



Infomat

A Weekly Review

Friday, January 16, 2004

INSIDE

◆ **SPOTLIGHT: Diamonds**

This week's *Spotlight* is on diamonds. Canada has become a major player in the international diamond scene. From 1998 to 2002, companies have mined about 13.8 million carats of these precious stones of pure carbon, collectively worth \$2.8 billion. A new analytical article profiles this industry.

◆ **Second consecutive drop in trade surplus**

Canada's merchandise trade surplus declined in November for the second straight month as exports remained weak and imports rose slightly. Companies exported \$32.1 billion in merchandise, down 1.1% from October, while importing goods worth \$27.8 billion, up 1.7%.

◆ **Federal spending on culture exceeds \$3 billion**

Total government spending on culture rose at its fastest rate in a decade in 2001/02, as federal government funding surpassed the \$3-billion mark for the first time.

Labour market finishes year on strong note

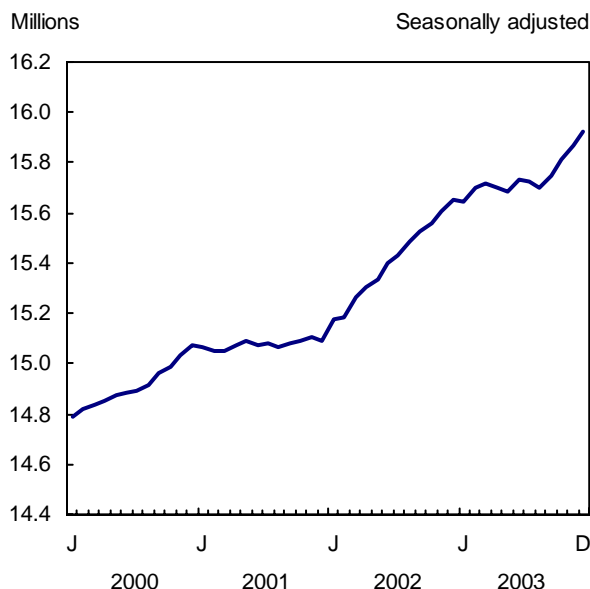
The Canadian economy finished 2003 on a strong note, generating 53,100 additional jobs in December, most of them full-time. However, for the year as a whole, employment increased at less than half the rate that it did in 2002, mainly because of job losses in manufacturing.

The job market got off to a sluggish start in 2003, then picked up considerably in the final four months. Job gains between September and December totalled 219,000, four times the increase of 52,000 during the first eight months of the year.

In December, the unemployment rate edged down from 7.5% to 7.4%. The employment rate – the proportion of the working-age population holding a job – rose to a record high of 62.7% in December.

(continued on page 2)

Employment



Labour market... (continued from page 1)

Similarly, the labour force participation rate – the proportion of the nation's entire labour force that actually participated in the labour market – also reached a record high 67.7%.

For 2003 as a whole, employment increased by only 271,000, a 1.7% gain. This was less than half the growth rate of 3.7% in 2002 when the economy gained 560,000 jobs. The slowdown in employment growth last year was due to job losses in the manufacturing sector. Since November 2002, the factory employment has declined by 82,000, or 3.5%.

Virtually the entire decline in manufacturing occurred in Quebec and Ontario. Industries hardest hit were computer and electronic products and electrical equipment and appliance manufacturing.

Four sectors spearheaded employment growth last year: health care and social assistance; construction; finance, insurance, real estate and leasing; and public administration. Employment rose by 77,000 in health care and social assistance, while construction added 45,000 jobs.

Employment rose by 33,000 in December among adult women, bringing their gains for 2003 to a total of 145,000. Employment among adult men grew by 20,000 for the month, and by 112,000 for the year.

Labour market conditions remained weak for young people throughout 2003 in contrast to the year before. Youth employment was little changed in December and finished the year up only 0.6%, well below the growth rate of 4.6% in 2002.

Seven provinces posted employment gains in December, with the largest increase in Ontario. After two months of little change, Ontario added 35,000 jobs in December, nearly two-thirds of them full-time.

Employment in Ontario ended the year up 120,000, or 1.9%. Major job losses in manufacturing and in professional, scientific and technical services slowed the province's employment growth last year.

Employment increased by 24,000 in British Columbia in December, all in full-time. The increases in recent months accounted for more than two-thirds of the 77,000 job gains since the start of 2003. Job growth in December was spread over several industries, including health care and social assistance, and construction.

For more information, contact Vincent Ferrao (613-951-4750), Labour Statistics Division.

Building permits slip for second month in row

The value of building permits issued by municipalities fell for the second month in a row in November, the result of weakness in all three components of the non-residential sector.

Builders took out \$4.1 billion worth of permits, down 3.9% from October. This followed a 5.0% decline the month before.

Construction intentions in the non-residential sector declined 12.1% to \$1.3 billion, the lowest level in 19 months. All three components – industrial, commercial and institutional – experienced a second consecutive month of weakening.

The value of housing permits edged up, as multi-residential projects continued to exhibit strength.

On a year-to-date basis, municipalities issued \$46.8 billion in permits from January to November, up 8.2% from the first 11 months of 2002. This total is just short of the record of \$47.3 billion for 2002 as a whole and points to a new annual record. It will mark the third consecutive year of new annual records, and the eighth year in a row in which the value of permits has risen.

For more information, contact Erik Dorff (613-951-4901), Investment and Capital Stock Division.

SPOTLIGHT: Diamonds

Diamonds: Adding lustre to the Canadian economy

They have been captivating people for centuries. In 1953, movie star Marilyn Monroe celebrated them in song. In 1971, Agent 007 James Bond pursued criminals attempting to smuggle them. Now they are setting the economy of the Northwest Territories on fire.

They are diamonds.

Canada has become a major player in the international diamond scene. From 1998 to 2002, companies have mined about 13.8 million carats of these precious stones of pure carbon, collectively worth \$2.8 billion. This is roughly equivalent to a 1.5-kilogram bag of "ice" each day for five years, with each bag worth \$1.5 million.

Recent production data suggest that by the end of 2003 Canada will have produced almost 15% of the world's supply of diamonds, the third largest producer of diamonds, behind Botswana and Russia.

Since 1991, when diamonds were discovered at Point Lake near Lac de Gras in the Northwest Territories, two diamond mines have begun production. A third is expected to be in production in 2005, and a fourth by 2006.

Economic output in the Northwest Territories surged ahead 5.1% in 2002, fuelled by the EKATI mine running at full capacity and by construction of the Diavik mine, which neared completion. Diamond mining in 2002 accounted for just over one-fifth of the Northwest Territories' gross domestic product.

Between 1998 and 2001, the number of employees directly involved in diamond mining increased almost seven-fold, from just over 90 to more than 700. More recent figures indicate there are currently about 2,200 jobs related to diamond mining.

The average salary for all workers employed in the diamond mining industry in the Northwest Territories between 1998 and 2001 was \$61,639. The average for production employees, those involved in the mining operations, was slightly higher, at \$64,336.

Diamond fever: no sign of abating

Diamond fever began in Canada in 1991 when these precious stones were discovered at Point Lake near Lac de Gras in the Northwest Territories.

Since then, two diamond mines have begun production: EKATI and Diavik, both in the Northwest Territories. These are expected to be viable operations for the next 11 and 20 years respectively.

A third mine, the Jericho project, just north of EKATI in Nunavut, is expected to begin production in 2005.

The Snap Lake project, also in the Northwest Territories, is expected to begin production in 2006.

These average salaries were roughly 30% higher than for all other employees involved in the non-metallic mineral mining and quarrying sector across Canada, and 44% higher than the salaries for production employees in this sector.

Between 1998 and 2002, companies invested a total of \$2.6 billion in developing Canada's diamond mineral resources. These costs included exploration, capital investment and repair and maintenance expenses.

During this time, Canada's trade in diamonds grew at an annual average rate of 44%, reaching almost \$1.3 billion in 2002. Almost all this was export-driven. In contrast, the growth of diamond imports has averaged only 5% a year.

During the first six months of 2003, Canada's total trade in diamonds was worth just over \$720 million, of which exports accounted for 81%.

You can read much more about diamond production in Canada in the analytical article *Diamonds: Adding lustre to the Canadian economy* (11-621-MIE2004008) free of charge on Statistics Canada's website (www.statcan.ca).

For more information, contact Bruna Santarossa (613-951-0300), International Trade Division.

Five million carats in five short years

Canada is poised to become the world's third largest producer of diamonds, producing almost 15% of the world's diamonds by value, according to production data for 2003. This would put Canada just ahead of South Africa, but behind Botswana and Russia.

Diamond production in Canada has gone from zero to almost five million carats a year in five short years. In 2002, carat recovery increased by 34% over 2001. This followed a 53% increase the year before.

The value of production has increased accordingly, from zero prior to 1998 to just over \$800 million in 2002 alone.

With the opening of the Diavik mine in 2003, there has already been a marked increase in production. In the first six months of 2003, almost 4.2 million carats of diamonds were mined in Canada, just 17% less than the total for 2002.

Not only is Canada rich in rough diamonds. These rough diamonds are high-quality. In 2001, the average price per carat for a Canadian-mined diamond was \$228. This was third highest in the world behind prices for diamonds mined in Namibia and Angola.

Second consecutive drop in trade surplus

Canada's merchandise trade surplus declined in November for the second straight month as exports remained weak and imports rose slightly. Companies exported \$32.1 billion in merchandise, down 1.1% from October, while importing goods worth \$27.8 billion, up 1.7%.

As a result, the trade surplus fell from more than \$5.1 billion in October to just over \$4.3 billion in November.

The export slide that predominated during 2003 was accompanied by falling prices as Canada's dollar gained strength against its US counterpart, and as demand remained unsettled in the United States. The strong loonie appears to be exerting downward pressure on export prices, which have fallen 8.4% over the last year.

Canada's exports to the United States amounted to \$26.4 billion in November, down marginally from October, the third monthly decline in the last four months. Imports from south of the border were up 1.6%. This resulted in a \$334-million decline in Canada's trade surplus with the United States to just over \$6.9 billion.

Over the past 12 months, Canadian companies have been importing a larger quantity at much lower prices. The total value of the nation's imports has declined 7.6% from November 2002. On the other hand, import prices have plummeted 12.5%, while volumes have actually increased 5.6%.

Setbacks in exports of machinery and equipment, automotive products and industrial goods and materials, accounting for 61% of total exports, were big enough to offset increases in all other categories.

The largest decline occurred in exports of automotive products, which fell 5.7% to \$6.9 billion. Production and sales of new motor vehicles were weak throughout North America in November, as incentives subsided and domestic and foreign companies competed for market share, particularly in the sale of passenger cars.

Merchandise trade

	November 2003	October to November 2003	November 2002 to November 2003
			% change

Principal trading partners

Exports

United States	26,436	-0.1	-8.3
Japan	738	2.6	-19.3
European Union	2,130	-1.5	13.4
Other OECD countries	927	-26.7	-19.5
All other countries	1,914	0.7	15.1
Total	32,146	-1.1	-6.7

Imports

United States	19,515	1.6	-9.9
Japan	789	-0.9	-18.3
European Union	2,767	3.7	-4.3
Other OECD countries	1,649	5	6
All other countries	3,108	-0.2	2.4
Total	27,827	1.7	-7.6

Among imports, the value of machinery and equipment increased 3.6% to more than \$8 billion in November, after being on a downward trend for most of 2003.

Leading the growth were imports of aircraft and other transportation equipment imports, which showed their usual volatility. Imports of other machinery and equipment, which includes telecommunication and related equipment, edged up.

A rebound in volume imports of motor gasoline in November pushed petroleum and coal product imports up 17.3% to \$309 million.

For more information, contact Matthew MacDonald (613-951-8551), International Trade Division.

Housing prices take biggest jump in 20 months

New housing prices jumped 0.7% in November, the highest monthly increase since February 2002, reflecting an on-going strong market for new homes.

Among metropolitan areas, St. Catharines-Niagara led the way with a monthly increase of 1.6%, followed by Quebec City, Toronto and London. Home builders in these areas cited higher prices for building materials and labour, such as bricklayers and framers. Higher land values contributed to the increases in Quebec City, St. Catharines-Niagara and London.

On a year-over-year basis, the New Housing Price Index, an index of contractors' selling prices, rose 5.0% from November 2002, unchanged from October's 12-month increase.

For the second consecutive month, Victoria posted the largest 12-month increase (+9.8%) for new homes. Quebec City was next, followed by St. Catharines-Niagara.

For more information, contact Susan Morris (613-951-2035), Prices Division.

Federal spending on culture exceeds \$3 billion

Total government spending on culture rose at its fastest rate in a decade in 2001/02, as federal government funding surpassed the \$3-billion mark for the first time.

Combined, all three levels of government spent a total of \$6.8 billion on everything from libraries to the performing arts. This was a 7.6% increase from 2000/01, and the fourth consecutive year that spending on culture has risen.

The growth rate for municipal and federal spending was more than three times that of the provinces and territories. The federal government contributed a record of more than \$3.2 billion, up 8.9% from 2000/01; the provinces and territories contributed \$2.1 billion, up 2.6%; and municipalities contributed \$1.8 billion, up 9.3%.

During the past 17 years, the municipal share of cultural spending has grown by nine percentage points to 25%, while the federal share has declined by an equivalent amount to 45%. The provincial and territorial share has remained constant.

On a per capita basis, total government spending in 2001/02 amounted to \$217 for each Canadian, compared with \$204 the previous year and about \$202 in 1990/91.

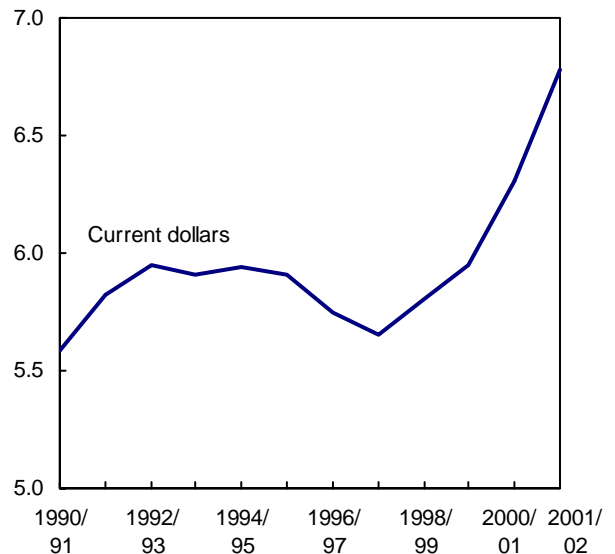
The federal government devoted 1.8% of its total budget to culture in 2001/02, virtually unchanged from the previous year. In comparison, it allocated about 6.2% of its direct spending (excluding transfers) to national defence and 1.0% to health.

The operating budgets of federal cultural departments and agencies, such as the Canadian Broadcasting Corporation, the National Film Board of Canada and Parks Canada, rose 5.4% to \$2.3 billion. This represented about 72% of the total federal cultural budget in 2001/02.

Broadcasting alone consumed \$1.4 billion (about three-fifths of the total federal operational budget), up 6.5%. Heritage activities, including museums, archives, national parks and historic sites, consumed another \$624 million, or 27% of the total federal operational budget, up 1.4%.

Total government expenditures on culture

Billions of dollars



Grants, contributions and other transfers to artists and cultural organizations totalled \$669.5 million in 2001/02, up 16.1%, the sixth consecutive annual increase. This growth was the fastest in a decade. This spending represented just over one-fifth of the total federal cultural budget in 2001/02.

The sound recording industry received 74.6% more from the federal government, performing arts 33.3%, and book and periodical publishers 10.4%. Federal assistance to the film and video industry grew 9.1%.

Growth in culture spending among the provinces and territories slowed. The 2.6% gain in 2001/02 was a marked deceleration from a high of 10.7% in 1998/99 and 5.5% in 2000/01.

Municipal cultural outlays fell only in Manitoba and the Yukon. The largest increases occurred in Prince Edward Island, followed by Ontario and British Columbia.

For more information, contact Norman Verma (613-951-6863), Culture, Tourism and the Centre for Education Statistics.

Slight reduction in total debt load for businesses

Canadian businesses reduced slightly the total debt they owed to the major suppliers of financing for a second consecutive year in 2002. A decline in the debt load of large borrowers offset increased debt among smaller borrowers.

As of December 31, 2002, suppliers of financing reported their business clients owed them \$358.5 billion, mainly in the form of loans, mortgages and lines of credit. This was a 0.4% decline from 2001, compared with a 0.7% decline the year before. Economic growth strengthened in 2002.

Large borrowers, those authorized to borrow \$1 million or more, saw their debt load fall 1.4% following a 1.5% decline in 2001.

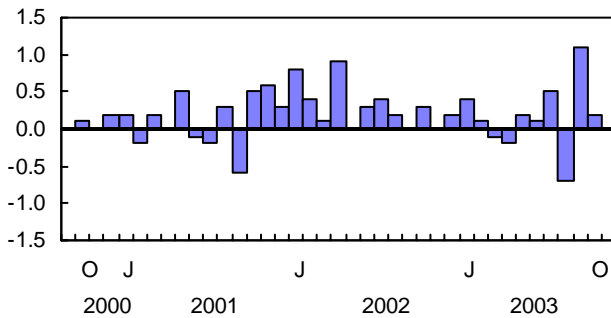
In contrast, smaller borrowers, those authorized to borrow less than \$1 million, increased their debt 1.4% in 2001 and 2.4% in 2002. Smaller borrowers are mainly smaller businesses, which tend to serve only the domestic market, while large borrowers are much more likely to sell into export markets.

For more information, contact Mike Paju (613-951-1522), Industrial Organization and Finance Division.

Current trends

Gross domestic product

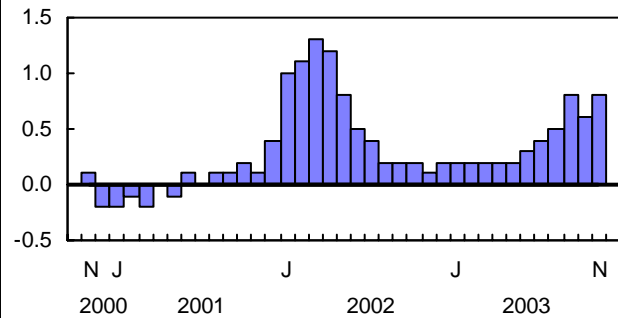
% change, previous month



Total economic activity increased 0.2% in October, after a 1.1% increase in September.

Composite Index

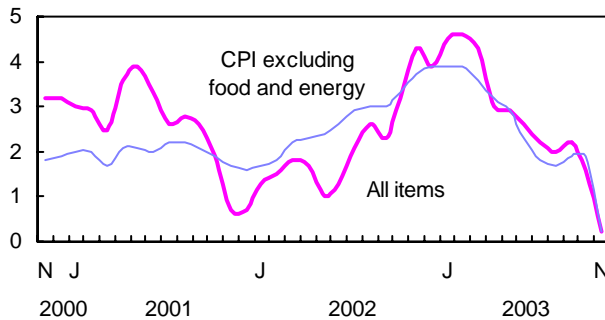
% change, previous month



The leading indicator grew 0.8% in November after rising 0.7% in October.

Consumer Price Index

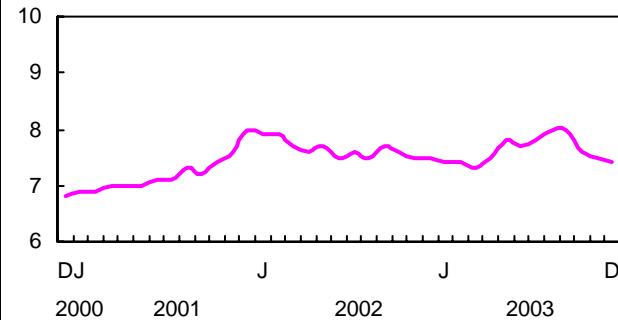
% change, previous month



Consumer prices for goods and services were 0.2% higher in November than they were a month earlier. Excluding food and energy, prices rose 0.2%.

Unemployment rate

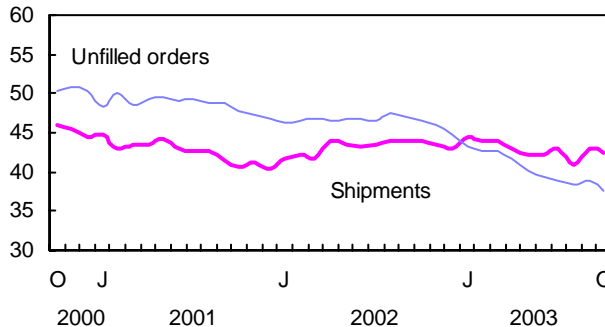
%



In December, the unemployment rate fell to 7.4%.

Manufacturing

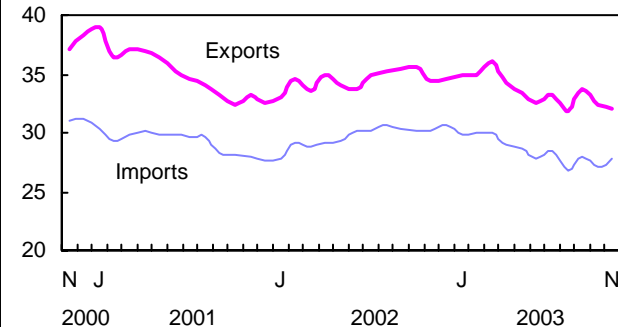
\$ billions



Manufacturers' shipments fell 1.1% in October to \$42.5 billion. The backlog of unfilled orders decreased 2.0% to \$37.7 billion.

Merchandise trade

\$ billions



In November, exports fell 1.1% to \$32.1 billion. Imports increased 1.7% to \$27.8 billion.

Note: All series are seasonally adjusted except the Consumer Price Index.

Latest statistics

	Period	Level	Change, previous period	Change, previous year
GENERAL				
Gross domestic product (\$ billions, 1997) ¹	October	1,020.7	0.2%	1.8%
Composite Index (1992=100)	November	186.9	0.8%	4.2%
Operating profits of enterprises (\$ billions)	Q3 2003	41.6	3.7%	11.3%
Capacity utilization rate (%) ²	Q2 2003	82.5	-1.2†	-1.1†
DOMESTIC DEMAND				
Retail trade (\$ billions)	October	26.4	0.2%	2.1%
New motor vehicle sales (thousands of units)	October	136.2	-2.3%	-7.5%
Wholesale trade (\$ billions)	October	36.6	-0.1%	2.4%
LABOUR				
Employment (millions)	December*	15.9	0.3%	1.7%
Unemployment rate (%)	December*	7.4	-0.1†	-0.1†
Participation rate (%)	December*	67.7	0.1†	0.2†
Average weekly earnings (\$)	October	694.14	0.3%	1.2%
Regular Employment Insurance beneficiaries (in thousands)	October*	579.90	0.1%	4.1%
INTERNATIONAL TRADE				
Merchandise exports (\$ billions)	November*	32.1	-1.1%	-6.7%
Merchandise imports (\$ billions)	November*	27.8	1.7%	-7.6%
Merchandise trade balance (all figures in \$ billions)	November*	4.3	-0.8	0.0
MANUFACTURING				
Shipments (\$ billions)	October	42.5	-1.1%	-3.7%
New orders (\$ billions)	October	41.7	-3.2%	-4.4%
Unfilled orders (\$ billions)	October	37.7	-2.0%	-19.0%
Inventory/shipments ratio	October	1.41	0.01	-0.01
PRICES				
Consumer Price Index (1992=100)	November	122.7	0.2%	1.6%
Industrial Product Price Index (1997=100)	November	104.4	-0.4%	-4.0%
Raw Materials Price Index (1997=100)	November	110.3	1.5%	-3.2%
New Housing Price Index (1992=100)	November*	119.2	0.7%	5.0%

Note: All series are seasonally adjusted with the exception of the price indexes.

* new this week

† percentage point

¹ 1997 replaces 1992 as the base year used in determining prices for gross domestic product by industry. Also, valuation has been changed from factor cost to basic prices.

² Calculation of the rates of capacity use is now based on the 1997 North American Industry Classification System (NAICS), which has replaced the 1980 Standard Industrial Classification.

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A weekly review

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SUBJECT AREA Title of product	Period	Catalogue number	Price (\$) (issue/subscription)
AGRICULTURE Production of Eggs	November 2003	23-003-XIB	Free
BUSINESS AND TRADE STATISTICS Analysis in Brief: Diamonds: Adding Lustre to the Canadian Economy	No. 8	11-621-MIE2004008	Free
CULTURE, TOURISM AND THE CENTRE FOR EDUCATION STATISTICS Focus on Culture Focus on Culture	Vol. 14, no. 3 Vol. 14, no. 3	87-004-XIE 87-004-XPB	8/22 10/29
DEMOGRAPHY Quarterly Demographic Statistics Quarterly Demographic Statistics	Q3 2003 Q3 2003	91-002-XIB 91-002-XPB	9/27 11/36
INCOME AND EXPENDITURE ACCOUNTS Income and Expenditure Accounts technical Series: National Income and Expenditure Accounts: Revised Estimates for the Period from 1990 to 1993 National Tourism Indicators, Quarterly Estimates National Tourism Indicators, Quarterly Estimates	1990-1993 Q3 2003 Q3 2003	13-604-MIB1994029 13-009-XIB 13-009-XPB	Free Free Free
INVESTMENT AND CAPITAL STOCK Building Permits	November 2003	64-001-XIE	15/156
LABOUR STATISTICS Labour Force Information	Week ending 13/12/03	71-001-XIE	9/84
MANUFACTURING, CONSTRUCTION AND ENERGY Asphalt Roofing Cement Industrial Chemicals and Synthetic Resins Sawmills and Planing Mills	November 2003 November 2003 November 2003 October 2003	45-001-XIB 44-001-XIB 46-002-XIE 35-003-XIB	6/51 6/51 6/51 10/93
PRICES Industry Price Indexes Industry Price Indexes	November 2003 November 2003	62-011-XIE 62-011-XPE	19/175 24/233
SERVICE INDUSTRIES Restaurant, Caterer and Tavern Statistics	October 2003	63-011-XIE	7/59
TRANSPORTATION Aircraft Movements Statistics	November 2003	51F0001PIE	Free

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