



CANADA'S ECONOMIC NEWS

Date: March 31, 2010

MACROECONOMIC INDICATORS

National Real GDP ...

rose 0.6% in January for a fifth consecutive monthly increase. Output in the goods-producing industries advanced 1.3%, while output in the services-producing industries increased 0.4%. Within the good-producing industries, the leading source of strength was manufacturing, which rose 1.9% in January following a 1.2% increase in December. Of the 21 major manufacturing groups, 17 reported gains, most notably manufacturers of fabricated and primary metal products, chemicals, plastics and rubber products. Construction activity also helped push up goods-production activity in January with a 1.7% gain in output based largely on residential construction (+4.0%) and engineering and repair work (+1.0%). Mining and oil and gas extraction increased 0.9% in January. Within this goods-producing industry, oil and gas extraction was up 0.5% due to a rise in natural gas production, while increases at potash and gold and silver ore mines helped drive the mining sector up 2.3%. In terms of the services-producing industries, the overall January output increase was led by a 2.9% gain in wholesaling activity focussing on motor vehicles, petroleum products, pharmaceuticals and food products. Also positively contributing to the performance of the services industry was the retail trade sector, which rose 0.8% in January with notable increases in building and outdoor home supplies stores, home furnishing stores as well as food and beverage stores. Finance and insurance was another area of strength in services. Its 0.6% output gain in January was the result of an increase in the volume of trading on the stock exchanges. (March 31)

Provincial and Territorial Real GDP (revised 2008)...

rose in seven provinces in 2008 despite a slight decline in the national average (-0.3%). Growth was the strongest in Saskatchewan (+4.1%) on the basis of solid commodity exports, strong population and income growth and healthy domestic spending. Manitoba ranked second in provincial economic growth (+2.8%) stimulated by continuing investment in residential and non-residential construction together with superior growing conditions, manufacturing strength, active mining exploration and oil production. Other provinces posting gains include Newfoundland (+1.1%), Nova Scotia (+1.1%) and Quebec (+1.0%). These gains were slightly offset by combined losses in Ontario (-1.9%), British Columbia (-0.6%) and New Brunswick (-0.4%). (November 9, 2009)

The Current Account Deficit...	narrowed to \$9.8 billion in the fourth quarter of 2009 on a seasonally adjusted basis due mainly to an energy-led increase in exports for goods. The current account has been in deficit for the last five quarters, following almost 10 years of surpluses. Cross-border financial transactions continued to generate large inflows of funds, with foreign acquisitions of Canadian bonds dominating in the quarter to end a year of substantial foreign investment in Canadian securities. (February 26)
International Merchandise Trade Surplus...	stood at \$799 million in January compared with a surplus of \$75 million in December. This massive increase arose as exports increased 0.5% to \$33.0 billion in December, while imports fell 1.7% to \$32.2 billion. Although exports have been rising for five straight months, the pace of growth slowed in January as declines in automotive products and machinery and equipment nearly offset gains in industrial goods and materials, and other consumer goods. With regard to imports, machinery and equipment, other consumer goods and energy products led the downward movement in overall imports. (March 11).
The Bank of Canada...	will be holding its target for the overnight rate at 0.25% until the end of the second quarter of 2010. The Bank is also keeping the bank rate and the deposit rate unchanged at 0.50% and 0.25% respectively. The continuing global economic recovery is being driven largely by strong domestic demand growth in many emerging-market economies and supported in advanced economies by exceptional monetary and fiscal stimulus, as well as extraordinary measures taken to support financial systems. The Canadian economy grew at an annual rate of 5% in the fourth quarter of 2009, stimulated by strong domestic spending and further recovery in exports. The underlying factors supporting Canada's recovery are largely unchanged - policy stimulus, increased confidence, improved financial conditions, global growth and higher terms of trade. At the same time, the ongoing strength of the Canadian dollar and low absolute level of U.S. demand continue to significantly counter economic activity in Canada. Core inflation has been slightly more stable than projected, the result of both transitory factors and higher level of economic activity. The outlook for inflation should continue to reflect the combined influences of stronger domestic demand, slowing wage growth, and overall excess supply. Conditional on the current outlook for inflation, the target overnight rate can be expected to remain at its current level until the end of the second quarter of 2010 in order to achieve the inflation target. (March 2)

***Corporate Profits (before taxes)...**

as a percentage of GDP, plunged 28.8% between 2008 and 2009. Despite the yearly downturn, however, corporate profits (before taxes) as a percentage of GDP, increased 25.5% (annualized) in the fourth quarter of 2009 after rising at an annualized 30.3% in the third quarter. (March 1)

Employment...

rose by 21,000 jobs or 0.1% in February, the second consecutive monthly gain following a 0.3% increase in January. This helped push the unemployment rate down 0.1 percentage points to 8.2%. In February, a notable gain in full-time employment (+60,000 jobs or 0.4%) was partially offset by a decline in part-time employment (-39,000 jobs or -12.%). In terms of worker class, public sector employment increased (+46,000 jobs or 1.3%), while private sector employment (-7,500 jobs or -0.1%) and self employment (-17,000 jobs or -0.6%) decreased. In terms of demographics, employment for men aged 55 and over increased by 26,000 in February. This pushed the unemployment rate for this group down 0.6 percentage points to 7.1%. Employment for women aged 55 and over was virtually unchanged in February and their unemployment rate stood at 5.7%. Employment in February was also unchanged for core-age workers (aged 25-54) and youths. (March 12)

The Composite Index of Leading Indicators...

rose 0.8% in February, the ninth straight monthly increase following a 0.7% gain in January. Overall 9 of the 10 components rose with household demand still the leading source of growth. The housing index accelerated to 1.7% growth due to higher housing starts, as sales of existing homes fell for the first time since February 2009. The gains in housing gave rise to a 1.2% increase in sales of furniture and appliances, the largest in over three years. Spending on other durable goods rose 0.7% for an eighth consecutive increase, while business and personal services employment rose 0.5% on the month. Although the leading indicator for the United States grew 0.8%, consumer confidence there has been slower to recover than in Canada, mainly due to the high rate of unemployment. Growth in the United States has instead been led by the spread in interest rates and the index of supplier deliveries. As the U.S. economy recovers, manufacturing orders and sales rose in Canada. New orders increased for the third time in four months. The ratio of shipments to inventories posted a seventh straight gain, as sales expanded while stocks fell. The average work week in manufacturing was the only major component of the composite index of leading indicators to decline. (March 23)

Private and Public Investment Intentions...

are expected to increase 5.3% in 2010 following a sizable decline in 2009. Businesses and governments plan to spend \$239.9 billion on non-residential construction and machinery and equipment in 2010. Of this amount, non-residential construction is expected to increase 7.2% to \$139.2 billion, while spending on machinery and equipment is expected to increase 2.8% to \$100.7 billion. (February 26)

SECTORAL INDICATORS

Housing Starts...

increased from a seasonally adjusted annual rate of 185,400 units in January to 196,700 in February. The seasonally adjusted annual rate urban starts increased by 9.0% to 179,100 units in February. Urban multiple starts increased by 19.1% to 89,900 units in February, while urban single starts rose 0.5% to 89,200 units. Rural starts were estimated at a seasonally adjusted annual rate of 17,600 units in February. (March 8)

****Operating Profits of Enterprises...**

rose 31.5% (annualized) in the fourth quarter of 2009 to \$60.1 billion, following a 43.6% (annualized) increase in the third quarter. The operating profits of non-financial industries increased 17.6% (annualized) to \$44.8 billion, while those of the financial industries jumped 78.8% (annualized) to \$15.2 billion. (February 24)

The Industrial Capacity Utilization Rate...

defined as the ratio of an industry's actual output to its estimated potential output, increased to 70.9% in the fourth quarter from 68.7% in the third quarter. Following a marginal gain 0.2 percentage points in the third quarter, the gain in the fourth quarter was the first significant increase in overall capacity use since the first quarter of 2007. Strength originated largely from manufacturing, forestry and logging, and mining. (March 11)

Manufacturing Sales...

rose 2.4% in January to \$44.6 billion, the fifth consecutive monthly gain following a 1.9% increase in December. Overall, 17 of 21 manufacturing industries reported increases in January, led by an 8.5% sales increase by primary metal manufacturers which was partly due to a rise in production after several plants were shutdown the previous month. Sales of plastic and rubber products rose 5.6% in January with the majority of the gains reflected by tire manufacturers. The petroleum and coal products industry reported a sales gain of 3.4% in January due largely to price increases rather than improved volumes. On the negative side, the transportation equipment industry was one of the four industries to report weaker sales in January. The decline was led by aerospace product and parts production, which fell 3.4% in January, returning a small portion of the 28.5% increase recorded the previous month. (March 16)

Wholesale Trade...

rose 3.0% in January to \$44.4 billion - the fifth consecutive monthly increase, following a 0.9% gain the previous month. January's increase is the strongest monthly gain in three years. The higher sales in January reflected increases in all sectors, most predominantly the automotive products sector which rose 4.8% to \$7.8 billion in January for a fourth consecutive increase. This gain was due entirely to the motor vehicles group (+6.1%). Wholesale sales of building materials reached \$6.0 billion in January with the largest gains in the metal products group and the building supplies group. The machinery and electronic equipment sector posted a 2.6% increase, reflecting sharply higher sales in the machinery and equipment group. Sales in the "other products" sector increased by 4.1%, mostly due to a surge in sales of agricultural chemicals. These products account for approximately one-quarter of the sales of this sector, which also includes recycled materials, paper products and non-agricultural chemicals. (March 17)

New Motor Vehicle Sales...

remained unchanged at 128,426 units in January. Sales of new trucks (which include minivans, sport-utility vehicles, light and heavy trucks, vans and buses) rose 2.4% to 65,726 units in January, the second straight monthly increase and the highest level of sales since October 2008. Offsetting this gain was a 2.3% decline in sales of new passenger cars to 62,700 units. Within this category, an 8.2% decrease in sales of North American-built passenger cars completely offset a 5.8% increase in sales of overseas-built cars. (March 12)

Retail Sales...

rose 0.7% in January to \$35.7 billion, the second straight monthly gain following a 0.5% increase in December. Six of the eight retail store sectors posted sales increases in January, most predominantly building and outdoor home supplies stores in which sales rose 7.4% in January as a result of a 6.0% sales increase in home centres and hardware stores and a 14.0% sales gain in specialized building material and garden stores. Sales at furniture, home furnishing and electronics stores rose 2.5%, led by a 15.1% gain at home furnishing stores. Food and beverage stores reported a 1.9% sales increase in January on the strength of a 2.0% rise in sales at supermarkets. Another retail store sector posting a notable sales increase were miscellaneous retailers in which a monthly overall sales gain of 1.1% was driven by a 3.3% rise in sales at sporting goods, hobby, music and book stores. Sales at clothing and accessories stores was 0.5% higher in January as sales rose 1.3% at shoe, clothing accessories and jewellery stores and 0.2% at clothing stores. The automotive sector was the only retail store sector to post a sales decline in January. Its overall monthly 1.5% decline was largely the result of a 2.3% drop in sales at new car dealers. (March 19)

* National accounts basis

** Does not include corporations that are government controlled or not-for-profit.

*** Canada's Economic News is a bi-weekly report compiled by the Strategy & Analysis Division (BIA) of the Invest in Canada Bureau (BID). This report uses data from a variety of official sources, primarily Statistics Canada, Canada Mortgage and Housing Corporation and the Conference Board of Canada.

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