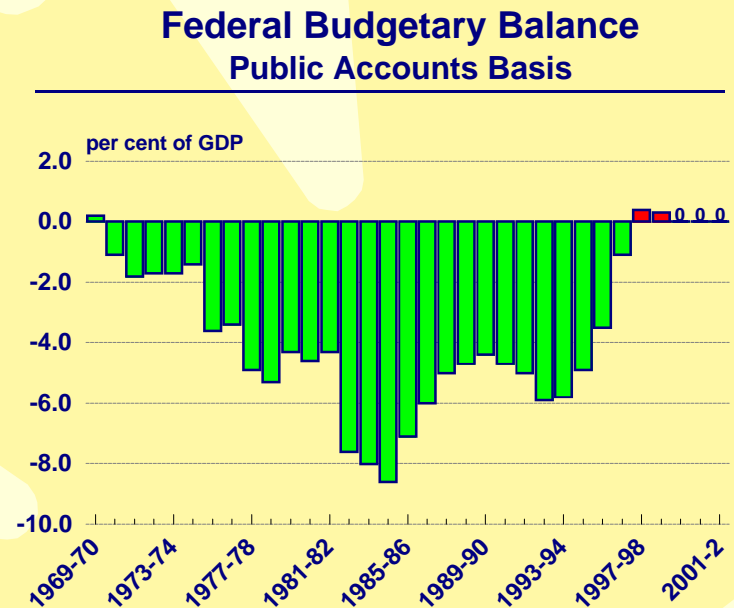
## ***The federal budget remains in the black***

Following a surplus of \$2.9 billion in fiscal year 1998-99 (the second in a row), the federal government expects to post balanced budgets over the next three years. This would entail five consecutive years of budgets in the black – for only the third time since Confederation.

- By the accounting standards used in most other G-7 countries, the federal government will post a financial surplus for the fourth consecutive year in 1999-2000 – the only G-7 country to do so.

The debt-to-GDP ratio should continue to trend down, sustained by the strong economy and prudent budget planning. From a peak of 71% in 1995-96, this ratio is expected to drop below 50% by 2004-05.

Five provinces and one territory expect to post a surplus in 1999-2000 – P.E.I., Quebec, Manitoba, Saskatchewan, Alberta and Nunavut.



Source: Department of Finance Canada

**Domestic Scene**

***Competitiveness***

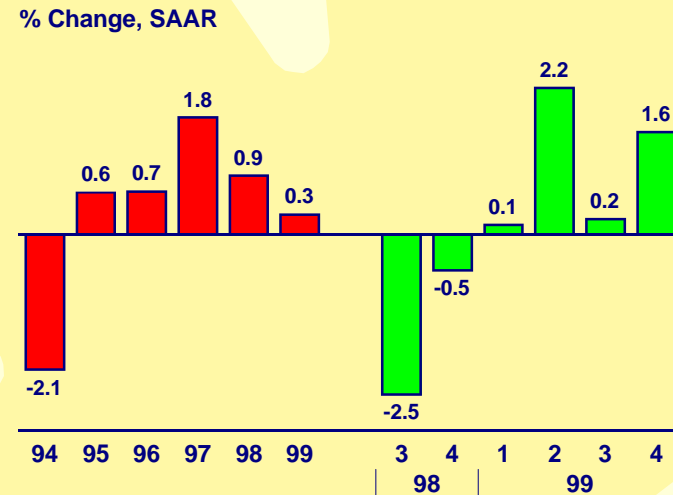
## ***Unit labour costs rise modestly in 1999...***

Unit labour costs increased 1.6% (annual rate) in the fourth quarter of 1999.

- The total wage bill increased by 6.2% (annual rate), exceeding growth in total output (4.7%).

Despite the fourth-quarter increase, Canadian firms have been quite successful in holding down costs through the year. Unit labour costs rose only 0.3% in 1999, the smallest increase in five years.

### **Growth in Unit Labour Costs**



Source: Industry Canada calculations

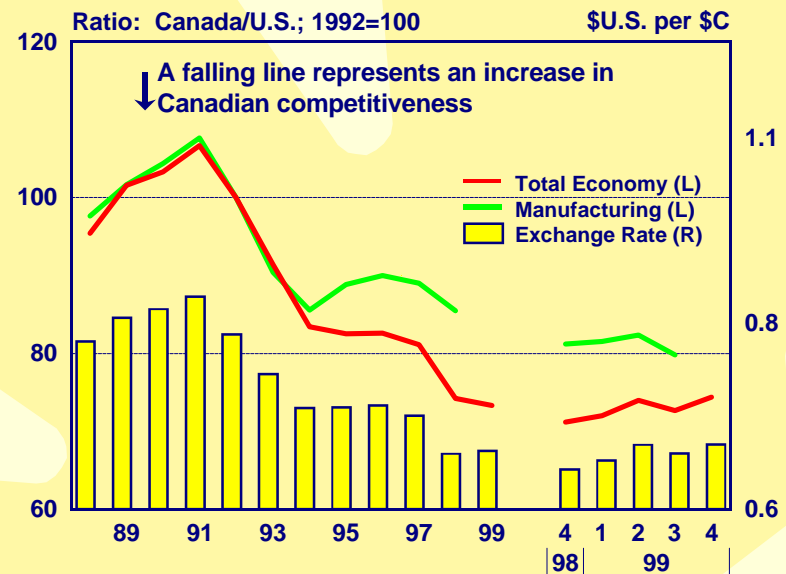
## ...helping to improve Canada's competitive position

At the economy-wide level, and on a common currency basis, Canadian unit labour costs fell 1.3% relative to those in the U.S. in 1999.

In the absence of a strengthening dollar, which rose from an average value of US67¢ in 1998 to US68¢ in 1999, Canada's competitive position would have improved to an even greater extent.

- Unit labour costs in domestic currency rose 1.9 percentage points more slowly in Canada than in the U.S. in 1999 – 0.3% compared with 2.2%.

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



Note: Quarterly manufacturing ULC for 1999Q4 are not yet available.  
Source: Industry Canada estimates based on data from the U.S.  
Bureau of Labor Statistics & Statistics Canada

**Domestic Scene**

*International Accounts*

## ***The current account deficit narrows considerably in 1999...***

After posting a small surplus in the third quarter, Canada's current account swung back to a deficit of \$5.0 billion (annual rate) in the fourth quarter of 1999.

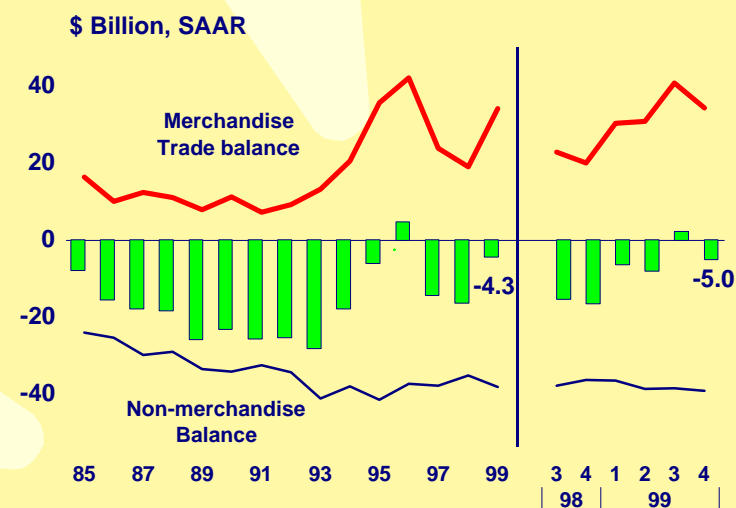
- This reversal was due almost entirely to a lower merchandise trade surplus.

Overall in 1999, however, the current account deficit narrowed significantly, falling from \$16.4 billion in 1998 to \$4.3 billion in 1999. The improvement can be attributed to a sharp increase in the goods surplus.

On the capital account, foreign direct investment totalled \$36.1 billion in 1999, up roughly 50% from the previous year.

- However, portfolio investment by foreigners fell to a 25-year low, with the reduction concentrated in reduced holdings of bonds and money market papers. Foreign investors continued to invest their holdings of Canadian equities.

### **Current Account & Trade Balances**



The merchandise trade balance represents net exports of goods.  
The non-merchandise trade balance represents net exports of services plus net receipts of investment income and transfers.

Source: Statistics Canada

**...due to a big jump in the merchandise trade surplus**

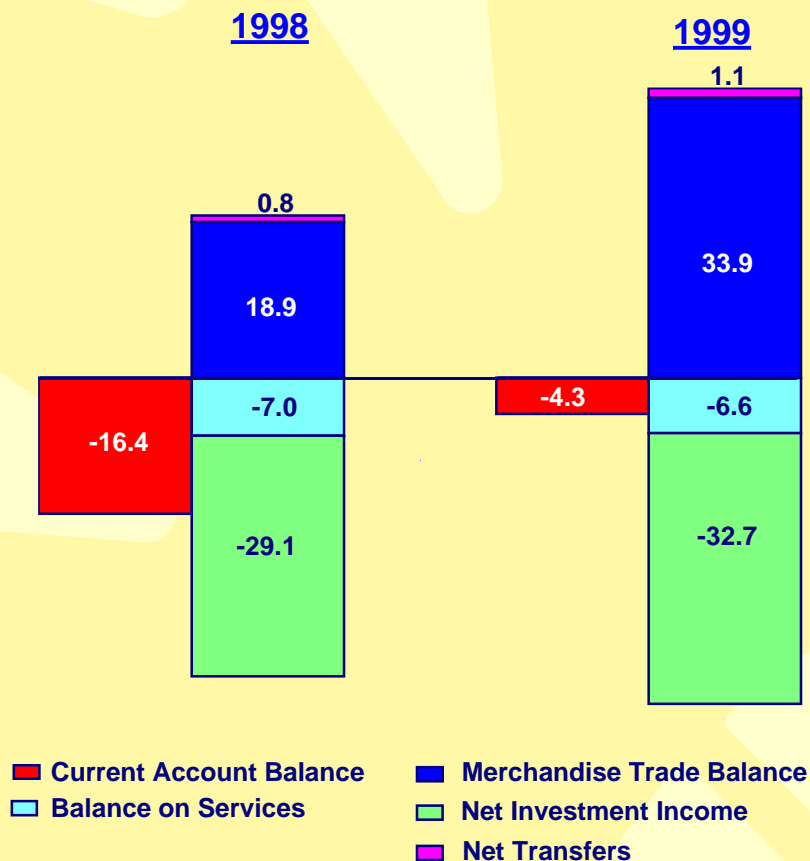
### Main Components of the Current Account

\$ Billion, SAAR

The significant improvement in Canada's current account deficit in 1999 stemmed primarily from a sharp rise in the merchandise trade surplus, which increased to \$33.9 billion (the third largest on record).

A bigger deficit on investment income was generated by profits on foreign direct investment in areas such as transportation equipment and chemicals.

The deficit on trade in services was little changed in 1999.



Source: Statistics Canada

## Exports to the U.S. advance strongly in 1999...

Merchandise exports reached \$360.6 billion in 1999, an increase of 11.9% from the previous year.

- Sales to the U.S. were up 14.9% on the year, accounting for 85.9% of all exports.
- Exports to the European Union edged higher on the year, but shipments to Japan and all other countries were down.

Increased sales of motor vehicles accounted for half of the total increase for 1999.

- Energy Products also registered a sizeable increase, aided by higher prices for crude oil and natural gas.

### Merchandise Exports, 1999

	\$ Billion	% Change, 1998-99
<b>Total</b>	<b>360.6</b>	<b>11.9</b>
<u>By Trade Partner</u>		
U.S.	309.7	14.9
Japan	9.2	-3.2
E.U.	18.2	2.3
All Others	23.5	-7.6
<u>By Principal Commodity</u>		
Agricultural & Fishing Products	25.6	1.9
Energy Products	30.3	26.8
Forestry Products	38.9	10.6
Industrial Goods & Materials	56.9	-0.9
Machinery & Equipment	85.0	7.8
Automotive Products	96.1	24.2
Other Consumer Goods	13.6	9.4

Source: Statistics Canada



## **...leading to a sharply higher trade surplus**

Merchandise imports increased a healthy 7.7% to \$326.7 billion in 1999.

- While export growth was concentrated in the U.S., import growth was more balanced across regions in 1999.
- Import growth was also fairly widespread across major commodity groups. In dollar terms, there were particularly sharp increases in imports of Automotive Products and M&E.

With exports outpacing imports, Canada's merchandise trade surplus reached \$33.9 billion in 1999, nearly double that of last year.

- This improvement is due entirely to a higher trade surplus with the U.S., which reached a record \$60.5 billion. In contrast, the deficit with other trading regions also reached a new high.

### Merchandise Imports, 1999

	\$ Billion	% Change, 1998-99
Total	326.7	7.7
<u>By Trade Partner</u>		
U.S.	249.2	6.7
Japan	10.6	9.7
E.U.	28.5	12.1
All Others	38.4	10.7
<u>By Principal Commodity</u>		
Agricultural & Fishing Products	17.6	2.2
Energy Products	10.6	22.7
Forestry Products	2.7	9.7
Industrial Goods & Materials	62.1	3.1
Machinery & Equipment	108.2	6.8
Automotive Products	75.9	13.7
Other Consumer Goods	37.0	6.9

### Balance by Trade Partner, 1999

	\$ Billion	Change (\$Billion) 1998-99
Total	33.9	15.1
U.S.	60.5	24.6
Japan	-1.4	-1.2
E.U.	-10.3	-2.7
All Others	-14.9	-5.6

Source: Statistics Canada

**Domestic Scene**

***Sectoral Overview***

## **Output gains are broadly based in the fourth quarter and 1999 overall...**

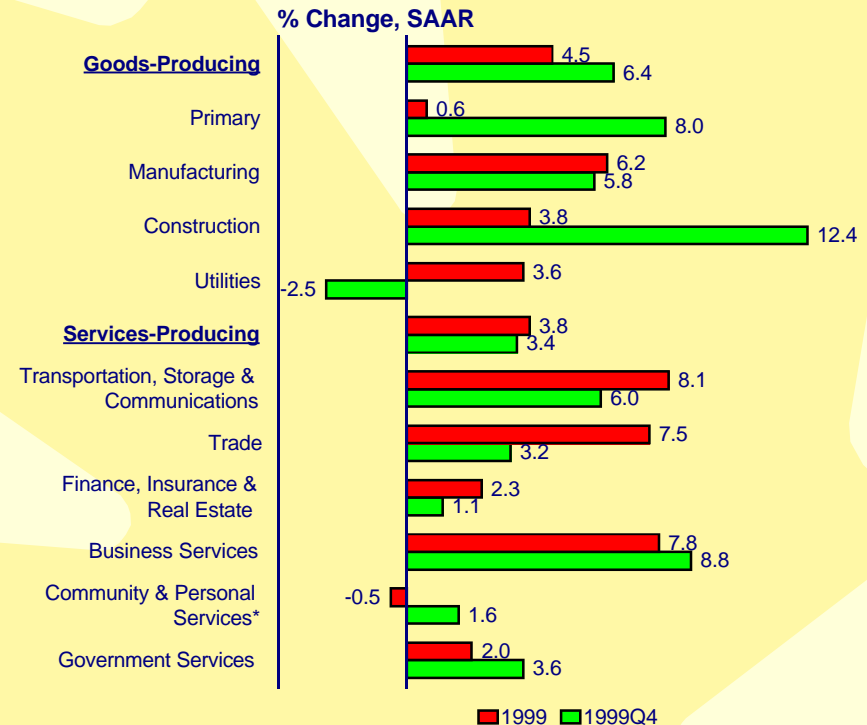
Goods-producing industries increased production by 6.4% (annual rate) in the fourth quarter. Output was up a healthy 4.5% overall in 1999.

- A surge in Construction activity, with notable gains in both residential and non-residential building, led gains in the Goods sector.
- Continued strength in Manufacturing and a strong recovery in the Mining sector also boosted output in the fourth quarter.

Services industries advanced 3.4% (annual rate) in the quarter, bringing the annual gain to 3.8%.

- For both the fourth quarter and 1999 as a whole, Business Services – spurred by higher demand for computer services – and Transportation, Storage & Communications recorded the largest increases.

### **Real GDP Growth by Industry: 1999Q4**



Source: Statistics Canada

\*Education and Health & Social Services

**...leading to a strong rebound in operating profits...**

**Corporate operating profits increased 19.8% to a record \$158.1 billion in 1999, rebounding from a sharp fall in 1998.**

**Firmer commodity prices and strong demand, both at home and abroad, generated higher profits in Manufacturing and resource-based industries.**

- **Within Manufacturing, motor vehicles, wood & paper and electronics & computer industries all posted sharply-higher profits.**
- **Profits also rose in the Mineral Fuels industry, boosted by the more than doubling of crude oil prices in 1999.**

**Operating profits in Financial industries fell 11.5% in 1999, their second consecutive yearly decline.**

Due to methodological changes currently in progress, data are preliminary and not as reliable as usual.

### Corporate Operating Profits

	1999 Level (\$M)	Difference 1998-1999	
		(\$M)	(%)
<b>Total - All Industries</b>	158,142	26,110	19.8
<b>Total Non-Financial</b>	114,266	31,824	38.6
Agriculture, forestry, fishing & hunting	1,571	567	56.5
Mineral fuels	6,469	4,225	188.3
Mining except mineral fuels	2,044	-13	-0.6
Utilities	3,852	1,267	49.0
Construction	470	-290	-38.2
Manufacturing industries	47,883	13,454	39.1
Wholesale trade industries	9,407	4,209	81.0
Retail trade industries	8,272	3,387	69.3
Transportation and warehousing	5,851	924	18.8
Information and cultural industries	5,813	-328	-5.3
Real estate, rental and leasing	6,993	797	12.9
Professional/Scientific	3,624	1,736	91.9
Management of companies	3,421	-567	-14.2
Other services to business	1,776	554	45.3
Education services	46	34	283.3
Health care and social assistance	1,442	229	18.9
Arts, entertainment and recreation	-59	32	-35.2
Accommodation and food services	1,330	-151	-10.2
Other services	4,061	1,763	76.7
<b>Total Financial</b>	43,876	-5,714	-11.5
Depository credit intermediation	17,287	-1,361	-7.3
Non-depository credit intermediation	5,554	1,488	36.6
Insurers	3,916	-254	-6.1
Funds and other financial vehicles	13,621	-4,946	-26.6
Other financial intermediaries	3,498	-640	-15.5

Source: Statistics Canada

## ...and pushing capacity utilization up to its pre-recession peak

Industrial production increased in the fourth quarter to satisfy strong demand in both Canada and the U.S. for consumer and investment-related products.

This higher production pushed up capacity utilization in Non-farm Goods-producing industries to 86.8%, at par with its peak during the 1987-88 expansion.

- Capacity utilization in Manufacturing reached its highest level in over 25 years, and was largely responsible for the overall increase.
- Capacity utilization rates exceeded 90% in Logging & Forestry, Construction and in 8 of the 22 major groups within Manufacturing.

High rates of capacity utilization should eventually ease as productive capacity is expanded by the investment boom.

### Capacity Utilization: Non-farm Goods-producing Industries

	Level (%) 1999	1999/1998 Change	Level (%) 1999Q4	99Q4/99Q3 Change	10-year Average
Total Non-Farm Goods-Producing	84.8	1.5	86.8	1.3	81.7
Logging & Forestry	89.4	9.8	93.5	2.1	81.2
Mining & Quarrying	82.1	-1.0	88.9	6.9	84.3
Crude Petroleum & Natural Gas	71.0	-3.9	70.8	-0.3	80.4
Manufacturing	85.7	1.9	87.8	1.1	81.0
Durable Goods Manufacturing	87.1	2.8	89.4	0.8	80.2
Wood	89.1	2.8	89.9	-1.3	84.0
Primary Metals	92.8	0.9	94.0	2.7	88.3
Fabricated Metals	83.0	2.4	85.9	2.9	77.0
Transportation Equipment	91.4	5.3	93.0	-1.4	81.2
Electrical & Electronic Products	85.9	3.4	92.1	4.4	78.6
Non-Durable Goods Manufacturing	83.8	0.7	85.6	1.5	81.9
Food Products	81.1	0.4	82.3	0.9	80.1
Plastic Products	85.6	5.6	90.0	3.6	79.3
Paper & Allied Products	91.5	5.4	95.0	2.2	88.8
Printing & Publishing	83.0	1.6	83.6	-0.1	79.7
Chemical & Chemical Products	80.2	-3.5	81.9	1.5	83.4
Construction	88.3	2.4	90.5	2.4	83.2
Electric Power & Gas	85.9	2.0	86.2	-0.9	82.8
Energy	78.9	-0.9	78.8	-0.8	81.8
Total Excluding Energy	86.1	2.0	88.5	1.7	81.6

Source: Statistics Canada

## Still, investment is expected to be flat in 2000

According to the survey of private and public investment intentions, investment in Plant & Equipment will increase only 0.1% in 2000.

- This expected slowdown, down from growth of 8.1% in 1999, partly reflects the recent completion of large capital projects.

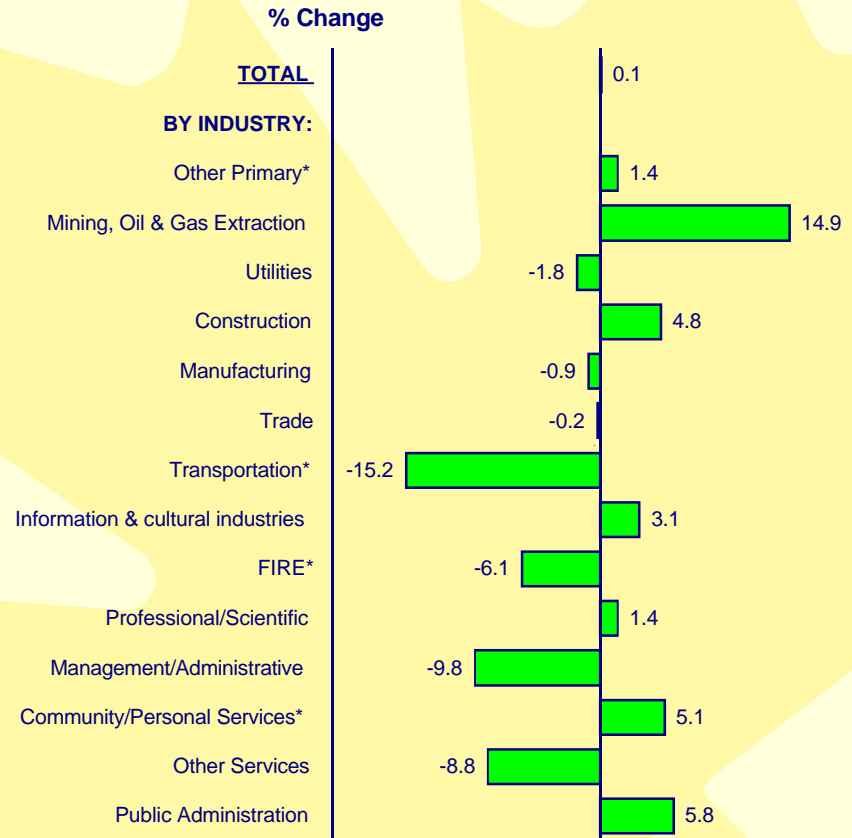
By industry, the biggest gain will take place in the Mining sector, with higher prices for oil expected to more than double drilling activity in comparison with the same period in 1999.

Higher spending at the municipal level is expected to provide a significant boost to government capital spending.

However, investment in Manufacturing is expected to remain at roughly the same level as last year, despite high rates of capacity utilization.

The large expected decline in Transportation is related to the winding down of several major pipeline projects.

### 2000 Investment Intentions by Industry (Plant & Equipment)



Source: Statistics Canada Survey of public and private investment intentions

\*Other Primary: Agriculture, Forestry, Fishing & Hunting;  
 Transportation includes warehousing;  
 FIRE: Finance, Insurance, Real Estate & Leasing;  
 Community/Personal Services: Education and Health & Social Services.

## 1999 employment gains are concentrated in Manufacturing and Services...

Employment in the Goods-producing industries was up 136,000 in 1999.

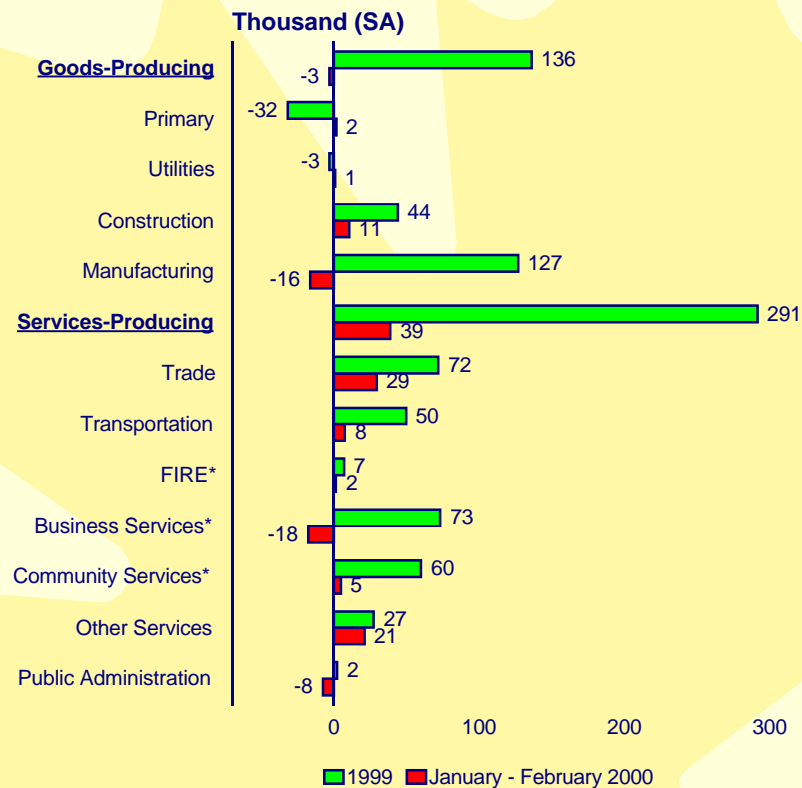
- Consistent with output trends, these job gains were concentrated in Manufacturing and Construction. Losses in Agriculture pulled down employment in the Primary industries.

In Services-producing industries, 291,000 new jobs were created in 1999.

- These gains were widespread, with notable increases in both Business and Community Services. Employment in Transportation and Wholesale & Retail Trade benefited from the surge in Manufacturing activity.

Manufacturing employment has fallen back somewhat over the first two months of 2000, but this has been more than offset by higher employment across most Services industries.

### Job Growth by Industry



Source: Statistics Canada

\*FIRE: Finance, Insurance, Real Estate and Leasing

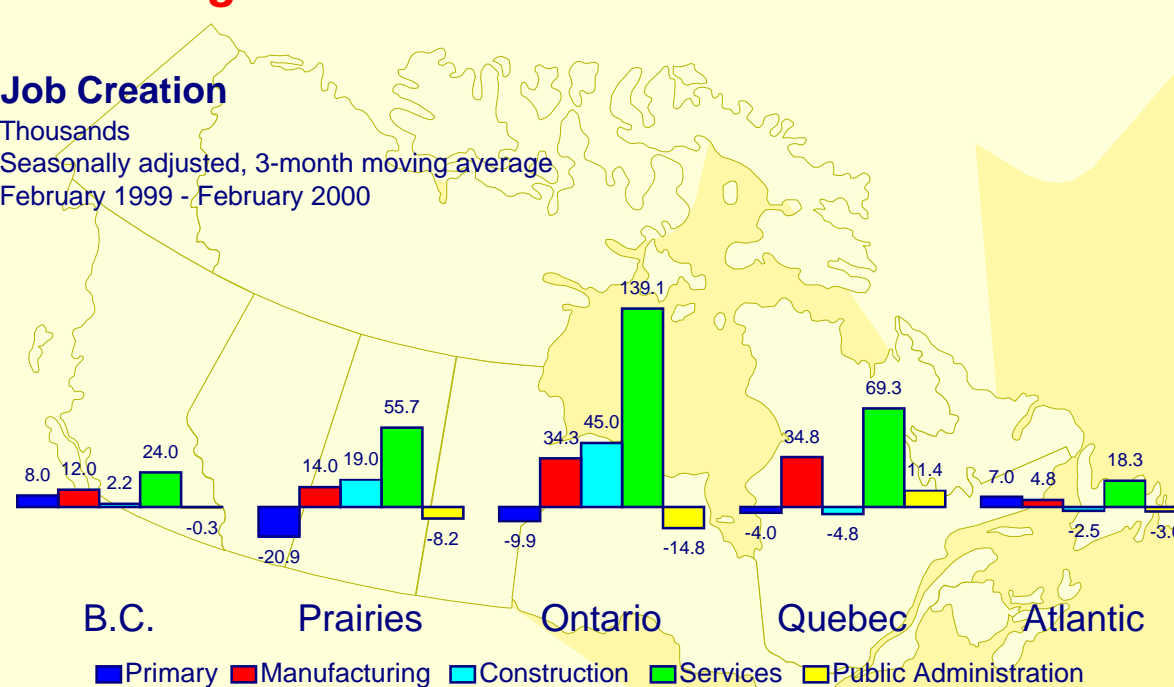
Business Services: Management, Administrative, Professional, Scientific & Technical Services

Community Services: Educational Services, Health & Social Assistance.

**...throughout all regions of Canada...**

### Job Creation

Thousands  
Seasonally adjusted, 3-month moving average  
February 1999 - February 2000



**Services-producing industries have accounted for over half of the total net job gains in each region since last February. Employment in Manufacturing was also up in every region.**

**Employment in the Primary sector edged down in Central Canada and the Prairies (where the bulk of the decline was concentrated in agriculture), while Public Administration recorded losses everywhere but in Quebec.**



## *...as wage settlements picked up in most sectors*

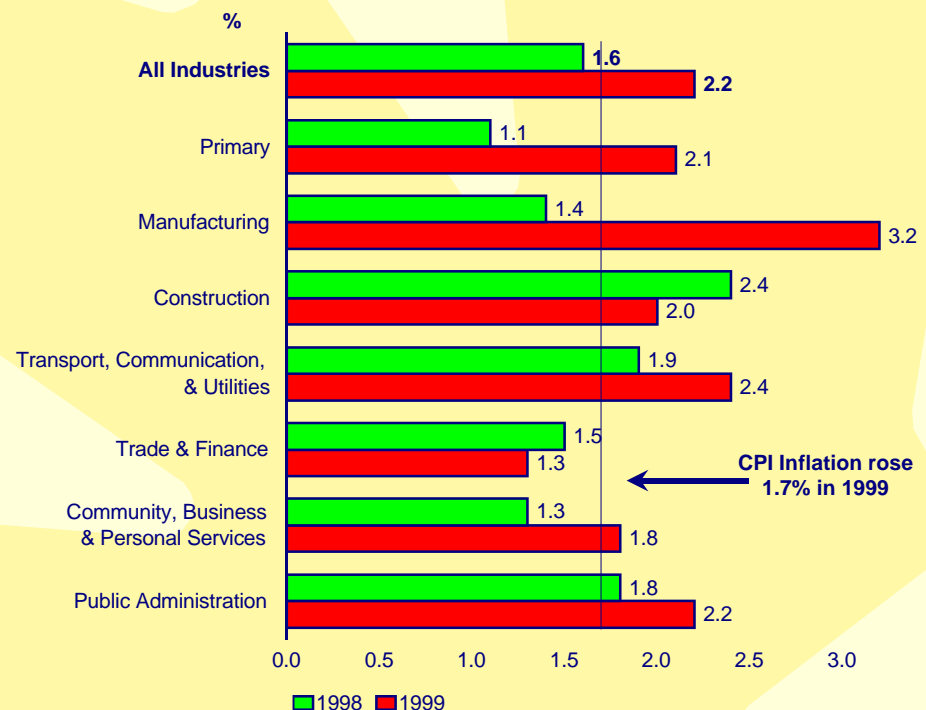
Wage settlements averaged 2.2% in 1999, up from 1.6% last year. For the second straight year, settlements have exceeded inflation.

- The biggest wage settlements tended to be in Manufacturing and Transportation, Communication & Other Utilities.
- Construction and Trade & Finance were the only industries for which average settlements ran behind last year's pace.

The increase in wage settlements was much more pronounced in the private sector in 1999.

- After narrowing considerably in 1998, the gap between wage settlements in the private sector (2.6%) and the public sector (1.9%) widened in 1999.

### Wage Settlements by Industry



Effective average annual adjustments in base wage rates from major collective bargaining agreements.

Source: Human Resources Development Canada