




# MONTHLY ECONOMIC INDICATORS

## November 1999

### HIGHLIGHTS

-  **Employment posts its second big gain in as many months in October, lowering the unemployment rate to 7.2%.**
-  **Output rises for the 13th consecutive month in August, boosted by ongoing strength in the Manufacturing sector.**
-  **Canada's trade surplus hits \$3.6 billion in August, its highest level in nearly three years.**
-  **CPI inflation rises to 2.6% in September, fuelled in large part by higher energy prices (including gasoline).**
-  **The Canadian dollar and stock prices rally late in October and into November as fears of higher U.S. interest rates lessen.**

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	752.6	0.5	4.1	Aug
Goods	250.3	0.6	4.5	Aug
Services	502.3	0.4	3.9	Aug
Composite Index	217.4	0.5	4.8	Sept
Employment (000's)	14,816	0.5	2.5	Oct
Full-time	12,118	0.7	3.2	Oct
Part-time	2,699	-0.2	-0.7	Oct
Unemployment* (%)	7.2	7.5	8.0	Oct
Youth*	14.0	14.5	14.7	Oct
Adult*	5.9	6.2	6.8	Oct
CPI inflation*	2.6	2.1	0.7	Sept
Retail Sales (\$M)	22,065	1.2	7.0	Aug
Housing Starts (000's)	147.5	-2.2	6.1	Oct
Trade Balance* (\$M)	3,578	3,384	1,989	Aug
Exports	31,177	2.7	12.8	Aug
Imports	27,599	2.3	7.6	Aug
M&E	9,062	1.1	5.5	Aug
3-mth Corp. paper* (%)	5.01	4.83	5.22	Nov 3
Long bond yield* (%)	6.14	5.91	5.45	Nov 3
Canadian dollar* (US¢)	68.08	67.97	64.81	Nov 5

\*Data in levels only – % change not reported.

**This issue's Special Report:  
A Closer Look at the ICT Sector in Canada**

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).



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# MONTHLY ECONOMIC INDICATORS

## November 1999

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This report uses data available as of November 5, 1999. It has been prepared by Marianne Blais, Joe Macaluso, Alison McDermott, André Patry and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. The special report in this issue on Canada's ICT sector was prepared by the ICT Branch of Industry Canada. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).



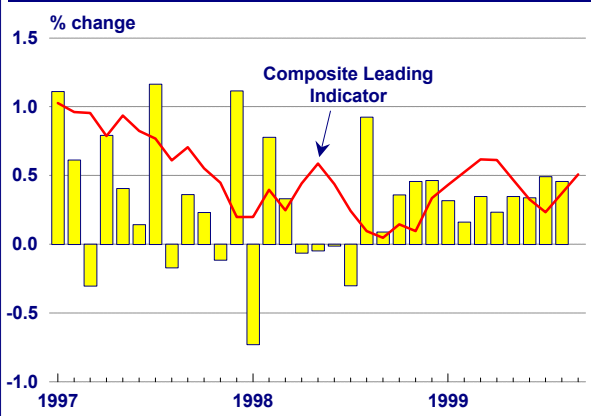
### Real GDP continues to advance in August...

- Real GDP at factor cost rose for a thirteenth consecutive month, recording a solid 0.5% advance in August. This represents the longest uninterrupted string of monthly gains in over a decade.

### ...buoyed by another solid gain in Manufacturing

- Output in the Goods-producing industries rose 0.6% on the month, with higher production in three of seven major groups. Manufacturing – propelled by a surge in the automotive sector – recorded its largest growth so far this year, accounting for two thirds of the overall increase in GDP. Elsewhere, the output of Other Utilities was down, as the demand for electricity fell sharply due to cooler temperatures in August. In the Mining sector, lower production of oil and natural gas was nearly offset by a recovery in drilling and rigging activity in the oil patch.
- Production of Services was up 0.4% in August. Gains were widespread among all major industries, with the exception of Communications where output was unchanged. Health and Social Services led this growth, as the industry recovered from the strike by Quebec nurses. In other categories, Retail Trade posted its fourth consecutive advance following a sluggish second quarter, while Wholesalers recorded their smallest gain in the past seven months, due to slower sales of computers.

**Real GDP at Factor Cost**

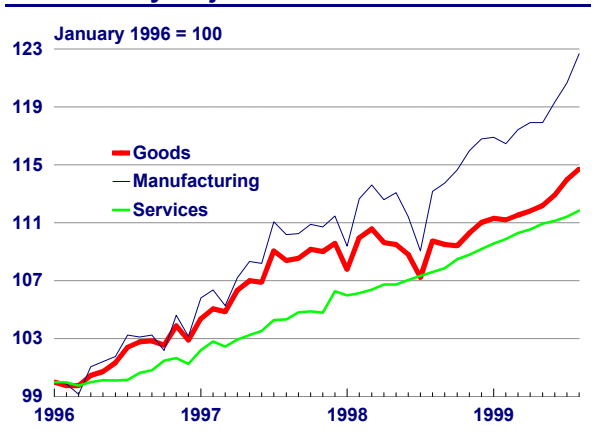


**Real GDP at Factor Cost (1992 dollars)**

	\$ millions	monthly change	% Change since last	
			month	year
<b>August 1999</b>				
<b>Total Economy</b>	<b>752,582</b>	<b>3,422</b>	<b>0.5</b>	<b>4.1</b>
<b>Business sector</b>	<b>623,622</b>	<b>2,805</b>	<b>0.5</b>	<b>4.9</b>
<b>Goods</b>	<b>250,334</b>	<b>1,602</b>	<b>0.6</b>	<b>4.5</b>
Agriculture	12,957	-60	-0.5	0.6
Fishing & Trapping	696	-80	-10.3	-7.8
Logging & Forestry	4,404	40	0.9	4.1
Mining*	25,734	-81	-0.3	-5.9
Manufacturing	139,873	2,299	1.7	8.4
Construction	41,352	50	0.1	4.1
Other Utilities	25,318	-566	-2.2	-0.8
<b>Services</b>	<b>502,248</b>	<b>1,820</b>	<b>0.4</b>	<b>3.9</b>
Transport & Storage	35,095	243	0.7	4.7
Communications	26,246	3	0.0	11.2
Wholesale Trade	46,837	120	0.3	12.7
Retail Trade	47,054	308	0.7	4.6
Finance & Insurance	41,644	207	0.5	2.4
Real Estate & Ins. Agent	79,448	85	0.1	2.3
Business services	43,770	95	0.2	8.0
Government services	45,495	183	0.4	1.7
Education	40,464	58	0.1	0.7
Health & Social Services	46,915	378	0.8	-1.0
Accommodation & Food	19,621	109	0.6	1.9
Other	29,659	31	0.1	1.8

\*Includes Quarrying and Crude Petroleum & Natural Gas

**Real GDP by major sector**



# THE ECONOMY

## Consumer Spending and Attitudes



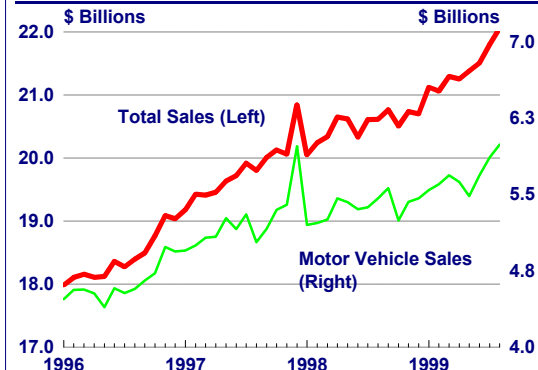
### Growth in consumer spending moderates in the second quarter...

- Real consumption rose 3.0% (annual rate) in the second quarter, down from growth of 4.2% in the first quarter. Strong spending on services more than offset weaker expenditures on goods.
- Disposable income increased by 2.6% in the quarter, failing once again to keep pace with higher spending. As a result, the saving rate fell to 1.4% – the lowest on record – while the household debt-to-income ratio rose to a record 100.2%.

### ...but retail sales advance in August

- Retail sales rose 1.2% in August, keeping pace with July's solid increase. (In real terms, sales were up 0.9% on the month.) Gains were recorded in four of seven major groups, led by the Automotive sector (+2.6%), which was boosted by increasing gasoline prices and higher sales of parts and vehicles.
- Over the past year, increasing retail sales have been financed more by credit than higher personal incomes. This trend extended into August, with a 0.8% increase in consumer credit.
- The very strong employment gains in September and October will likely provide a boost to confidence and help sustain the momentum in consumer spending.

### Total Retail and Motor Vehicle Sales



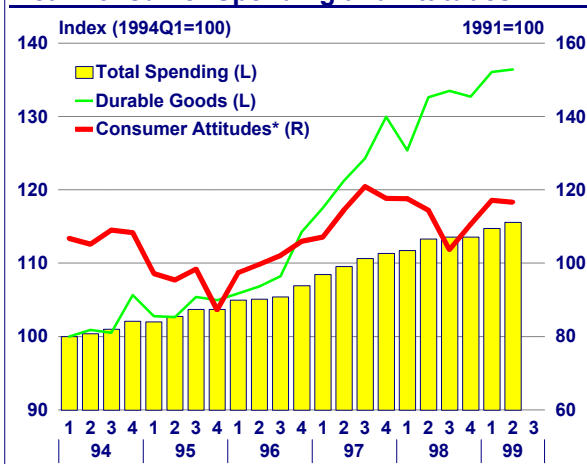
### Retail Sales and Consumer Credit

	August 1999 \$ millions	% Change since	
		last month	last year
<b>Total Retail Sales (S.A.)</b>	22,065	1.2	7.0
Food	4,908	0.4	2.4
Drug Stores	1,116	-0.3	2.3
Clothing	1,205	-0.8	2.8
Furniture	1,155	0.0	8.1
Automotive	8,740	2.6	9.9
General Merch. Stores	2,564	1.1	10.6
All other Stores	2,378	0.4	7.3
Total ex. motor vehicles	16,071	0.8	6.1
<b>Consumer Credit (unadjusted)</b>	166,336	0.8	7.6

### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	1997	1998	1999 Q1	1999 Q2
<b>Real Consumption (92\$)</b>	472,867	485,906	493,244	496,868
% change	4.2	2.8	4.2	3.0
Durable Goods	62,823	66,801	69,360	69,524
% change	13.3	6.3	10.5	0.9
Semi-Durable Goods	44,334	46,526	47,096	47,296
% change	4.3	4.9	4.9	1.7
Non-Durable Goods	118,293	119,521	120,952	121,180
% change	1.3	1.0	4.2	0.8
Services	247,417	253,058	255,836	258,868
% change	3.4	2.3	2.6	4.8
<b>Disposable Income</b>	534,728	552,778	562,680	566,368
% change	3.1	3.4	3.1	2.6
<b>Saving Rate (%)</b>	2.8	2.3	1.9	1.4
<b>Debt-to-Income Ratio (%)</b>	96.4	98.3	99.6	100.2

### Real Consumer Spending and Attitudes



\*Conference Board of Canada

# THE ECONOMY

## Business Investment in Plant and Equipment



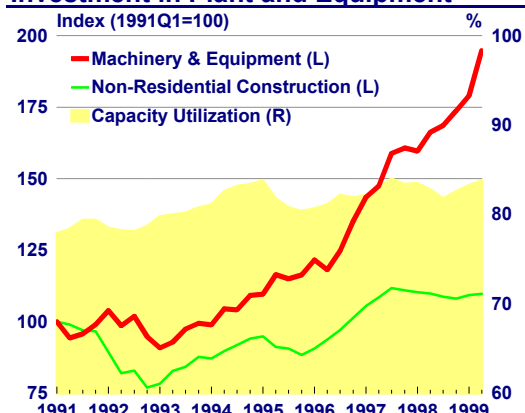
### Business investment surges in the second quarter...

- Business investment in M&E grew 40.5% (annual rate) in the second quarter, the biggest increase since 1991. Growth was widespread, although purchases of computers related to the Y2K compliance were an important factor behind this strong performance.
- Higher building construction resulted in growth of 1.5% in Non-residential Construction. Engineering construction fell in the second quarter due to reduced oil and gas drilling.

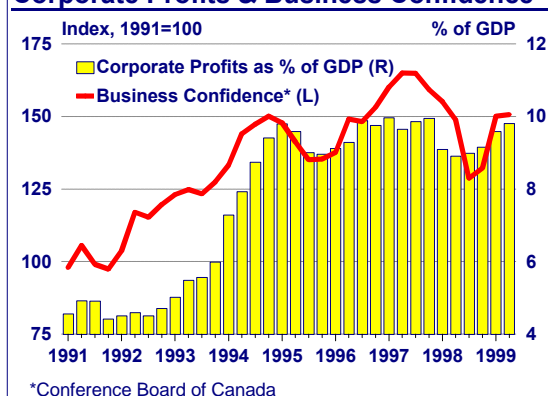
### ...but data are mixed so far in the third quarter

- After a sluggish July, imports of M&E rebounded in August (+1.1%), led by a strong increase in purchases of drilling equipment. However, over the same period, non-residential construction recorded its second consecutive monthly decline.
- According to the latest issue of the Business Conditions Survey, manufacturers are expected to expand output in the coming months. This may spur demand for investment.

### Investment in Plant and Equipment



### Corporate Profits & Business Confidence



### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1997	1998	1998 Q3	1998 Q4	1999 Q1	1999 Q2
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1992\$)</b>	59,112	64,701	65,308	67,284	69,320	75,464
% change	22.2	9.5	5.9	12.7	12.7	40.5
<b>Non-residential Construction (1992\$)</b>	39,079	39,110	38,932	38,696	39,128	39,272
% change	14.0	0.1	-3.8	-2.4	4.5	1.5
<b>Capacity Utilization (% , Non-farm goods)</b>	83.2	82.7	81.8	82.6	83.3	83.8
Capacity Utilization (Mfg. sector)	83.6	83.8	82.5	84.8	85.5	86.2
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
<b>Corporate Operating Profits</b>						
% change						
Profits - Non-financial industries						
% change						
Profits - Financial industries						
% change						
<b>Business Credit</b>	625,859	688,937	699,279	705,050	711,760	713,830
% change	9.3	10.1	10.2	3.3	3.9	1.2

NOTE: Statistics Canada is making significant changes to the Quarterly Survey of Financial Statistics for Enterprises. For this reason, data are preliminary and may be subject to significant revision.



## Housing

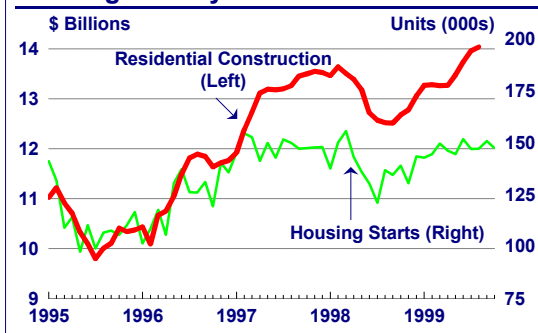
### Residential investment rebounds in the first half of the year...

- Residential investment advanced 15.4% (annual rate) in the second quarter, following an 18.6% rise in the first quarter. Strong increases in the first half of this year follow a period of sustained weakness in 1998.
- All major components of residential investment registered significant gains. Sales of existing homes were particularly strong, but new housing construction and renovation activity were also up.

### ...and are strong so far in the second half

- Residential construction continued to advance in August, recording its tenth increase in the last eleven months. The average level of activity in July and August was 3.7% above its second quarter level.
- Though construction intentions declined in September, on a year-over-year basis building permits were up by almost 6%.
- Sales of existing homes were virtually unchanged in September, interrupting the downward trend of recent months. Housing starts declined in October, and have shown no clear upward trend so far this year.
- Although monthly data are volatile, the housing sector has performed relatively well on a year-over-year basis with most indicators recording solid advances. Improving labour market conditions and rising consumer confidence should help sustain the strong housing market in coming months.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	14,041	0.6%	12.1%
<b>Building Permits, \$M (2)</b>	1,556	-7.2%	5.9%
<b>Sales of Existing Homes (2)</b> (# of units)	20,160	-9	
<b>Housing Starts, # of units (3)</b>	147,500	-3,300	8,500
Newfoundland	800	0	-300
Prince Edward Island	300	0	0
Nova Scotia	3,200	900	-200
New Brunswick	1,400	-700	-400
Quebec	21,200	-5,900	2,600
Ontario	59,400	-900	5,800
Manitoba	2,700	1,200	1,300
Saskatchewan	2,200	-1,000	700
Alberta	22,000	3,200	0
British Columbia	13,600	-300	-900

1 - August data; 2 - September data; 3 - October data.  
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

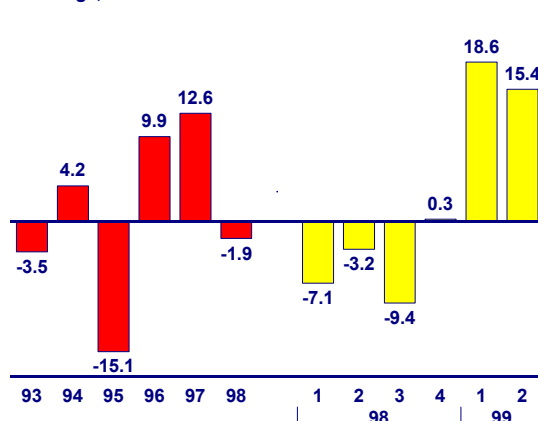
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1997	1998	1999 Q1	1999 Q2
<b>Residential Construction</b>	42,348	41,547	42,760	44,316
% change	12.6	-1.9	18.6	15.4
Construction by Business sector	42,223	41,422	42,632	44,188
% change	12.6	-1.9	18.6	15.4
New Housing	21,441	20,695	21,436	21,916
% change	19.5	-3.5	22.6	9.3
Alterations & Improvements	13,315	13,645	14,104	14,356
% change	7.2	2.5	16.6	7.3
Ownership & Transfer Costs	7,592	7,207	7,220	8,044
% change	4.5	-5.1	11.4	54.1

### Growth in Real Residential Construction

% change, SAAR





# THE ECONOMY



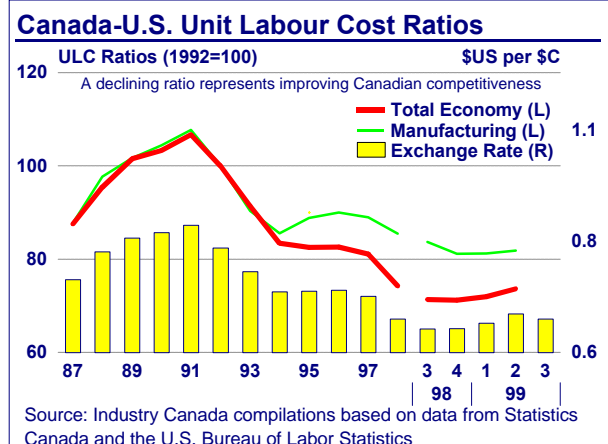
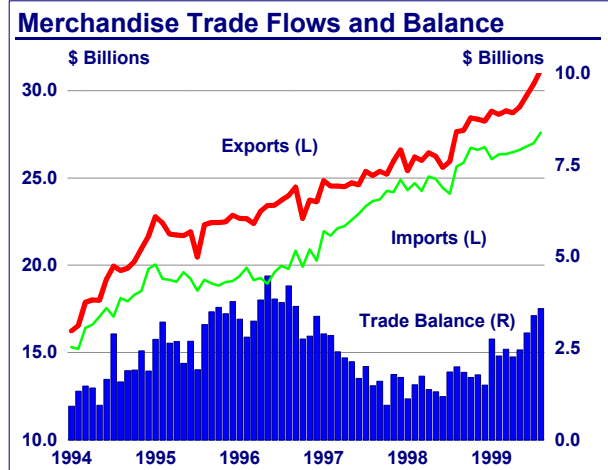
## Trade and Competitiveness

### A vigorous automotive sector boosts both exports and imports in August...

- Exports rose 2.7% in August, the strongest growth recorded in a year. This advance was fuelled almost entirely by the Automotive sector, which picked up from July's sluggish performance. However, exports decreased slightly in all other major categories except Other Consumer Goods.
- Imports also recorded a solid advance on the month (+2.3%), with all major sectors recording gains (except Other Consumer Goods). As with exports, this increase was led by higher purchases of Automotive Products.

### ...leading to a further increase in Canada's trade surplus

- The trade surplus rose for the fourth straight month in August as export growth outpaced that of imports. It edged up to \$3.6 billion, its highest level in almost three years.
- This year's combined surplus from January to August is \$22.1 billion, already above the total for all of 1998 (\$18.9 billion).



### Merchandise Trade

August 1999	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	1999 July	1999 August	1998 Jan-Aug.	1999 Jan-Aug.	July to Aug. 1999	July to Aug. 1999	July to Aug. 1999	Aug. 98 to Aug. 99
<b>Exports</b>	<b>30,370</b>	<b>31,177</b>	<b>209,483</b>	<b>235,337</b>	<b>807</b>	<b>2.7</b>	<b>12.8</b>	
to United States	26,200	27,191	173,688	202,386	991	3.8	16.1	
<b>Imports</b>	<b>26,986</b>	<b>27,599</b>	<b>197,429</b>	<b>213,244</b>	<b>613</b>	<b>2.3</b>	<b>7.6</b>	
from United States	20,791	21,078	151,459	163,824	287	1.4	6.8	
<b>Trade Balance</b>	<b>3,384</b>	<b>3,578</b>	<b>12,054</b>	<b>22,093</b>	<b>194</b>			
with United States	5,409	6,113	22,229	38,562	704			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,197	2,137	16,541	16,912	-60	-2.7	5.6	
Energy Products	2,679	2,664	16,133	18,022	-15	-0.6	23.6	
Forestry Products	3,466	3,318	23,165	25,624	-148	-4.3	11.2	
Industrial Goods & Materials	4,897	4,855	38,685	37,544	-42	-0.9	-0.3	
Machinery & Equipment	7,296	7,179	52,133	55,287	-117	-1.6	5.1	
Automotive Products	7,576	8,764	47,137	63,919	1,188	15.7	32.7	
Other Consumer Goods	1,128	1,146	8,072	9,110	18	1.6	7.4	
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,469	1,487	11,372	11,762	18	1.2	1.2	
Energy Products	808	824	5,958	6,005	16	2.0	8.4	
Forestry Products	230	232	1,637	1,796	2	0.9	13.2	
Industrial Goods & Materials	5,071	5,178	39,686	40,399	107	2.1	1.9	
Machinery & Equipment	8,960	9,062	65,942	70,835	102	1.1	5.5	
Automotive Products	6,339	6,743	42,337	50,088	404	6.4	21.4	
Other Consumer Goods	3,080	3,052	22,411	24,216	-28	-0.9	2.6	

# LABOUR MARKET TRENDS



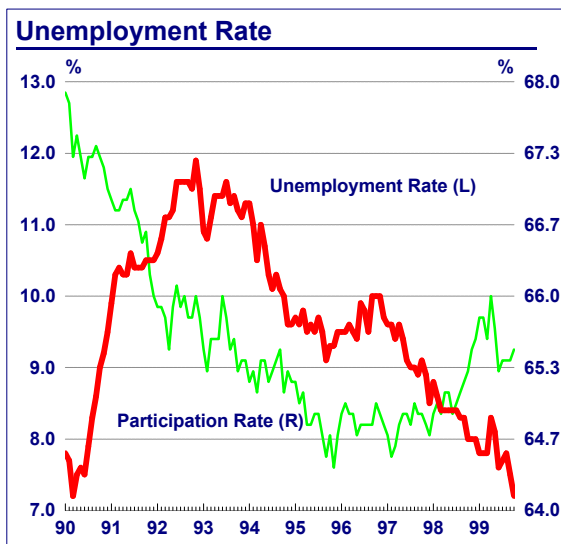
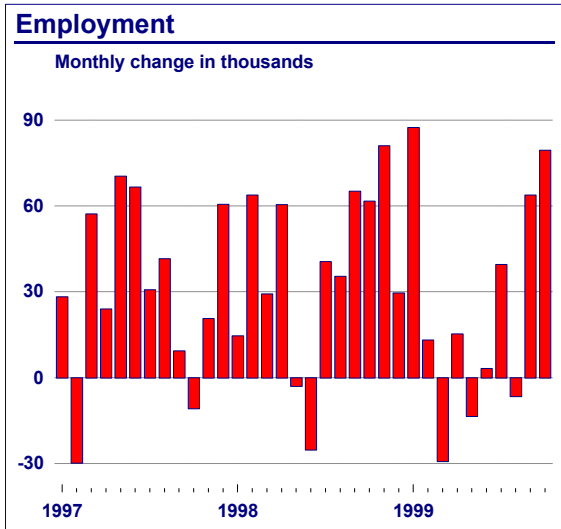
## Employment and Unemployment

### Employment posts its second straight solid gain in October...

- Following a sustained period of weakness earlier in the year, Canada's labour market has rebounded strongly over the past two months. The economy gained 80,000 jobs in October, building on an increase of 64,000 in the previous month.
- Given a slight decline in part-time employment, full-time work accounted for all of these net job gains (+85,000). So far this year, full-time employment is up 308,000 while the number of part-time jobs has fallen 55,000.

### ...pushing the unemployment rate down to 7.2%

- The national unemployment rate fell 0.3 percentage points to 7.2% in October. Higher employment was partly offset by an increase in the number of people seeking work (+33,000).
- The last time the unemployment rate was this low was March 1990. More significantly, it has not been below 7.2% since the onset of the 1981-82 recession (May 1981).
- The adult unemployment rate fell to 5.9% in October, down 0.3 points from the previous month. The youth unemployment rate was down 0.5 points to 14.0%.



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1998 October	1999 September	1999 October	last month	last year	year-to-date	last month	last year
<b>Employment</b>	14,452.8	14,736.6	14,816.1	79.5	363.3	252.7	0.5	2.5
<b>Full-time</b>	11,736.1	12,032.6	12,117.5	84.9	381.4	307.8	0.7	3.2
<b>Part-time</b>	2,716.6	2,704.0	2,698.6	-5.4	-18.0	-55.1	-0.2	-0.7
<b>Youth 15-24</b>	2,134.6	2,203.9	2,219.7	15.8	85.1	38.2	0.7	4.0
<b>Adult 25+</b>	12,318.2	12,532.8	12,596.4	63.6	278.2	214.5	0.5	2.3
<b>Self-employed</b>	2,595.1	2,529.0	2,533.4	4.4	-61.7	-56.2	0.2	-2.4
<b>Unemployment</b>	1,264.7	1,195.2	1,148.3	-46.9	-116.4	-123.9	-3.9	-9.2
<b>Unemployment Rate</b>	8.0	7.5	7.2	-0.3	-0.8	-0.8		
<b>Youth 15-24</b>	14.7	14.5	14.0	-0.5	-0.7	-0.4		
<b>Adult 25+</b>	6.8	6.2	5.9	-0.3	-0.9	-0.9		
<b>Labour Force</b>	15,717.5	15,931.8	15,964.4	32.6	246.9	128.8	0.2	1.6
<b>Participation Rate</b>	65.3	65.4	65.5	0.1	0.2	-0.1		
<b>Employment Rate</b>	60.0	60.5	60.8	0.3	0.8	0.4		





## Industry Overview

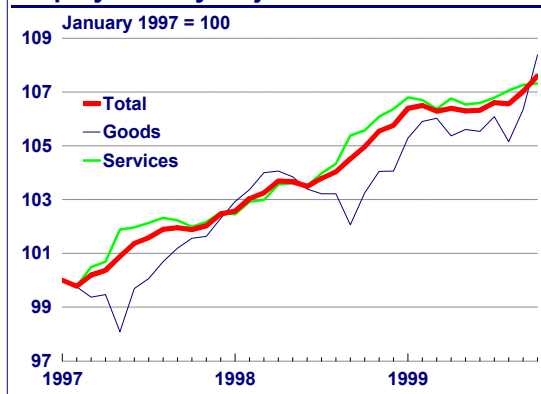
### October job gains are concentrated in the Goods-producing industries...

- Most of October's employment growth occurred in the Goods-producing industries (+74,000). As in the previous month, both Manufacturing and Construction posted solid gains. However, while Manufacturing employment is up 9.6% compared to last October, the number of Construction workers is basically unchanged on a year-over-year basis.
- Employment in the Service sector edged up 6,000 on the month. The largest gain was in Trade, while the biggest losses were registered by Accommodation & Food Services and Other Services.

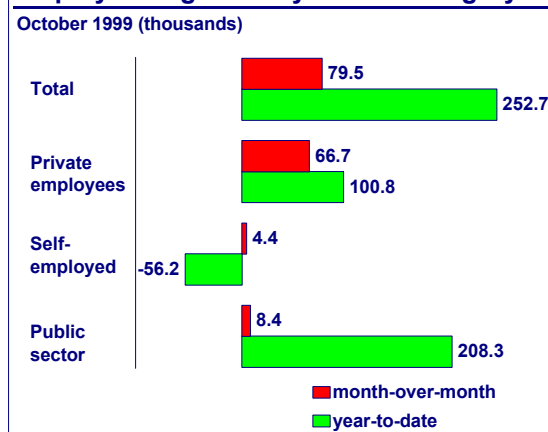
### ...and among paid employees in the private sector

- The number of paid employees in the private sector was up 67,000 in October, the fourth straight monthly rise. Prior to this string of advances, paid private-sector employment had fallen in five straight months.
- Both self-employment and employment in the public sector were little changed on the month. However, public employment is still up sharply on a year-to-date basis.

### Employment by major sector



### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1998 October	1999 September	1999 October	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,733.2	3,844.7	3,918.6	73.9	185.4	156.4	1.9	5.0
Agriculture	413.8	393.6	385.2	-8.4	-28.6	-27.0	-2.1	-6.9
Other Primary*	276.4	262.9	272.3	9.4	-4.1	-7.7	3.6	-1.5
Utilities	114.3	129.5	128.7	-0.8	14.4	13.5	-0.6	12.6
Construction	795.2	775.4	794.0	18.6	-1.2	-19.1	2.4	-0.2
Manufacturing	2,133.4	2,283.4	2,338.5	55.1	205.1	196.8	2.4	9.6
<b>Service-producing</b>	10,719.6	10,891.9	10,897.5	5.6	177.9	96.3	0.1	1.7
Trade	2,190.9	2,271.3	2,282.3	11.0	91.4	41.2	0.5	4.2
Transportation	715.2	771.6	774.6	3.0	59.4	43.9	0.4	8.3
FIRE*	874.8	909.6	912.5	2.9	37.7	14.4	0.3	4.3
Professional/Scientific	916.5	894.5	903.8	9.3	-12.7	-32.8	1.0	-1.4
Management/Administrative	498.4	506.8	513.0	6.2	14.6	25.9	1.2	2.9
Educational Services	964.7	993.7	994.7	1.0	30.0	55.4	0.1	3.1
Health Care/Social Assistance	1,498.1	1,497.3	1,497.4	0.1	-0.7	6.7	0.0	-0.0
Information/Culture/Recreation	648.7	666.7	661.7	-5.0	13.0	18.4	-0.7	2.0
Accommodation & Food	908.7	953.5	942.4	-11.1	33.7	9.9	-1.2	3.7
Other Services	731.2	696.7	685.7	-11.0	-45.5	-46.2	-1.6	-6.2
Public Administration	772.2	730.3	729.3	-1.0	-42.9	-40.6	-0.1	-5.6

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



## Provincial Overview

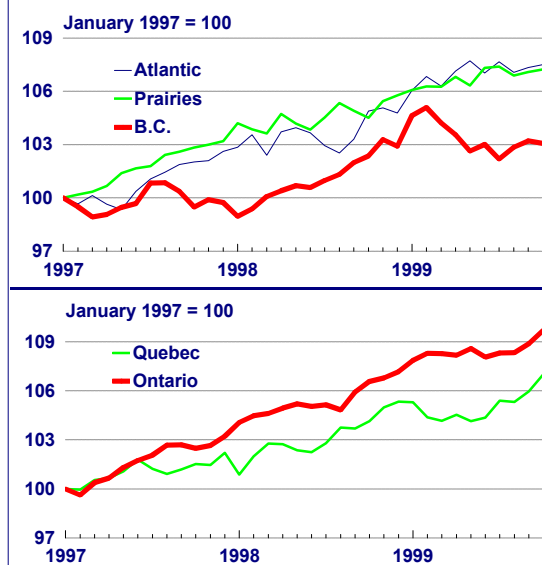
### Central Canada leads in job growth for the second straight month...

- As was the case in the previous month, most of October's total net increase in employment can be attributed to major gains in Ontario (+44,000) and Quebec (+33,000).
- Ontario's unemployment rate fell 0.4 percentage points to 6.0% in October. In Quebec, however, the sizeable job gain was offset by an even larger increase in the labour force, leading to a slight 0.1 point increase in its unemployment rate to 9.1%.

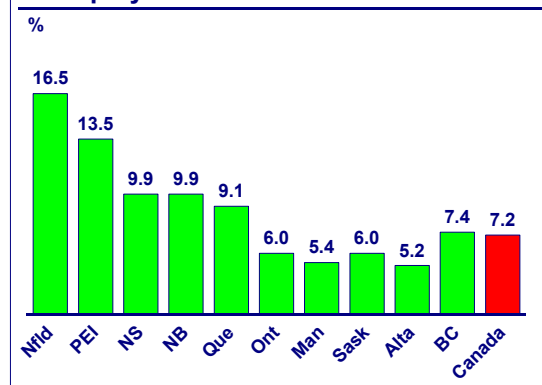
### ...as employment conditions are little changed in most other provinces

- Apart from Ontario and Quebec, Prince Edward Island was the only other province to post a significant job gain in October, lowering its unemployment rate by just over one full percentage point to 13.5%. Elsewhere, employment was little changed.
- In both Alberta and British Columbia, a large fall in the number of job seekers resulted in a significant drop in their respective unemployment rates.

### Regional employment patterns



### Unemployment Rates -- October 1999



### Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment rate (%)			
	Levels	Change since last month		Change since last year		Levels	Change since last month	
	1999 October	(000's)	%	(000's)	%		last month	last year
Canada	14,816.1	79.5	0.5	363.3	2.5	7.2	-0.3	-0.8
Newfoundland	209.4	1.9	0.9	4.8	2.3	16.5	-0.3	-1.8
P.E.I.	62.2	1.9	3.2	2.2	3.7	13.5	-1.1	-0.5
Nova Scotia	414.2	-2.1	-0.5	10.4	2.6	9.9	0.3	-0.8
New Brunswick	337.1	-0.1	-0.0	7.5	2.3	9.9	-0.1	-1.4
Quebec	3,451.4	33.2	1.0	92.2	2.7	9.1	0.1	-0.6
Ontario	5,841.7	43.6	0.8	167.2	2.9	6.0	-0.4	-1.0
Manitoba	558.7	2.2	0.4	11.5	2.1	5.4	-0.4	-0.6
Saskatchewan	483.2	-0.9	-0.2	5.8	1.2	6.0	0.5	-0.2
Alberta	1,561.5	2.4	0.2	48.9	3.2	5.2	-0.7	-1.2
B.C.	1,896.8	-2.6	-0.1	12.9	0.7	7.4	-0.6	-0.6

# PRICES and FINANCIAL MARKETS

## Consumer and Commodity Prices



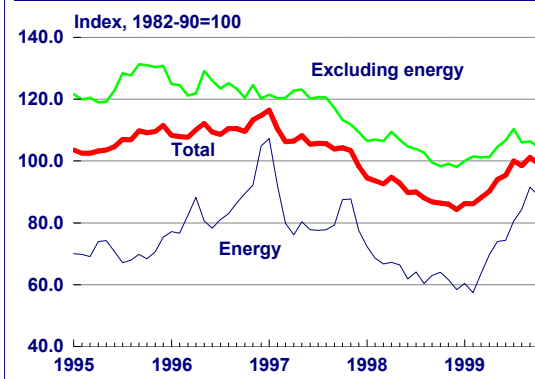
### Inflation rises in September...

- The year-over-year rate of CPI inflation increased to 2.6% in September, up from 2.1% in August. This is the largest year-over-year increase since June 1995.
- After hovering around the lower bound target of 1% since the end of 1997, the annual CPI index has averaged approximately 1.9% since April.

### ...as energy prices drive the index higher

- Higher energy prices are largely responsible for the index's rise. Growth in gasoline and fuel oil prices and higher rates for natural gas lifted the energy component by 12.5% in September on a year-over-year basis. Higher prices for automobiles and air transportation also contributed to the increase, while prices for computer equipment and telephone services declined.
- When the volatile food and energy components and the impact of indirect taxes are excluded, the remaining "core" rate of inflation falls to 1.9% (year-over-year), near the mid-point of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance. Since April, the core inflation rate has averaged approximately 1.6%.
- Commodity prices fell back slightly in October following September's surge, led by declines in prices of crude oil, gold and precious metals. Commodity prices still remain well above their previous year levels.

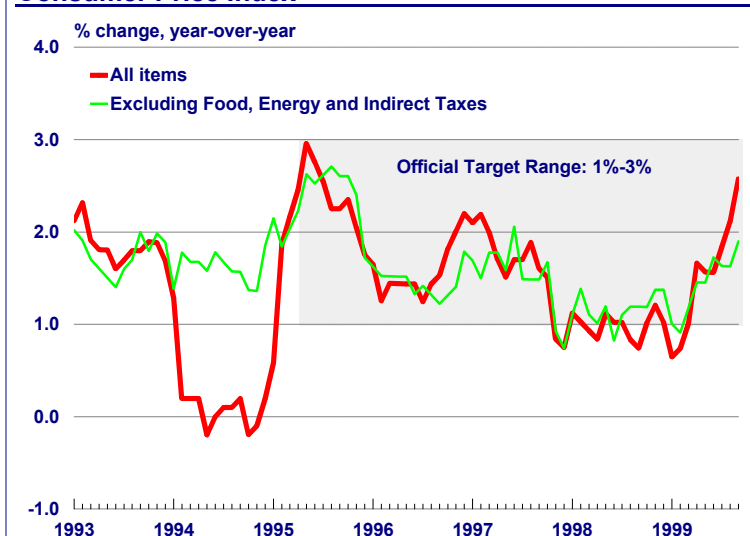
### Commodity Prices (\$U.S. basis)



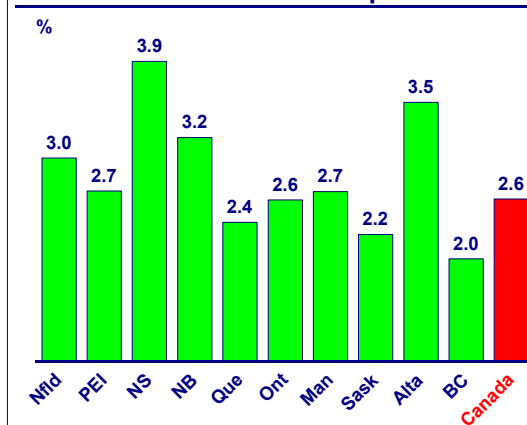
### Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
<b>September 1999</b>			
<b>All items CPI</b>	111.4	0.3	2.6
Food	109.8	-0.5	1.4
Shelter	105.6	0.6	1.9
Household operations	109.5	0.4	0.9
Clothing & Footwear	107.2	0.8	2.7
Transportation	127.0	0.5	5.9
Health & Personal Care	110.6	0.1	1.9
Recreation, Educ. & Reading	122.4	0.6	2.9
Alcohol & Tobacco	94.6	0.0	1.5
<b>Excl. Food/Energy/Indirect Taxes</b>	112.7	0.4	1.9
Energy	115.4	1.4	12.5
<b>Commodity Prices (October)</b>			
Index, 1982-90=100	99.2	-2.0	14.8
Excluding Energy	104.6	-1.7	6.4
Energy	89.0	-2.8	39.1

### Consumer Price Index



### Provincial CPI Inflation -- September 1999



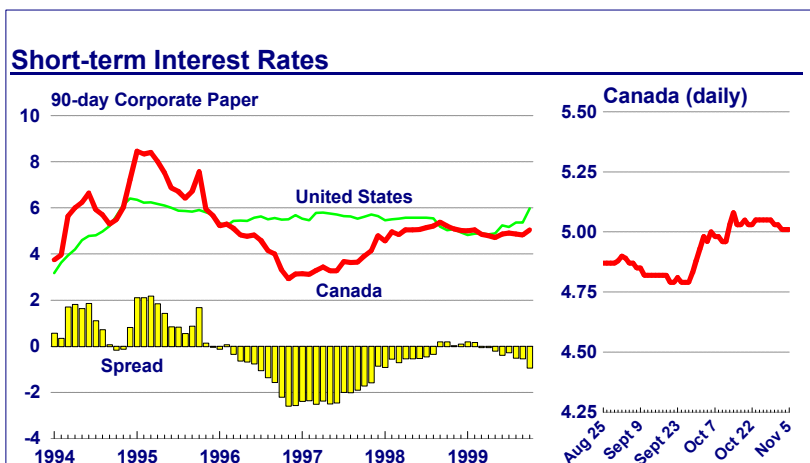


### *Bond yields rise throughout much of October...*

- North American bond yields rose steadily in early October as inflationary concerns and the adoption of a tightening bias by the US Federal reserve fuelled speculation of another interest rate increase. This speculation intensified when figures were released showing that U.S. producer prices posted their biggest jump in nine years in September.

### *...but then fall back as US inflation fears lessen*

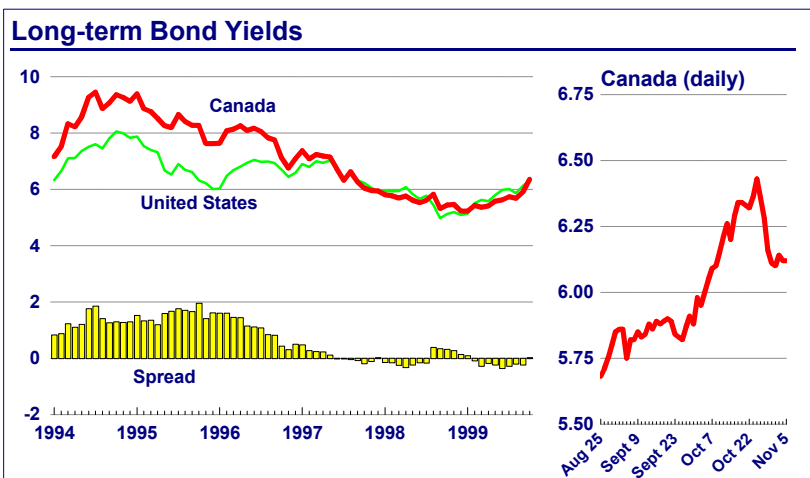
- The release of relatively modest consumer price figures later in the month eased market concerns somewhat. Bond markets were further buoyed by comments from the Federal Reserve Board chairman Alan Greenspan suggesting that the Fed may not raise interest rates again this year.
- As inflation in Canada converges toward the U.S. rate, investors appear less willing to receive lower yields for Canadian bonds. Indeed, U.S. bonds largely outperformed their Canadian counterparts in October, and Canadian long rates were at par with U.S. rates on November 3.
- On the short end, however, Canadian rates have risen less quickly, widening the spread in Canada's favour to almost a full percentage point by November 3. Bank of Canada Governor Thiessen has hinted that rate increases in Canada may be required to keep inflation in check.



### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1997	4.80	-0.85	5.95	0.02
1998	5.02	0.09	5.23	0.14
May 1999	4.71	-0.19	5.58	-0.22
June	4.86	-0.38	5.63	-0.35
July	4.91	-0.26	5.74	-0.27
Aug	4.87	-0.50	5.68	-0.19
Sept	4.83	-0.53	5.91	-0.22
Oct	5.05	-0.93	6.36	0.03
Nov 3	5.01	-0.98	6.14	0.00

A positive spread indicates that Canadian rates are above their U.S. counterparts.



### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1997	4.50	6.00	6.65	7.05
1998	5.25	6.75	6.20	6.60
May 1999	4.75	6.25	6.30	7.30
June	4.75	6.25	6.75	7.70
July	4.75	6.25	7.05	7.75
Aug	4.75	6.25	7.05	7.80
Sept	4.75	6.25	6.80	7.70
Oct	4.75	6.25	7.35	8.25
Nov 3	4.75	6.25	7.35	8.25

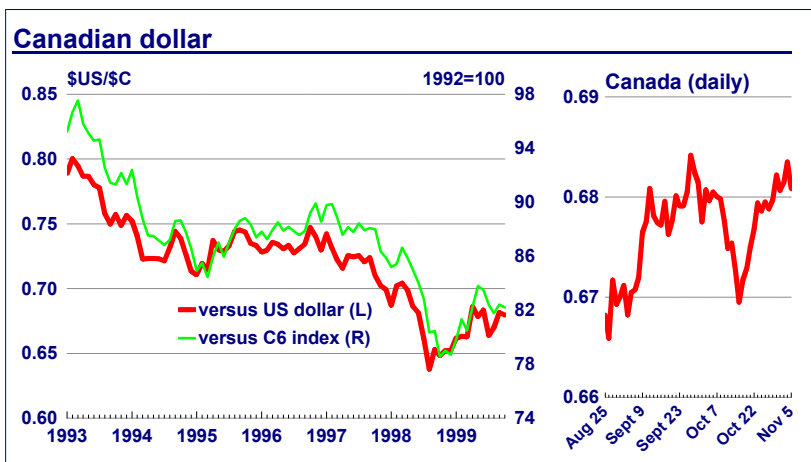


### The stock market makes gains in October...

- The TSE 300 index continues to trend upwards, closing out October on a 16-week high of 7256. Utilities and Financial Services stocks made the biggest gains on the month, while gold stocks gave back some of the large increases realized in the previous month.
- The stock market experienced a downturn in the middle of the month when a large increase in U.S. producer prices raised fears of higher interest rates. North American stocks then rebounded strongly on the subsequent release of figures showing consumer price gains to be modest.

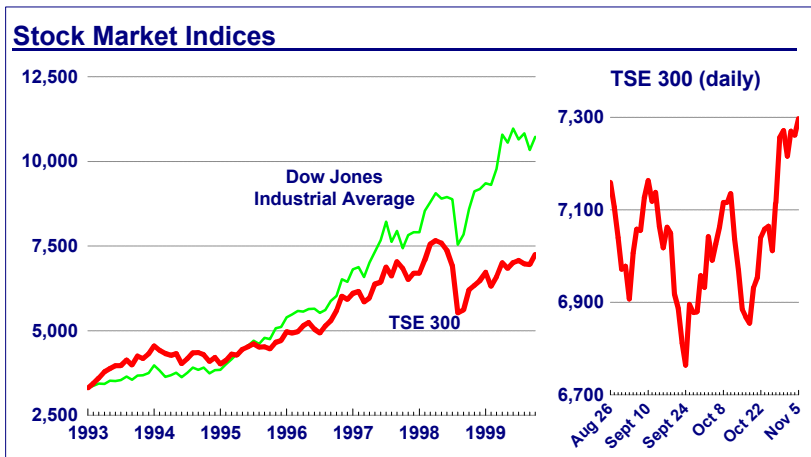
### ...and the Canadian dollar resumes an upward trend

- The Canadian dollar drifted downwards during the first part of the month on the expectation that higher interest rates in the U.S. would not be matched by the Bank of Canada.
- The dollar subsequently recovered much of this lost ground, boosted by the favourable U.S. inflation figures and statements by the Fed Chairman reducing the likelihood of higher U.S. rates. The dollar gained further support from comments by Governor Thiessen, who suggested that interest rates in Canada may need to be raised. The dollar closed on November 5 at \$U.S. 0.6878, just slightly below September's close.



### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1997	0.6991	85.87	1.247	90.87
1998	0.6522	78.71	1.082	75.91
May 1999	0.6784	83.80	1.259	83.35
June	0.6835	83.50	1.283	82.17
July	0.6639	82.39	1.267	80.13
Aug	0.6700	81.79	1.236	75.80
Sept	0.6815	82.43	1.261	72.34
Oct	0.6797	82.22	1.237	71.71
Nov 5	0.6808			



### Key Stock Market Indexes

	October Close	% change from	
		last month	last year
<b>TSE 300</b>	<b>7,256</b>	<b>4.3</b>	<b>16.9</b>
Oil & Gas	6,062	-3.1	11.6
Metals & Minerals	3,901	-0.2	26.0
Utilities	9,198	17.0	36.6
Paper & Forest	4,976	2.3	39.4
Merchandising	4,853	-4.3	-5.0
Financial Services	7,278	8.6	-5.9
Gold	5,513	-13.9	-17.9
Price-Earnings Ratio*	29.7	1.5	4.4
<b>S&amp;P 500</b>	<b>1,363</b>	<b>6.3</b>	<b>24.1</b>
<b>Dow Jones</b>	<b>10,730</b>	<b>3.8</b>	<b>24.9</b>

\*columns 2 & 3 reflect change in levels



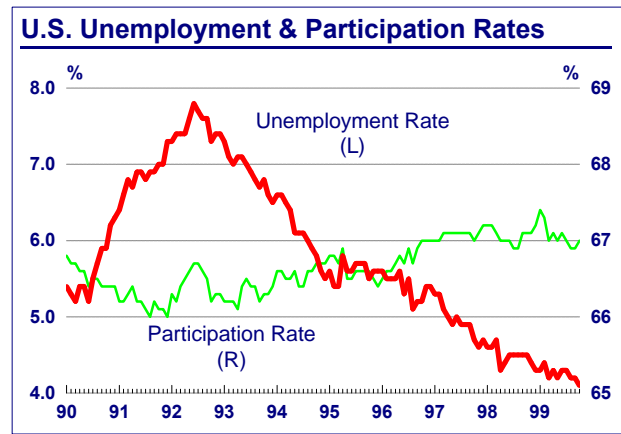
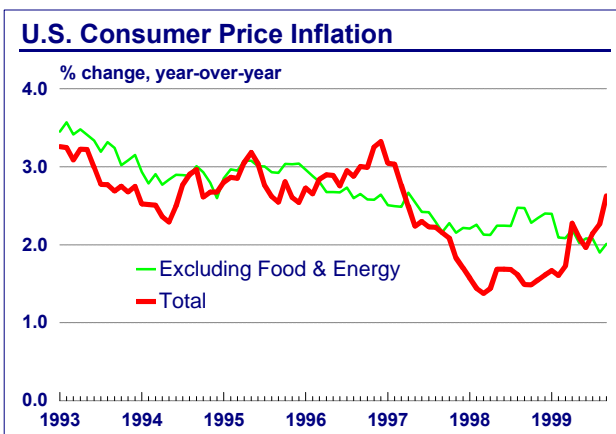
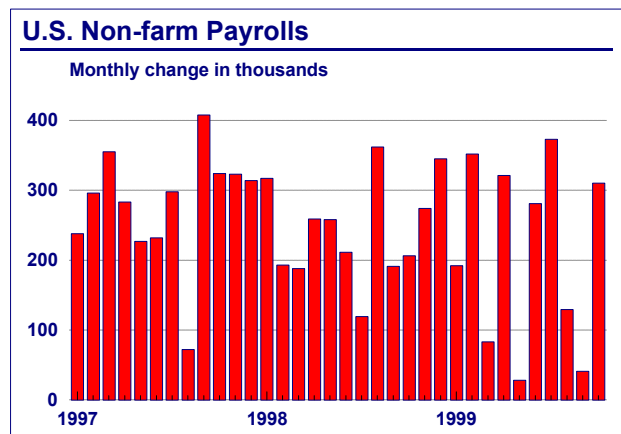
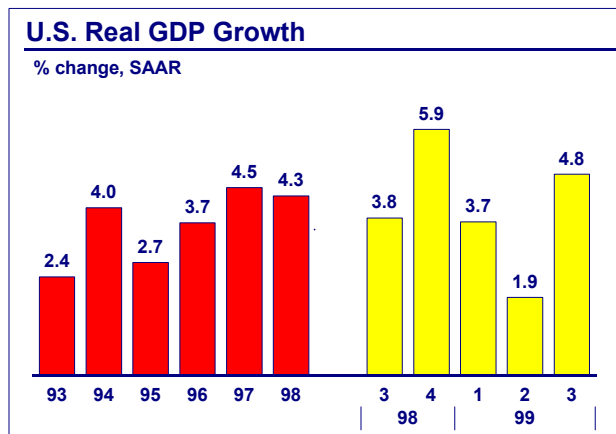
## U.S. Economic Trends

### The U.S. economy grows at a fast pace in the third quarter...

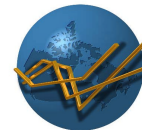
- Advance estimates indicate that real GDP increased 4.8% (annual rate) in the third quarter of 1999, its fastest pace so far this year. Solid gains in consumer spending, exports and business investment in plant, equipment and inventories were all responsible for this strong performance. However, high import growth and lower residential investment moderated overall growth.
- Recovering from the effects of Hurricane Floyd, U.S. employment rose by 310,000 in October. The unemployment rate edged down to 4.1%, its lowest level in 29 years, indicating that the U.S. labour market remains tight.
- The U.S. trade deficit narrowed to \$24.1 billion in August after hitting a record high in July. A jump in exports (+3.7%) help pull down the trade deficit despite strong import growth (+3.0%).

### ... but inflation indicators are mixed

- Boosted by higher energy prices, the year-over-year rate of CPI inflation rose to a 30-month high of 2.6% in September. A large increase in producer prices also reinforced fears that the Federal Reserve might raise its key federal funds rate on November 16.
- However, slower growth in employment costs in the third quarter and in average hourly earnings in October subsequently soothed fears of a possible hike in interest rates.







**The ICT Sector is making a substantial contribution to growth in Canada...**

- The Information and Communications Technologies (ICT) sector contributed \$41.3 billion to Canada's GDP (\$1992) in 1997 -- representing 5.9% of the total economy.
- Annual growth in this sector has been 5.7% so far in the 1990s\*, compared to growth of only 2.0% economy-wide. This fast growth of the ICT sector means that it has accounted for 11% of the growth in total output so far in the 1990s.
- Within the ICT sector, Services industries have grown faster than Manufacturing industries over this period (6.0% per year versus 5.1%). Within Manufacturing, production of Computer Equipment & Electronic Components has been particularly strong, while Software & Computer Services have posted the largest gains in Services.

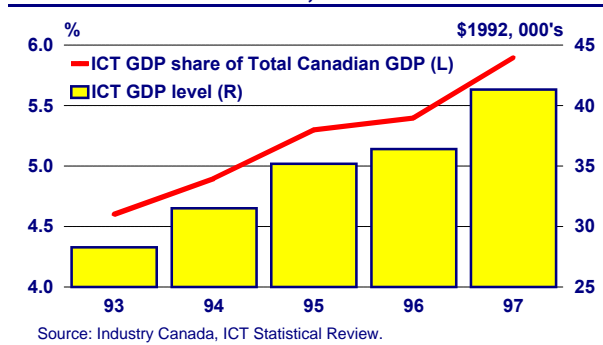
**...and is a major source of new jobs**

- Employment in the ICT sector has also experienced strong growth during this period. The number of jobs in ICT industries rose from 391,000 in 1990 to 481,000 in 1997, an increase of 23.1% (3.0% annual growth, compared to 0.8% economy-wide).
- In 1997, 3.5% of all Canadian workers were employed by the ICT sector.
- Most of these employment gains have occurred in Software & Computer Services, where employment is 2½ times higher in 1997 than in 1990. Employment in the Manufacturing segment of the ICT sector has remained relatively stable over the 1990-97 period.

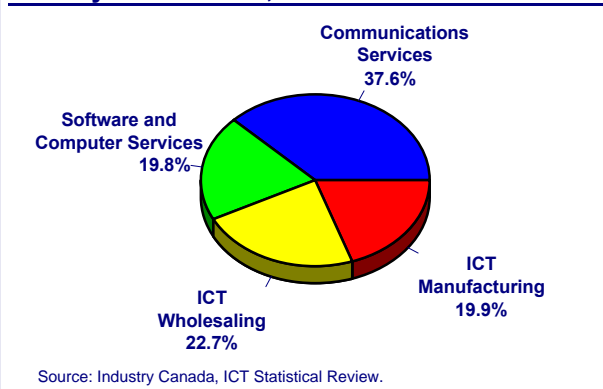
\*As GDP for ICT wholesaling is not available from 1990-92, growth rates calculated over the 1990s exclude this industry.

Information & Communications Technologies Sector	
Manufacturing	Services
Consumer electronics	Cable television
Communications & telecommunications equipment	Telecommunications services
Electronic components	ICT wholesaling
Computer equipment	Software & computer services
Communications wires & cables	Office machinery rental & leasing
Instrumentation	

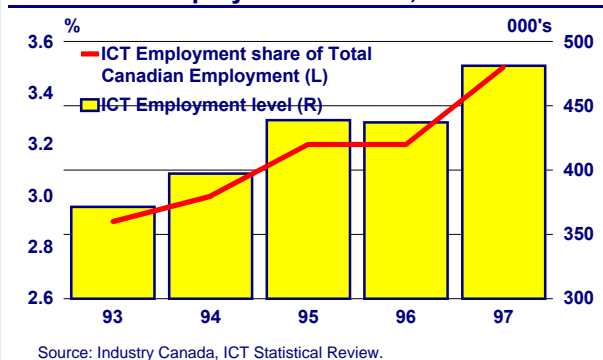
**ICT Sector GDP Growth, 1993-97**



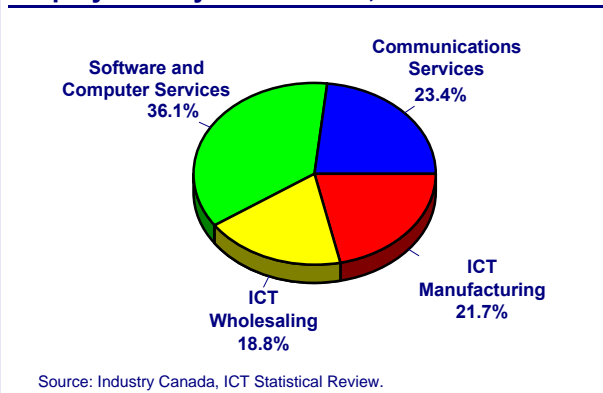
**GDP by Sub-sectors, 1997**



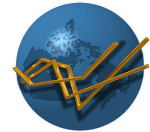
**ICT Sector Employment Growth, 1993-97**



**Employment by Sub-sectors, 1997**







**ICT industries are the biggest performers of private sector R&D...**

- In 1997, R&D expenditures in the ICT sector reached \$3.6 billion, representing 42% of total private sector R&D.
- Most recent data suggest that the ICT industries were intending to spend \$3.8 billion on R&D in 1998, a 4.1% increase over 1997.
- With a projected total of \$1.8 billion in spending in 1998, the Telecommunication Equipment industry is by far the largest spender on R&D, representing almost 20% of all Canadian private sector R&D expenditures.

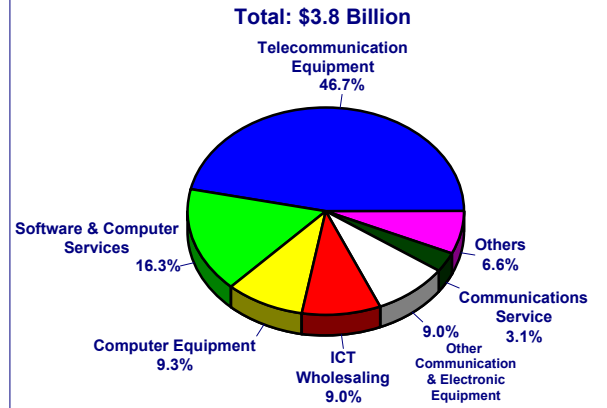
**...and have a knowledge-intensive workforce...**

- Employment in the ICT sector is characterized by a high level of education. In the Software & Computer Services industry, 46% of employees have a university degree, 2½ times higher than the national average of 19%.
- In other ICT industries, such as Computer Equipment, Communication & Electronic Equipment, and Telecommunication Services, the proportion of employees with a university degree is also significantly above the Canadian average.

**...that earns above-average wages**

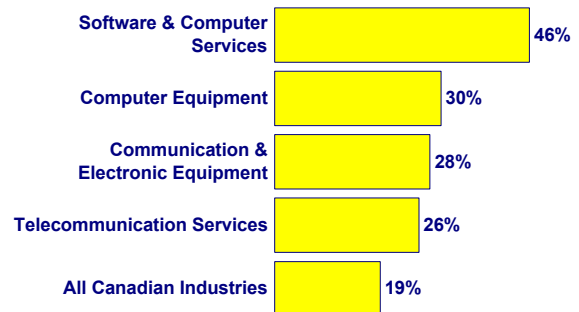
- Employees in this sector are also well rewarded. Workers in the Computer Equipment industry earned on average \$47,805 in 1998, 52% more than the economy-wide average. Employees in Software & Computer Services, Communication & Electronic Equipment, and Telecommunication Services also earned over 40% more than the Canadian average.

**R&D Expenditures by ICT industry, 1998 Intentions**



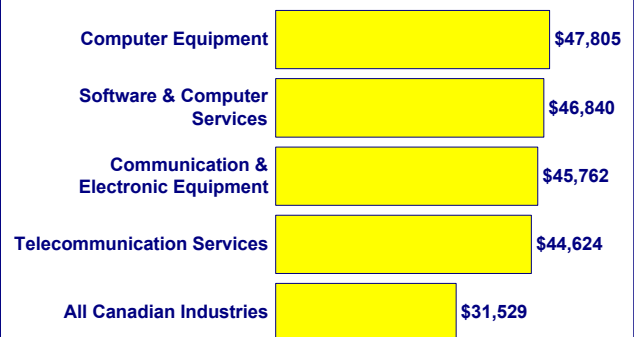
Source: Research & Development in Canadian Industry (RDCI) Survey

**Percentage of Workers with a University Degree, 1998**

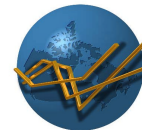


Source: Statistics Canada, Labour Force Survey (LFS).

**Average Annual Earnings by Industry, 1998**



Source: Statistics Canada, Survey of Employment, Payrolls and Hours (SEPH).



**Although ICT Manufacturing industries are highly export-oriented...**

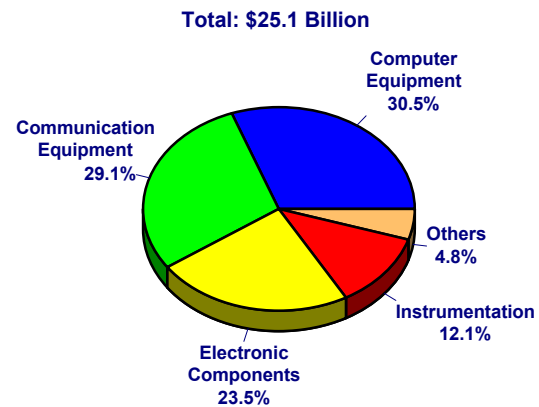
- More than three quarters of ICT products manufactured in Canada are exported. In 1998, exports of ICT goods reached \$25 billion, up 7.9% over the previous year and more than double the 1990 level.
- Exports of Computer Equipment represented the largest proportion (30.5%) of all ICT manufacturing exports in 1998. Most of these exports consist of parts such as power supplies and printed circuit boards.
- Consistent with overall trade patterns, the United States is the main market for ICT manufacturing exports. Shipments to the US reached \$20.6 billion in 1998, accounting for 82% of all ICT manufacturing exports (up from 78% in 1990).
- Shipments to the European Union totalled \$1.8 billion in 1998, representing 7.2% of total exports (down from 11.5% in 1990). Exports to the Asia-Pacific reached \$1.6 billion in 1998.

**...Canada nonetheless still incurs a sizeable trade deficit in this sector**

- Despite the strong growth in exports, Canada's ICT sector has a large and growing trade deficit. Indeed, this deficit has grown from \$8.4 billion in 1990 to \$19.9 billion in 1998.
- This rising deficit is mainly due to higher imports of electronic components which reached \$15.5 billion in 1998 (including \$9.0 billion in imports of semiconductors). Canada is aggressively seeking investment in a semiconductor plant to improve our trade position.

*For further information on the Canadian ICT sector, you are invited to consult the ICT Statistical Review which is published on Strategis at <http://strategis.ic.gc.ca/infotech>.*

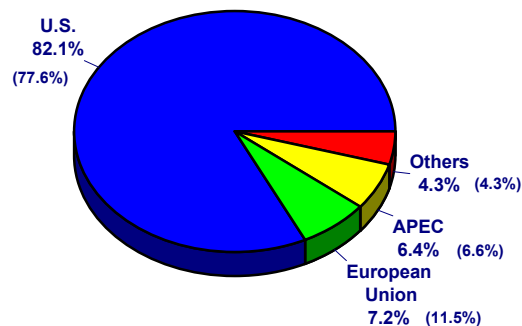
**ICT Manufacturing Exports by Industry, 1998**



Source: Industry Canada, ICT Statistical Review.

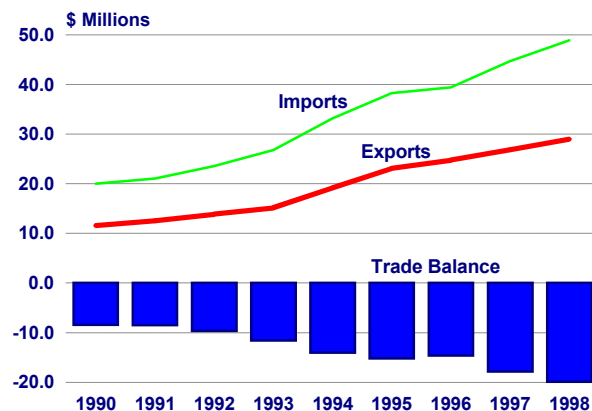
**ICT Manufacturing Exports by Region, 1998**

1998 Share of Total (1990 share in brackets)



Source: Industry Canada, ICT Statistical Review.

**ICT Total Exports, Imports and Trade Balance**

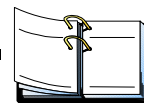


**Note to Readers:**

Some 1997 and 1998 data reported in this article are slightly different from data reported in previous publications since it includes the latest revisions made by Statistics Canada to data previously published.

## COMING UP

### Key Future Data Releases and Planned Events



#### CANADA

Survey of Manufacturing – September .....	November 16
Monetary Policy Report (Bank of Canada) .....	November 17
International Trade – September .....	November 18
Consumer Price Index – October .....	November 19
GDP at factor cost – September .....	November 30
National Economic & Financial Accounts – 3rd Quarter 1999 .....	November 30
Balance of International Payments – 3rd Quarter 1999 .....	November 30
Labour Force Survey – November .....	December 3
Financial Statistics For Enterprises – 3rd Quarter 1999 .....	December 6
Capacity Utilization Rates – 3rd Quarter 1999 .....	December 7

#### UNITED STATES

Federal Open Market Committee meeting .....	November 16
Consumer Price Index – October .....	November 17
International Trade – September .....	November 18
GDP – 3rd Quarter 1999, Preliminary .....	November 24
Employment Situation – November .....	December 3

Note: the November MEI uses data available as of November 5, 1999

The Special Report scheduled for the December MEI is entitled  
"1999: The Year in Review"