

THE ECONOMY IN BRIEF

DEPARTMENT OF FINANCE

MARCH 2004

OVERVIEW

- In the fourth quarter of 2003 real gross domestic product (GDP) growth strengthened to 3.8% following the more modest 1.3% increase in the third. Fourth-quarter growth was the fastest since early 2002. Rebounding exports and stronger inventory investment more than offset slower final domestic demand growth. For 2003 as a whole, GDP increased 1.7%, down from 3.3% in 2002.
- Strong U.S. growth in the second half of 2003, improved conditions in other major trading partners and a bounce-back from the effects of severe acute respiratory syndrome (SARS) and the August power outage in Ontario produced a 13.5% jump in real exports following four quarterly declines.
- Final domestic demand growth slowed to 1.2% from 5.8% in the previous quarter. Consumer spending showed almost no growth following a solid increase in the third quarter, and business investment increased more modestly than in the previous quarter.
- The current account registered its 18th consecutive quarterly surplus. However, it dipped to \$26.6 billion, or 2.2% of nominal GDP, from \$31.4 billion, or 2.6% of GDP, in the third quarter. For 2003 in its entirety, the surplus rose to \$25.8 billion from \$23.4 billion in 2002.
- The Canadian economy created 220,000 net new jobs in the five-month period ending in January 2004. The unemployment rate fell to 7.4% in December and remained there in January.

Real GDP growth strengthens

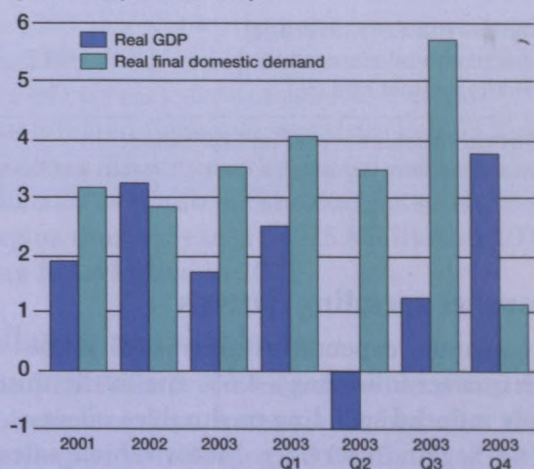
Real GDP rose 3.8% in the fourth quarter following a 1.3% increase in the third, as exports rebounded and businesses added to inventories (Chart 1).

Exports add to growth

Real exports rose 13.5% after four consecutive declines. Strong U.S. growth in the second half of the year and a bounce-back from the Ontario blackout boosted Canadian exports, especially of high-tech machinery and equipment, and automotive, energy and industrial products. The travel industry's recovery accelerated following the depressing effects of SARS and the Iraq war. However, the approximately 20% dollar appreciation in 2003 dampened export growth for 2003 as a whole.

Note: Unless otherwise noted, data and per cent changes are quoted at annual rates. The cut-off date for data is end of day, March 2, 2004.

Chart 1
Growth in real GDP and real final domestic demand per cent (annual rate)



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