



REGIONAL ECONOMIC OBSERVER



FOURTH QUARTER, 1999

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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 February 29, 2000. It has been prepared by Marianne Blais, Julie Dubois, 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.

Highlights: Fourth Quarter, 1999

British Columbia

British Columbia's economy picked up in the second half of 1999, after a sluggish performance in 1998 and early 1999. Industrial activity surged with gains concentrated in resource-based industries. Exports of wood products were particularly strong as residential construction activity in the U.S. maintained its solid pace. Higher consumer confidence also supported a firming of domestic demand. Employment growth picked up over the year leading to a lower unemployment rate.

Prairies

Economic activity in the Prairies slowly improved in 1999, dampened by a struggling agricultural sector. Manufacturing output strengthened at the end of the year in Alberta and Saskatchewan. Nonetheless, the unemployment rate was up in all three provinces in 1999, as a rising labour force more than offset employment gains.

Ontario

Despite a slowdown at the end of the year, the Ontario economy grew strongly in 1999, sustained by strong performances in the manufacturing, retail trade and housing sectors. The strength of the economy was also reflected in the labour market with the creation of nearly 200,000 jobs, all of which full-time. As a result, the unemployment rate fell to 5.5% in December.

Quebec

Growth was also vigorous in Quebec, although below that of Ontario. Domestic demand strengthened and the manufacturing sector benefited from a buoyant North-American economy. Labour market conditions improved significantly with the unemployment rate falling to 9.3% in 1999, its lowest rate since 1976.

Atlantic

In the first half of 1999, economic activity in Atlantic Canada was fuelled by construction on major projects, such as Terra Nova, Sable Island, as well as highway construction and an expansion of a refinery in Saint John. The manufacturing sector also benefitted from increased foreign demand for wood and food products.

Economic activity slowed in the third quarter but staged a comeback in the fourth quarter, supported by higher growth in employment, manufacturing and retail trade in Nova Scotia, Prince Edward Island and Newfoundland.



British Columbia



British Columbia

Labour Markets

Job creation edges up in the fourth quarter...

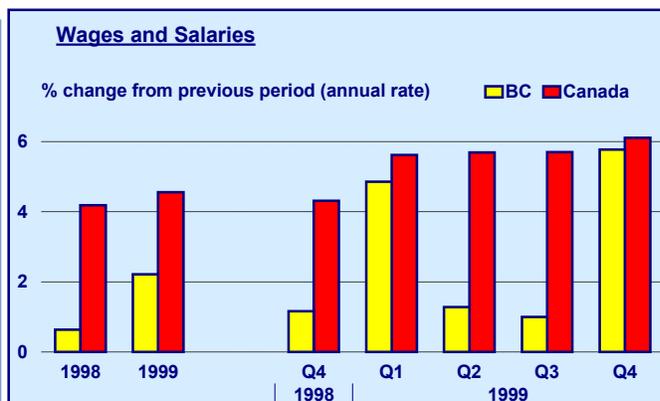
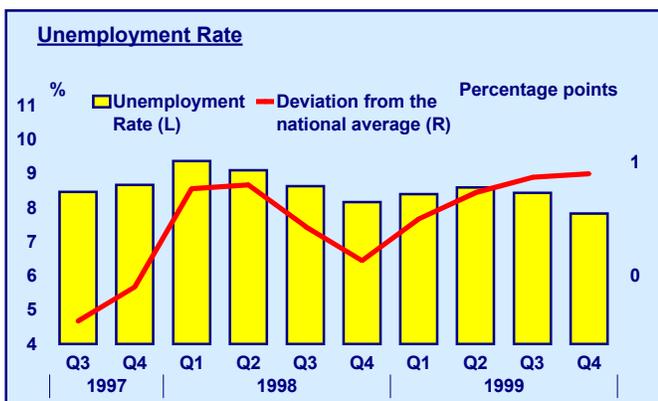
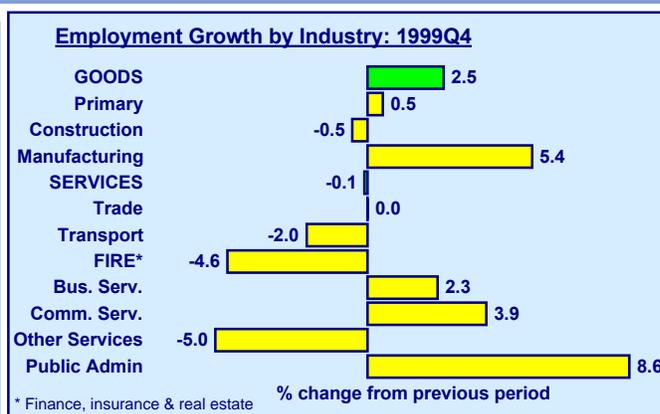
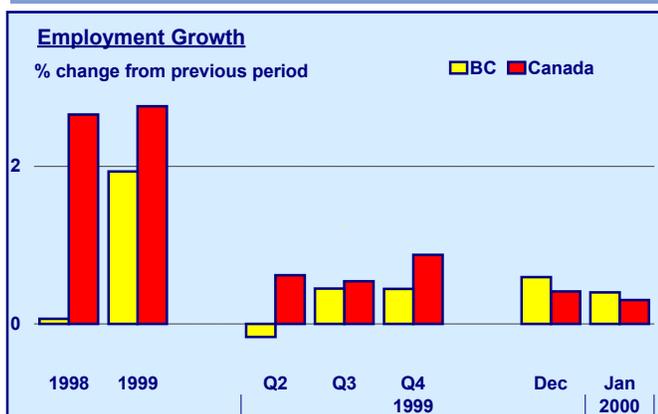
- Employment rose 0.4% in the fourth quarter, keeping the pace of the previous quarter. Job creation was particularly strong in public administration, manufacturing and community services. Losses in other services, finance, insurance & real estate (FIRE) and transportation & warehousing somewhat offset these gains.
- Employment was up 1.9% in 1999, rebounding from a sluggish 1998, but still below the national average. Labour market conditions in British Columbia continued to improve in the new year as employment in January grew faster than the national average.

...pushing the unemployment rate down to a near 10-year low

- The unemployment rate decreased further to 7.8% in the fourth quarter, its lowest rate since the beginning of the 1990s.
- Nonetheless, the gap with the national average continued to widen in the fourth quarter due to a larger decline in the national rate. The BC unemployment rate gap rose by almost a full percentage point in 1999, contrasting with its 1998 year-end level, when the unemployment rate was almost at par with the national average.

Wages and salaries surge in the fourth quarter

- Wages and salaries recorded their largest gains of the year in the fourth quarter, advancing a sizeable 5.8%. Although incomes firmed up in 1999, growth remained well below the national average.





Economic Activity and Prices

Resource-based industries sustain manufacturing growth...

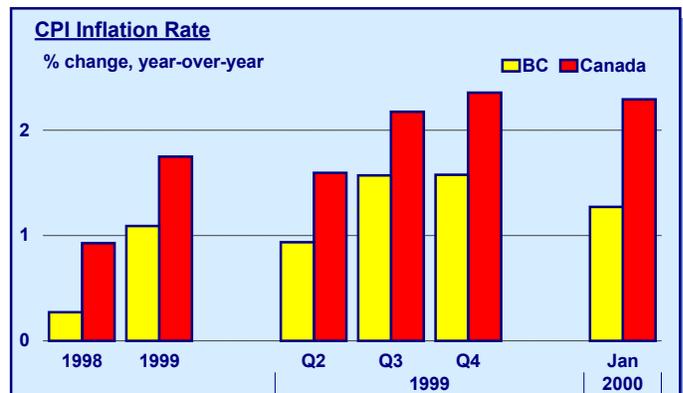
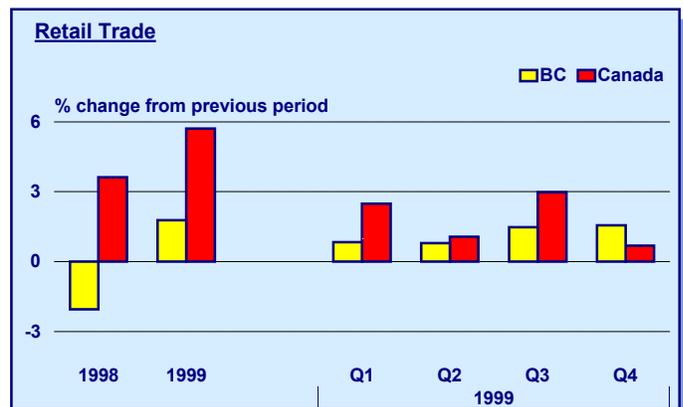
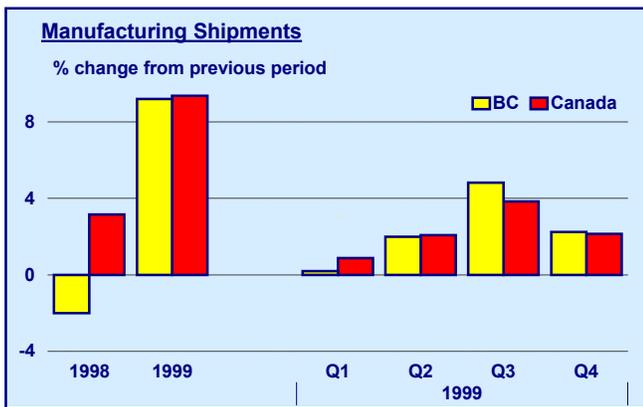
- Manufacturing shipments recorded their sixth consecutive advance in the fourth quarter, largely driven by higher production in non-durable goods industries. Manufacturing shipments rose 9.2% in 1999 – a rate similar to the national average – boosted by higher output in resource-based industries.

...while household spending recovers gradually

- Retail sales picked up in the second half of 1999, advancing 1.6% in the fourth quarter and keeping pace with the previous quarter. Although retailing activity recovered in 1999, growth remained below the national average.
- Sustained by higher consumer confidence, housing starts increased by more than 11% in the fourth quarter, the strongest performance in more than a year. However, home resales did not follow the pace set by new housing starts, declining further in the fourth quarter.

Prices rise at a moderate pace in 1999

- Consumer prices rose 1.6% in the fourth quarter, on a year-over-year basis, with higher prices for energy products and health care services accounting for most of the increase. In 1999, inflation averaged 1.1%, well below the national average.







Labour Markets

Employment growth remains subdued in the fourth quarter...

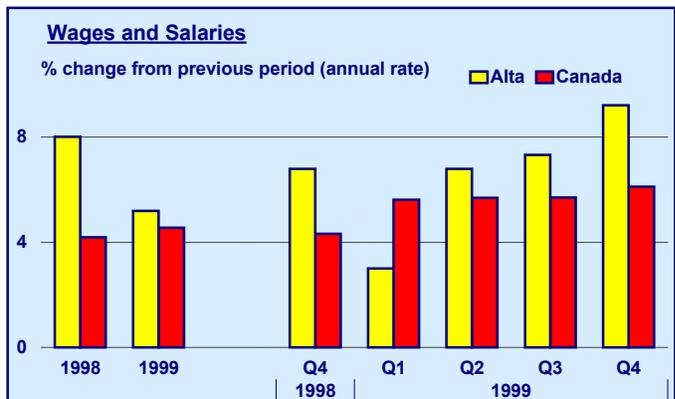
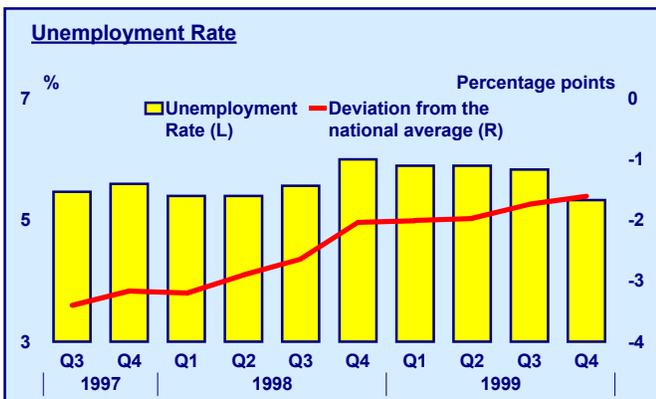
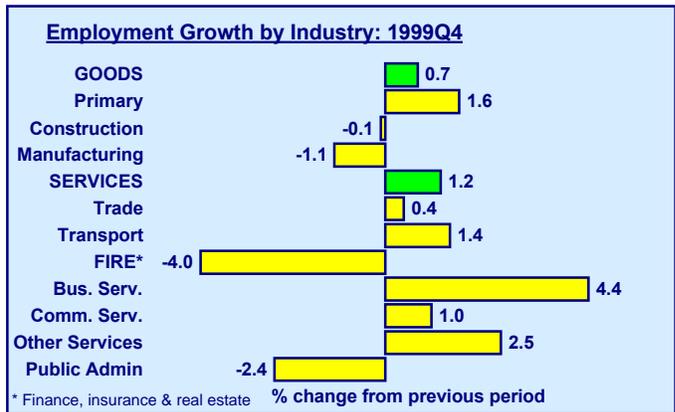
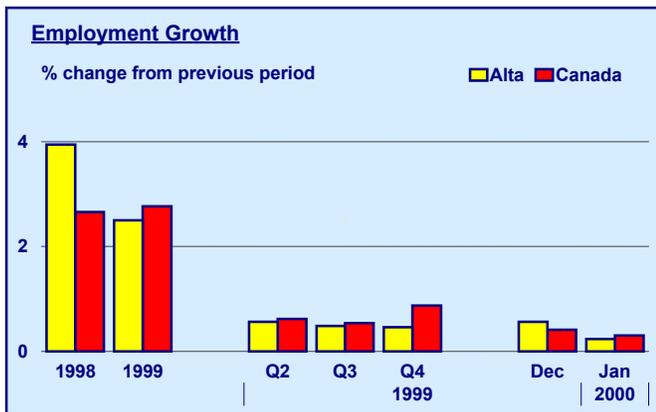
- Employment grew 0.5% in the fourth quarter, a rate similar to that of previous quarters. Job creation in natural resources industries more than offset losses in construction and manufacturing, leading to a small gain in goods-producing industries. Growth in services was concentrated mainly in business services, other services, and transportation.
- Overall, employment gains totalled 2.5% in 1999, a rate slightly lower than the national average. On a monthly basis, job creation weakened in January 2000, increasing by 0.2%.

...but drives the unemployment rate further down

- As a result of both job creation and a decline in the labour force, the unemployment rate dropped to 5.3% in the fourth quarter, the lowest rate since early 1982.
- The provincial unemployment rate remained 1.6 percentage points below the national rate in the fourth quarter. However, the gap with respect to the national average has closed considerably since the beginning of 1997.

However, earnings record the fastest growth in Western Canada

- Growth of wages and salaries exceeded 9% (annual rate) in the fourth quarter, following two consecutive quarters in which earnings grew above 5%. On a year-over-year basis, earnings recorded a 5.2% advance in 1999, outpacing the national average, though not by as much as the previous year.





Alberta

Economic Activity and Prices

Manufacturing activity firms in the fourth quarter...

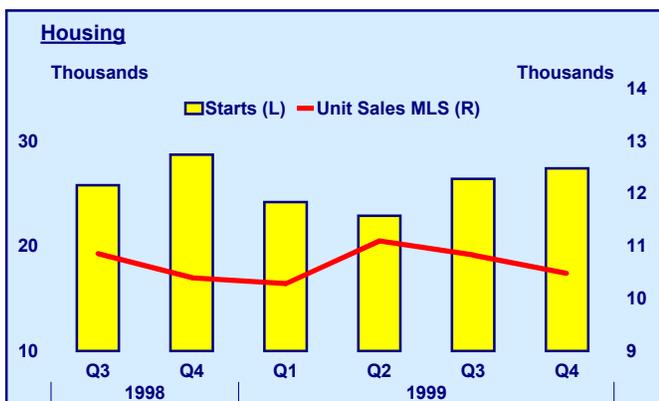
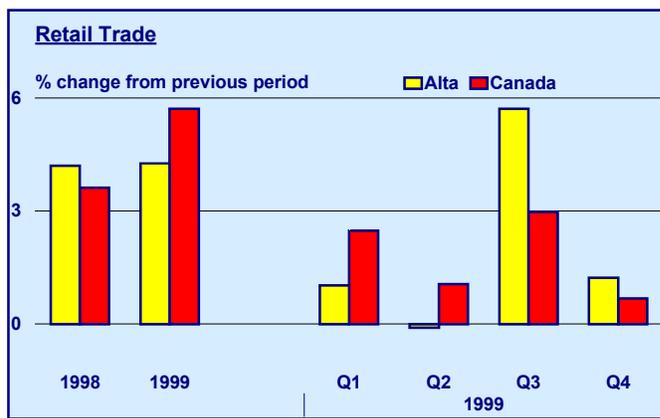
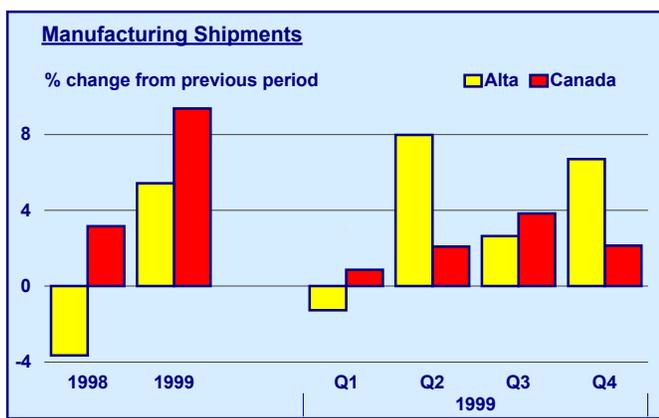
- Manufacturing shipments surged in the fourth quarter, mostly as a result of higher production of durable goods, notably primary metals, electrical products and machinery. Industrial activity recovered in 1999, partly due to a surge in shipments of petroleum products, but still advanced at a slower pace than the national average.

...while consumer spending slows

- Retail sales weakened in the fourth quarter, following a solid performance in the third quarter (the largest quarterly gain on record). Overall, a weak first half confined growth below the national average in 1999.
- Housing starts reached its highest level of the year in the fourth quarter. However, sales of existing homes declined further in the quarter.

Inflation rises above 3% in the fourth quarter

- The CPI inflation rate stood at 3.3% in the fourth quarter, its highest quarterly rate in almost a decade. The provincial CPI recorded the largest increase in Canada in 1999, rising 2.4%, mostly as a result of higher prices for transportation and shelter.





Labour Markets

Job creation eases in the fourth quarter...

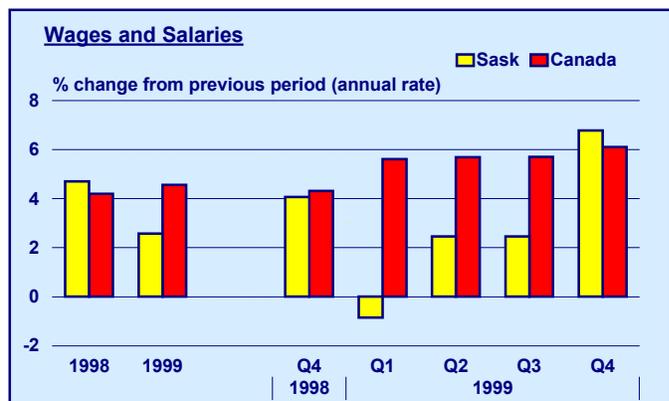
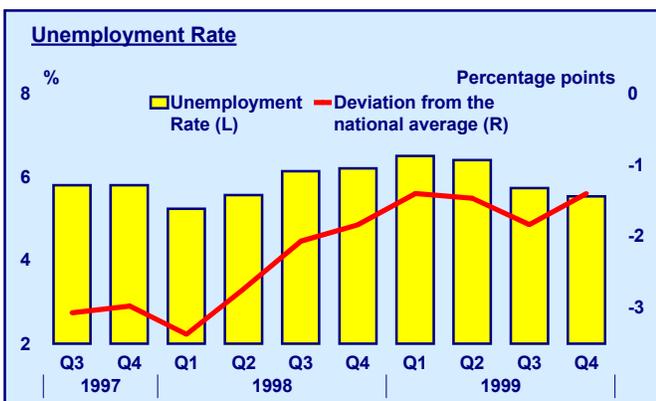
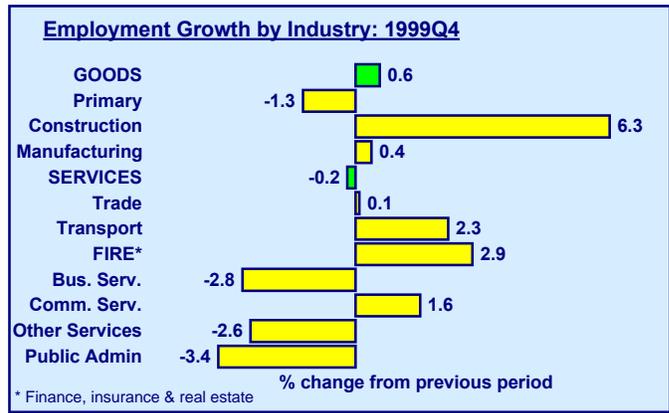
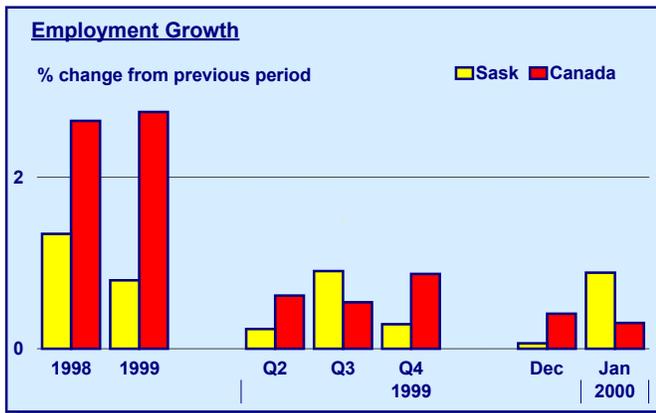
- Employment edged up 0.3% in the fourth quarter, leading to an overall increase of 0.8% in 1999. This was Saskatchewan's weakest annual performance in three years, with job growth almost two percentage points below the national average. However, employment surged in January of this year, recording its largest monthly gain in more than three years.
- Employment growth in the fourth quarter was concentrated in goods-producing industries. Notable gains in construction helped push employment up 0.6% in the goods sector. However, losses in public administration, business and other services, which led to a small decline in services-producing industries, somewhat offset these gains.

...while the unemployment rate decreases further

- Despite weak employment growth, the unemployment rate dropped by 0.2 percentage points in the fourth quarter to 5.5%, recording its third consecutive decline. Weak job creation in recent months resulted in a narrowing of the unemployment rate gap to 1.4 percentage points below the national average.

Earnings increase while farm cash receipts fall

- Wages and salaries surged in the fourth quarter, outpacing the national average for the first time in 1999. Nevertheless, for 1999 as a whole, earnings advanced a modest 2.6%, a departure from the solid performance of recent years.
- However, farm cash receipts, which are not included in earnings, recorded a 2.1% decline in 1999, in comparison with 1998. Farm cash receipts were hit hard by lower crop prices as crop receipts account for two-third of total receipts.





Economic Activity and Prices

Growth in manufacturing shipments outpaces the national average in the fourth quarter...

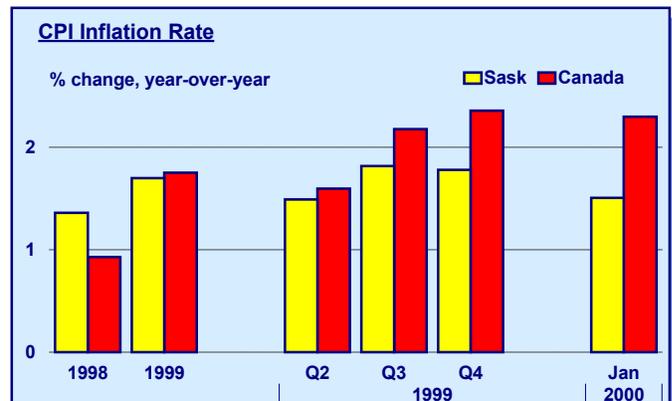
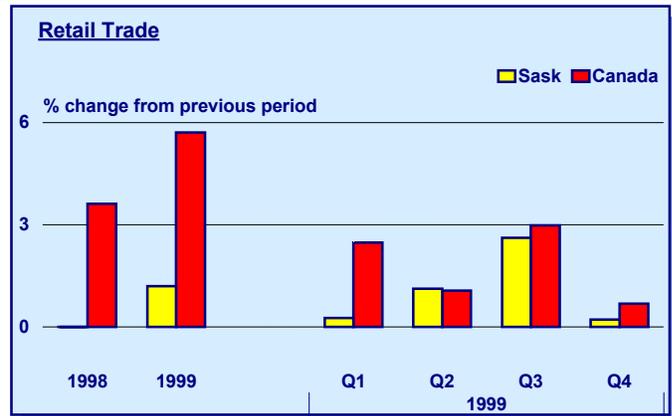
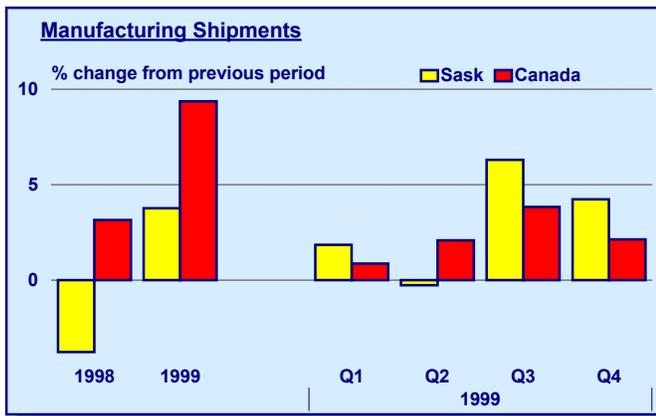
- Manufacturing shipments advanced strongly in the fourth quarter, building on an even stronger gain in the previous quarter (the largest in three years). The revival of industrial activity in the second half of 1999 led to a 3.8% increase of manufacturing shipments for the year. Electrical products, wood products, textile and plastics all recorded double-digit growth rates for the year.

...but consumer spending slows considerably

- Retail sales recorded their weakest performance of the year in the fourth quarter, following a significant gain in the third quarter. Nonetheless, retailing activity picked up in 1999 in comparison with the previous year, advancing 1.2%.
- New housing construction fell sharply in the fourth quarter, following a particularly strong rise in the previous quarter. However, sales of existing homes increased slightly, partly recouping the losses of the third quarter.

Prices rise at a slower pace in the fourth quarter

- The Consumer Price Index (CPI) rose 1.8% in the fourth quarter, well below the national average of 2.4% as energy prices increased at a slower pace than in the rest of the country. Overall, the CPI was up 1.7% in 1999, slightly below the national average.





Labour Markets

Employment strengthens in the fourth quarter...

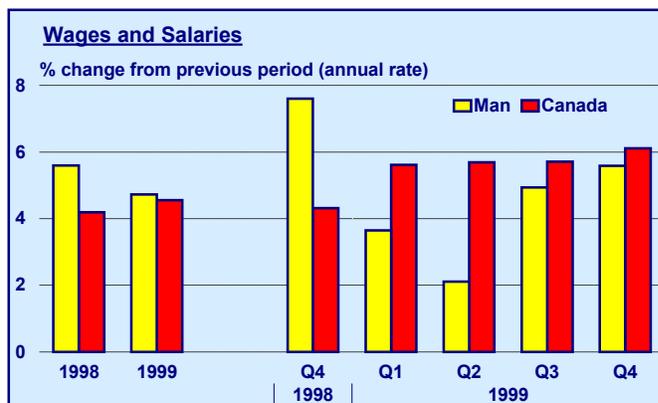
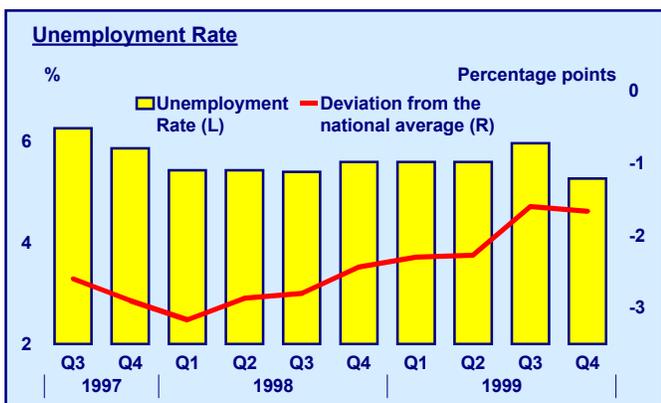
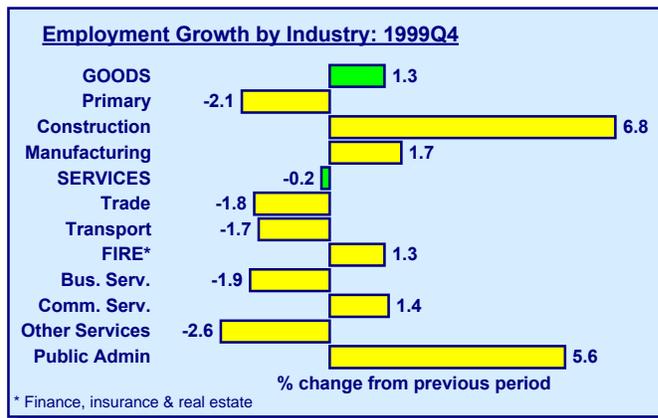
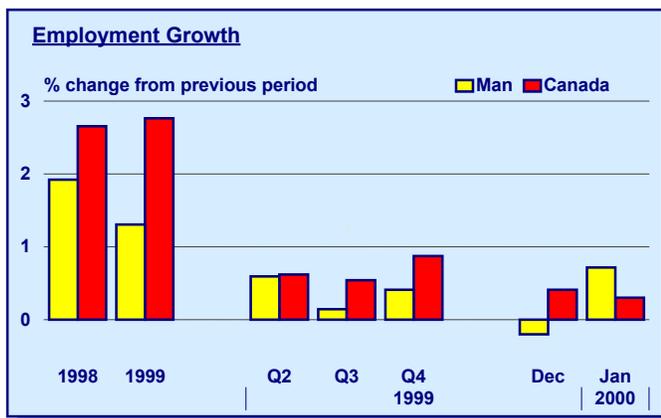
- Job gains totalled 0.4% in the fourth quarter and remained below the national average. Job creation in goods-producing industries recorded a 1.3% increase, driven by growth in construction and manufacturing. However, employment declined in services-producing industries despite solid gains in public administration.
- Employment advanced 1.3% in 1999 as job creation recorded solid gains in the first half of the year. On a month-over-month basis, employment firmed up in January, rising 0.7%, more than offsetting the losses of the previous month.

...leading to a lower unemployment rate

- Aided by a declining labour force, the unemployment rate fell 0.7 percentage points to 5.3% in the fourth quarter, its lowest quarterly rate in almost 20 years.
- Despite a lower unemployment rate, the rate remained 1.7 percentage points below the national average.

Wages rise further in the fourth quarter

- Wages and salaries advanced at their fastest pace (5.6%) of the year in the fourth quarter, but growth still remained slightly below the national average.
- Despite lower grain prices, farm cash receipts recorded a 2.8% increase in 1999, helped by a more diversified agriculture sector than in Saskatchewan. Livestock – which accounts for a little more than 40% of total receipts – and program payment receipts all rose, more than offsetting a 7.2% decline in crop revenue.





Economic Activity and Prices

Growth in manufacturing activity rebounds in the fourth quarter...

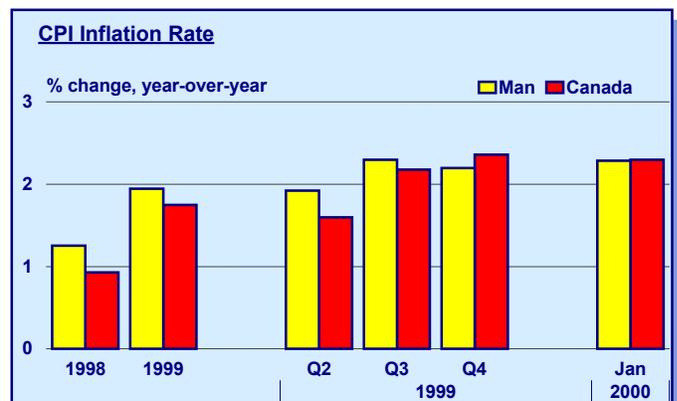
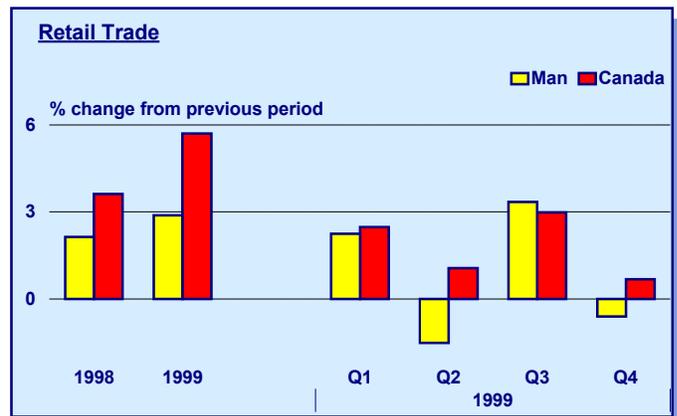
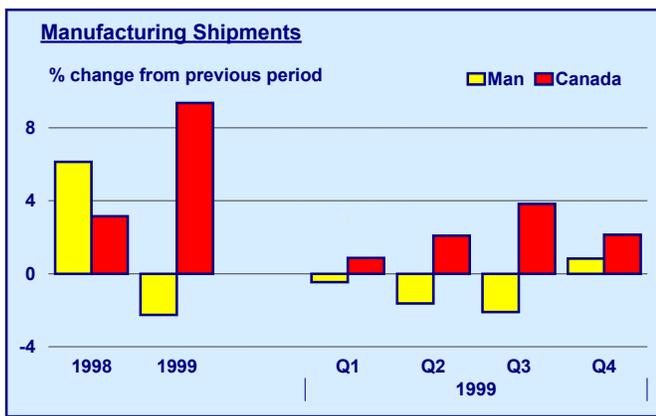
- Higher production of machinery equipment, chemical products and fabricated metals led to a 0.8% increase in the fourth quarter (the first quarterly gain of the year). Nevertheless, industrial activity dropped 2.3% in 1999, contrasting sharply with the healthy 6.1% growth recorded a year earlier. The weak performance was a result of lower output in durable goods producing industries, particularly machinery & equipment and primary metals.

...and household spending figures are mixed

- Retail sales edged down in the fourth quarter, following a solid performance in the third quarter.
- Housing starts also recorded losses in the fourth quarter. However, sales of existing houses surged over the same period, reaching their highest level since the beginning of 1997.

The inflation rate increases further as transportation prices rise sharply

- The CPI increased 2.2% in the fourth quarter, on an annual basis, keeping pace with the previous quarter. This increase was driven by higher prices for energy, which pushed transportation costs up. Overall, the CPI rose 1.9% in 1999, slightly above the national average.







Labour Markets

Employment conditions remain strong in the fourth quarter...

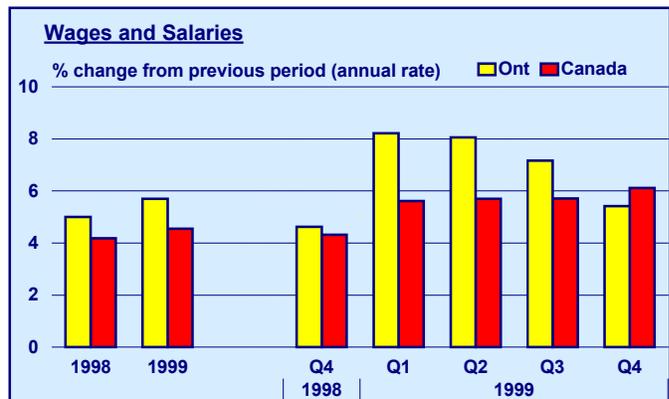
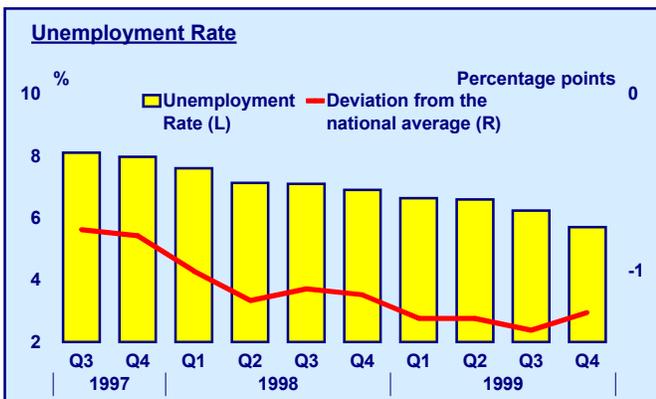
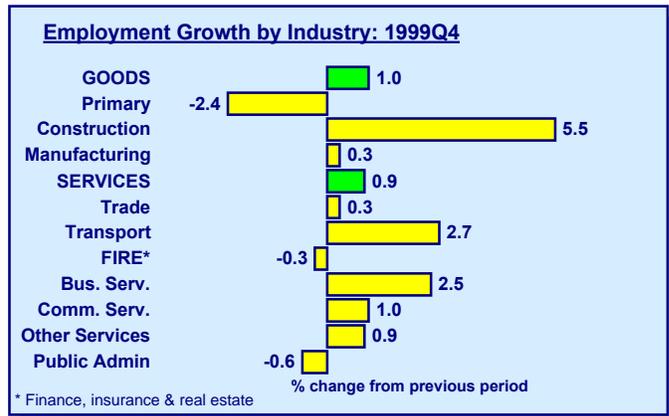
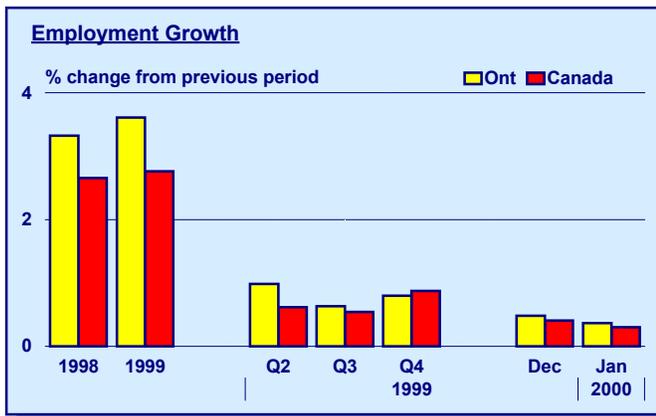
- Ontario was among the leaders in job creation in 1999 with employment rising 3.6%, the largest gain since 1988. All of the new jobs created were full-time. Growth has carried on in the new year with 21,300 net new jobs created in January 2000.
- In the fourth quarter, job creation was broadly based with employment rising in most industries. Leading sources of jobs were construction, transportation and business services. Losses in primary industries, public administration and finance, insurance & real estate partly offset these gains.

... and the unemployment rate edges down

- As a result of robust employment growth, the unemployment rate fell to 5.7% in the fourth quarter, reaching its lowest rate since the second quarter of 1990.
- The Ontario unemployment rate averaged 1.3 percentage points below the national average in 1999, the largest gap in a decade.

Growth in wages and salaries slows in the fourth quarter

- Wages and salaries growth slowed to 5.4% in the last quarter of 1999, as a result of a decline in average weekly hours worked. However, wage growth exceeded the national average in 1999, reaching 5.7%.





Economic Activity and Prices

Manufacturing activity slows in the fourth quarter...

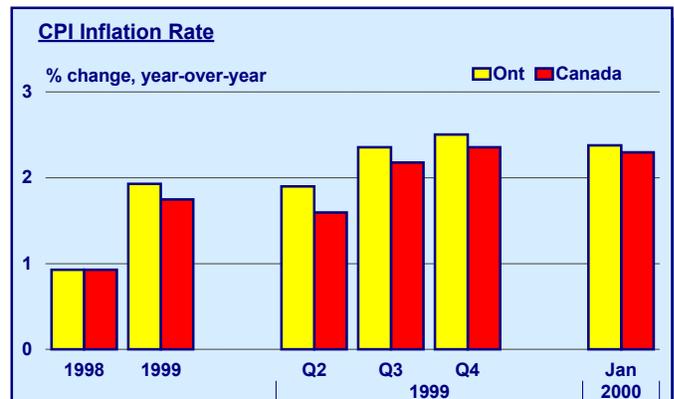
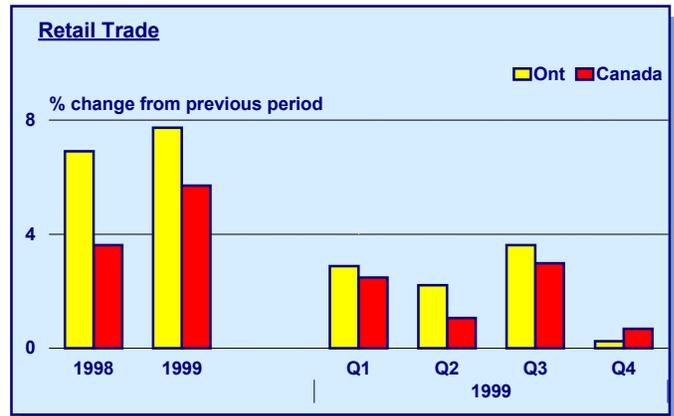
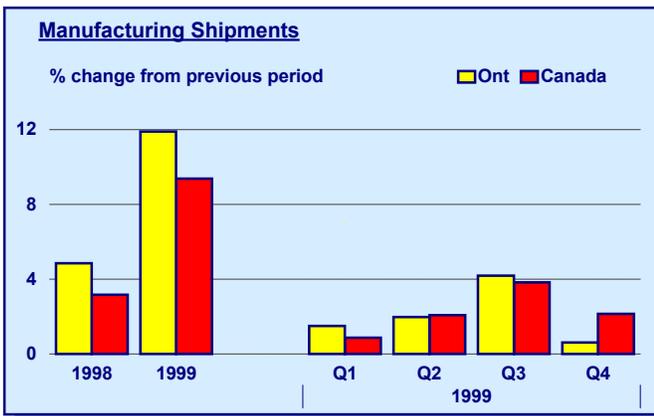
- Manufacturing shipments rose modestly in the fourth quarter, dampened by a fall in transportation industries. Nevertheless, shipments were up 11.9% in 1999, on a yearly basis, their biggest advance since 1995. The main contributors were the automotive, transportation equipment, and electrical and electronic products industries.

...as does retail trade

- Ontario retail sales growth fell below the national average in the last quarter of 1999, the first time in five quarters. However, retail activity grew nearly 8% in 1999, two percentage points above the national average.
- Housing starts increased 7.1% in the fourth quarter while home resales fell for a second consecutive quarter. The housing market posted a strong performance in 1999, with housing starts up by 22.6% and home resales advancing 7.4%.

Inflation is on the rise

- Ontario's CPI inflation rate increased steadily over the course of 1999, rising from 0.9% in the first quarter to 2.5% in the last quarter. On an annual basis, consumer prices rose 1.9% in 1999, outpacing the national average. The inflation rate stood at 2.4% in January, with upward pressure coming mainly from higher costs for transportation, recreation, education and reading material.



A light blue map of the province of Quebec, Canada, centered on a light blue background. The map shows the outline of the province, including its northern and eastern borders. The word "Quebec" is written in a bold, dark blue, italicized serif font across the center of the map.

Quebec



Labour Markets

Strong employment growth in the fourth quarter...

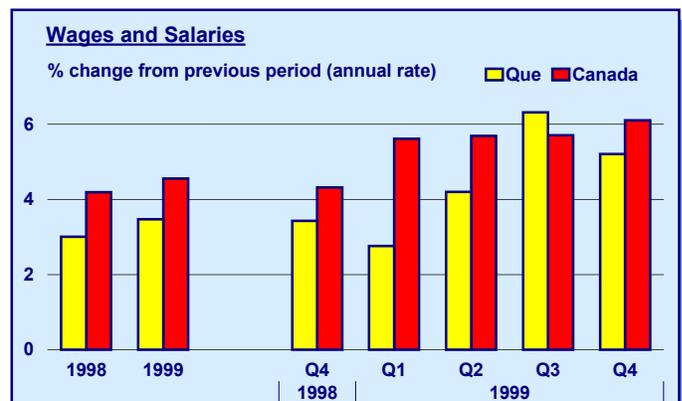
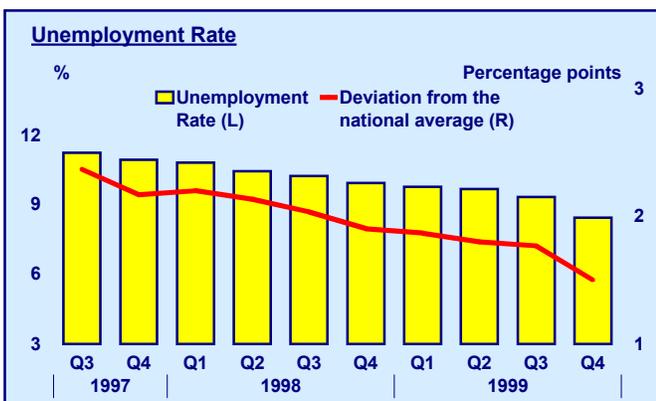
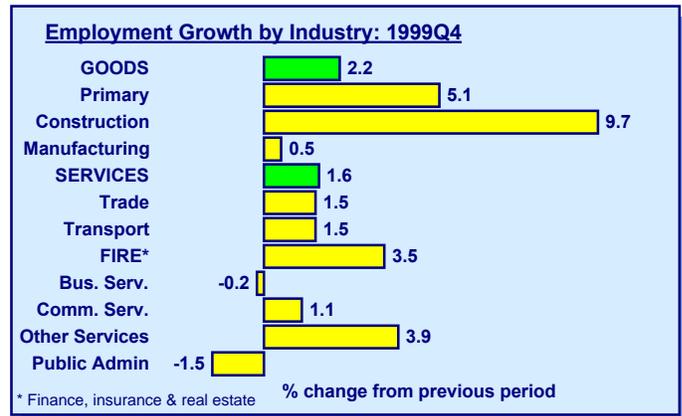
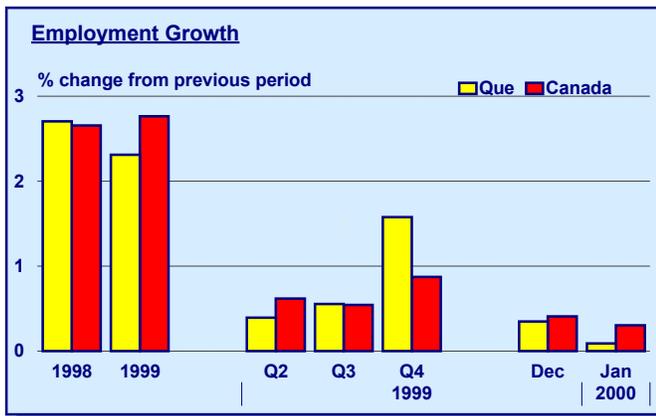
- Employment jumped 1.6% in the fourth quarter of 1999, the largest quarterly increase since 1983. This helped push up annual employment growth to 2.3% over the year, due entirely to full-time jobs. In January, employment increased only slightly, following a rise of 0.3% in December.
- The fourth-quarter growth in employment was broadly based. Only public administration and commercial services registered declines. The healthy growth in employment in the primary sector was due primarily to an increase in agriculture.

...leads to a drop in the unemployment rate

- The unemployment rate declined further to 8.4% in the fourth quarter, the lowest quarterly rate since 1976.
- The unemployment rate gap with respect to the national average narrowed considerably in 1999, reaching its lowest level in more than seven years in the fourth quarter, at 1.5 percentage points above the national average.

Growth in wages and salaries remains high

- The annualized growth in wages and salaries slowed somewhat in the fourth quarter (5.2%), primarily because of a drop in the number of hours worked. However, wages and salaries rose by 5.7% overall in 1999, half a percentage point above that of the previous year.





Economic Activity and Prices

Manufacturing shipments post their best quarter in four years...

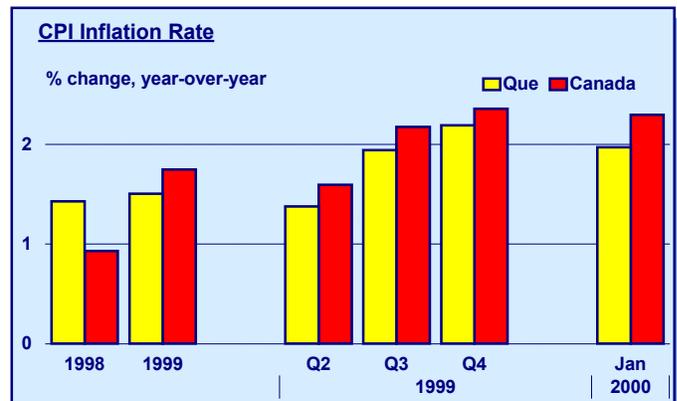
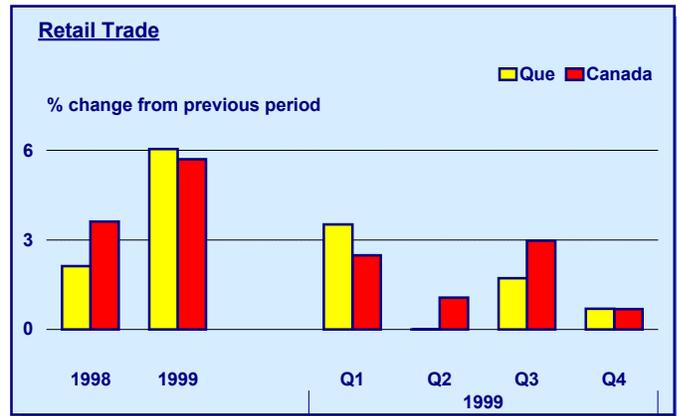
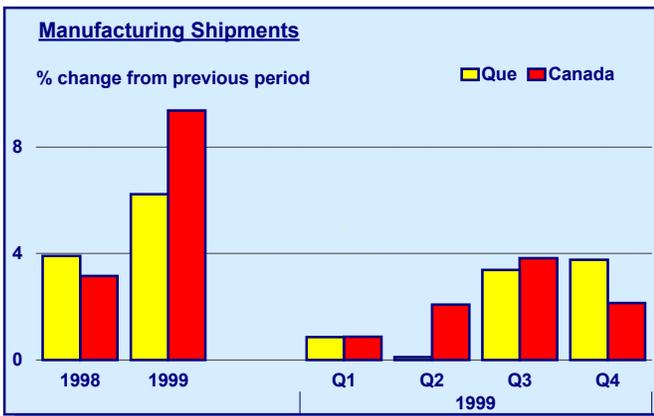
- Shipments rose by 3.8% in the fourth quarter and 6.2% in 1999 as a whole, the largest increases since 1995. The electric and electronic products industry was the major contributor to these two increases, although transportation equipment, aircraft, and aircraft parts industries also greatly contributed to the year-over-year increase in overall shipments.

...while consumer spending slows

- Retail sales in Quebec rose at the same rate as the national average in the fourth quarter (0.7%). However, overall growth in 1999 exceeded that of Canada for the first time in three years.
- Housing starts followed the positive trend initiated in the third quarter of 1998, but sales of existing homes were down in the fourth quarter, ending the upswing started in late 1998.

Inflation gains momentum

- Upward pressures on the CPI in the fourth quarter of 1999 and in January 2000 were due largely to increases in transportation, alcohol and tobacco product prices. The consumer price index in Quebec, which increased by 1.5% in 1999, rose less rapidly than the Canadian index, in contrast to the situation seen in 1998.



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 Magdalen Islands. The text "Atlantic Canada" is overlaid in a bold, dark blue, italicized font.

Atlantic Canada



New Brunswick

Labour Markets

Employment growth continues in the fourth quarter...

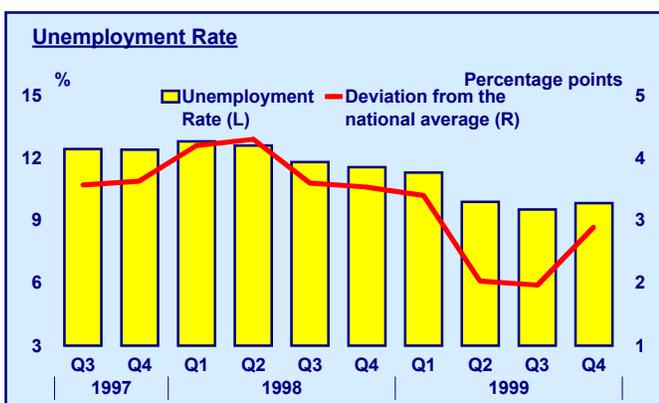
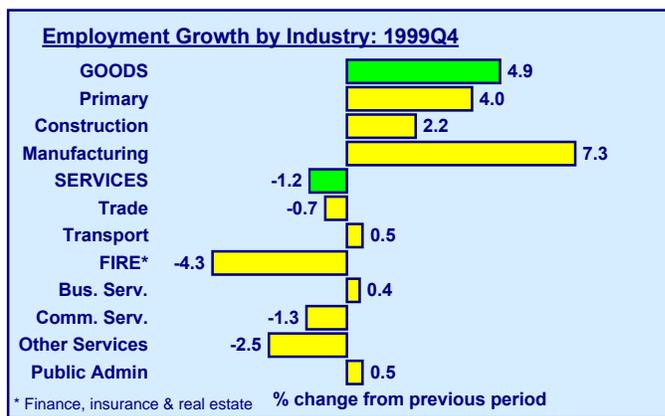
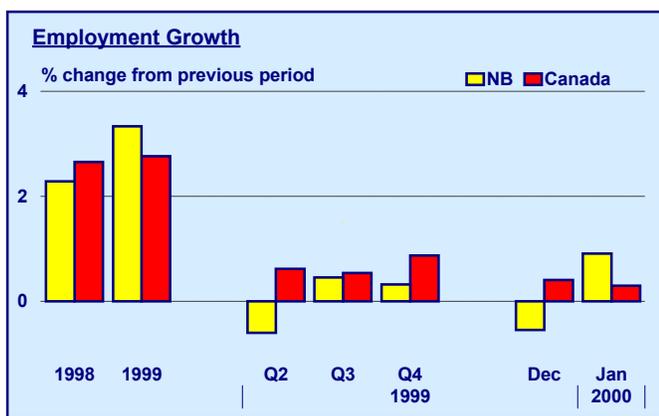
- Strong gains in the first quarter and during the last half of the year helped push New Brunswick's employment growth above the national average in 1999. The labour market continued its strong performance early in the new year, recording employment growth well above the national average in January 2000.
- Employment gains were particularly important in the manufacturing and primary sectors in the fourth quarter, while the finance, insurance & real estate sector registered the largest decline.

...while the unemployment rate holds steady...

- After dropping below 10% in the second quarter - for the first time since 1975 - the unemployment rate reached a low of 9.5% in the third quarter, before edging back up to 9.8% in the fourth quarter.
- These declines brought New Brunswick's unemployment rate to roughly 2 percentage points above the national average in the second and third quarters. The gap widened to 3 percentage points in the last quarter, but has remained below the 1998 level.

...and wages and salaries pick up

- Strong wage gains in the first and fourth quarters of the year helped push earnings growth in New Brunswick above the national average in 1999.





Economic Activity and Prices

Industrial activity continues to advance in the fourth quarter...

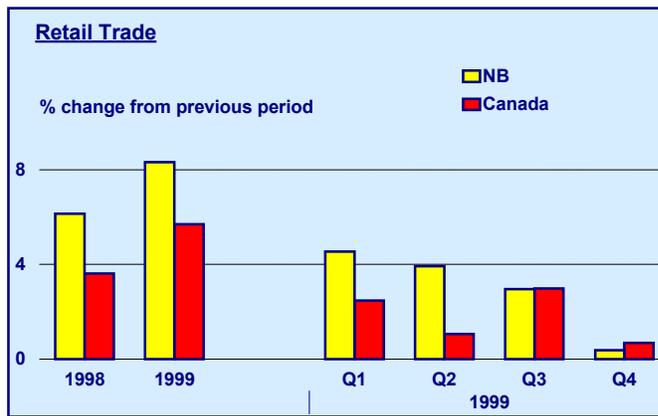
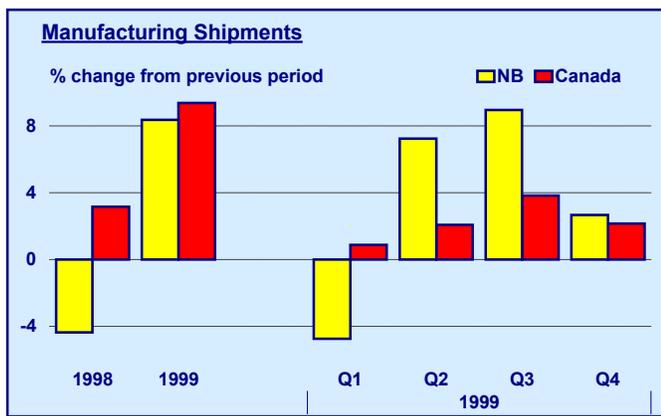
- Manufacturing shipments advanced 2.7% in the fourth quarter, building on a surge in the third quarter that far outpaced the national average. Activity in the third quarter was particularly vigorous in the paper industry, boosted by higher pulp and paper prices. Growth in the final quarter was led by the furniture and non-durable industries, including clothing and printing.

...and consumer spending slows...

- Following a solid increase in the first half of the year, growth in retail sales trade eased to 0.4% in the fourth quarter as a slowdown in employment growth restrained consumer spending.
- Residential construction picked up in New Brunswick in the second half of the year, while existing home sales dropped slightly after registering an impressive increase in the second quarter.

...while inflation picks up

- Inflation was up in the fourth quarter of 1999, crossing the 2% mark for the second time since 1997. Higher transportation costs, boosted by increased energy prices, led the overall push. This trend appears to be continuing into the new year, as New Brunswick's inflation stood at 3.1% in January, well above the national rate of 2.3%.





Nova Scotia

Labour Markets

Employment rebounds in the fourth quarter...

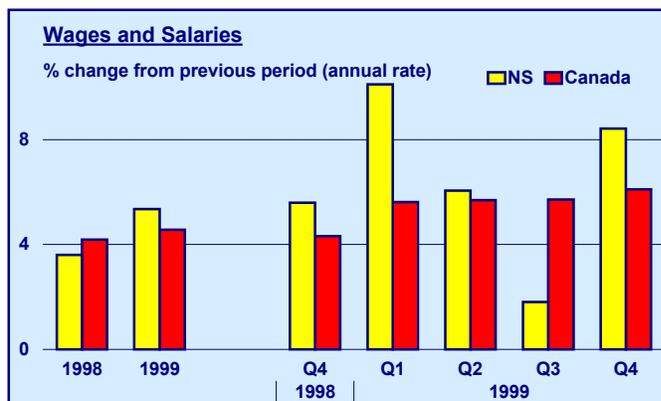
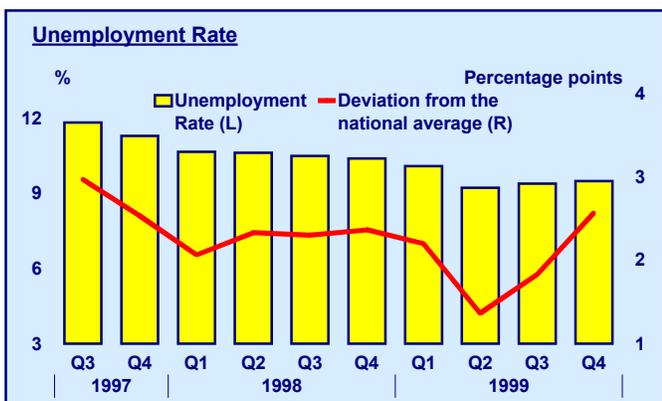
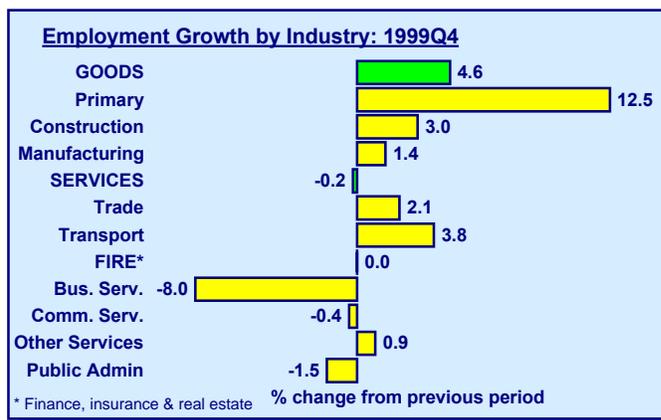
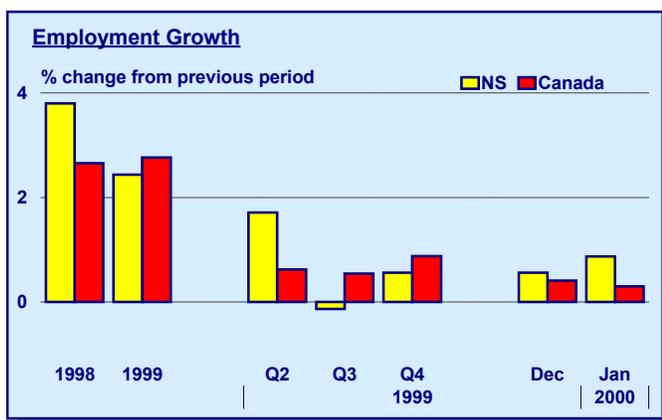
- Strong gains in the primary sector lifted Nova Scotia's employment in the fourth quarter, while business services recorded the largest declines. Overall employment grew at a rate slightly below the national average in 1999, with employment gains concentrated in the first half of the year.
- Employment appears poised for stronger results in the first quarter of 2000, showing monthly growth well above the national average in January.

...but the unemployment rate drifts up...

- Growth in the number of people seeking work more than offset fourth quarter employment gains, nudging the unemployment rate up to 9.5%.
- Coupled with improving labour market conditions at the national level, this increase raised Nova Scotia's unemployment rate to nearly 3 percentage points above the national average.

...while wage and salary growth rebounds

- Wage growth strengthened in the fourth quarter, following a weak third quarter. Income growth has generally been above the national average in 1999.





Nova Scotia

Economic Activity and Prices

Industrial activity rebounds in the fourth quarter...

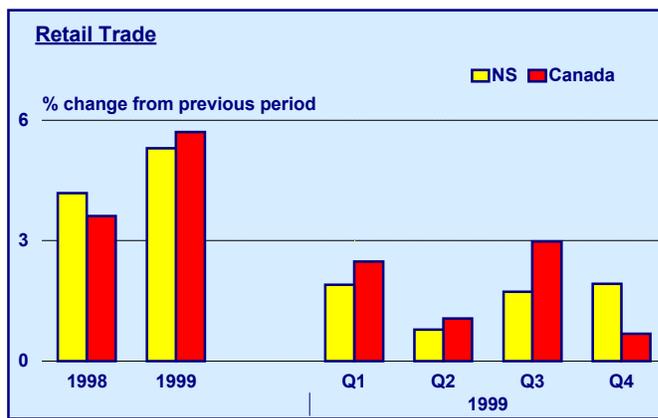
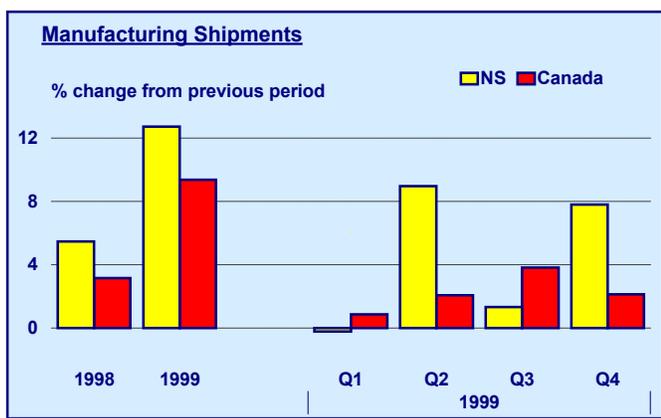
- After reporting its strongest gain since 1987 in the second quarter of 1999, growth in industrial activity slowed in the third quarter as the construction phase of the Sable Island project wound down. Machinery and fabricated metal industries were particularly affected by lower construction activity. However, Manufacturing activity staged a comeback in the fourth quarter with growth of almost 8%, led by higher production of transportation equipment and other durable goods.

...and consumer spending picks up...

- Retail trade in Nova Scotia continued to advance in the fourth quarter, growing at a slightly faster pace than in the previous period to remain roughly on par with the national average in 1999.
- The housing market lost some of its momentum in the third quarter, as new housing starts dropped significantly after three straight increases. While housing starts recovered in the final quarter of the year, sales of existing homes declined in the final quarter.

...with a significant increase in inflation

- The provincial inflation rate closely matched the national average in 1999, posting a higher rate in the second half of the year. In the fourth quarter, climbing prices for shelter, transportation and clothing lifted the overall price index by over 3.0%. On a monthly basis, year-over-year inflation rose to 3.3% in December, and then 3.5% in January.





Prince Edward Island

Labour Markets

Employment grew in the fourth quarter...

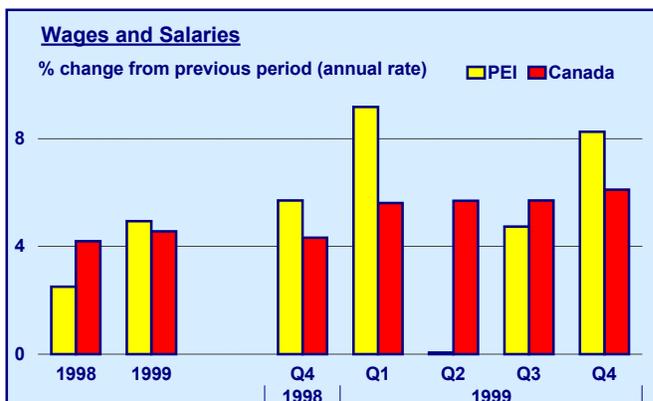
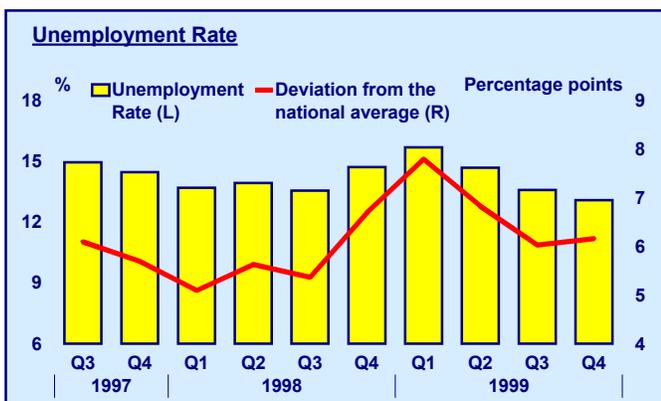
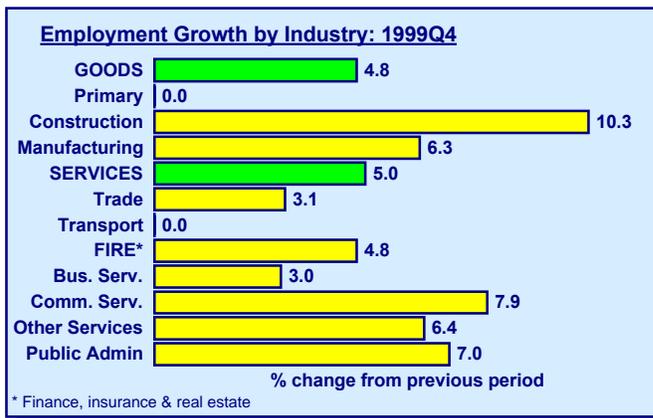
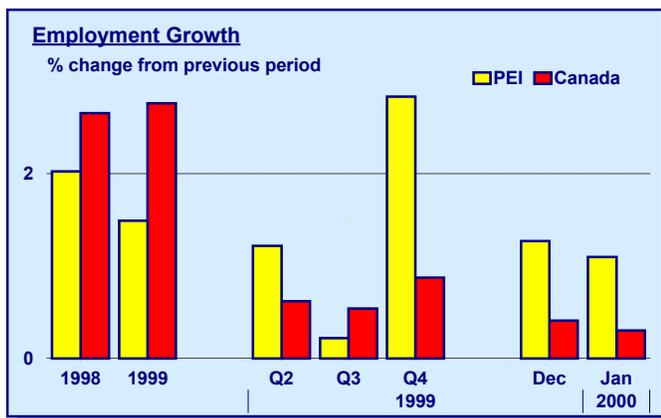
- Job growth slowed in 1999, but ended with a solid 2.3% advance in the fourth quarter. On a monthly basis, gains were particularly strong in December and January, with employment growth well above the national average.
- Employment growth was broadly based in the fourth quarter, with the construction, communications services, and public administration sectors leading overall gains. Although employment in the primary and transport sectors was flat, no sectors recorded declines.

...the unemployment rate continues to decline...

- The strong advance in employment pushed PEI's unemployment rate down to 13.0% in the fourth quarter, the lowest quarterly rate in a decade.
- The fall in the unemployment rate helped narrow its differential with the national average. However, with a 6 percentage point gap, Prince Edward Island's unemployment rate remains well above the national level.

...and growth in earnings rebounds

- Fourth quarter growth in wages and salaries was well above the national average, in line with developments in the labour market. Overall, income grew slightly above the national average in 1999, despite a weak second quarter.





Prince Edward Island

Economic Activity and Prices

Industrial activity strengthens in the fourth quarter...

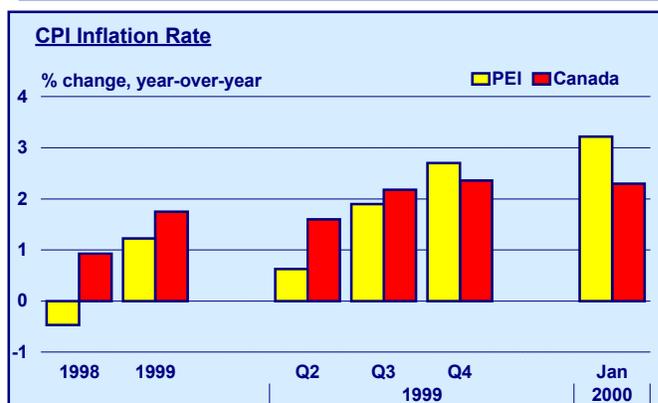
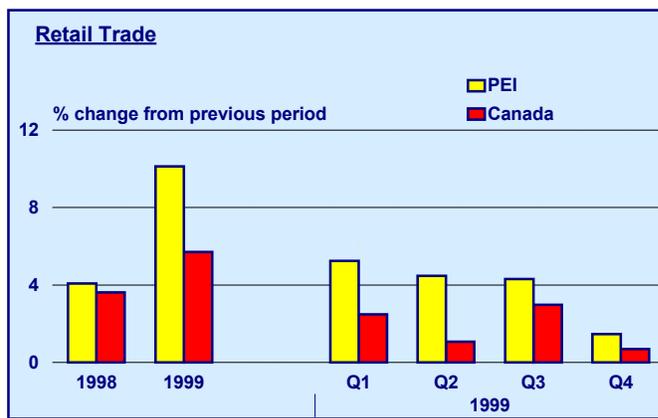
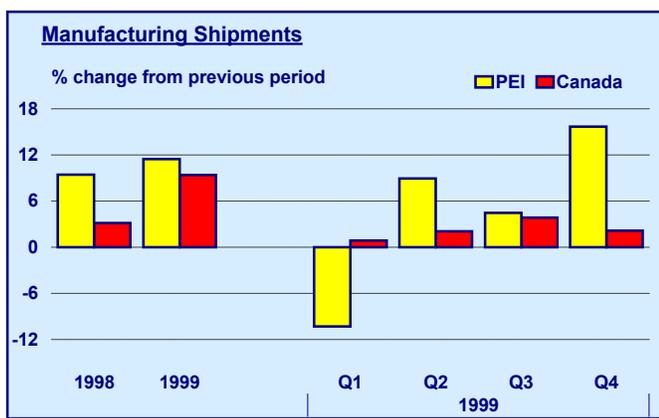
- Following an impressive performance in the final quarter of 1998, industrial activity got off to a slow start in 1999. Shipments picked up in the fourth quarter though, rising 15.7% to lift PEI's annual growth above the national average. The largest gains were reported in the paper and non-metallic mineral industries. Machinery producing industries posted the only declines.

...but consumer spending slows...

- Though growth in retail trade slowed in the fourth quarter, consumer expenditures significantly outpaced the national average in 1999. An increasing number of tourists and higher wage earnings boosted retail trade in the province.
- The housing market closed the year on a weak note, following a temporary burst of activity in the third quarter. Both housing starts and sales of existing homes were down in the final quarter.

...while inflation increases

- After a period of deflation in 1998 and early 1999 (related to a fall in transportation prices following the completion of the Confederation Bridge), inflation has risen steadily since the second quarter, fuelled by higher energy prices. The CPI inflation rate stood above the national average in the fourth quarter, at 2.7%. The momentum carried into the new year, as January's year-over-year rate of inflation stood at 3.1%.





Newfoundland

Labour Markets

Employment rebounds in the fourth quarter...

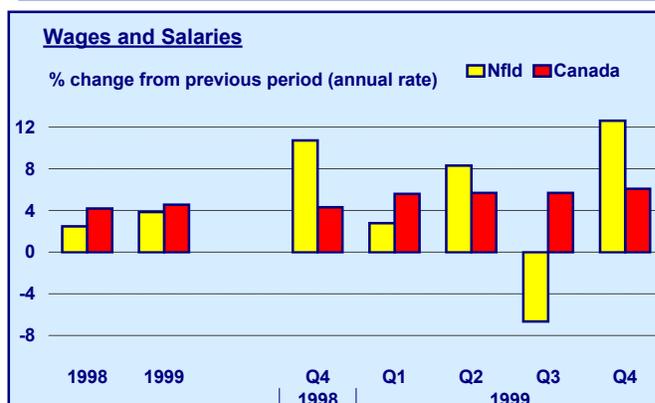
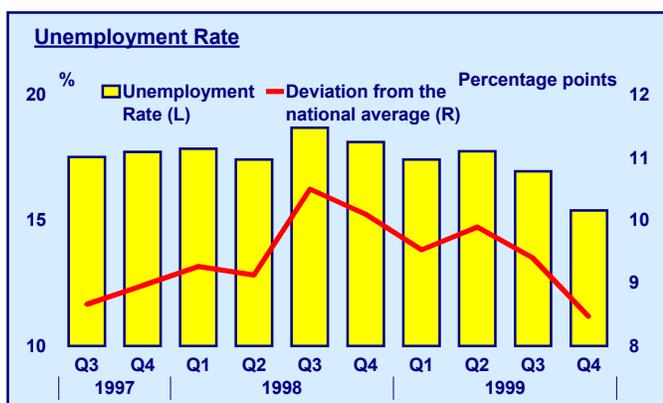
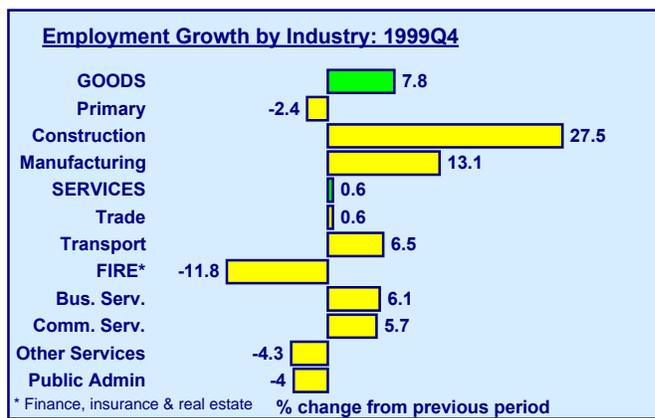
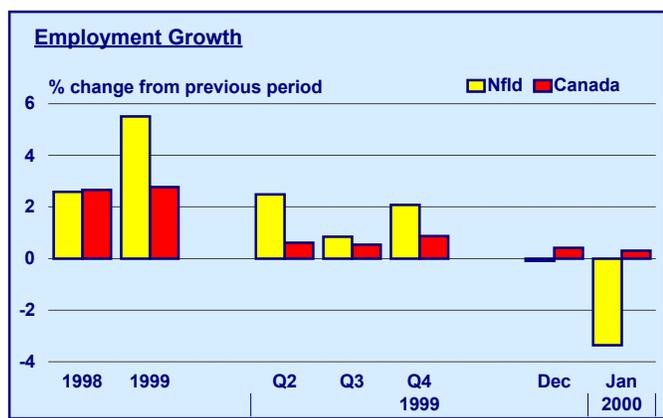
- Newfoundland experienced employment growth well above the national average in the first half of 1999. Employment growth slowed in the third quarter, but recovered in the fourth quarter despite a downturn in the final month. Overall, employment advanced 5.3% in 1999, the highest growth rate in Canada. The labour market weakened considerably in January.
- Employment gains in goods industries were broadly based in the last quarter of 1999, led by activity in construction. Results in the services sector were mixed, with transportation and business services leading overall gains, and finance, insurance & real estate reporting the strongest decline.

...pushing the unemployment rate down

- Job gains helped push the unemployment rate down by almost one percentage point to 15.8% in the fourth quarter. The positive impact of energy-related projects on economic activity and a recovery in the fisheries has led to a steady improvement in labour market conditions in 1999.
- Although the gap with the national average narrowed in the fourth quarter, the unemployment rate remains high in Newfoundland, 8.5 percentage points above the national average.

Wages and salaries recover in the final quarter

- After experiencing the largest decline in two years in the third quarter (caused primarily by a drop in hourly earnings following a major increase in the second quarter), wages and salaries staged a strong recovery in the final quarter with improving employment conditions.





Economic Activity and Prices

Industrial activity resumes in the fourth quarter...

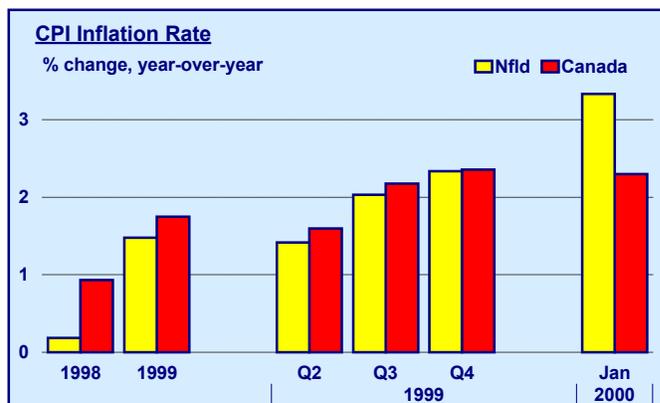
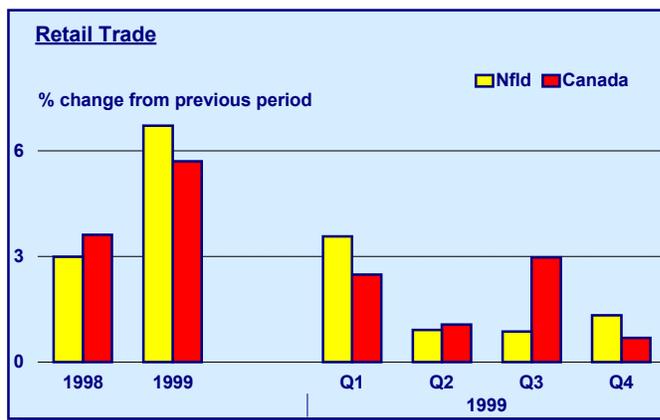
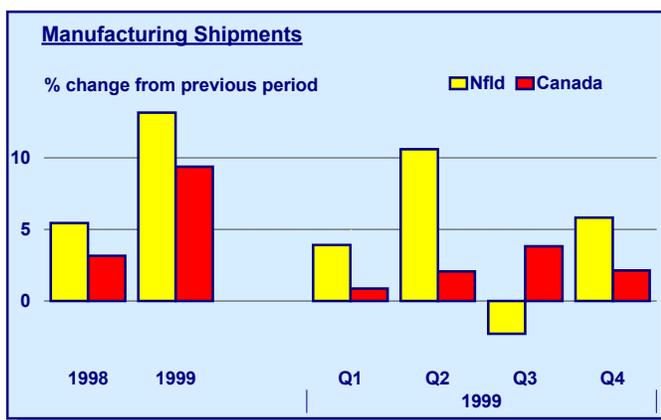
- Industrial activity posted healthy gains in every quarter of the year except the third. Fourth quarter gains were strongest in the durable goods and fabricated metal sectors, while the largest declines were posted in machinery and food.

...while consumer expenditures remain weak...

- Retail sales advanced strongly in the first quarter but failed to keep pace with the national average in the following two quarters. A strong fourth quarter finish helped boost the province's annual growth above that of the national average.
- Housing activity was mixed in the fourth quarter as new housing starts held steady, while existing home sales dropped after experiencing a solid gain in the third quarter.

...with a rising inflation rate

- The provincial inflation rate remained well below the national average in 1998 and early 1999. Energy prices rising faster than the national average helped narrow the gap toward the end of the year. In the fourth quarter, the CPI inflation rate stood roughly on par with the national average at 2.3%. At 3.3%, January's year-over-year rate of inflation stood well above the Canadian average.





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 rebounds in the fourth quarter...

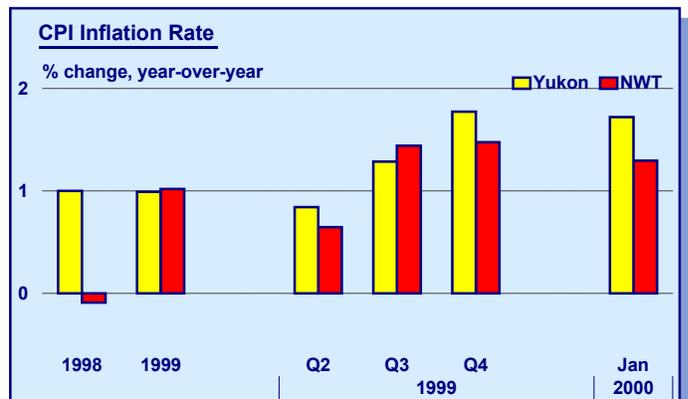
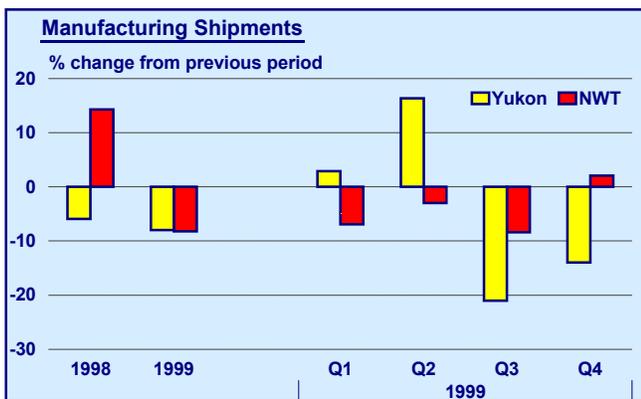
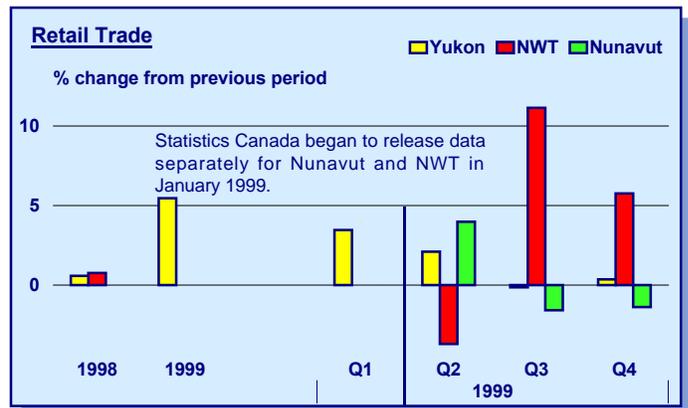
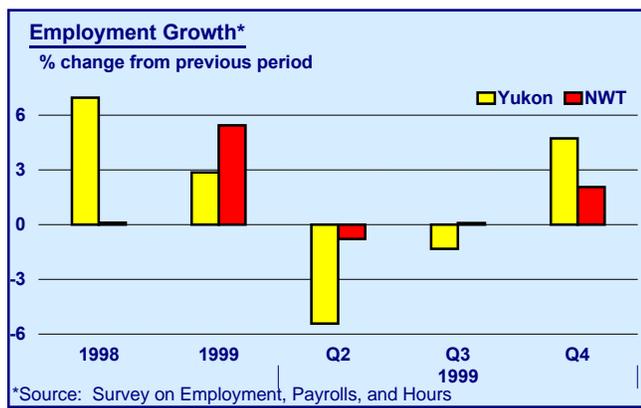
- Employment recovered in the Territories in the fourth quarter, with notable gains in goods-producing industries. On a year-over-year basis, territorial employment growth was solid in 1999, particularly in the Northwest Territories, where it rose 5.4%, almost twice as fast as in the Yukon.

...and data on economic activity are mixed

- Household expenditures remained strong in the Northwest Territories, while they were almost unchanged in the other two Territories over the fourth quarter. However, in 1999, retail sales in the Yukon surged, crossing the 5% mark.
- Manufacturing shipments plummeted in the fourth quarter in the Northwest Territories, while they increased slightly in the Yukon. For the year as a whole, shipments declined in all of the Territories.

Inflation is subdued

- The CPI inflation rate rose steadily throughout the year in the Territories, but remained below the 2% mark in the fourth quarter. Prices rose 1.0% in the Yukon and Northwest Territories in 1999, a rate well below the national average.

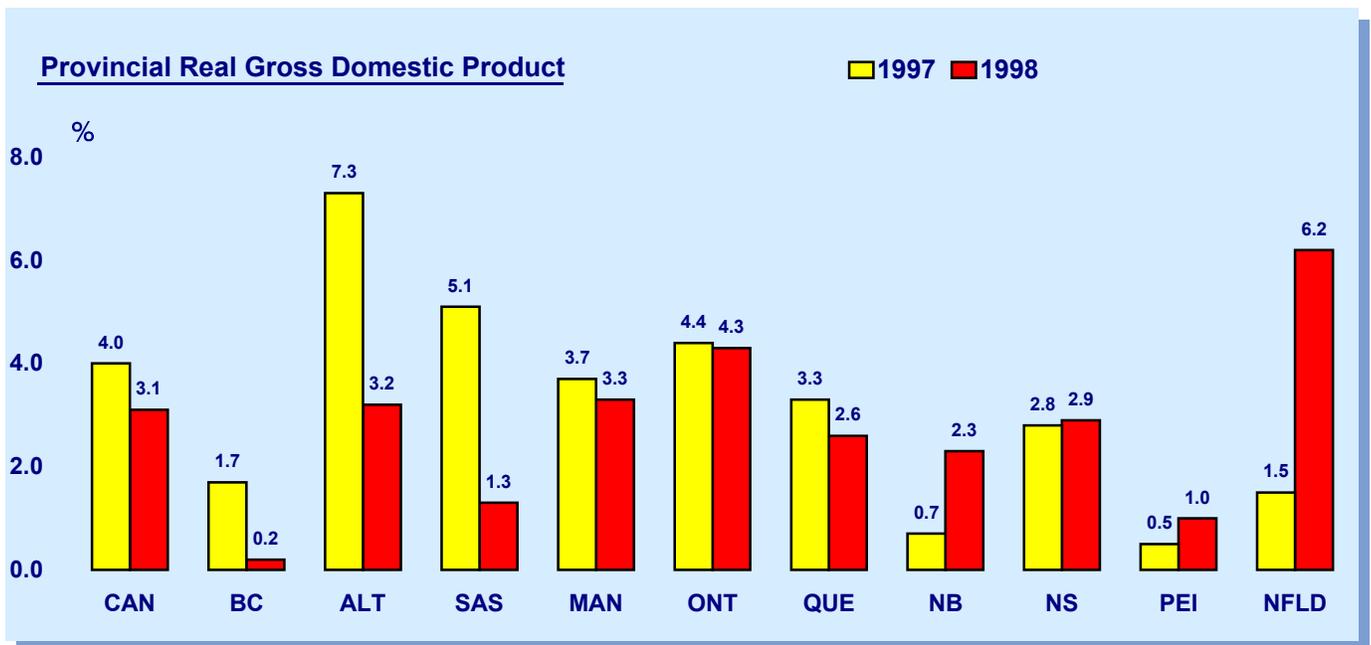




**PROVINCIAL REAL GROSS
DOMESTIC OUTPUT, 1998**

This section presents a brief overview of the 1998 Provincial Economic Accounts released last November by Statistics Canada.

Provincial Real Gross Domestic Output, 1998



National real GDP continues to advance in 1998, albeit at a lower pace

- Real GDP in Canada advanced 3.1% in 1998, down from 4.0% a year earlier. Growth was sustained by exports, as the U.S. economy grew at a solid pace. Machinery and equipment purchases and consumer spending also contributed to growth. Economic activity slowed in all provinces west of Ontario, while Newfoundland recorded by far the highest growth, outpacing the national average by a large margin.

Real GDP growth softens in Western Canada because of economic turbulence in Asia and weak commodity prices

- The British Columbia economy grew only 0.2% in 1998. The economy was largely affected by the Asian crisis, leading to a sharp drop in key export commodities (forestry and mining). Declining residential construction activity also pulled down growth and consumer spending weakened. A strong tourism industry plus gains in high-tech manufacturing and business services offset these declines.
- Despite weak oil and agricultural prices, Alberta's economy grew 3.2%, supported by strong population growth and higher consumer spending. Non-residential investment related to oil exploration and drilling activity declined, which caused related manufacturing activity to edge down.
- In Saskatchewan, economic growth moderated to 1.3% in 1998 as weak commodity prices took their toll. This led to lower production of crude petroleum, natural gas and wheat. As a result, corporate profits fell more than 20%.

Provincial Real Gross Domestic Output, 1998

- Manitoba's economy grew 3.3% in 1998, led by gains in manufacturing, construction and agriculture. Manufacturers of transportation equipment expanded output as bus and aircraft maintenance activity rose significantly. Both non-residential and residential construction surged, while consumer expenditure eased.

Manufacturing and construction activity drive economic growth in Central Canada

- The Ontario economy grew a robust 4.3% for the second year in a row, well above the national average. Broad-based gains in the manufacturing sector as well as strength in retail trade and telecommunications services contributed to growth. In particular, producers of motor vehicles and electronic and communications equipment benefited from a booming U.S. economy.
- Quebec's GDP rose 2.6% on the strength of the high-tech sector – particularly telecommunications equipment and computers – and the reconstruction efforts following the ice storm. Business investment in non-residential construction surged (30%) as workers rebuilt hydro-electric towers and rewired communities. Declines in pulp & paper and clothing moderated overall growth.

Energy projects boost the Atlantic economy, especially Newfoundland

- Growth remained below the national average in New Brunswick as GDP grew 2.3% in 1998. Gains in wholesale, retail trade, manufacturing, business services and the public sector were partially offset by declines in the primary and construction sectors. Wholesale trade was boosted by an increase in sales of lumber and building supplies following the ice storm of January 1998.
- The Sable Island project sustained growth in Nova Scotia in 1998, with GDP up 2.9%. Non-residential investment and production of primary steel and fabricated metal products largely benefited from construction activity on rigs, pipelines and gas processing plants.
- The Prince Edward Island economy grew at a modest 1.0% in 1998. Gains were concentrated in the province's potato crops and potato-related processing industries. Transportation equipment and other machinery also recorded notable increases in the year, while fish processing declined 12.1%.
- Newfoundland led the provinces in economic growth in 1998 with a strong 6.2% increase in GDP. This was largely the result of the coming on stream of the Hibernia project and the construction of the Terra Nova platform. Moreover, a strong increase in shrimp landings suggests some renewal in the fisheries.



STATISTICAL APPENDIX

Key Provincial Data

	1998	1999	1999Q3	1999Q4	Dec. 1999	Jan. 2000
BRITISH COLUMBIA						
Mfg Shipments (\$M)	33,890.2	37,007.3	9,460.5	9,671.7	3,286.3	N/A
% change (1)	-2.0	9.2	4.8	2.2	2.7	N/A
Retail Trade (\$M)	33,044.8	33,629.4	8,452.2	8,583.5	2,932.9	N/A
% change	-2.0	1.8	1.5	1.6	3.8	N/A
Housing Starts (000's)	20.3	16.2	16.1	18.0	18.3	11.3
Labour Force (000's)	2,051.2	2,079.1	2,084.0	2,079.5	2,091.4	2,087.6
% change	0.5	1.4	0.3	-0.2	0.4	-0.2
Employment (000's)	1,870.2	1,906.4	1,908.1	1,916.6	1,928.2	1,935.9
% change	0.1	1.9	0.4	0.4	0.6	0.4
Unemployment Rate (%)	8.8	8.3	8.4	7.8	7.8	7.3
Participation Rate (%)	64.9	65.1	65.2	64.8	65.1	64.9
CPI Inflation	0.3	1.1	1.6	1.6	1.7	1.3
ALBERTA						
Mfg Shipments (\$M)	33,409.0	35,222.7	8,932.0	9,530.3	3,218.6	N/A
% change (1)	-3.6	5.4	2.6	6.7	-0.1	N/A
Retail Trade (\$M)	28,068.4	29,265.0	7,494.1	7,585.9	2,579.7	N/A
% change	4.2	4.3	5.7	1.2	2.8	N/A
Housing Starts (000's)	27.3	25.2	26.5	27.4	27.4	26.2
Labour Force (000's)	1,605.1	1,647.9	1,653.7	1,653.1	1,662.0	1,661.5
% change	3.7	2.7	0.4	0.0	0.6	0.0
Employment (000's)	1,515.4	1,553.3	1,557.5	1,564.7	1,571.7	1,575.4
% change	3.9	2.5	0.5	0.5	0.6	0.2
Unemployment Rate (%)	5.6	5.7	5.8	5.3	5.4	5.2
Participation Rate (%)	72.5	72.6	72.6	72.3	72.6	72.4
CPI Inflation	1.1	2.4	2.7	3.3	3.3	2.7
SASKATCHEWAN						
Mfg Shipments (\$M)	5,895.5	6,117.4	1,558.1	1,624.1	540.3	N/A
% change (1)	-3.8	3.8	6.3	4.2	-0.1	N/A
Retail Trade (\$M)	7,621.9	7,713.1	1,957.4	1,961.6	673.6	N/A
% change	0.0	1.2	2.6	0.2	2.7	N/A
Housing Starts (000's)	3.0	3.2	3.8	2.3	2.2	3.2
Labour Force (000's)	505.3	511.0	511.6	511.9	511.0	514.6
% change	1.2	1.1	0.2	0.1	0.0	0.7
Employment (000's)	476.3	480.1	482.2	483.6	483.9	488.2
% change	1.3	0.8	0.9	0.3	0.1	0.9
Unemployment Rate (%)	5.7	6.1	5.7	5.5	5.3	5.1
Participation Rate (%)	66.6	67.0	67.1	67.1	67.0	67.4
CPI Inflation	1.4	1.7	1.8	1.8	1.8	1.5
MANITOBA						
Mfg Shipments (\$M)	10,613.2	10,373.4	2,549.9	2,570.8	855.7	N/A
% change (1)	6.1	-2.3	-2.1	0.8	-0.6	N/A
Retail Trade (\$M)	8,772.2	9,025.4	2,288.3	2,274.5	782.2	N/A
% change	2.1	2.9	3.3	-0.6	3.5	N/A
Housing Starts (000's)	2.8	3.2	3.3	2.7	2.3	2.4
Labour Force (000's)	566.8	574.8	577.8	575.9	575.7	580.0
% change	0.9	1.4	0.6	-0.3	-0.3	0.7
Employment (000's)	535.7	542.7	543.3	545.6	546.0	549.9
% change	1.9	1.3	0.1	0.4	-0.2	0.7
Unemployment Rate (%)	5.5	5.6	6.0	5.3	5.2	5.2
Participation Rate (%)	67.0	67.5	67.7	67.4	67.3	67.8
CPI Inflation	1.3	1.9	2.3	2.2	2.3	2.3

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

Key Provincial Data

	1998	1999	1999Q3	1999Q4	Dec. 1999	Jan. 2000
ONTARIO						
Mfg Shipments (\$M)	240,016.0	268,582.1	68,738.4	69,157.6	23,414.6	N/A
% change (1)	4.8	11.9	4.2	0.6	1.9	N/A
Retail Trade (\$M)	92,384.0	99,525.7	25,443.2	25,507.2	8,588.2	N/A
% change	6.9	7.7	3.6	0.3	1.3	N/A
Housing Starts (000's)	54.7	67.0	64.6	69.3	72.4	68.0
Labour Force (000's)	5,914.3	6,070.8	6,089.2	6,101.5	6,112.3	6,142.4
% change	1.9	2.6	0.3	0.2	0.4	0.5
Employment (000's)	5,490.0	5,688.1	5,709.0	5,754.6	5,774.0	5,795.3
% change	3.3	3.6	0.6	0.8	0.5	0.4
Unemployment Rate (%)	7.2	6.3	6.2	5.7	5.5	5.7
Participation Rate (%)	66.0	66.6	66.7	66.5	66.6	66.8
CPI Inflation	0.9	1.9	2.4	2.5	2.9	2.4
QUEBEC						
Mfg Shipments (\$M)	107,331.7	114,021.9	28,712.0	29,794.3	10,078.9	N/A
% change (1)	3.9	6.2	3.4	3.8	0.5	N/A
Retail Trade (\$M)	56,933.9	60,380.1	15,197.0	15,301.9	5,180.5	N/A
% change	2.1	6.1	1.7	0.7	1.8	N/A
Housing Starts (000's)	23.0	25.6	26.0	27.8	27.7	25.8
Labour Force (000's)	3,660.2	3,701.6	3,703.7	3,724.2	3,726.5	3,734.4
% change	1.5	1.1	0.2	0.6	0.1	0.2
Employment (000's)	3,281.5	3,357.4	3,357.2	3,410.1	3,425.6	3,428.7
% change	2.7	2.3	0.6	1.6	0.3	0.1
Unemployment Rate (%)	10.3	9.3	9.3	8.4	8.1	8.2
Participation Rate (%)	62.6	62.8	62.8	63.0	63.0	63.1
CPI Inflation	1.4	1.5	1.9	2.2	2.3	2.0
NEW BRUNSWICK						
Mfg Shipments (\$M)	8,078.6	8,754.0	2,303.4	2,364.5	805.5	N/A
% change (1)	-4.4	8.4	8.9	2.7	3.3	N/A
Retail Trade (\$M)	5,958.7	6,454.4	1,650.9	1,657.1	561.5	N/A
% change	6.1	8.3	3.0	0.4	2.1	N/A
Housing Starts (000's)	2.2	2.7	2.7	3.0	2.9	5.2
Labour Force (000's)	361.9	365.7	362.9	365.4	366.7	367.0
% change	1.7	1.1	0.0	0.7	0.0	0.1
Employment (000's)	317.8	328.4	328.4	329.4	329.4	332.4
% change	2.3	3.3	0.5	0.3	-0.5	0.9
Unemployment Rate (%)	12.2	10.2	9.5	9.8	10.2	9.4
Participation Rate (%)	60.7	61.0	60.5	60.8	61.0	61.0
CPI Inflation	0.6	1.6	2.5	2.6	3.1	3.1
NOVA SCOTIA						
Mfg Shipments (\$M)	6,829.4	7,699.1	1,939.1	2,090.4	712.9	N/A
% change (1)	5.5	12.7	1.3	7.8	2.3	N/A
Retail Trade (\$M)	7,648.8	8,054.4	2,024.9	2,063.8	696.7	N/A
% change	4.2	5.3	1.7	1.9	1.7	N/A
Housing Starts (000's)	3.1	4.4	3.1	4.8	4.4	5.8
Labour Force (000's)	445.9	452.0	452.1	455.1	457.9	462.5
% change	1.9	1.4	0.0	0.7	0.7	1.0
Employment (000's)	398.9	408.6	409.6	411.9	413.9	417.5
% change	3.8	2.4	-0.1	0.6	0.6	0.9
Unemployment Rate (%)	10.5	9.6	9.4	9.5	9.6	9.7
Participation Rate (%)	60.7	61.0	61.0	61.2	61.6	62.1
CPI Inflation	0.6	1.7	2.6	3.0	3.3	3.5

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

Key Provincial Data

	1998	1999	1999Q3	1999Q4	Dec. 1999	Jan. 2000
PRINCE EDWARD ISLAND						
Mfg Shipments (\$M)	882.6	983.4	246.3	284.9	84.9	N/A
% change (1)	9.4	11.4	4.5	15.7	-18.3	N/A
Retail Trade (\$M)	1,043.7	1,149.4	295.4	299.7	101.1	N/A
% change	4.1	10.1	4.3	1.5	1.1	N/A
Housing Starts (000's)	0.5	0.7	0.8	0.5	0.5	0.8
Labour Force (000's)	70.1	71.6	70.7	72.4	73.0	73.5
% change	0.1	2.1	-1.0	2.3	0.6	0.7
Employment (000's)	60.4	61.3	61.1	62.8	63.7	64.4
% change	2.0	1.5	0.2	2.8	1.3	1.1
Unemployment Rate (%)	13.8	14.4	13.6	13.1	12.7	12.5
Participation Rate (%)	65.7	66.4	65.5	66.7	67.2	67.6
CPI Inflation	-0.5	1.2	1.9	2.7	3.1	3.2
NEWFOUNDLAND						
Mfg Shipments (\$M)	1,750.1	1,748.0	494.3	523.0	175.2	N/A
% change (1)	5.4	-0.1	-2.3	5.8	-5.4	N/A
Retail Trade (\$M)	3,884.7	3,897.6	1,039.7	1,053.5	352.9	N/A
% change	3.0	0.3	0.9	1.3	-0.2	N/A
Housing Starts (000's)	1.4	1.4	1.3	1.3	1.2	1.6
Labour Force (000's)	237.0	246.7	247.9	248.3	245.8	245.8
% change	1.9	4.1	-0.1	0.2	-2.0	0.0
Employment (000's)	194.2	204.9	205.8	210.1	211.2	204.1
% change	2.6	5.5	0.8	2.1	-0.1	-3.4
Unemployment Rate (%)	18.0	16.9	17.0	15.4	14.1	17.0
Participation Rate (%)	53.9	56.3	56.6	56.6	56.0	55.9
CPI Inflation	0.2	1.5	2.0	2.3	2.9	3.3
CANADA						
Mfg Shipments (\$M)	448,749.5	490,791.2	124,945.4	127,621.4	43,176.1	N/A
% change (1)	3.2	9.4	3.8	2.1	1.3	N/A
Retail Trade (\$M)	246,184.0	260,230.3	66,068.3	66,519.1	22,528.2	N/A
% change	3.6	5.7	3.0	0.7	2.0	N/A
Housing Starts (000's)	138.3	149.6	148.1	157.0	159.3	150.2
Labour Force (000's)	15,417.7	15,721.2	15,753.7	15,787.3	15,822.3	15,869.3
% change	1.7	2.0	0.3	0.2	0.3	0.3
Employment (000's)	14,140.4	14,531.2	14,562.3	14,689.5	14,747.5	14,791.8
% change	2.7	2.8	0.5	0.9	0.4	0.3
Unemployment Rate (%)	8.3	7.6	7.6	6.9	6.8	6.8
Participation Rate (%)	65.1	65.6	65.6	65.5	65.6	65.7
CPI Inflation	0.9	1.7	2.2	2.4	2.6	2.3

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

Provincial Economic Accounts

	1992	1993	1994	1995	1996	1997	1998
Real GDP at Market Prices (\$1992M)							
BC	87,066	90,543	93,355	95,370	97,788	99,467	99,708
% change		4.0	3.1	2.2	2.5	1.7	0.2
Alberta	74,748	79,792	84,622	87,161	89,040	95,547	98,630
% change		6.7	6.1	3.0	2.2	7.3	3.2
Sask	21,102	22,654	23,603	23,934	24,542	25,782	26,116
% change		7.4	4.2	1.4	2.5	5.1	1.3
Manitoba	24,420	24,468	25,298	25,445	25,990	26,955	27,842
% change		0.2	3.4	0.6	2.1	3.7	3.3
Ontario	285,101	288,164	305,223	316,581	321,562	335,616	350,083
% change		1.1	5.9	3.7	1.6	4.4	4.3
Quebec	158,357	160,897	167,241	170,366	172,826	178,611	183,223
% change		1.6	3.9	1.9	1.4	3.3	2.6
New Brunswick	14,029	14,358	14,643	15,071	15,320	15,427	15,782
% change		2.3	2.0	2.9	1.7	0.7	2.3
Nova Scotia	18,071	18,193	18,256	18,578	18,602	19,124	19,674
% change		0.7	0.3	1.8	0.1	2.8	2.9
PEI	2,331	2,370	2,492	2,629	2,667	2,680	2,706
% change		1.7	5.1	5.5	1.4	0.5	1.0
Nfld	9,550	9,668	10,126	10,348	10,007	10,154	10,785
% change		1.2	4.7	2.2	-3.3	1.5	6.2
Yukon	1,090	874	864	1,005	1,110	989	994
% change		-19.8	-1.1	16.3	10.4	-10.9	0.5
NWT	2,286	2,242	2,318	2,315	2,380	2,426	2,466
% change		-1.9	3.4	-0.1	2.8	1.9	1.6
Canada	698,544	714,583	748,350	769,082	782,130	813,031	838,265
% change		2.3	4.7	2.8	1.7	4.0	3.1

Population ('000s)

BC	3,470	3,572	3,682	3,784	3,882	3,961	4,003
% change		2.9	3.1	2.8	2.6	2.0	1.1
Alberta	2,634	2,671	2,705	2,740	2,781	2,838	2,910
% change		1.4	1.3	1.3	1.5	2.0	2.5
Sask	1,004	1,007	1,010	1,014	1,019	1,022	1,026
% change		0.3	0.3	0.4	0.5	0.3	0.4
Manitoba	1,113	1,118	1,124	1,130	1,134	1,136	1,138
% change		0.4	0.5	0.5	0.4	0.2	0.2
Ontario	10,572	10,689	10,827	10,964	11,101	11,263	11,413
% change		1.1	1.3	1.3	1.2	1.5	1.3
Quebec	7,114	7,165	7,207	7,241	7,274	7,308	7,335
% change		0.7	0.6	0.5	0.5	0.5	0.4
New Brunswick	748	750	751	752	753	754	753
% change		0.3	0.1	0.1	0.1	0.1	-0.1
Nova Scotia	919	924	926	928	931	935	936
% change		0.5	0.2	0.2	0.3	0.4	0.1
PEI	131	132	134	135	136	137	137
% change		0.8	1.5	0.7	0.7	0.7	0.0
Nfld	580	580	575	568	561	554	546
% change		0.0	-0.9	-1.2	-1.2	-1.2	-1.4
Yukon	30	31	30	31	32	32	32
% change		3.3	-3.2	3.3	3.2	0.0	0.0
NWT	62	64	65	67	68	68	68
% change		3.2	1.6	3.1	1.5	0.0	0.0
Canada	28,377	28,703	29,036	29,354	29,672	30,008	30,297
% change		1.1	1.2	1.1	1.1	1.1	1.0