

# Regional Economic Observer

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**Third Quarter, 2000**

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The "Regional Economic Observer" (REO) provides a snapshot of provincial economic conditions in a convenient format. The REO 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. This report uses data available as of November 30, 2000. It has been prepared by Eric Chalifoux, Anik Dufour, Arif Mahmud, Alison McDermott and Karen Smith under the direction of Raynald Létourneau and Shane Williamson. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada, the Canada Mortgage and Housing Corporation, and the Canadian Real Estate Association. Please address comments to Raynald Létourneau at 613-996-0474 or through the Internet at [letourneau.raynald@ic.gc.ca](mailto:letourneau.raynald@ic.gc.ca).

# ***Highlights: Third Quarter, 2000***

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## ***British Columbia***

The B.C. economy slowed in the third quarter. Employment fell, with losses concentrated in the goods sector. Accordingly, the unemployment rate edged up, after falling to its lowest rate since 1981 in the second quarter. Weak demand conditions in North America for wood and lower production of transportation equipment contributed to lower manufacturing shipments, but rising confidence increased consumer spending.

## ***Prairies***

The Prairie economy showed mixed signs in the third quarter. Retailing activity rose across the three provinces after edging down in the previous quarter. Manufacturing also strengthened over the period. However, employment declined in Alberta and Saskatchewan, leading to higher unemployment rates in these provinces. The unemployment rate was also up in Manitoba, although employment grew modestly.

## ***Ontario***

The Ontario economy regained some strength in the third quarter. The important service-producing sector was responsible for most of the growth in employment. Growth in manufacturing shipments remained modest. Retail sales grew sharply, reflecting a rising level of consumer confidence since the beginning of the year. Housing starts rebounded following a weak second quarter when starts were affected by labour disputes in Southern Ontario.

## ***Quebec***

Economic activity in Quebec advanced at a slower pace in the third quarter. Growth in manufacturing shipments slowed further, although it remained above the national average. Housing starts recovered from their decline in the previous quarter and consumer spending rose strongly even though total employment was flat over the period.

## ***Atlantic***

The Atlantic economy showed some signs of a slowdown in the third quarter. Employment fell in all provinces except New Brunswick. This, combined with consumer prices rising at or above the 3% mark, kept confidence low and consumer spending in check. Housing activity was higher in most provinces. Shipments by manufacturers weakened in New Brunswick and Newfoundland but continued to improve in PEI and Nova Scotia.





## Labour Markets

### Employment falls in the third quarter...

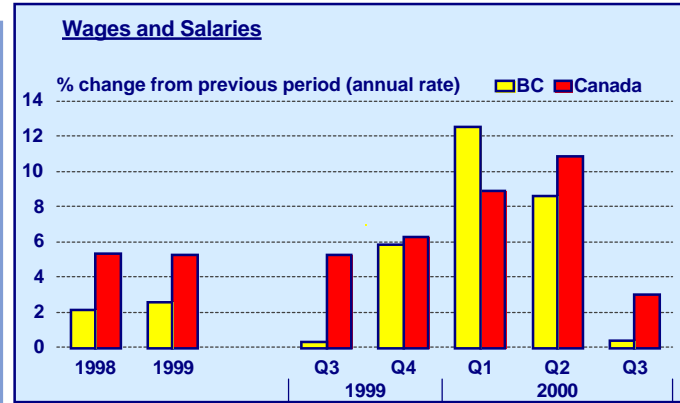
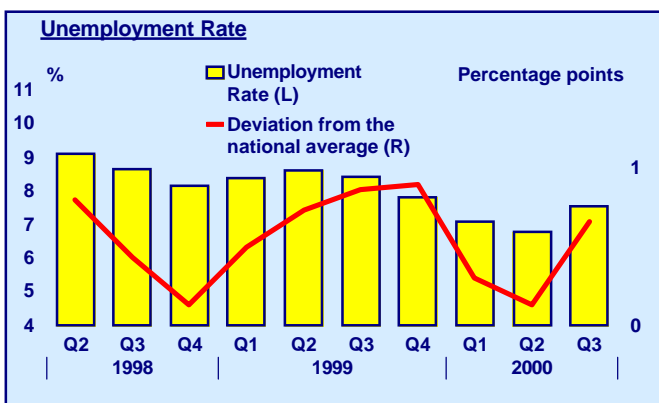
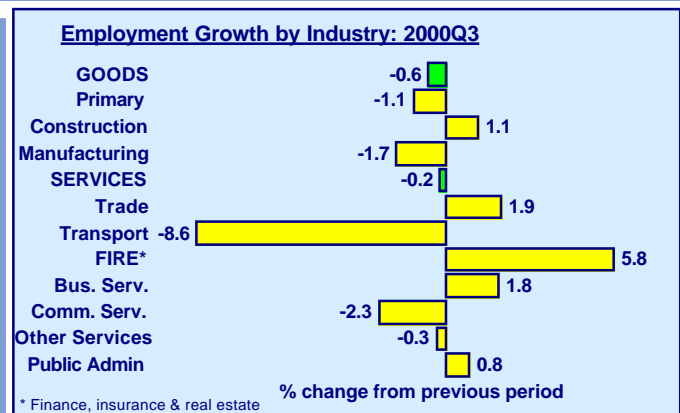
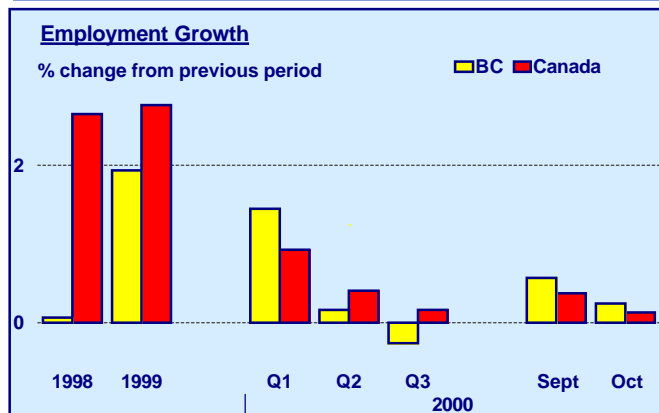
- The labour market weakened further in the third quarter as employment in both the goods and services sector fell. Losses in the goods sector were concentrated in the primary and manufacturing industries, while gains in finance, insurance & real estate (FIRE), trade and business services were more than offset by falling employment in transportation and community services.
- All losses in the third quarter were incurred in July. Employment recovered in subsequent months, including a rise of 0.3% in October.

### ...pushing the unemployment rate up...

- The unemployment rate increased to 7.6% in the third quarter after falling in the second quarter to its lowest rate since 1981.
- Accordingly, the B.C. rate was 0.7 percentage points above the Canadian rate in the third quarter.

### ...and weakening income growth

- After strong increases in the previous three quarters, wage and salaries edged up 0.4% (annual rate) in the third quarter. Lower employment and average hourly earnings both contributed to the slower income growth.





## Economic Activity and Prices

### Manufacturing activity weakens in the third quarter...

- Manufacturing shipments decreased 4.2% in the third quarter, mainly because of lower production in wood products and transportation equipment. Lumber producers had to curtail output to bring supply in line with weak demand conditions in the United States.

### ...while consumers remain ambivalent

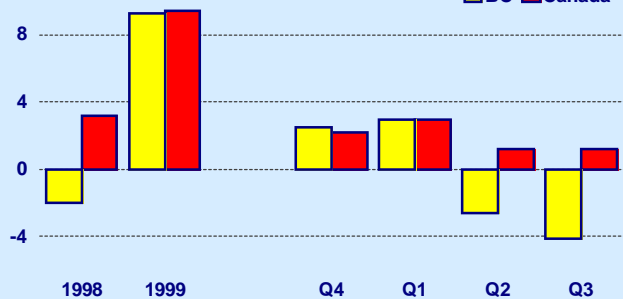
- Retail sales rose further in the third quarter, led by the automotive sector, reflecting generous incentives and increasing confidence in economic prospects for the province.
- However, expenditures on housing eased for both new starts and home resales. The housing sector is still suffering from weak demand. Population growth has slowed in recent years, from a pace of about 3% in the mid-nineties to only 0.8% this year.

### Inflation rate still below the national average

- Consumers paid 2.0% more for goods and services in the third quarter on a year-over-year basis, still the lowest increase among all provinces. Higher prices for transportation and shelter were the main contributors of the third quarter increase. Inflation stood at 2.4% in October, again mainly because of higher prices for transportation and shelter.

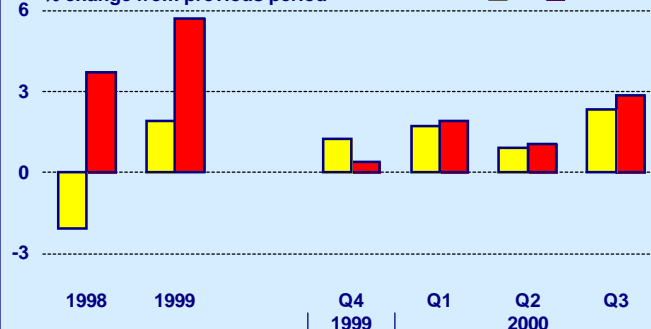
#### Manufacturing Shipments

% change from previous period



#### Retail Trade

% change from previous period

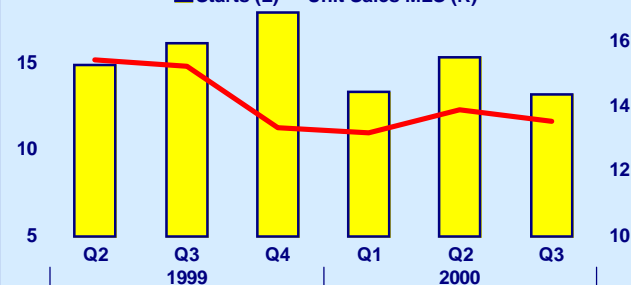


#### Housing

Thousands

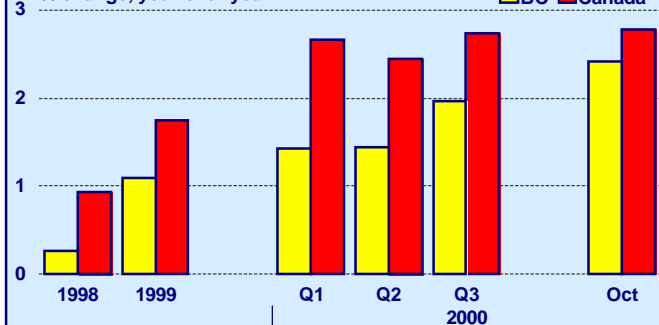
Thousands

Starts (L) Unit Sales MLS (R)



#### CPI Inflation Rate

% change, year-over-year



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A light blue map of Wisconsin is centered on a white background. The map is divided into three vertical sections by two thin grey lines. The word "Prairies" is written in a bold, dark blue, italicized serif font across the middle of the map.

# ***Prairies***



## Labour Markets

### Employment declines in the third quarter...

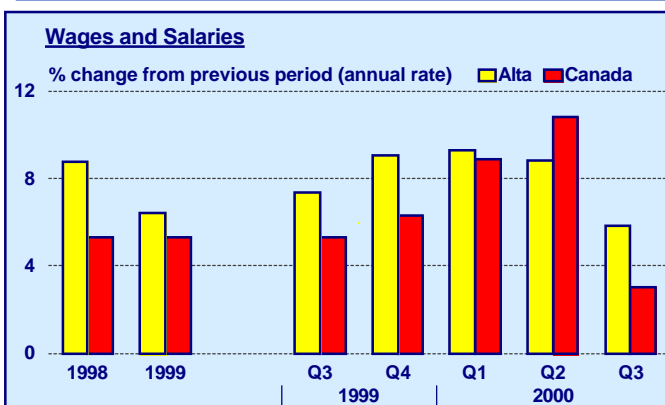
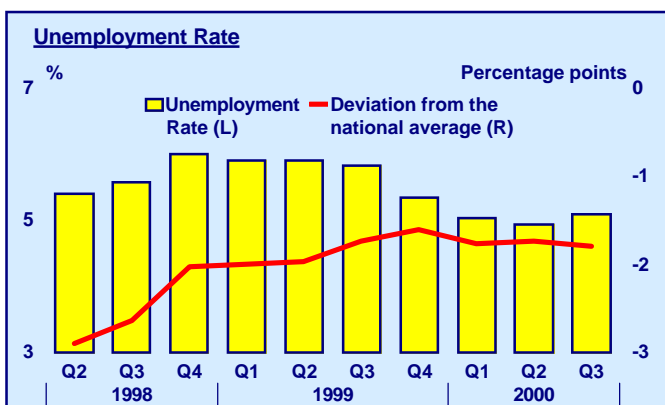
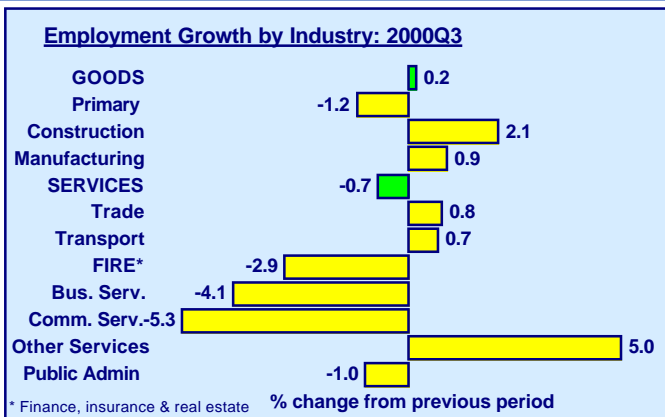
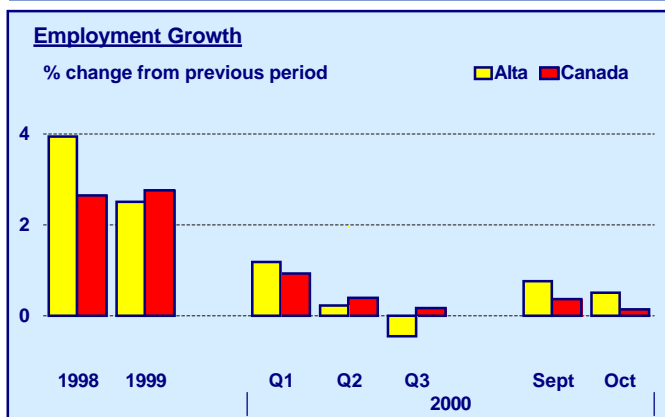
- Employment fell 0.5% in the third quarter, with losses concentrated in part-time jobs, largely in community services, business services and FIRE. Employment in the goods-producing industries edged up, driven by gains in the construction industry.
- On a monthly basis, employment rebounded in September and October, with gains occurring largely in FIRE, education, and the primary industries.

### ...and the unemployment drifts up

- The unemployment rate rose to 5.1% in the third quarter, but still remains among the lowest in Canada.
- With the slight increases in both the provincial and the national rates, Alberta's unemployment rate remained 1.8 percentage points below the national rate.

### Income growth surpasses the Canadian average

- Wage and salary growth exceeded the Canadian average by almost 3 percentage points in the third quarter, reaching a growth rate of 5.8% (annual rate). Income growth was largely attributable to an increase in weekly hours worked.







## Economic Activity and Prices

### Industrial production picks up...

- Manufacturing shipments increased 2.7% in the third quarter, as shipments of machinery, electrical products, plastic, and petroleum products rose substantially.

### ...and household spending increases

- Retail sales rose by 2.5% in the third quarter, faster than the previous period, but still below the national average. The increase in retail sales was driven by higher expenditures on food, clothing and furniture.
- The housing market is buoyant in Alberta, with housing starts up 5.0% in the third quarter. On average, housing starts were higher by about 8% for the first nine months of the year compared with the same period in 1999.

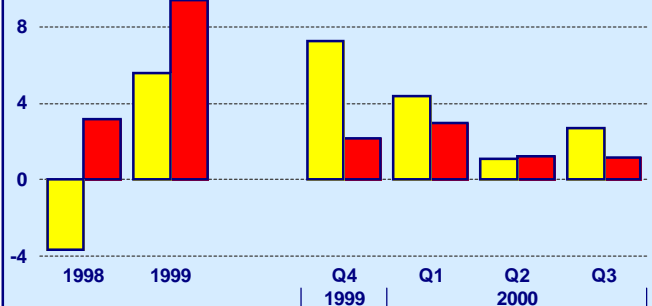
### Shelter and transportation costs boost inflation to 3.7%

- Alberta's inflation rate rose to 3.7% in the third quarter, on a year-over-year basis. Higher shelter and transportation costs were the main contributors to the third quarter increase. On a monthly basis, inflation stood at 3.6% in October, down from 3.7% in September.

#### Manufacturing Shipments

% change from previous period

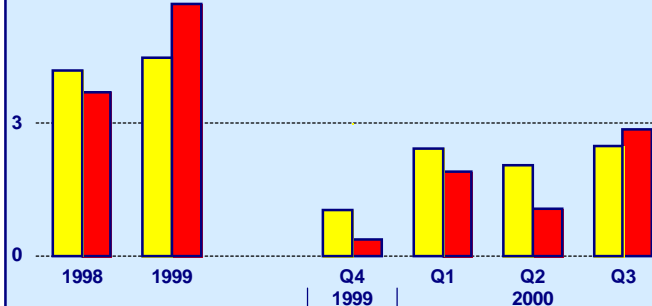
Alta Canada



#### Retail Trade

% change from previous period

Alta Canada

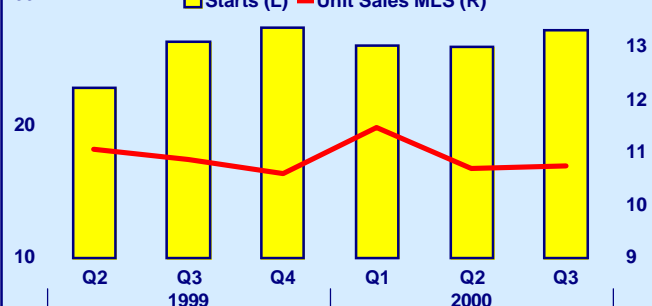


#### Housing

Thousands

Starts (L) Unit Sales MLS (R)

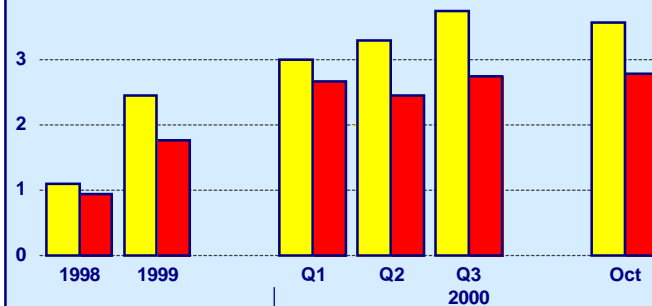
Thousands



#### CPI Inflation Rate

% change, year-over-year

Alta Canada





## Labour Markets

### Employment falls in the third quarter...

- Employment declined further in the third quarter, with full-time jobs accounting for all of the fall. Losses were concentrated in the goods sector where all major industries posted declines. Job gains in the service sector occurred mainly in FIRE and business services. On a monthly basis, employment rose 0.7% in October, with gains broadly based in service-producing industries.

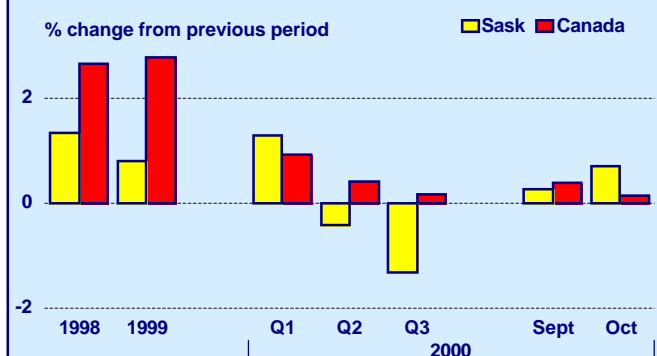
### ...leading to a higher unemployment rate

- As a result of lower employment, the unemployment rate increased to 5.6% in the third quarter, up from 4.8% in the first quarter of 2000. The provincial unemployment rate was 1.3 percentage points below the national rate in the third quarter, compared to 2.0 points at the start of the year.

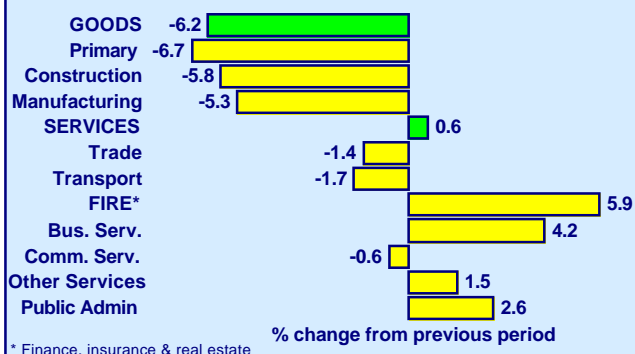
### Income growth at par with the Canadian average

- Growth of wages and salaries slowed to 3.0% (annual rate), but was still at par with the Canadian average. The weakening of income growth can be related to lower employment as well as non-recurring federal pay equity payments that boosted provincial income in the previous quarter.
- However, farm cash receipts, which are not included in earnings, grew strongly in the first three quarters on a year-over-year basis (+6.0%). Higher payments under the new Canada-Saskatchewan Adjustment Program, designed to provide assistance to farmers during periods of low prices, accounted for most of the increase.

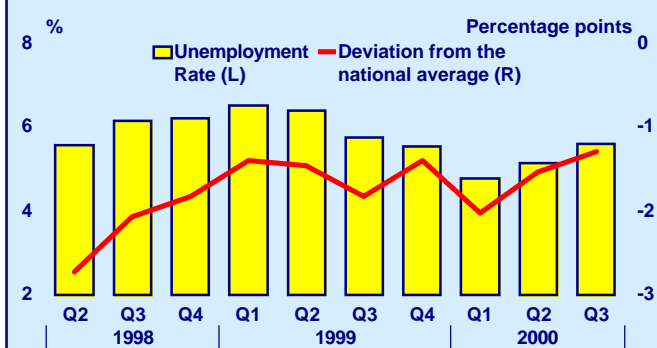
#### Employment Growth



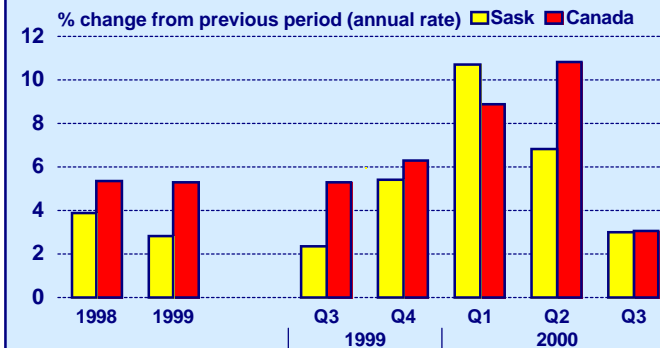
#### Employment Growth by Industry: 2000Q3



#### Unemployment Rate



#### Wages and Salaries





## Economic Activity and Prices

### Manufacturing activity weakens in the third quarter...

- Lower chemical and electrical products shipments in the third quarter put downward pressure on manufacturing activity, which declined 0.5% overall in the third quarter. Manufacturing activity has softened considerably in the last two quarters.

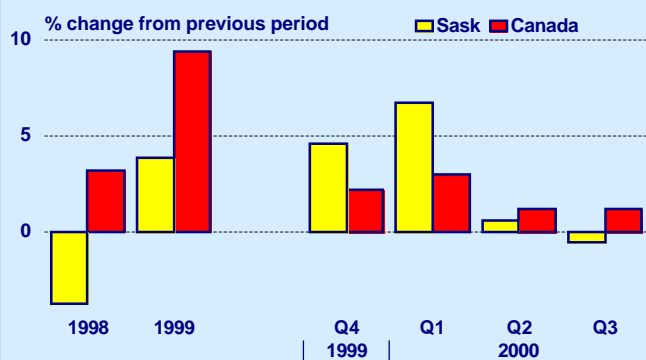
### ...while household expenditures strengthen

- Retail activity rose 1.5% in the third quarter, but growth remained below the national average. The automotive and the food sectors contributed strongly to the increase.
- Housing starts retreated in the third quarter, after increasing steadily in the past three quarters. Home resales were virtually unchanged over the quarter.

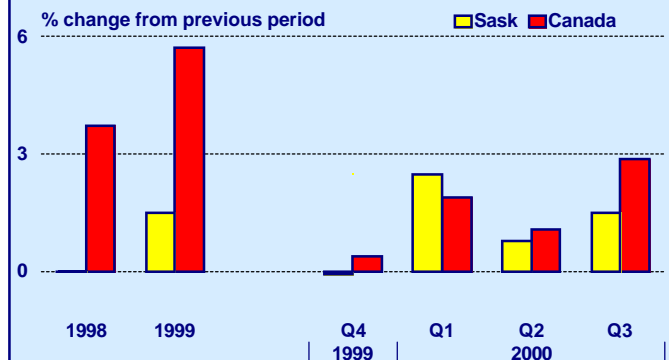
### Inflation rises above the national rate

- The CPI index rose 2.8% in the third quarter, on a year-over-year basis. The increase was mostly due to higher prices for transportation and shelter.
- In October, inflation was nearly at par with the national rate. Higher shelter, health care and transport prices were still behind October's consumer price inflation.

#### Manufacturing Shipments



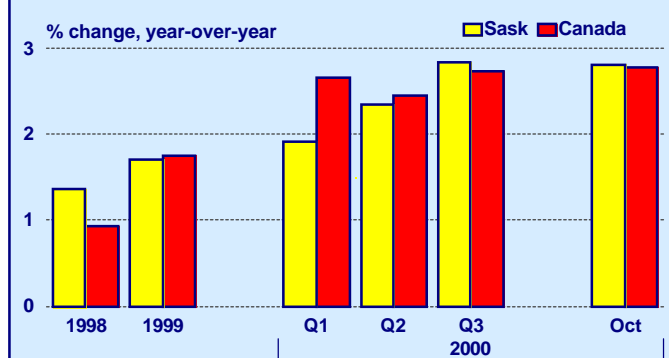
#### Retail Trade



#### Housing



#### CPI Inflation Rate





## Labour Markets

### Employment growth slows in the third quarter...

- Employment grew a modest 0.3% in the third quarter, down from the strong pace recorded in the first half of the year. The increase occurred entirely in the goods-producing sector, where gains in manufacturing and primary industries more than compensated for losses in construction.
- In October, employment weakened further, falling 0.5%, with job losses fairly widespread across major industrial sectors.

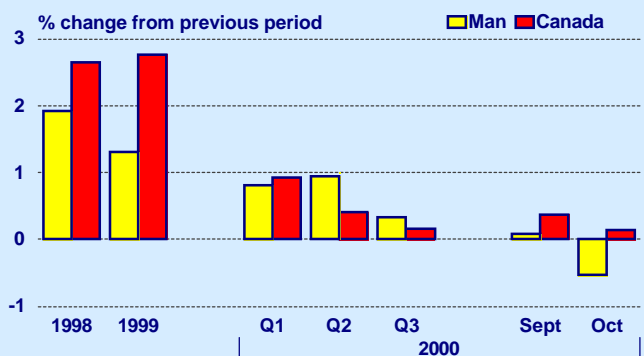
### ...pushing the unemployment rate up

- The unemployment rate edged up 0.2 percentage points, as the rise in employment was more than offset by an increase in the number of people seeking work. Still, the unemployment rate remained 2 percentage points below the national average, as Canada's rate also drifted up.

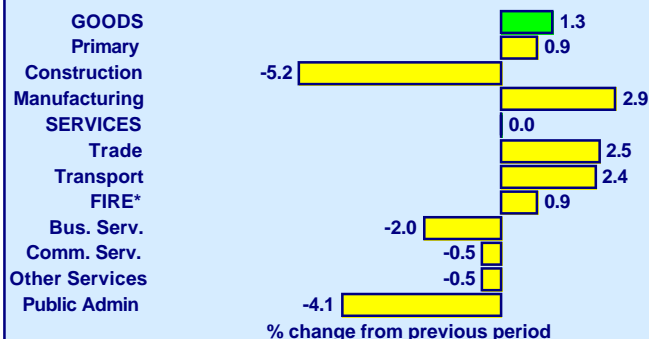
### Wage growth down sharply in the third quarter

- Growth in wages and salaries decelerated to an annualised rate of 4% in the third quarter, following an exceptional 13.4% jump in the second quarter, that was explained mostly by federal pay equity payments.
- Farm cash receipts grew 6.4% in the first nine months of the year, despite the negative impact of lower grain and oilseed prices on crop revenues. Farm income grew as a result of higher livestock receipts and of substantial increases in program payments designed to help farmers adjust to the elimination of transportation subsidies when prices are low.

**Employment Growth**

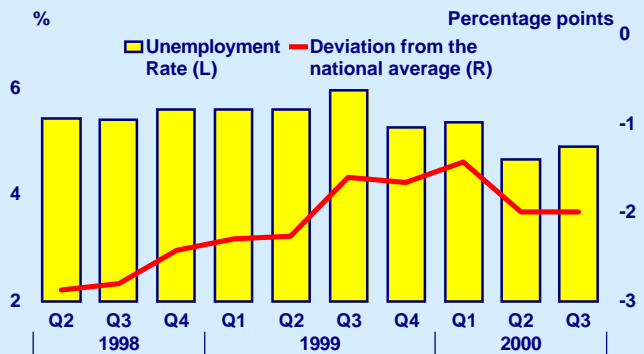


**Employment Growth by Industry: 2000Q3**

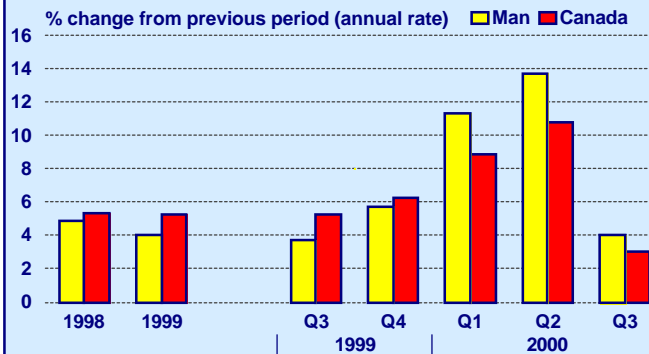


\* Finance, insurance & real estate

**Unemployment Rate**



**Wages and Salaries**





## Economic Activity and Prices

### Manufacturing activity recovers...

- Manufacturing shipments regained some strength in the third quarter, as gains in non-durables more than offset the losses in shipments for durables. The advance was concentrated in the chemical, beverage and plastic industries.

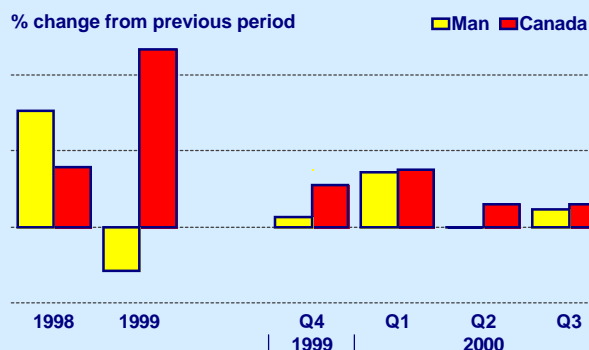
### ...as does retailing

- Retail sales recovered after pausing in the second quarter, rising 2.6%. Consumer spending, which increased in almost all major categories compared to last quarter, was particularly strong in the automotive and clothing sectors.
- Activity in the housing market has been weak since the beginning of the year, as house resales have remained constant around the level of 2700 units and only modest variations were recorded in housing starts.

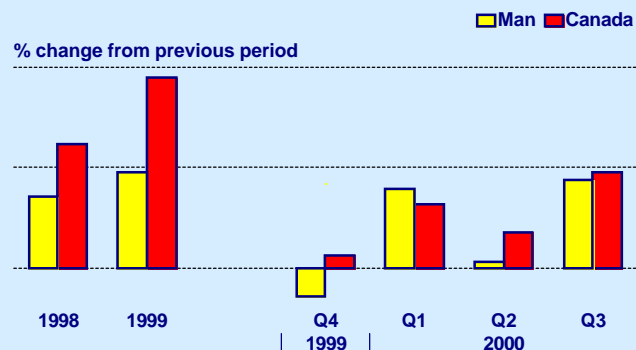
### Inflation remains below the national average in the third quarter

- The CPI rose 2.5% in the third quarter, on a year-over-year basis. The major contributors to the increase were health care services, shelter and food. In October, prices were up 2.2% compared to the year before, driven largely by higher prices in the same components.

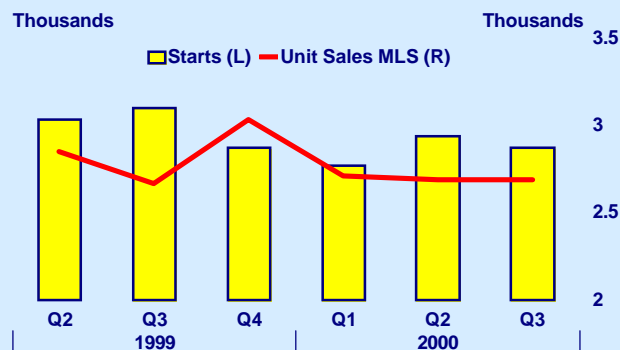
#### Manufacturing Shipments



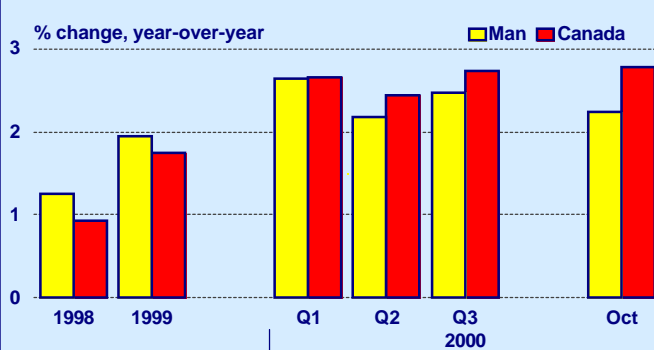
#### Retail Trade



#### Housing



#### CPI Inflation Rate







## Labour Markets

### Employment growth exceeds the national average ...

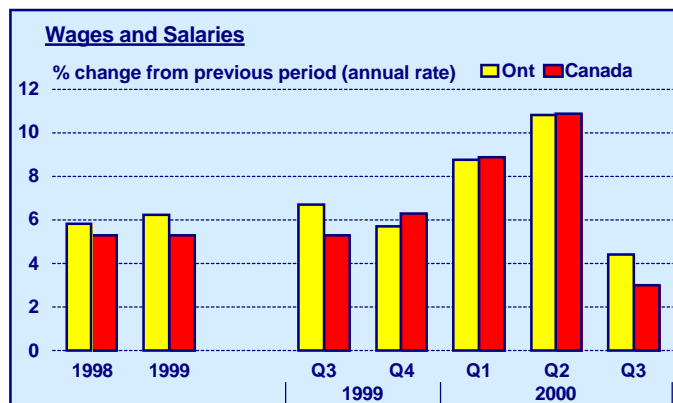
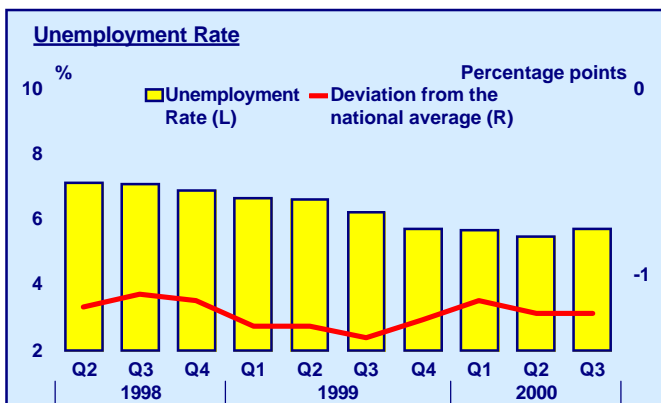
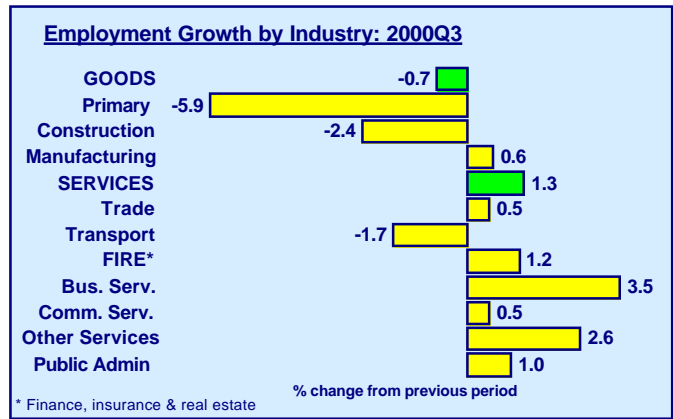
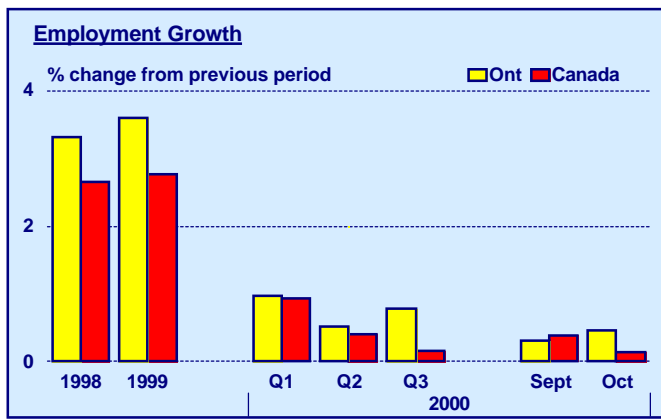
- Employment regained momentum in the third quarter, thanks to substantial advances in both business services and other services. Job losses occurred in the primary, construction and transportation industries.
- Employment grew a further 0.5% in October. The increase was concentrated in the goods-producing sector, with a strong contribution from manufacturing industries.

### ...but unemployment edges up in the third quarter

- The unemployment rate rose 0.2 percentage points to 5.7% in the third quarter, as the labour force expanded at a faster pace than employment.
- The increase in the unemployment rate paralleled that for Canada, leaving it 1.2 percentage points below the national average in the third quarter.

### Growth in wages and salaries cools down

- Wages and salaries grew at a more modest pace in comparison to the sharp increase observed in the previous quarter, which was driven by federal pay equity settlements. Nonetheless, growth exceeded the national average.





## Economic Activity and Prices

### Growth in manufacturing activity remains modest...

- Manufacturing shipments rose 1.2% in the third quarter. Shipments of petroleum, electrical and non-metallic mineral products were the driving force behind this increase. Leather, clothing and machinery shipments declined the most.

### ...while retailing and housing activity pick up...

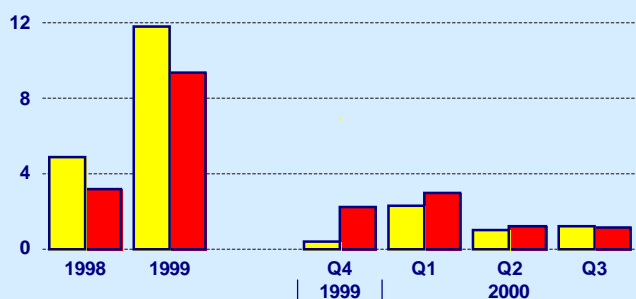
- Retail sales in Ontario advanced 3.1% in the third quarter. All sectors posted higher sales in line with a rising level of consumer confidence observed since the beginning of the year. The strongest advances were recorded in automotive and clothing.
- The housing sector was also stronger in the third quarter. Housing starts jumped by 11 000 units compared to their level in the second quarter, accounting for three-quarters of the national increase. This rebound reflects in part that housing starts were affected by a strike by cement truckers in Southern Ontario in the second quarter.

### ...as do consumer prices

- CPI inflation was up in the third quarter, averaging 2.8% on a year-over-year basis. Except for clothing, all components were up, with shelter and transportation prices rising by around 3.5%. In October, the cost of shelter increased by 4.9% year-over-year, pushing consumer prices 3% higher than a year ago.

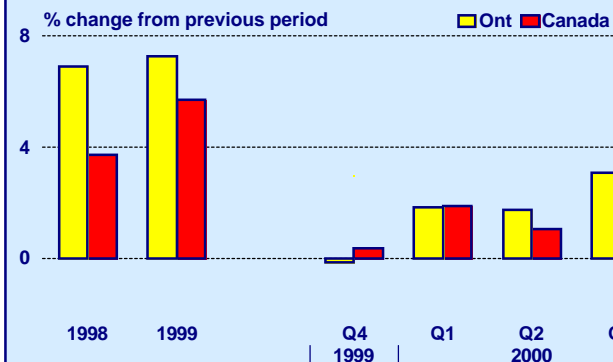
#### Manufacturing Shipments

% change from previous period



#### Retail Trade

% change from previous period



#### Housing

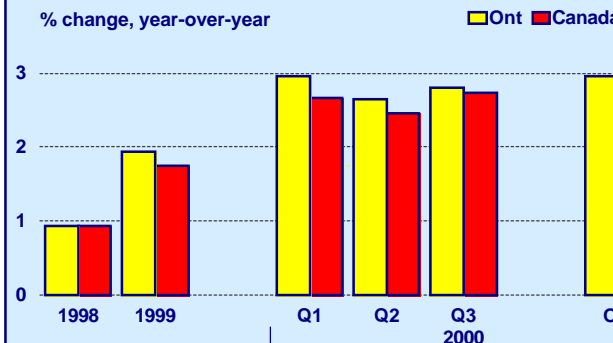
Thousands

Thousands



#### CPI Inflation Rate

% change, year-over-year





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***Quebec***

A light blue map of the province of Quebec is centered on the page. The map shows the coastline of the Gulf of St. Lawrence and the Saguenay Fjord. The word "Quebec" is written in a bold, dark blue, italicized serif font across the middle of the map.



## Labour Markets

### Employment is unchanged from the second quarter...

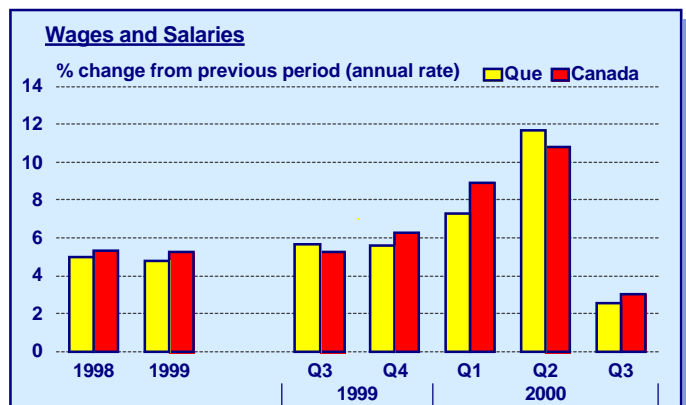
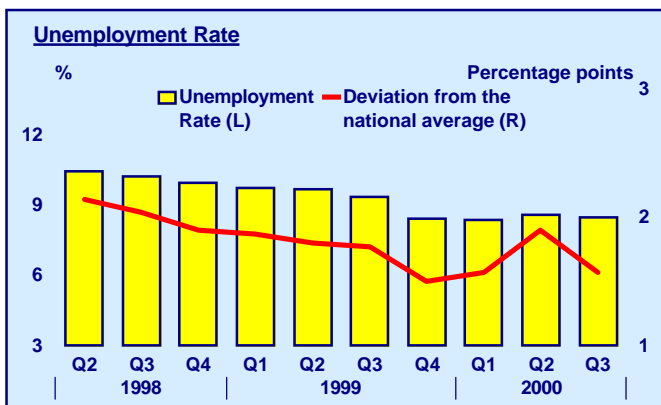
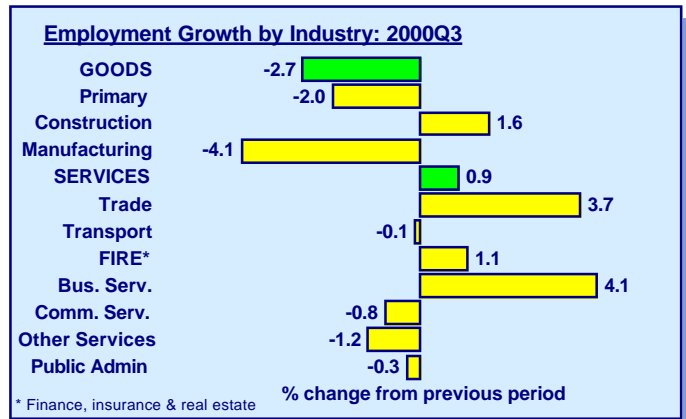
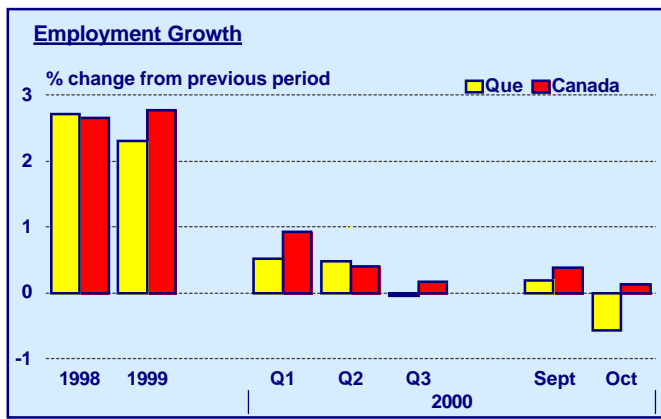
- Employment gains recorded in the service-producing sector were completely counterbalanced by job losses in the goods-producing industries. Growth occurred largely in business services and trade, while losses were concentrated in manufacturing and primary industries
- Employment fell in October. Job losses were widespread across goods-producing industries, while the largest losses within the services industries occurred in the management and administration sectors.

### ...but unemployment drifts down

- Quebec's unemployment rate edged down 0.1 percentage points to 8.5% in the third quarter. With employment unchanged, the decline was attributable entirely to a falling labour force.
- By contrast, the national unemployment rate rose to 6.9%, allowing the gap to narrow to its first quarter level of 1.6 percentage points.

### Growth in wages and salaries tumbles

- Wages and salaries grew 2.5% in the third quarter. This drop follows exceptionally high growth in the second quarter, which resulted from pay equity payments by the federal government.





## Economic Activity and Prices

### Industrial activity cools down in the third quarter...

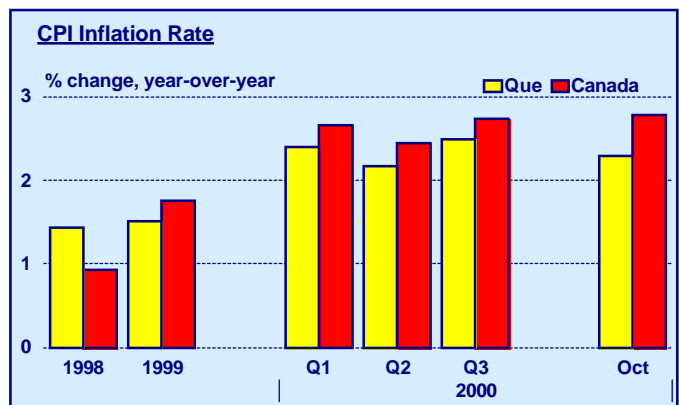
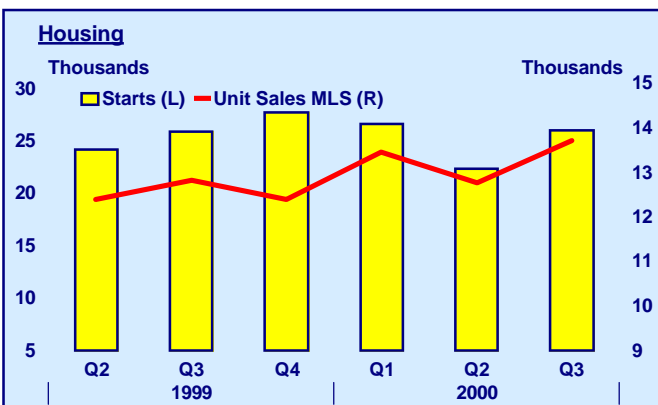
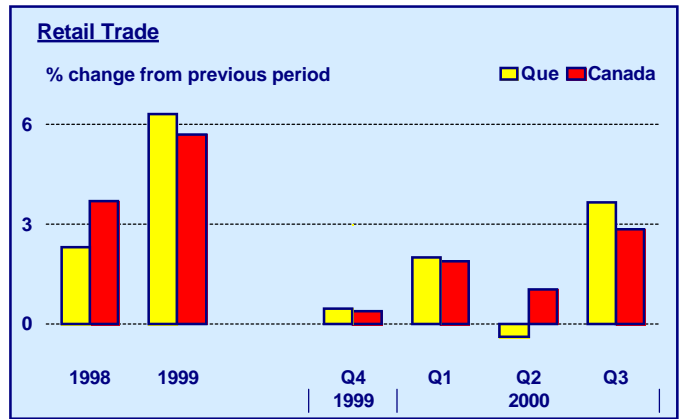
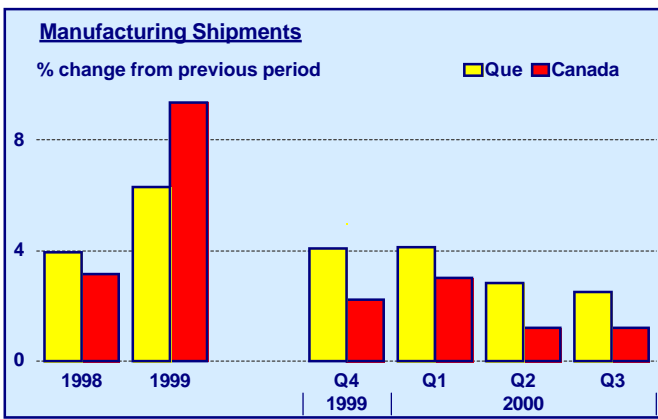
- Manufacturers' shipments increased 2.5% in the third quarter, a slower rate than the previous quarter. The weakening stemmed mainly from adverse movements in shipments of durables, namely wood, machinery and fabricated metal products.

### ...while retailing bounces back...

- Quebec led provincial growth in retail sales in the third quarter, recovering from a 0.4% decline in the previous quarter. Nearly all sectors contributed to the rise, but sales in the automotive sector were especially strong. Higher consumer confidence was a major factor behind the strength in consumer demand.
- The housing sector also regained some strength in the third quarter, as the number of units increased for both the new and the secondary housing markets.

### ...and inflation remains tame

- Consumer prices were up 2.5% in the third quarter on a year-over-year basis. Alcohol, transport and shelter prices increased the most, while household and clothing prices helped temper the yearly increase.



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A light blue map of Atlantic Canada, including the provinces of New Brunswick, Nova Scotia, and Prince Edward Island, as well as the Gulf of St. Lawrence and the surrounding waters. The map is centered on a light blue background.

# ***Atlantic Canada***



## Labour Markets

### New Brunswick leads employment growth in the third quarter...

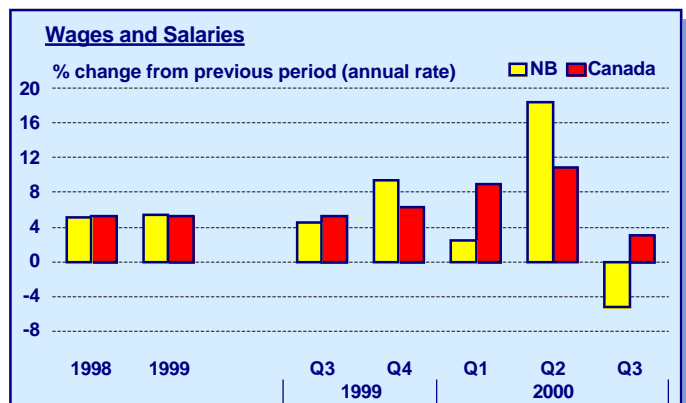
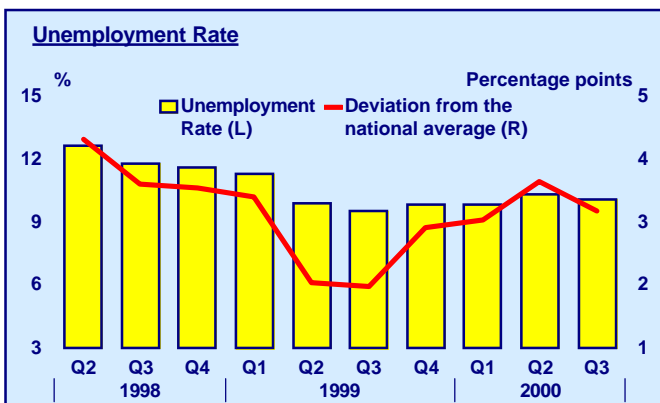
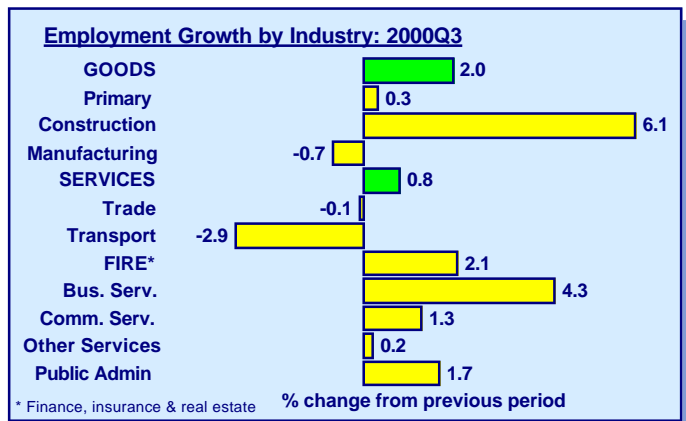
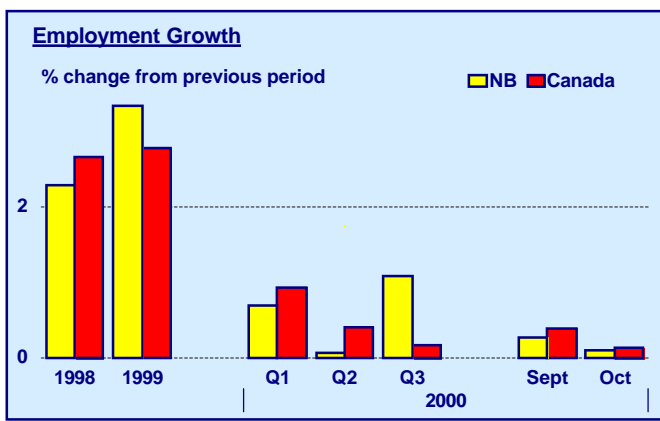
- Employment growth bounced back in the third quarter, reaching 1.1%, the highest increase across provinces. Jobs in the goods sector grew 2.0% with a strong contribution from the construction industry. Employment growth was spread widely across most service industries.
- Employment edged up further in October. Growth in the service-providing sector was partly offset by major losses in the goods industries, particularly in primary industries.

### ...pushing the unemployment rate down

- Strong job gains were also accompanied by a hefty rise in the labour force. As a result, the unemployment rate fell only 0.2 percentage points to 10.1% in the third quarter.
- With the national unemployment rate edging up to 6.9% in the third quarter, the New Brunswick rate was 3.2 percentage points above the national average.

### Wages and salaries fall in the third quarter

- Wages and salaries fell 5.2% (annual rate) in the third quarter. In addition to a decline in hours worked, the strong impact of the one-time federal pay equity settlements on income in the previous quarter helps explain most of the succeeding fall. The effects of these payments were felt most strongly in Atlantic Canada, where public services account for a larger share of employment.





## Economic Activity and Prices

### Manufacturing activity softens in the third quarter...

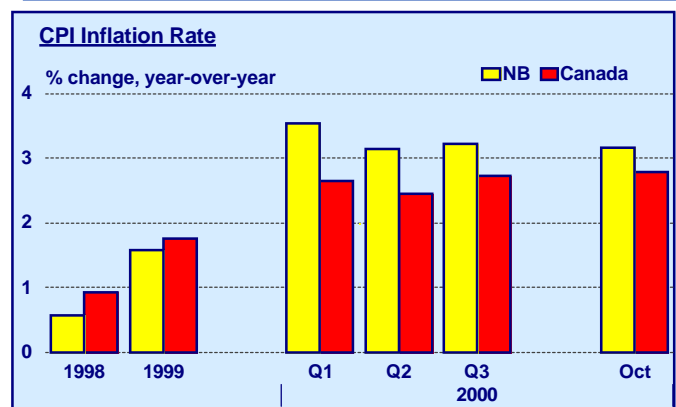
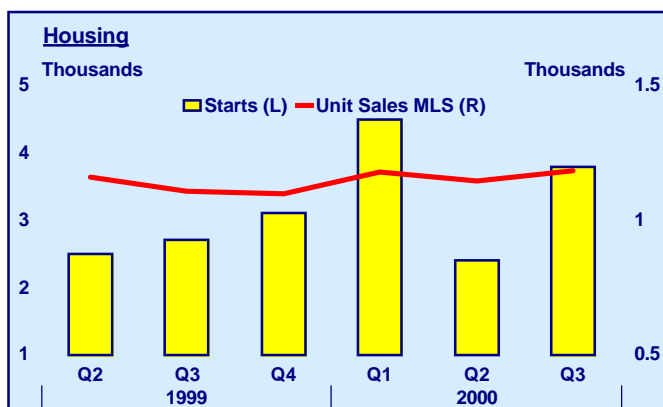
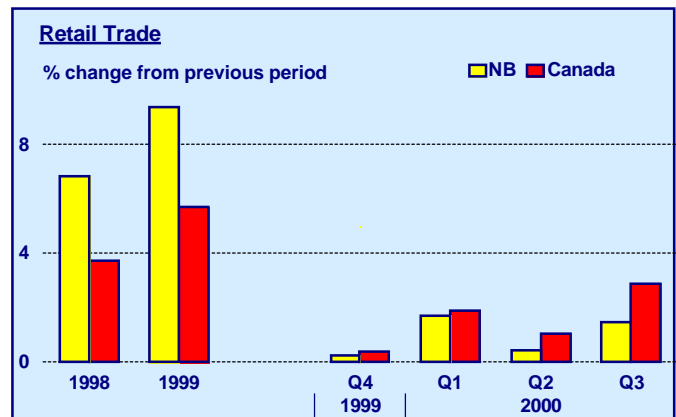
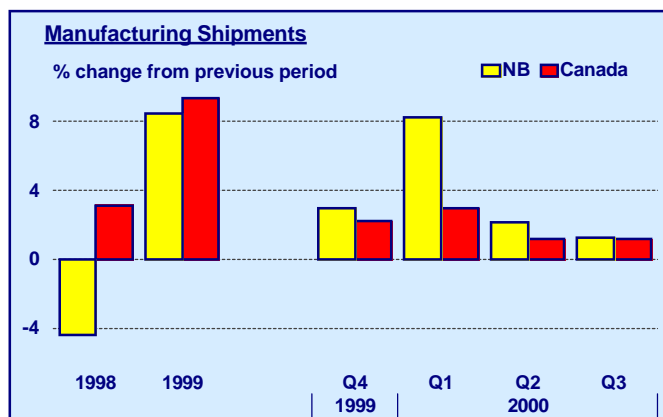
- Manufacturing shipments rose further in the third quarter, albeit at a slower pace. Shipments of durable goods were down, except for machinery. The non-durable category as a whole enjoyed a net increase in shipments, owing mainly to gains in paper, chemical and food products.

### ...while retailing and housing starts regain momentum...

- Growth in retail sales lagged behind the national average for the fifth consecutive quarter. This weakness in consumer spending reflects lower consumer confidence. The rise in retail sales in the third quarter stemmed mostly from higher demand for food products.
- Housing activity rebounded in the third quarter. Despite its volatility, the housing market in New Brunswick is much improved this year. On average, housing starts are higher by almost 40% in the first nine months, on a year-over-year basis. Home resales have been virtually unchanged over the past year.

### ...and inflation stands above 3%

- CPI inflation edged up to 3.2% in the third quarter, despite year-over-year price declines in the clothing component. Higher prices for transportation, shelter and alcohol all contributed to maintain inflation above the 3% mark.





## Labour Markets

### Employment falls in the third quarter...

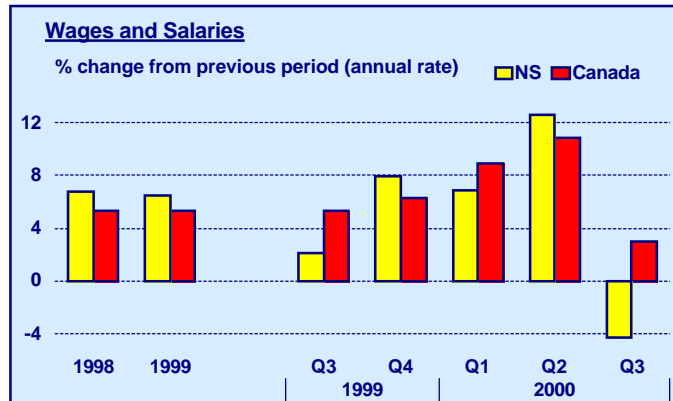
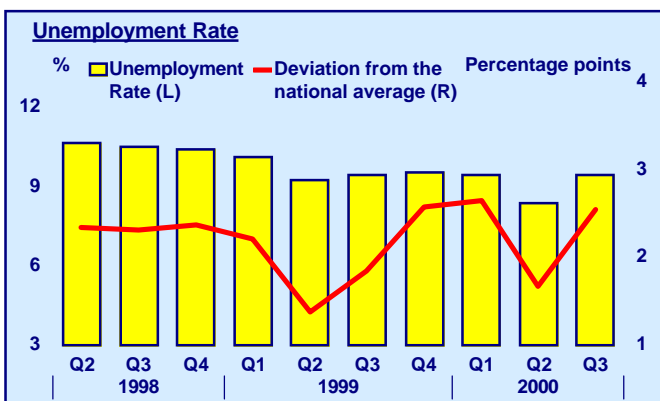
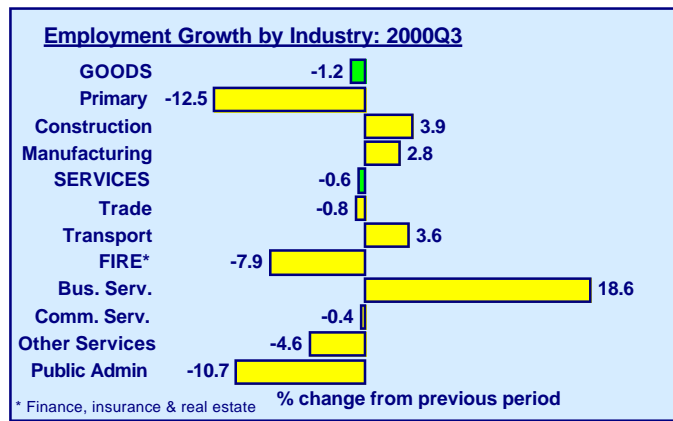
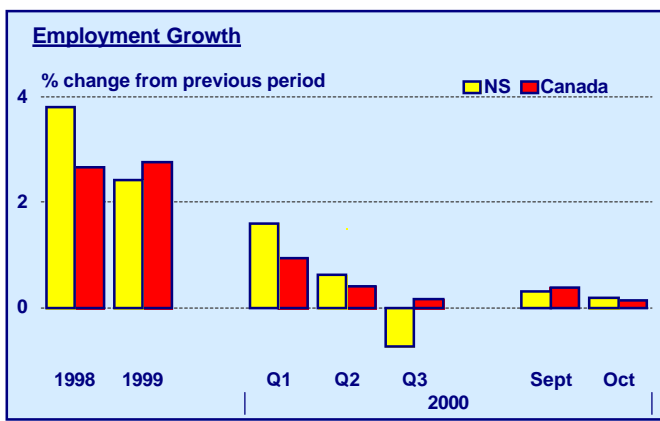
- Employment growth, which had been slowing in previous quarters, turned into losses in the summer months, with most of the fall occurring in August. The decline was widespread across goods and services. In the goods producing sector, major losses in the primary industry more than offset modest gains in construction and manufacturing. In the services sector, increases in the business services and transport industries were offset by losses in public administration, FIRE and other services.
- Employment rose in October, for a second consecutive month. Growth was concentrated in the goods-producing sector, particularly the primary and construction industries more than compensated for losses in utilities and manufacturing.

### ...pushing up the unemployment rate...

- The decline in employment was also accompanied by an increase in the labour force, raising the unemployment rate by 1.1 percentage points to 9.4%, the same as at the beginning of the year. As a result, Nova Scotia's unemployment rate was 2.5 percentage points above the national average, up from a gap of 1.6 points in the previous quarter.

### ...and contributing to a sharp drop in earnings

- Wages and salaries fell 4.3% (annual rate) in the third quarter. In addition to the quarterly fall in employment, this decline also reflects the impact of the non-recurring portion of the federal pay equity settlements that boosted provincial income in the second quarter.





## Economic Activity and Prices

### Industrial activity rises in the third quarter...

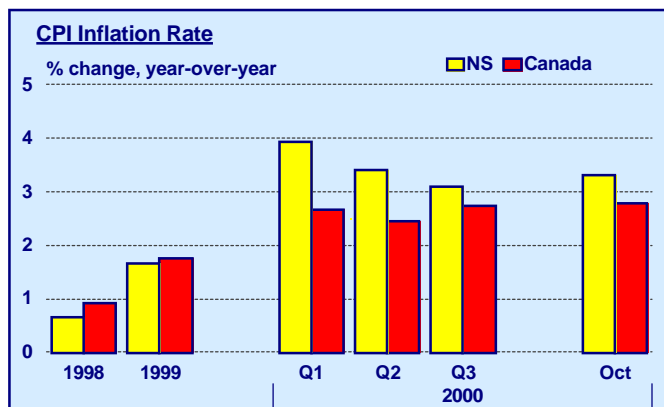
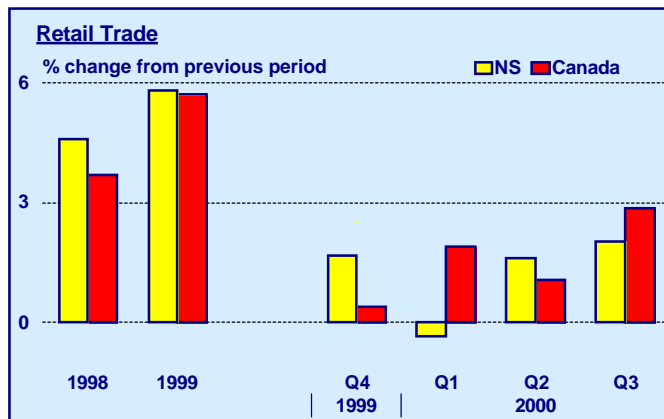
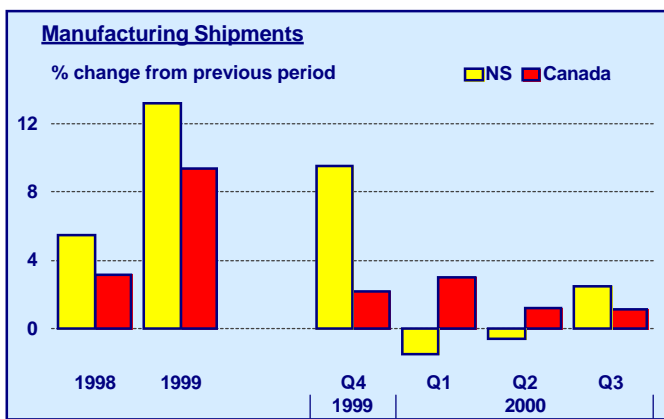
- Manufacturing shipments fell in the first half of the year, but grew more strongly than the national average in the third quarter. The surge was largely the result of higher shipments of transportation equipment, textile, and machinery products. These gains more than offset downward pressures from lower shipments of clothing, furniture, and non-metallic products.

### ...while consumer spending remains ambivalent...

- Retail trade strengthened further in the third quarter, supported by higher sales of automotive products.
- The housing market, however, has shown clear signs of a slowdown this year. Following a strong increase in the first quarter, starts have now declined for two consecutive quarters, falling by about one-third overall. Sales of existing homes registered a modest gain, following a sharp decline in the previous quarter.

### ...and CPI inflation cools down

- The inflation rate in Nova Scotia fell to 3.1% in the third quarter, but remained above the national average. As in the second quarter, all major components, with the exception of clothing, recorded price increases on a year-over-year basis. Inflation increased to 3.3% in October.







# Prince Edward Island

## Labour Markets

### Employment declines sharply in the third quarter...

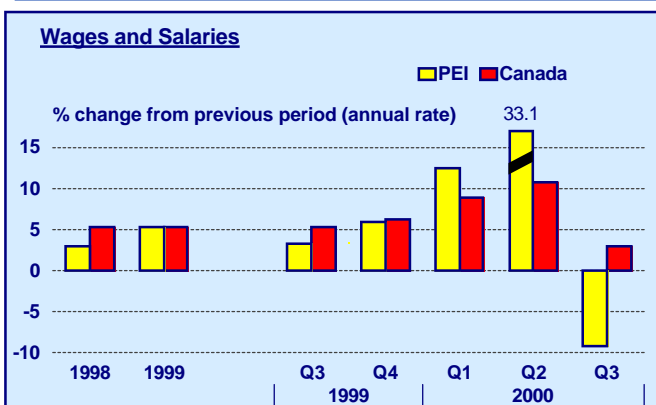
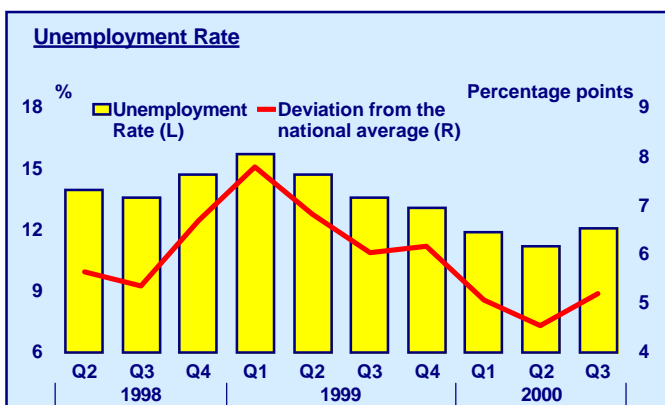
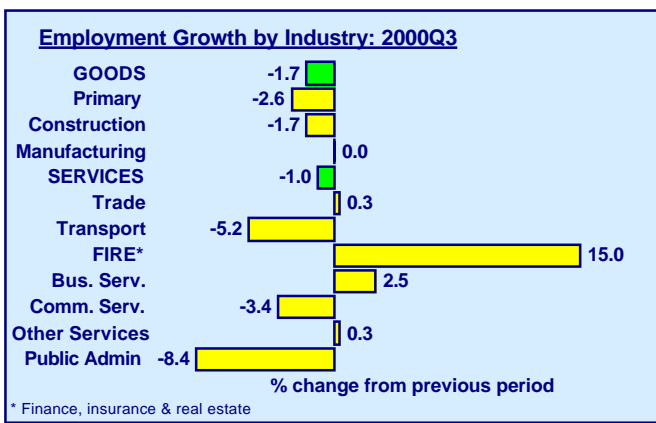
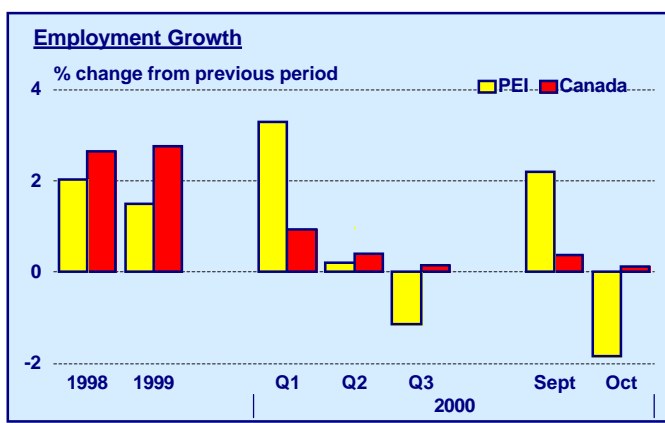
- Labour market conditions suffered a major downturn in PEI in the third quarter, with job losses in July and August. The decline was widespread but slightly more evident in the goods sector where a pause in manufacturing growth was accompanied by job losses in the primary and construction industries. In the services sector, large employment gains in the FIRE industry, and smaller gains in trade, business and other services were offset by significant job losses in public administration, transportation, and community services.
- Employment fell back sharply in October. The decline was concentrated in the services sector where losses in public administration and other services more than offset gains in business and community services. Employment in the goods sector was unchanged as a whole.

### ...accompanied by a higher unemployment rate...

- Job losses led to a 0.9 percentage points rise in the unemployment rate. This raised PEI's unemployment rate to 12.1%, 5.2 percentage points above the national average.

### ...and sharply negative earnings growth

- Wages and salaries fell 9.1% (annual rate) in the third quarter. Along with the third quarter fall in employment, this decline also reflects the impact of the non-recurring portion of the federal pay equity settlements that were behind the second quarter increase in provincial income.





## Economic Activity and Prices

### Industrial growth rises in the third quarter...

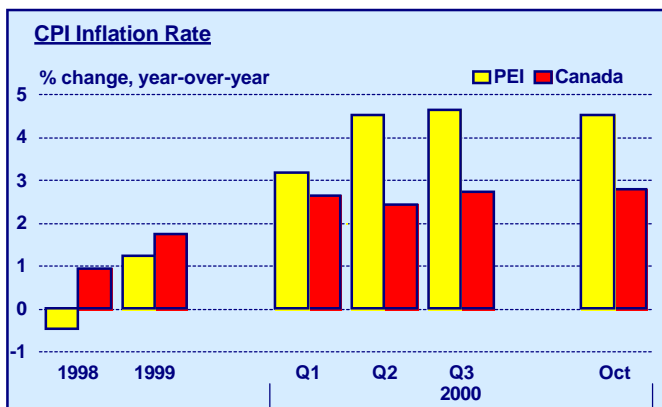
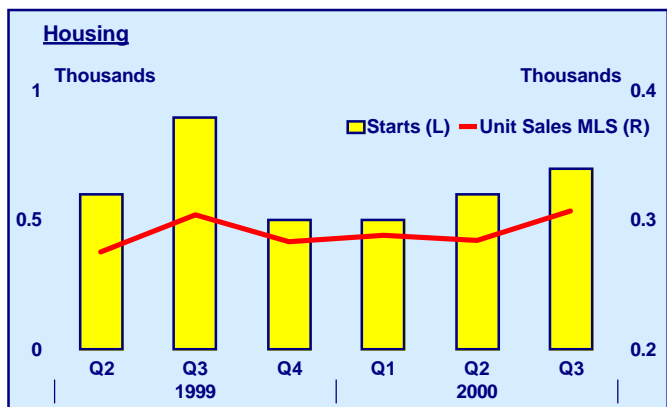
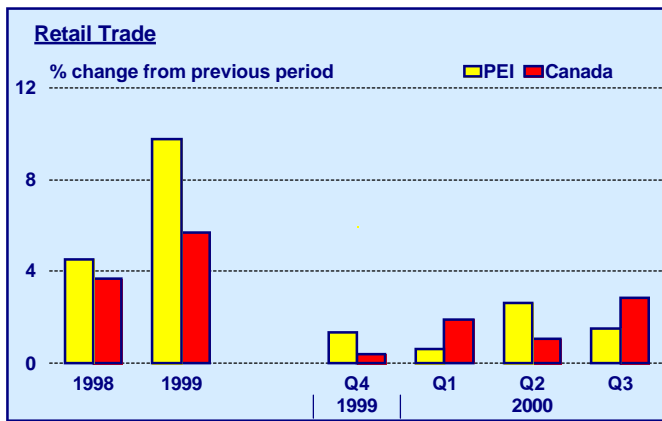
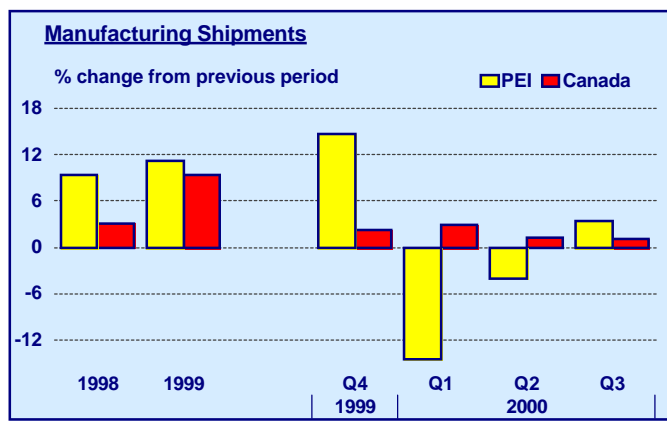
- Manufacturing shipments, after declining in the first half of the year, recovered to above the national average in the third quarter. This rebound was due to a large increase in the shipment of machinery products in addition to gains in transportation equipment, other durables, and fabricated metal products. These gains more than offset lower shipments of chemical, textile, and other manufactured products.

### ...and while consumer spending eases...

- Retail activity in PEI slowed in the third quarter. It was surpassed by the national average as a result of strong gains nationally in the automotive and clothing sectors.
- The housing market has shown significant signs of recovery this year with housing starts up about 40% from the first quarter. Sales of existing homes increased in the third quarter, the first significant rise in a year.

### ...inflation remains high

- Inflation in PEI increased slightly to 4.7% in the third quarter, remaining well above the national average for the fourth straight quarter. The inflation differential between PEI and Canada was due primarily to higher growth in shelter costs in PEI. Although inflation edged down to 4.5% in October, it still remained considerably higher than the national average.





## Labour Markets

### Employment growth retreats in the third quarter...

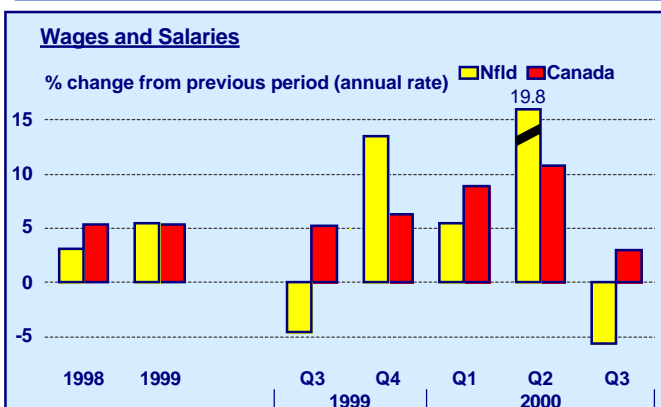
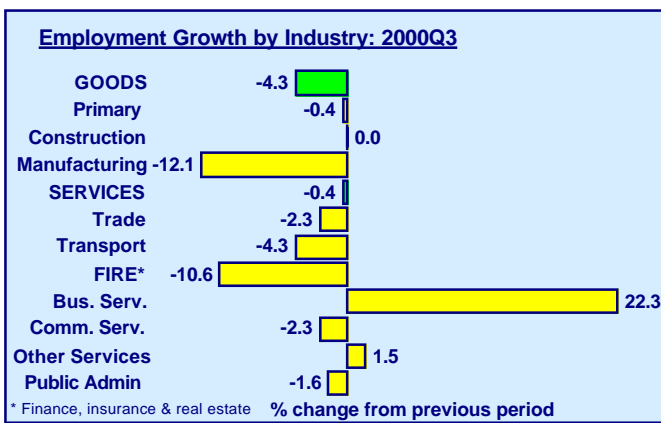
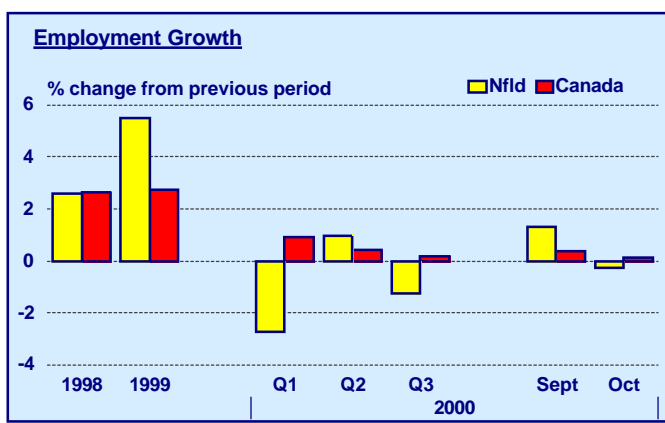
- Employment in Newfoundland fell in the third quarter following a modest recovery in the previous quarter. Much of the decline occurred in July and August, and was concentrated in the goods sector, particularly in manufacturing. In the service sector, job losses in most major groups offset a significant gain in business services.
- Following a brief upturn in September, employment fell back slightly in October. The losses were again concentrated in the goods sector, particularly in the primary and manufacturing sectors.

### ...with a slight decline in the unemployment rate...

- The unemployment rate drifted down to 16.0%, as a larger decline in the labour force outnumbered job losses. Newfoundland's unemployment rate was still well above the national average.

### ...and a sharp drop in earnings growth

- Wages and salaries declined 5.6% (annual rate) in the third quarter. In addition to the quarterly fall in employment, this decline reflects the impact of the non-recurring portion of the federal pay equity settlements which were responsible for higher provincial incomes in the second quarter.





## Economic Activity and Prices

### Industrial activity falls in the third quarter...

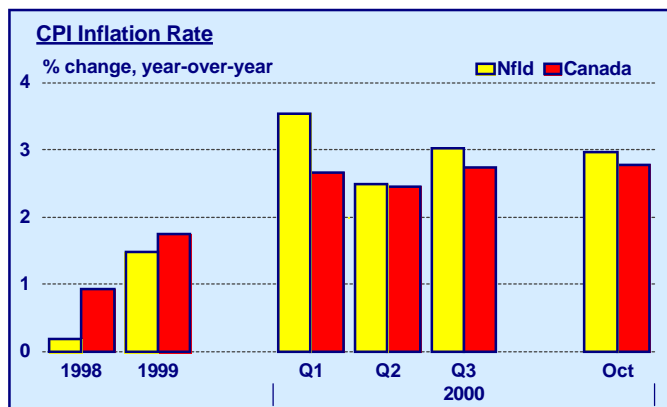
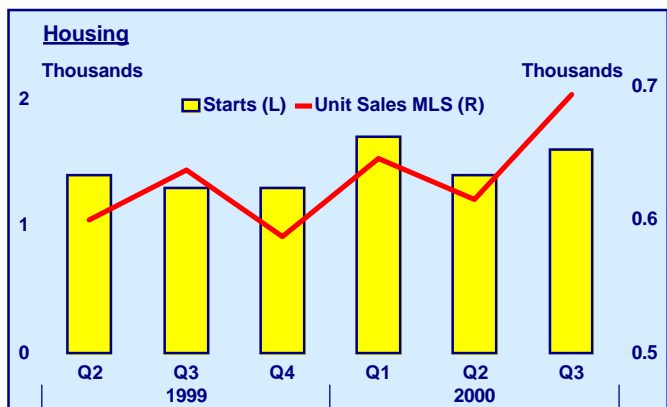
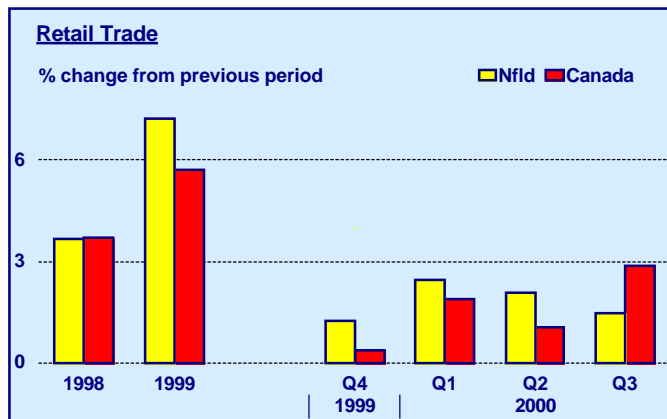
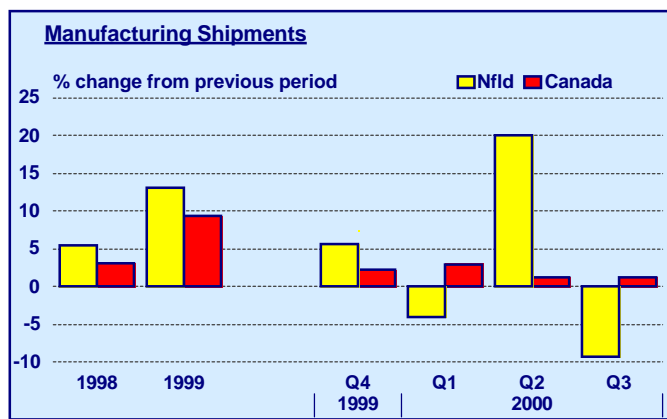
- Manufacturing activity, which has been volatile throughout the year, fell in the third quarter. Losses were posted in several major categories, but were most pronounced in food, machinery, and other non-durables. These declines more than offset gains in fabricated metal products, plastics, and other manufactured products.

### ...accompanied by slower growth in consumer spending...

- Retail sales rose 1.5% in the third quarter, slowing down from the 2.1% rise in the second quarter. Growth in national retail spending, boosted by strength in the automotive and clothing sectors, was faster than Newfoundland's increase in third quarter retail activity for the first time in a year.
- Although the housing market has also shown signs of volatility this year, starts are about 4% higher in the first nine months of the year compared with the same period a year ago. Sales of existing homes, which have also been volatile, are up 6% so far this year.

### ...and higher CPI inflation

- Newfoundland's inflation rate rose to 3.0% in the third quarter, somewhat higher than the national average. The increase in inflation was largely the result of higher transportation and shelter prices. Figures from October show that inflation began the fourth quarter virtually unchanged from its third quarter rate.



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# ***Territories***

***A word of caution:***

***Data for the Territories are less reliable than for the Provinces because of the small size of the samples. They are, therefore, subject to large revisions.***

# Territories

## Economic Activity and Prices

### Employment conditions are mixed...

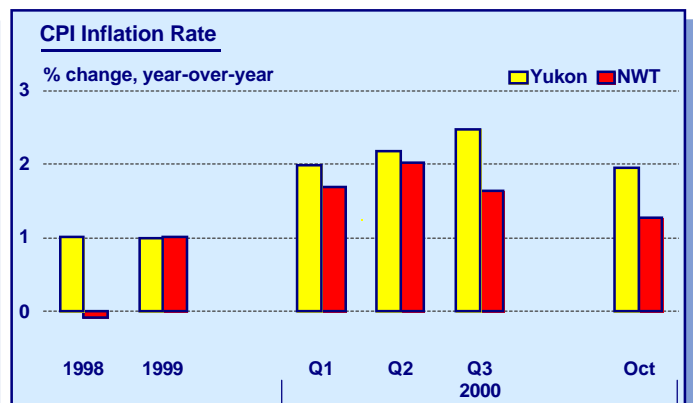
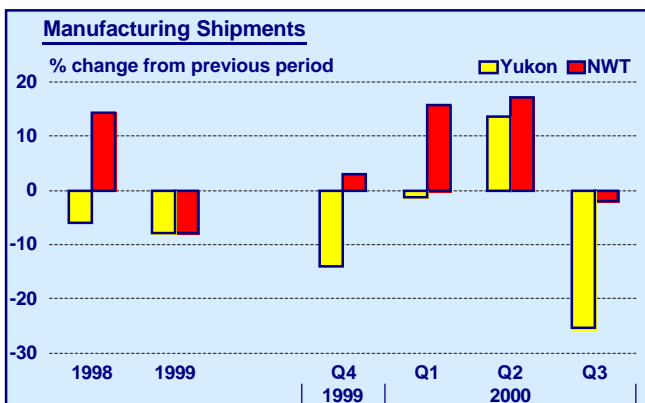
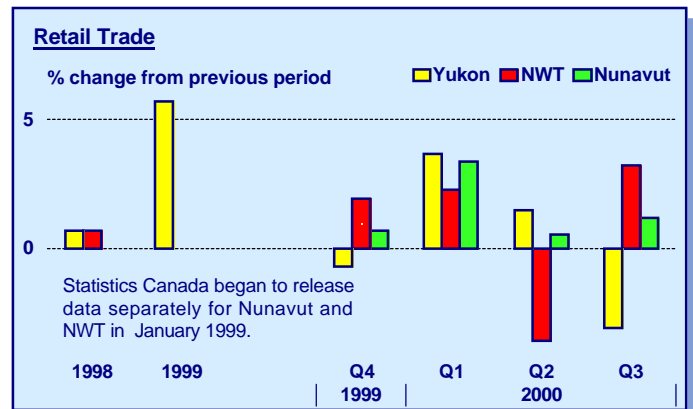
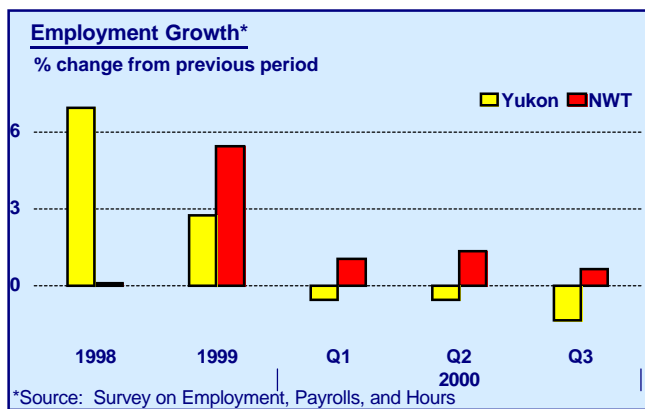
- Employment rose slightly in the third quarter in the Northwest Territories. Gains in the services-producing industries were partly offset by losses in the goods-producing industries.
- Lower manufacturing shipments and retail trade had a negative impact on Yukon employment in the third quarter. Employment in both services and goods-producing industries recorded losses.

### ...while manufacturing shipments fall

- Industrial activity in the territories decreased in the third quarter after registering double digit growth in the previous quarter.
- Household expenditures were up 3.2% in the Northwest Territories and 1.2% in Nunavut in the third quarter. They fell 3.1% in Yukon.

### Lower inflation than the national average for the Territories

- The CPI rate in Yukon (+2.5%) and the Northwest Territories (+1.6%) was much lower than the national average in the third quarter. The CPI inflation rate fell to 1.9% in Yukon and 1.3% in the Northwest Territories in October, on a year-over-year basis.

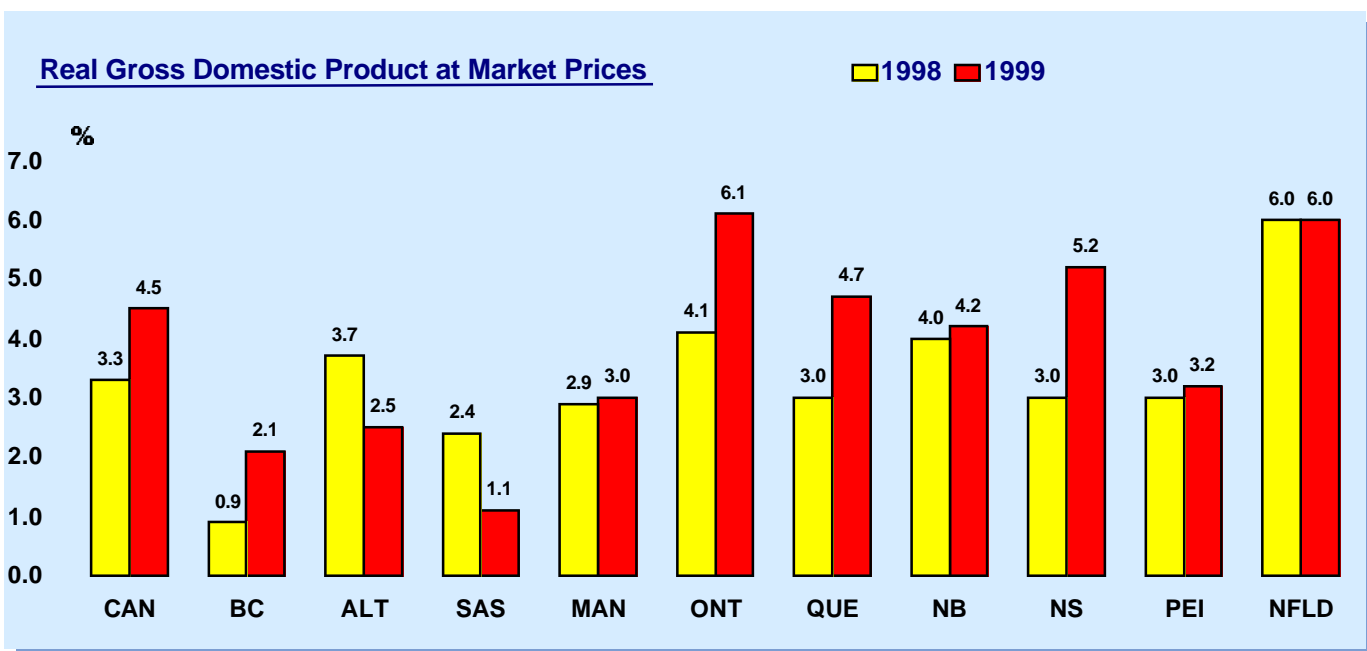




# ***PROVINCIAL REAL GROSS DOMESTIC OUTPUT, 1999***

*This section presents a brief overview of the 1999 Provincial Economic Accounts released last October by Statistics Canada.*

## Provincial Real Gross Domestic Output, 1999



### GDP increased in all provinces and territories in 1999

- Canada's real GDP grew 4.5% in 1999, up from 3.3% the year earlier. Increased exports to the U.S. and stronger domestic demand were the major contributors to the advance in GDP. On an industrial basis, economic activity continued to flourish in 1999 mainly due to higher output of manufacturers, telecommunications carriers, computer sales and services related to Y2K. Output also recovered strongly in the construction industry. Economic activity increased in all provinces and territories, led by Ontario (+6.1%) and Newfoundland (+6.0%). Alberta and Saskatchewan were the only two provinces where growth was slower in 1999.

### Weak commodity prices dampened real GDP growth in Western Canada

- British Columbia's economic activity rose 2.1% in 1999. Strong U.S. demand and a recovery from economic turmoil in Asia spurred exports of lumber, wood pulp and newsprint. Although declining residential construction activity and weak energy and metal prices pulled down growth, strong Y2K-related demand boosted output from manufacturers of computers and other electronic products.
- Alberta's real GDP growth stood at 2.5% in 1999, down from 3.7% the year before. The slowdown of the Albertan economy can be largely attributed to weak commodity prices as production, exploration and investment expenditures in the oil sector fell. Overall, mining output declined by about 5%. This in turn had a negative impact on the production of machinery and equipment used in the oil patch and non-residential construction. Growth was concentrated in the services industry, supported by telecommunications & computer services and wholesalers.
- In Saskatchewan, economic growth fell to 1.1% in 1999 as weak commodity prices also took their toll on the economy, particularly in the mining sector. Despite low prices, output of agricultural products was up, while oil production shrank. Strong U.S. demand boosted exports of wire & communications cable and wood products, which sustained activity in the manufacturing sector. As elsewhere, output of telecommunication and computer services rose significantly.



## ***Provincial Real Gross Domestic Output, 1999***

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- The Manitoba economy grew 3.0% in 1999. Real output fell in the goods-producing sector largely as a result of a significant decline in mining activity related to a strike and a closure of a nickel mine. Manufacturing output was supported by a strong increase in the aircraft and parts production, while production in the services industries grew 4.1%. The Pan American Games had a beneficial impact on trade, amusement and recreational services, and Y2K preparations helped the computer services industry to expand output by 9%.

### ***Manufacturing activity is spurred by a strong US demand***

- Ontario's real output growth reached 6.1% in 1999, the largest increase among provinces. The Ontario economy has outperformed the national average for the fifth time over the last years. Gains were widespread among major sectors of the economy, although export-oriented industries led growth, benefiting from a buoyant US market. The automotive and information technology industries (IT), notably electronic products, computers and telecommunication services, accounted for one third of total output growth.
- Quebec GDP grew 4.7% in 1999, its best performance in fifteen years. The advance also exceeded the national average for the first time in over a decade. Producers in the knowledge-intensive industries of aerospace and telecommunication equipment contributed the most in response to a surge in US demand. Computer manufacturers also increased production as Y2K approached. Downward pressures were felt mainly in the accommodation, food and beverage industry as well as in health and education services.

### ***Construction projects drive growth in Atlantic Canada***

- The New Brunswick economy grew 4.2% in 1999, its best performance since the late 1980s. Although gains were evident in nearly all sectors of the economy, a surge in construction activity related to the completion of the Sable Island gas pipeline, the launching of a power generating facility and an oil refinery expansion gave the main impetus to growth. Activity was also brisk in wholesale and retail trade as well as in telecommunications and business services.
- Nova Scotia grew a strong 5.2% in 1999, up from 3% the year before. While the Sable Project boosted non-residential construction, the uplift in domestic demand was also driven by the reopening of a shipyard combined with a rise in computer services and computer-related wholesaling stemming from Y2K concerns. A large contract to build railway cars and higher demand for newsprint contributed strongly to the rise in manufacturing output. Declines in the fishing, logging and mining industries dampened growth in the goods sector.
- Prince Edward Island's GDP rose by 3.2% in 1999, largely as a result of increased residential construction. Output in agriculture rose slightly in 1999, while manufacturing activity picked up with a boost from the aircraft industry.
- The Newfoundland economy continued to outperform the national average and grew 6.0% in 1999 for a second year in a row, surpassed only by Ontario. The oil sector was the driving force with increased production at Hibernia and higher exploration expenditures. Tourism and fishing also posted healthy gains.

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# ***STATISTICAL APPENDIX***

# Key Provincial Data

	1998	1999	2000Q2	2000Q3	Sept. 2000	Oct. 2000
<b>BRITISH COLUMBIA</b>						
Mfg Shipments (\$M)	33,890.2	37,034.0	9,726.7	9,322.6	3,124.4	N/A
% change (1)	-2.0	9.3	-2.6	-4.2	0.7	N/A
Retail Trade (\$M)	33,044.8	33,672.1	8,802.6	9,007.5	3,016.2	N/A
% change	-2.0	1.9	0.9	2.3	0.3	N/A
Housing Starts (000's)	19.9	16.3	15.3	13.2	15.4	20.5
Labour Force (000's)	2,051.2	2,079.1	2,089.4	2,101.7	2,118.4	2,122.6
% change	0.5	1.4	-0.2	0.6	0.4	0.2
Employment (000's)	1,870.2	1,906.4	1,947.5	1,942.6	1,954.9	1,959.8
% change	0.1	1.9	0.2	-0.3	0.6	0.3
Unemployment Rate (%)	8.8	8.3	6.8	7.6	7.7	7.7
Participation Rate (%)	64.9	65.1	64.7	64.8	65.3	65.3
CPI Inflation	0.3	1.1	1.4	2.0	1.9	2.4
<b>ALBERTA</b>						
Mfg Shipments (\$M)	33,409.0	35,273.6	10,107.6	10,382.5	3,458.5	N/A
% change (1)	-3.6	5.6	1.1	2.7	-0.9	N/A
Retail Trade (\$M)	28,065.0	29,323.9	7,917.7	8,115.1	2,721.1	N/A
% change	4.2	4.5	2.0	2.5	1.1	N/A
Housing Starts (000's)	27.1	25.4	26.0	27.2	29.9	26.9
Labour Force (000's)	1,605.1	1,647.9	1,669.3	1,664.4	1,669.9	1,675.9
% change	3.7	2.7	0.1	-0.3	0.2	0.4
Employment (000's)	1,515.4	1,553.3	1,586.7	1,579.5	1,589.6	1,597.5
% change	3.9	2.5	0.2	-0.4	0.8	0.5
Unemployment Rate (%)	5.6	5.7	4.9	5.1	4.8	4.7
Participation Rate (%)	72.5	72.6	72.3	71.7	71.8	71.9
CPI Inflation	1.1	2.4	3.3	3.7	3.7	3.6
<b>SASKATCHEWAN</b>						
Mfg Shipments (\$M)	5,895.5	6,123.0	1,749.3	1,739.8	582.2	N/A
% change (1)	-3.8	3.9	0.6	-0.5	-1.1	N/A
Retail Trade (\$M)	7,621.5	7,734.6	2,026.9	2,056.8	683.1	N/A
% change	0.0	1.5	0.8	1.5	-0.6	N/A
Housing Starts (000's)	3.0	3.1	2.7	2.5	2.2	2.2
Labour Force (000's)	505.3	511.0	514.1	509.9	509.3	512.3
% change	1.2	1.1	-0.1	-0.8	0.0	0.6
Employment (000's)	476.3	480.1	487.8	481.4	480.8	484.2
% change	1.3	0.8	-0.4	-1.3	0.3	0.7
Unemployment Rate (%)	5.7	6.1	5.1	5.6	5.6	5.5
Participation Rate (%)	66.6	67.0	67.3	66.8	66.7	67.1
CPI Inflation	1.4	1.7	2.3	2.8	2.7	2.8
<b>MANITOBA</b>						
Mfg Shipments (\$M)	10,613.2	10,365.4	2,636.3	2,661.1	886.9	N/A
% change (1)	6.1	-2.3	0.0	0.9	1.1	N/A
Retail Trade (\$M)	8,771.7	9,023.5	2,329.6	2,390.7	794.9	N/A
% change	2.1	2.9	0.2	2.6	-0.4	N/A
Housing Starts (000's)	2.9	3.1	2.8	2.6	2.3	2.6
Labour Force (000's)	566.8	574.8	582.5	585.6	584.9	582.7
% change	0.9	1.4	0.2	0.5	-0.5	-0.4
Employment (000's)	535.7	542.7	555.2	557.1	558.7	555.7
% change	1.9	1.3	0.9	0.3	0.1	-0.5
Unemployment Rate (%)	5.5	5.6	4.7	4.9	4.5	4.6
Participation Rate (%)	67.0	67.5	67.9	68.1	68.0	67.7
CPI Inflation	1.3	1.9	2.2	2.5	2.4	2.2

(1) % change refers to period-to-period except for CPI inflation which is year-over-year.

# Key Provincial Data

	1998	1999	2000Q2	2000Q3	Sept. 2000	Oct. 2000
<b>ONTARIO</b>						
Mfg Shipments (\$M)	240,016.0	268,447.9	71,329.3	72,170.5	24,172.7	N/A
% change (1)	4.8	11.8	1.0	1.2	0.1	N/A
Retail Trade (\$M)	92,411.9	99,149.9	26,281.3	27,092.1	9,076.4	N/A
% change	6.9	7.3	1.7	3.1	0.6	N/A
Housing Starts (000's)	53.8	67.2	63.6	74.6	71.9	77.6
Labour Force (000's)	5,914.3	6,070.8	6,177.0	6,241.4	6,263.7	6,296.6
% change	1.9	2.6	0.3	1.0	0.1	0.5
Employment (000's)	5,490.0	5,688.1	5,840.0	5,885.3	5,899.0	5,926.4
% change	3.3	3.6	0.5	0.8	0.3	0.5
Unemployment Rate (%)	7.2	6.3	5.5	5.7	5.8	5.9
Participation Rate (%)	66.0	66.6	66.8	67.1	67.3	67.5
CPI Inflation	0.9	1.9	2.6	2.8	2.8	2.9
<b>QUEBEC</b>						
Mfg Shipments (\$M)	107,331.7	114,110.1	31,986.8	32,778.0	10,771.0	N/A
% change (1)	3.9	6.3	2.8	2.5	-3.9	N/A
Retail Trade (\$M)	57,157.8	60,766.2	15,608.7	16,177.5	5,396.0	N/A
% change	2.3	6.3	-0.4	3.6	0.2	N/A
Housing Starts (000's)	23.1	25.7	22.4	26.0	25.7	26.4
Labour Force (000's)	3,660.2	3,701.6	3,767.5	3,761.2	3,754.8	3,744.9
% change	1.5	1.1	0.7	-0.2	-0.1	-0.3
Employment (000's)	3,281.5	3,357.4	3,444.6	3,443.1	3,447.9	3,428.3
% change	2.7	2.3	0.5	0.0	0.2	-0.6
Unemployment Rate (%)	10.3	9.3	8.6	8.5	8.2	8.5
Participation Rate (%)	62.6	62.8	63.5	63.3	63.2	63.0
CPI Inflation	1.4	1.5	2.2	2.5	2.5	2.3
<b>NEW BRUNSWICK</b>						
Mfg Shipments (\$M)	8,078.6	8,762.1	2,622.8	2,655.2	879.3	N/A
% change (1)	-4.4	8.5	2.1	1.2	-0.0	N/A
Retail Trade (\$M)	6,042.5	6,607.6	1,723.2	1,748.2	586.6	N/A
% change	6.8	9.4	0.4	1.4	0.1	N/A
Housing Starts (000's)	2.4	2.8	2.4	3.8	4.8	2.7
Labour Force (000's)	361.9	365.7	370.1	373.1	373.4	373.6
% change	1.7	1.1	0.6	0.8	-0.3	0.1
Employment (000's)	317.8	328.4	331.9	335.5	337.0	337.3
% change	2.3	3.3	0.1	1.1	0.3	0.1
Unemployment Rate (%)	12.2	10.2	10.3	10.1	9.7	9.7
Participation Rate (%)	60.7	61.0	61.3	61.8	61.8	61.8
CPI Inflation	0.6	1.6	3.1	3.2	2.9	3.2
<b>NOVA SCOTIA</b>						
Mfg Shipments (\$M)	6,829.4	7,732.2	2,081.1	2,133.6	710.8	N/A
% change (1)	5.5	13.2	-0.5	2.5	-4.3	N/A
Retail Trade (\$M)	7,710.9	8,159.6	2,111.4	2,153.9	714.3	N/A
% change	4.6	5.8	1.6	2.0	0.0	N/A
Housing Starts (000's)	3.1	4.3	4.9	4.4	2.8	3.2
Labour Force (000's)	445.9	452.0	459.4	461.3	461.7	461.5
% change	1.9	1.4	-0.6	0.4	0.4	0.0
Employment (000's)	398.9	408.6	421.0	417.9	417.6	418.4
% change	3.8	2.4	0.6	-0.8	0.3	0.2
Unemployment Rate (%)	10.5	9.6	8.3	9.4	9.6	9.3
Participation Rate (%)	60.7	61.0	61.5	61.6	61.6	61.5
CPI Inflation	0.6	1.7	3.4	3.1	3.0	3.3

(1) % change refers to period-to-period except for CPI inflation which is year-over-year.

## Key Provincial Data

	1998	1999	2000Q2	2000Q3	Sept. 2000	Oct. 2000
<b>PRINCE EDWARD ISLAND</b>						
Mfg Shipments (\$M)	882.6	981.0	232.1	239.9	82.4	N/A
% change (1)	9.4	11.2	-4.0	3.4	1.2	N/A
Retail Trade (\$M)	1,053.7	1,156.6	311.1	315.7	105.3	N/A
% change	4.5	9.8	2.6	1.5	0.3	N/A
Housing Starts (000's)	0.5	0.6	0.6	0.7	0.6	0.9
Labour Force (000's)	70.1	71.6	73.3	73.2	73.5	74.0
% change	0.1	2.1	-0.5	-0.1	0.5	0.7
Employment (000's)	60.4	61.3	65.0	64.3	65.2	64.0
% change	2.0	1.5	0.2	-1.1	2.2	-1.8
Unemployment Rate (%)	13.8	14.4	11.2	12.1	11.3	13.5
Participation Rate (%)	65.7	66.4	67.1	66.6	66.8	67.3
CPI Inflation	-0.5	1.2	4.5	4.7	4.3	4.5
<b>NEWFOUNDLAND</b>						
Mfg Shipments (\$M)	1,750.1	1,748.0	600.8	545.1	179.2	N/A
% change (1)	5.4	-0.1	20.0	-9.3	2.8	N/A
Retail Trade (\$M)	3,938.6	3,954.2	1,122.1	1,138.5	378.9	N/A
% change	3.7	0.4	2.1	1.5	-0.7	N/A
Housing Starts (000's)	1.5	1.4	1.4	1.6	1.5	1.8
Labour Force (000's)	237.0	246.7	245.9	242.5	246.1	246.5
% change	1.9	4.1	-0.7	-1.4	2.0	0.2
Employment (000's)	194.2	204.9	206.3	203.7	206.2	205.7
% change	2.6	5.5	1.0	-1.3	1.3	-0.2
Unemployment Rate (%)	18.0	16.9	16.1	16.0	16.3	16.6
Participation Rate (%)	53.9	56.3	55.9	55.2	56.0	56.0
CPI Inflation	0.2	1.5	2.5	3.0	2.9	3.0
<b>CANADA</b>						
Mfg Shipments (\$M)	448,749.5	490,858.3	133,087.8	134,641.5	44,851.9	N/A
% change (1)	3.2	9.4	1.2	1.2	-1.0	N/A
Retail Trade (\$M)	246,641.0	260,690.7	68,461.3	70,423.6	23,549.2	N/A
% change	3.7	5.7	1.1	2.9	0.4	N/A
Housing Starts (000's)	137.4	150.0	142.1	156.6	157.1	164.9
Labour Force (000's)	15,417.7	15,721.2	15,948.5	16,014.3	16,055.8	16,090.6
% change	1.7	2.0	0.3	0.4	0.1	0.2
Employment (000's)	14,140.4	14,531.2	14,886.1	14,910.5	14,957.1	14,977.3
% change	2.7	2.8	0.4	0.2	0.4	0.1
Unemployment Rate (%)	8.3	7.6	6.7	6.9	6.8	6.9
Participation Rate (%)	65.1	65.6	65.8	65.8	65.9	66.0
CPI Inflation	0.9	1.7	2.4	2.7	2.7	2.8

(1) % change refers to period-to-period except for CPI inflation which is year-over-year.

# Provincial Economic Accounts

	1993	1994	1995	1996	1997	1998	1999
<b>Real GDP at Market Prices (\$1992M)</b>							
BC	90,543	93,355	95,370	98,052	101,277	102,217	104,323
% change	4.0	3.1	2.2	2.8	3.3	0.9	2.1
Alberta	79,792	84,622	87,161	89,284	95,997	99,504	101,960
% change	6.7	6.1	3.0	2.4	7.5	3.7	2.5
Sask	22,654	23,603	23,934	24,391	25,661	26,267	26,547
% change	7.4	4.2	1.4	1.9	5.2	2.4	1.1
Manitoba	24,468	25,298	25,445	26,205	27,099	27,892	28,729
% change	0.2	3.4	0.6	3.0	3.4	2.9	3.0
Ontario	288,164	305,223	316,581	319,982	335,508	349,364	370,722
% change	1.1	5.9	3.7	1.1	4.9	4.1	6.1
Quebec	160,897	167,241	170,366	172,707	178,460	183,835	192,535
% change	1.6	3.9	1.9	1.4	3.3	3.0	4.7
New Brunswick	14,358	14,643	15,071	15,266	15,331	15,941	16,616
% change	2.3	2.0	2.9	1.3	0.4	4.0	4.2
Nova Scotia	18,193	18,256	18,578	18,641	19,242	19,828	20,865
% change	0.7	0.3	1.8	0.3	3.2	3.0	5.2
PEI	2,370	2,492	2,629	2,714	2,662	2,742	2,829
% change	1.7	5.1	5.5	3.2	-1.9	3.0	3.2
Nfld	9,668	10,126	10,348	9,914	10,028	10,625	11,259
% change	1.2	4.7	2.2	-4.2	1.1	6.0	6.0
Yukon	874	864	1,005	1,097	1,012	987	997
% change	-19.8	-1.1	16.3	9.2	-7.7	-2.5	1.0
NWT (2)	2,242	2,318	2,315	2,374	2,451	2,491	2,549
% change	3.2	3.4	-0.1	2.5	3.2	1.6	2.3
Canada	714,583	748,350	769,082	780,916	815,013	842,002	880,254
% change	2.3	4.7	2.8	1.5	4.4	3.3	4.5

## Population ('000s)

BC	3,572	3,682	3,784	3,882	3,960	3,998	4,028
% change	2.9	3.1	2.8	2.6	2.0	1.0	0.8
Alberta	2,671	2,705	2,740	2,781	2,837	2,907	2,959
% change	1.4	1.3	1.3	1.5	2.0	2.5	1.8
Sask	1,007	1,010	1,014	1,019	1,022	1,025	1,026
% change	0.3	0.3	0.4	0.5	0.3	0.3	0.1
Manitoba	1,118	1,124	1,130	1,134	1,137	1,138	1,143
% change	0.4	0.5	0.5	0.4	0.3	0.1	0.4
Ontario	10,689	10,827	10,964	11,101	11,248	11,385	11,517
% change	1.1	1.3	1.3	1.2	1.3	1.2	1.2
Quebec	7,165	7,207	7,241	7,274	7,303	7,324	7,349
% change	0.7	0.6	0.5	0.5	0.4	0.3	0.3
New Brunswick	750	751	752	753	754	753	754
% change	0.3	0.1	0.1	0.1	0.1	-0.1	0.1
Nova Scotia	924	926	928	931	935	936	939
% change	0.5	0.2	0.2	0.3	0.4	0.1	0.3
PEI	132	134	135	136	137	137	138
% change	0.8	1.5	0.7	0.7	0.7	0.0	0.7
Nfld	580	575	568	561	554	545	541
% change	0.0	-0.9	-1.2	-1.2	-1.2	-1.6	-0.7
Yukon	31	30	31	32	32	32	31
% change	3.3	-3.2	3.3	3.2	0.0	0.0	-3.1
NWT (2)	64	65	67	68	68	68	68
% change	3.2	1.6	3.1	1.5	0.0	0.0	0.0
Canada	28,703	29,036	29,354	29,672	29,987	30,248	30,493
% change	1.1	1.2	1.1	1.1	1.1	0.9	0.8

(2) 1999 data includes NWT and Nunavut.