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Economic indicators for the July-to-September period also reflected positive developments in Canada's labour and financial markets. Employment gains were led by growth in full-time jobs, pushing the unemployment rate down to 7.6% on average for the quarter, and to as low as 7.2% in September. The Canadian dollar remained steady, averaging US\$0.672, marginally below second-quarter results.

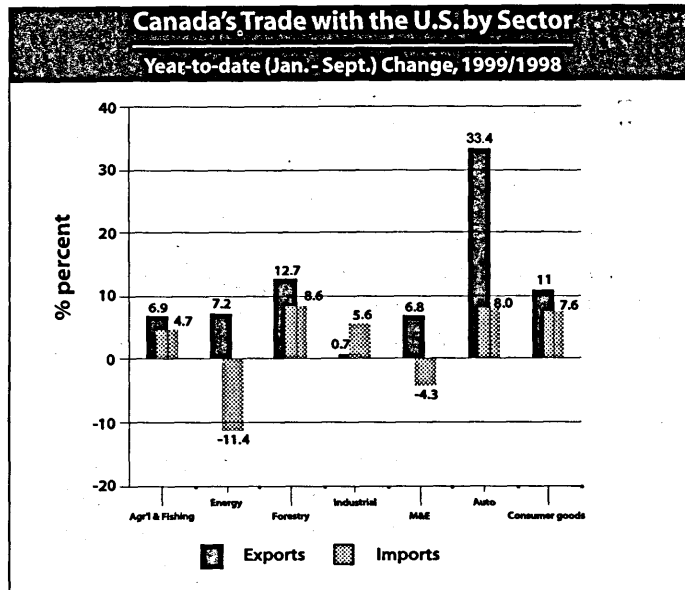
While the upswing in industrial goods and energy prices boosted Canada's merchandise trade in specific sectors, the exceptional third-quarter performance of Canada's trade in goods and services was propelled by a variety of factors, including:

- stronger-than-expected economic expansion in the U.S.;
- continued recovery and stabilization of economic growth abroad, in Asia and Europe, in particular; and
- healthy domestic demand.

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increased by 33% over the same period in 1998. Overall, exports to the U.S. were up 15.7% for the first nine months; total imports were also higher, despite declines in the energy, and machinery and equipment (M&E) sectors.

The acceleration of U.S. real GDP in the third quarter to an annualized rate of 5.5% was largely due to increased consumer spending, a jump in business fixed investment (mainly spending on software and equipment), and renewed inventory building. Some of these developments translated into higher demand for Canadian goods and services.



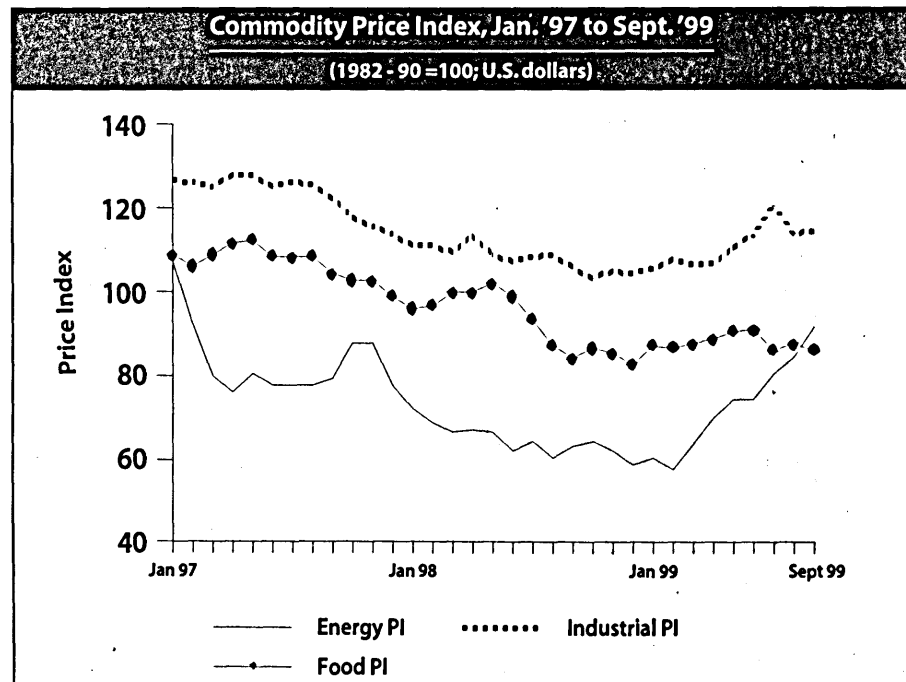
Note: Calculations were based on Customs Basis Data, Not Seasonally Adjusted.

Rising commodity prices prompted reversal in trend for trade in industrial goods

The recovery of energy prices (including crude oil, natural gas and coal) and industrial materials prices (metals, minerals, forest products) continued to be a major factor in driving performance in Canada's energy and industrial goods trade. Exports

quarterly declines, dating back to the second quarter of 1998 in the case of exports and to the first quarter of 1999 in the case of imports. Increased global demand for industrial goods as well as the rebounding prices paved the way for this recent growth. Nonetheless, it is still too early to declare a full recovery.

of energy products rose 12.3% (or \$895 million) on a quarter-over-quarter basis. Meanwhile trade in industrial materials, Canada's third largest trade sector, registered solid growth, with exports up 4.3% and imports up 3.3% over the previous quarter. Of particular note, these gains reversed



Source: Bank of Canada