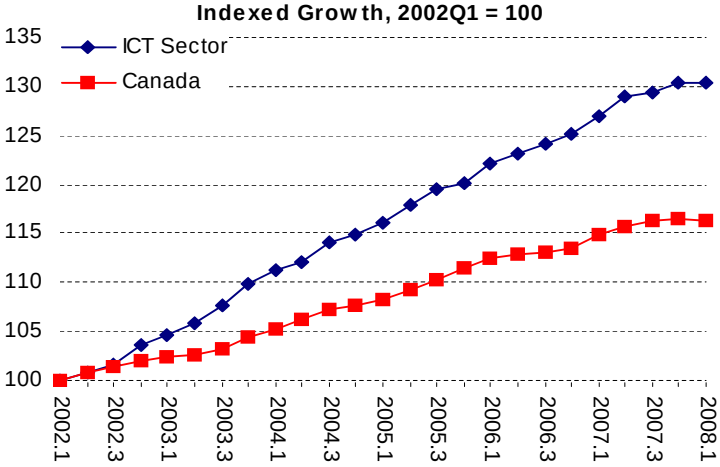
Quarterly Monitor of the Canadian ICT Sector

Gross Domestic Product

ICT output growth slows down...

While Canada's ICT sector output continued to grow (0.1%) in the first quarter of 2008, that of all Canadian industries declined by 0.2%. Performance this period marked the slowest quarterly growth for Canada's ICT sector, for the entire span analyzed in this report. However, since 2002, Canada's ICT sector output has increased continuously and is now 30% higher. On the other hand, the Canadian economy, as a whole, grew by about half this rate (16%) over the same period.

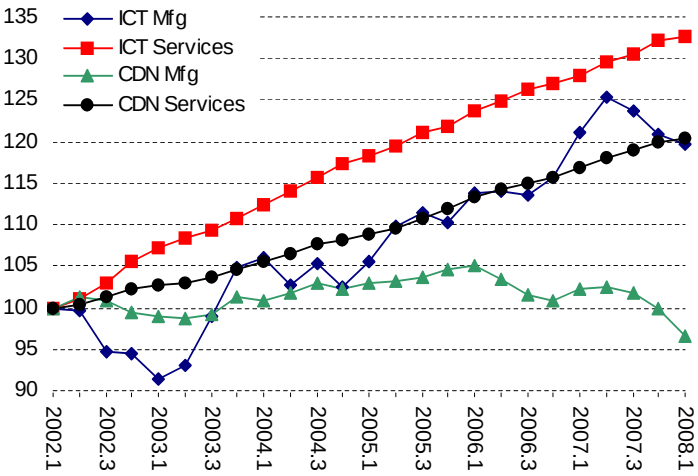
Real GDP: ICT Sector and Canadian Economy, Indexed Growth, 2002Q1 = 100



For a third consecutive quarter, both ICT manufacturing GDP and Canadian manufacturing GDP declined in the first quarter of 2008, down by 1.0% and 3.3%, respectively. Regardless, since the beginning of 2005, they have displayed converse trends. Specifically, GDP in the ICT manufacturing sub-sector has grown by 13.3%, whereas Canadian manufacturing GDP declined by 6.1%, within this period. More recently, though, since the beginning of 2007, ICT manufacturing GDP has followed the movements observed in Canadian manufacturing GDP.

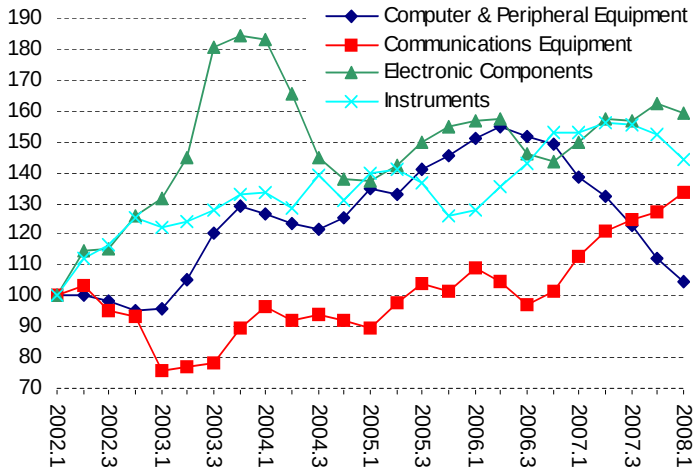
GDP for both ICT services (0.3%) and overall Canadian services (0.5%) sectors continued to increase in the beginning of 2008. Moreover, each of these categories exhibited strong performance since the beginning of 2002, in which the ICT services sub-sector grew by 33% and the Canadian services sector increased by 20%.

Real GDP: ICT & CDN Manufacturing & Services Industries, Indexed Growth, 2002Q1 = 100



This past quarter, GDP in three of the four key ICT manufacturing industries recorded declines. The computer and peripheral equipment industry fell by 7.2% and has displayed a persistent drop since the third quarter of 2006. For a third consecutive quarter, the instruments industry declined, down by 5.4% this past period. Despite the recent declines, the instruments industry has grown by 12.7% since the beginning of 2006. In the first quarter of 2008, GDP in the electronic components industry declined by 2.1%, but has been trending up since the beginning of 2007. Conversely, GDP in the communications equipment industry grew by 4.7% in the beginning of 2008 and posted uninterrupted growth since the end of 2006.

Real GDP: Selected ICT Manufacturing Industries, Indexed Growth, 2002Q1 = 100

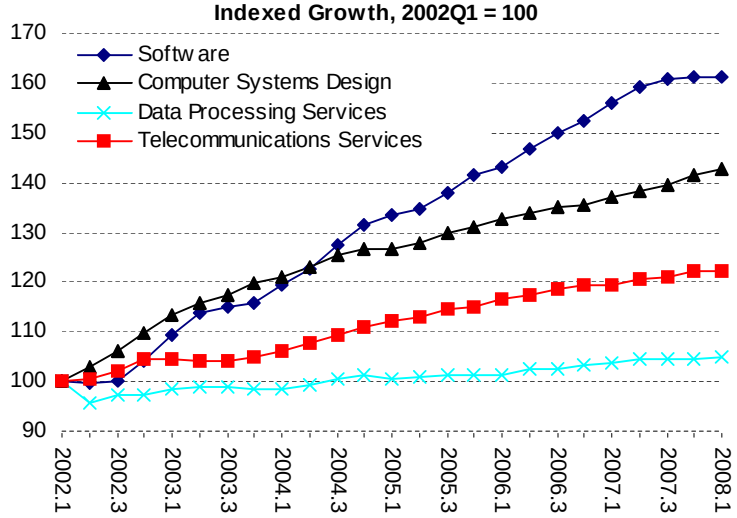


Gross Domestic Product

All ICT services industries grew or remained constant this quarter. The fastest growth was observed in the computer systems design industry (0.9%). Growing continuously since the first quarter of 2002, this industry has now increased by 43%, or at an average rate of 1.5% per quarter. This past quarter, the data processing services industry grew by 0.5%. Over the entire period analyzed in the chart, this industry has grown at a relatively slower pace than the other key ICT services industries

GDP in the telecommunications services industry increased by 0.1%, while it remained relatively constant in the software industry, in the first quarter of 2008. Both the software and the telecommunications services industries have displayed upward trends since the beginning of 2002, up 61% and 22%, respectively.

Real GDP: Selected ICT Services Industries, Indexed Growth, 2002Q1 = 100

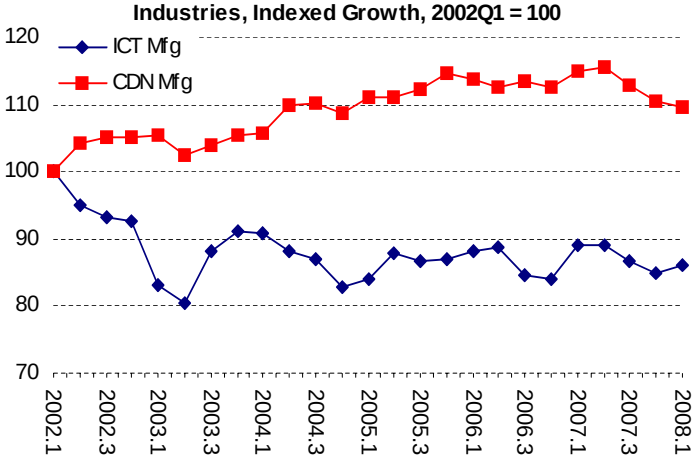


Manufacturing Shipments

ICT manufacturing shipments are up...

After two consecutive quarters of decline, shipments of ICT manufacturers grew by 1.5% in the first quarter of 2008. On the other hand, Canadian manufacturing shipments have been falling since the third quarter of 2007, down by 0.9% this past quarter.

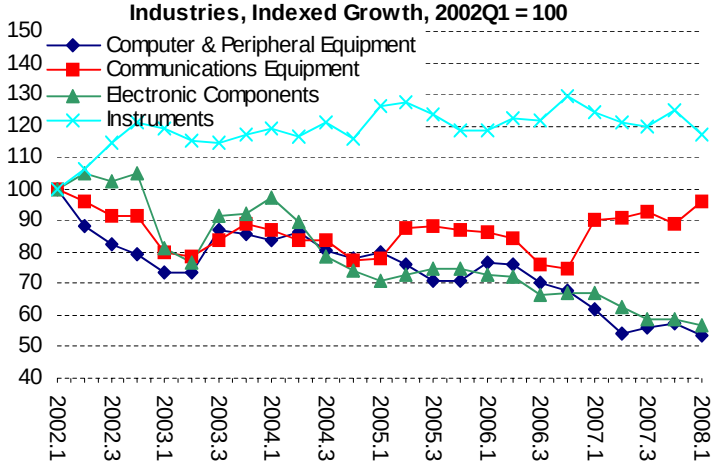
Manufacturing Shipments: ICT and Canadian Manufacturing Industries, Indexed Growth, 2002Q1 = 100



Since the end of 2006, ICT manufacturing shipments have increased by 2.3%, or at an average rate of 0.4% per quarter. On the other hand, Canadian manufacturing shipments declined by 2.7% within the same period.

...with a significant increase in communications equipment.

Manufacturing Shipments: Selected ICT Manufacturing Industries, Indexed Growth, 2002Q1 = 100



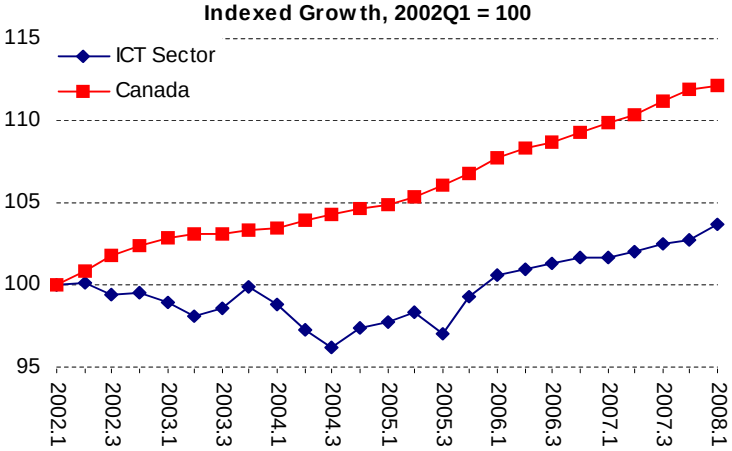
Although three of the four key industries in ICT manufacturing declined this past quarter, the strong growth recorded in communications equipment (8.3%) heavily influenced the overall growth recorded in ICT manufacturing shipments. Since its lowest recorded level at the end of 2006, communications equipment shipments have grown nearly 30%. Even though shipments in computer and peripheral equipment (-6.4%) and instruments (-6.1%) fell at similar rates, the drop observed in instruments was nearly double the value experienced by computer and peripheral equipment. For a fourth consecutive quarter, shipments in electronic components declined, down by 3.9% in the first quarter of 2008, a declining trend observed since the beginning of 2004.

Employment*

ICT employment grew...

This past quarter, the number of employees in the ICT sector (0.9%) grew at a faster rate than the whole Canadian economy (0.2%). The number of employees in the ICT sector experienced greater fluctuations than the Canadian economy up until the third quarter of 2005. Since then, the number of employees in the ICT sector has followed the same upward trend as the overall economy.

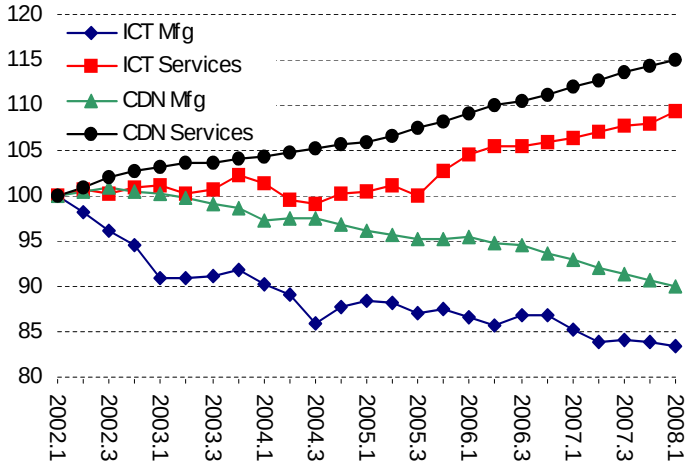
Employment: ICT Sector and Canadian Economy, Indexed Growth, 2002Q1 = 100



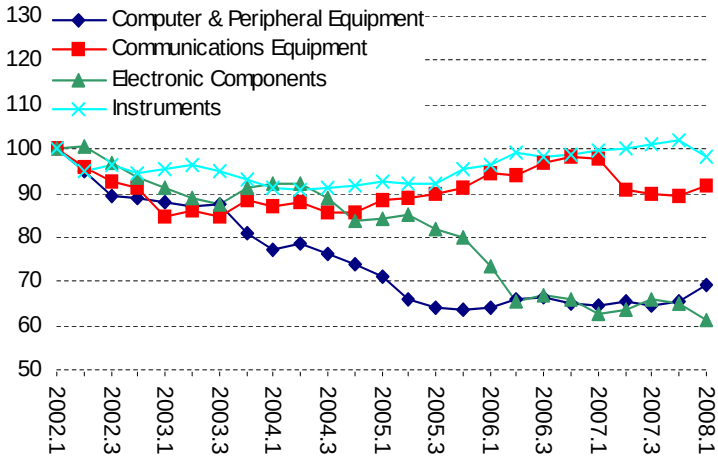
This period, the number of employees in both ICT manufacturing (-0.6%) and Canadian manufacturing (-0.8%) declined. In fact, the number of employees in ICT manufacturing has declined by 14.9% since the beginning of 2002, at an average rate of 0.8% per quarter. Canadian manufacturing employment has also been trending down since the first quarter of 2002, but at an average rate of 0.4% per quarter.

In the beginning of 2008, the growth in the number of employees in ICT services (1.2%) outpaced that of the Canadian services sector (0.5%). Since the end of 2005, the number of employees in ICT services has increased uninterruptedly, and is now 6.5% higher.

Employment: ICT & CDN Manufacturing & Services Industries, Indexed Growth, 2002Q1 =100

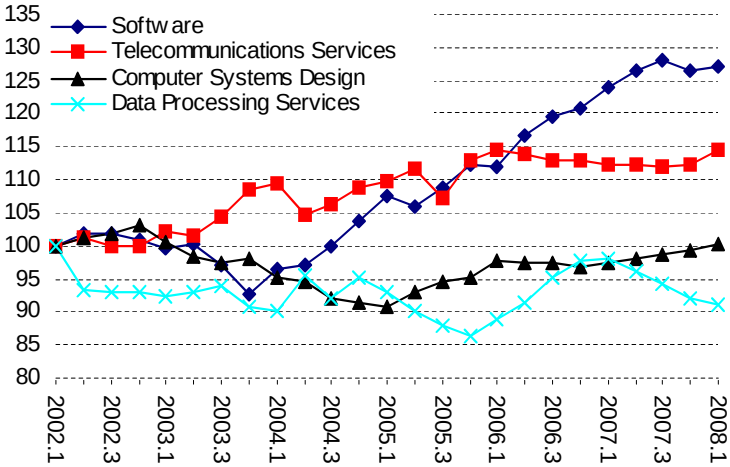


Employment: Selected ICT Manufacturing Industries, Indexed Growth, 2002Q1 = 100



Employment in electronic components (-5.9%) recorded the largest drop at the start of 2008. In fact, employment in this industry fell significantly from the beginning of 2002 to mid 2006. Thereafter, the declining trend continued, but at a slower rate. Following five consecutive quarters of growth, instruments employment fell by 3.8% this past quarter. Nevertheless, employment in this industry has grown by 7.3% since the third quarter of 2004. The computer and peripheral equipment industry displayed positive employment with an increase of 5.5% this past quarter and 8.3% since the end of 2005. Throughout 2007, employment in communications equipment declined, but by the first quarter of 2008, it rose by 2.5%.

Employment: Selected ICT Services Industries, Indexed Growth, 2002Q1 = 100



Growth in ICT services employment was mainly due to the increase experienced by the telecommunications services industry (1.9%). This industry has shown a steady increase since the end of 2005, up 1.4% since then. Employment in the computer systems design industry was up 0.8% this past quarter, a trend that has been observed since the beginning of 2007. The software industry recorded a 0.3% increase in employment this past period and has exhibited strong growth since it experienced its lowest value at the end of 2003. For a fourth consecutive quarter, the data processing services industry declined, down by 1.0% in the first quarter of 2008.

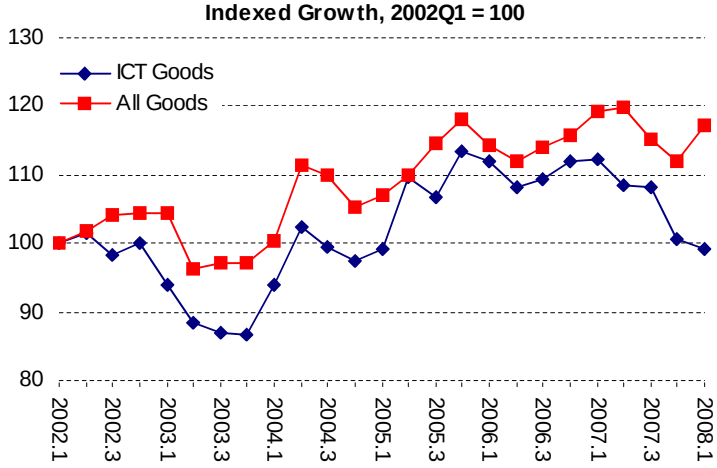
* see note 1 on page 5

Exports of Goods

Exports of ICT goods fell...

This quarter, ICT exports continued to decline (-1.6%), whereas overall exports of Canadian goods grew by 4.6%. In fact, exports of ICT goods have been falling since the second quarter of 2007, down by 8.6% since then. In addition, the level of ICT exports recorded this period has fallen slightly below that observed at the beginning of 2002.

Exports: ICT Goods and All Goods, Indexed Growth, 2002Q1 = 100



...led by another decline in communications equipment.

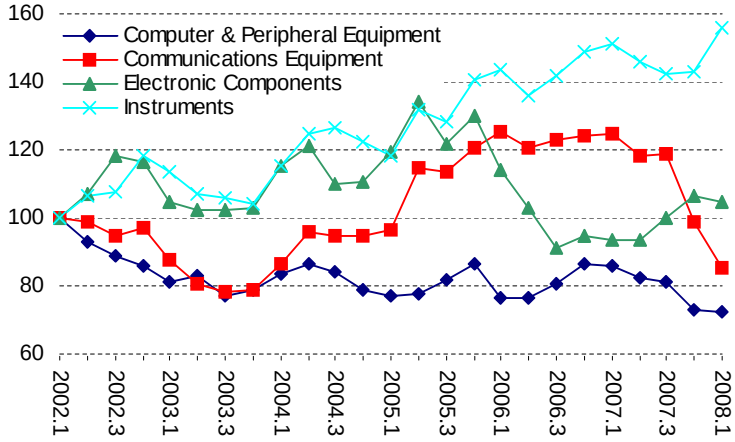
As it was at the end of 2007, the drop in ICT exports this quarter was heavily influenced by the decline in exports of communications equipment (-13.2%). In fact, exports of both wired (-14.3%) and wireless (-11.5%) products declined. Exports of communications equipment have dropped almost 30% in the last two quarters and are near their lowest recorded level that occurred in the third quarter of 2003.

This past quarter, exports of electronic components fell by 1.7%, but have displayed an upward trend since the end of 2006.

For a fifth consecutive quarter, exports of computer and peripheral equipment declined, down by 0.7% in the first quarter of 2008. In fact, for the period analyzed in this report, exports of this good have now reached their lowest recorded level and have fallen by 16% (or an average of 4.2% per quarter) since the beginning of 2007.

Exports of instruments increased significantly (8.7%) in the first quarter of 2008. Overall, exports of instruments have displayed strong positive performance since the beginning of 2002, and are now 56% higher.

Exports: ICT Goods by Selected Product Group, Indexed Growth, 2002Q1 = 100

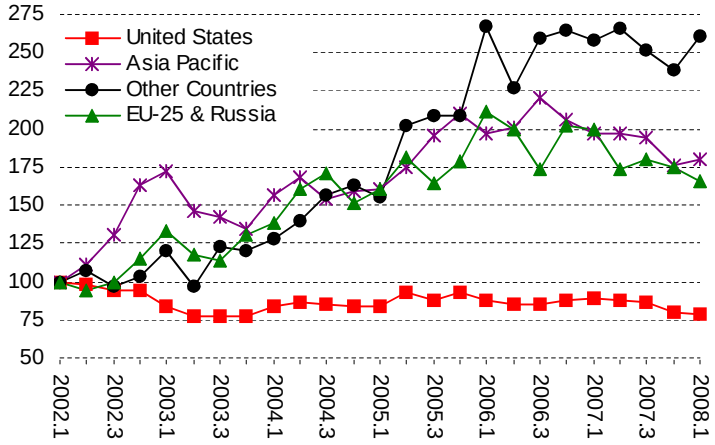


Exports continue to diversify...

This past period marked the fourth consecutive quarter that ICT exports to the US fell. Down by 1.9% in the first quarter of 2008, ICT exports to the US nearly reached the low level recorded at the end of 2003. At 65%, in the beginning of 2008, the US share in Canadian ICT exports has remained relatively constant since the third quarter of 2007. This share was 82% in the first quarter of 2002, but it has been trending down since. Despite the drop, the US still remains Canada's main trading partner.

In the first quarter of 2008, ICT exports to "Other Countries" and to Asia Pacific economies grew by 9.3% and 2.2%, respectively. Nevertheless, ICT exports to Asia Pacific economies had been declining for five consecutive quarters prior to this quarter's increase, a drop of 12.6% since the last quarter of 2006. For a second consecutive quarter, ICT exports to the EU-25 & Russia declined, down by 5.1% this past quarter. From the end of 2005 to mid 2007, ICT exports to the EU-25 & Russia fluctuated significantly, thereafter ICT exports declined at a moderate rate. The shares of exports to the Asia Pacific economies and to the "Other Countries" increased to 12.6% and 9.1%, respectively, while the share to the EU-25 & Russia fell remotely to 14.6% this past quarter.

Exports: ICT Goods by Major Market, Indexed Growth, 2002Q1=100



Notes, Definitions and Sources

Real GDP Versus Manufacturing Shipments

It is important to note that GDP and shipments differ in two ways. First, GDP measures the total contribution of an industry to the economy in terms of value-added while shipments are a simple measure of revenues. Most of the time, changes in shipments are good indicators of changes in GDP but structural changes to an industry (for example, an increase in outsourcing) can lead to different trends in GDP and shipments indices. Second, GDP is measured in constant dollars while shipments are measured in current dollars. This means that when prices increase, GDP fluctuates less than shipments but when prices decline, GDP fluctuates more than shipments. In the ICT context, this difference is very important in measuring output of the computer equipment industry since a hedonic price index is used. A hedonic price index is a statistical tool used to standardize per unit prices for goods whose quality and characteristics change rapidly such as a computer. The hedonic price index adjusts the price of a computer based on the improvements in speed, design, etc. Using this hedonic price deflator, a very rapid decline in production prices is observed resulting in a much stronger growth in the GDP index compared to the shipments index for the computer equipment industry.

Information and Communications Technologies Sector*

ICT Manufacturing:

- Computer and Peripheral Equipment Mfg
- Communications Equipment Mfg
  - -wired communications equipment mfg
  - -wireless communications equipment mfg
- Audio and Video Equipment Mfg
- Electronic Component Mfg
- Instruments Mfg
- Communication Wire and Cable Mfg
- Commercial and Service Machinery Mfg

ICT Services:

- Software
- Computer Systems Design
- Data Processing Services
- Telecommunications Services
- Cable and Other Program Distribution
- ICT Wholesaling

** Based on the North American Industry Classification System*

***Sources**:*
GDP: GDP by Industry, Industry Measures and Analysis Division, Statistics Canada.
Manufacturing Shipments: Monthly Survey of Manufacturing, Manufacturing, Construction and Energy Division, Statistics Canada.
Employment: Survey on Employment, Payrolls and Hours (SEPH), Labour Statistics Division, Statistics Canada.
Exports: Trade Data Online, International Trade Division, Statistics Canada.

***Notes**:*

1. *Employment trends based on the Survey on Employment, Payrolls and Hours (SEPH) used in this publication might be slightly different from the trends based on annual industry specific surveys reported in the ICT Statistical Overview. Although data from SEPH might not be as reliable as data from industry specific surveys, they are more timely and provide an indication of the current employment situation.*
2. *Data used in this report are adjusted for seasonal variation.*

Export Markets:

United States: United States.

EU-25&Russia: United Kingdom, Germany, France, Belgium, Netherlands, Italy, Spain, Sweden, Austria, Finland, Ireland, Denmark, Poland, Portugal, Czech Republic, Greece, Luxembourg, Hungary, Slovenia, Latvia, Lithuania, Estonia, Slovakia, Cyprus, Malta, and Russia.

Asia Pacific (based on Department of Foreign Affairs and International Trade definition): Afghanistan, Australia, Bangladesh, Bhutan, Brunei Darussalam, Burma (Myanmar), Cambodia (Kampuchea), China, Cook Islands, Fiji, French Polynesia, Guam (U.S.), Hong-Kong, India, Indonesia (includes East Timor), Japan, Kiribati (includes Tuvalu), South Korea, Kyrgyzstan, Laos, Macau (Macao), Malaysia, Maldives, Micronesia, Mongolia, Naura, Nepal, New Caledonia, New Zealand, Niue, Pakistan, Papua New Guinea, Philippines, Singapore, Solomon Islands, Sri Lanka, Taiwan (Taipei), Tajikistan, Thailand, Tonga, Turkmenistan, Uzbekistan, Vanuatu (New Hebrides), Vietnam.

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