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PERFORMANCE *Trends*

- **Between the third quarter of 2002 and the third quarter of 2003, small businesses (businesses with fewer than 100 employees) created approximately 45 500 jobs or 36 percent of net new jobs in the Canadian economy.**
- **There were 2.23 million business establishments in June 2003, an increase of 2.5 percent from June 2002.**
- **Bankruptcies numbered 2006 in the third quarter of 2003, a decrease of approximately 7 percent from the same quarter of 2002. Over the same period, business liabilities involved in bankruptcies increased by 0.2 percent to an average of approximately $418 000 per bankrupt business.**
- **Total business loans outstanding[1] from chartered banks amounted to $92.7 billion in the third quarter of 2003, a decrease of 1.3 percent from the same quarter in 2002. Business loans below $500 000 accounted for 20 percent of the total.**
- **The importance of foreign venture capital financing has grown dramatically over the last seven years, from 3 percent of investments in Canada in 1996 to more than 26 percent in 2002.**

[1] Not including non-residential mortgages, agricultural loans and customer's liability under acceptances.

GROWTH FIRMS IN CANADA

Small businesses: an important engine of growth

Industry Canada's Small Business Policy Branch is undertaking a study of growth firms using a new database[1] from Statistics Canada. This database contains firm-level data on Canadian employer firms[2] and was used to investigate which firms were responsible for employment creation between 1985 and 1999.

Excluding start-ups, approximately 728 000 firms operated in 1985; of those, only 199 000 firms (27 percent) continued to operate in 1999. Based on job growth between 1985 and 1989, these 199 000 firms were categorized as either hyper growth (those that grew more than 150 percent over these four years), strong growth (growth between 50 and 150 percent), slow growth (positive growth but less than 50 percent) or declining (negative growth). Some 48 000 firms were classified as either hyper or strong growth firms, just 7 percent of all private sector firms in 1985. Each type of firm was then traced between 1985 and 1999 to investigate which firms contributed to employment growth, whether certain industries or regions were primarily responsible for growth, how firms fared through the business cycle and how many small firms grew into larger firms.

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Canada

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The 199 000 businesses that existed in both 1985 and 1999 created almost 498 000 net jobs over the period. The contribution to net employment creation by the hyper and strong growth enterprises among these continuing firms is remarkable, particularly on the part of small businesses (businesses with fewer than 100 employees in 1985). As seen in Table 1, hyper and strong growth firms created 974 000 jobs over these 14 years. More than 47 000 of these firms were small businesses. They created 612 000 jobs, accounting for 123 percent of the jobs created in all continuing firms. Of these hyper and strong growth small businesses, almost 3500 were micro businesses (businesses with fewer than five employees in 1985) that created 155 000 jobs or 31 percent of all jobs created by continuing firms between 1985 and 1999. The actual weight of very small firms is likely misstated because the smaller the firm, the greater the likelihood that owner–operators are not included in the employee count available in this database.

Looking at all growth categories together, small firms contributed greatly to employment growth over this period with net job creation of 661 000. Of these jobs, 167 000 were created by micro businesses. Medium-sized businesses (those with between 100 and 499 employees) created 184 000 jobs, while large businesses (those with 500 or more employees) shed 348 000 jobs over this period.

An important related result is the number of firms that grew in size. Among micro hyper and strong growth firms, 62 percent were still a micro business in 1999, but one third had moved to the 5–19 employees category and a further 4 percent had between 20 and 49 employees in 1999. Larger small hyper and strong growth businesses exhibited even more movement as 51 percent of firms that had 20–49 employees in 1985 moved to a higher size class.

This work shows that high growth is limited to a relatively small number of firms that are responsible for the majority of job creation. It is also abundantly clear that small business is an important engine of growth. Among all continuing firms, small businesses more than offset the employment declines of large businesses over this period.

More information on the database and further results are available in *Growth Firms Project: Key Findings* at **http://strategis.ic.gc.ca/sbresearch/growthfirms/highlights**

[1] This database links data from the Longitudinal Employment Analysis Program (LEAP) and the Small Area File (SAF) and is known as "LEAP/SAF."

[2] Employer firms are enterprises that have a payroll account with the Canada Customs and Revenue Agency.

Table 1: Number of Continuing Businesses, Net Employment Creation and Percentage Contribution by Growth Category and Size of Firm, Canada, 1985–1999

	Size of Firms	Number of Businesses (1985)	% of Total Number of Continuing Businesses	Net Jobs Created by Continuing Businesses	% of Net Jobs Created by Continuing Businesses
Hyper and Strong Growth	0–99	47 302	23.8	612 243	123.0
	<5	*3 458*	*1.7*	*155 125*	*31.2*
	100–499	592	0.3	181 461	36.5
	500+	111	0.1	180 717	36.3
	All Firms	48 005	24.1	974 421	195.8
Slow Growth and Declining	0–99	146 299	73.6	49 098	9.9
	<5	*16 264*	*8.2*	*11 948*	*2.4*
	100–499	3 638	1.8	2 514	0.5
	500+	935	0.5	-528 408	-106.2
	All Firms	150 872	75.9	-476 796	-95.8
All Continuing Firms	0–99	193 601	97.3	661 341	132.9
	<5	*19 722*	*9.9*	*167 073*	*33.6*
	100–499	4 230	2.1	183 975	37.0
	500+	1 046	0.5	-347 691	-69.9
	All Firms	198 877	100.0	497 625	100.0

Source: Industry Canada, Small Business Policy Branch, *Growth Firms Project: Key Findings*, September 2003, based on Statistics Canada data.

FINANCING

New Report on Foreign Venture Capital in Canada

A new study[1] carried out by PricewaterhouseCoopers LLP in partnership with Industry Canada indicates that, over the last seven years, foreign venture capitalists have been the fastest-growing source of venture capital in Canada. The study is based on 35 interviews with individuals involved in the venture capital industry and was designed to provide a profile of the issues surrounding foreign venture capital investment. The report, supported by statistical data provided by Macdonald & Associates Ltd., underlines the recent performance of foreign venture capital firms in Canada, notably:

- The importance of foreign venture capital investments has grown dramatically over the last seven years, from 3 percent of total venture capital investments in Canada in 1996 to more than 26 percent in 2002 (see Chart 1 for an overview of venture capital invested in Canada over the past 7 years).
- Foreign venture capital investments are a key source of financing for larger deals (35 percent of investments over $5 million).
- Investments are highly concentrated in Ontario and in the information and technology sector.
- Foreign venture capital focusses on later-stage rather than early-stage financing.

The study makes recommendations to Canadian firms looking for foreign venture capital financing:

- Build a strong management team.
- Have a presence in the United States.
- Leverage domestic venture capitalists.
- Go directly to foreign venture capitalists, but with a referral.
- Be polished and strong on marketing.

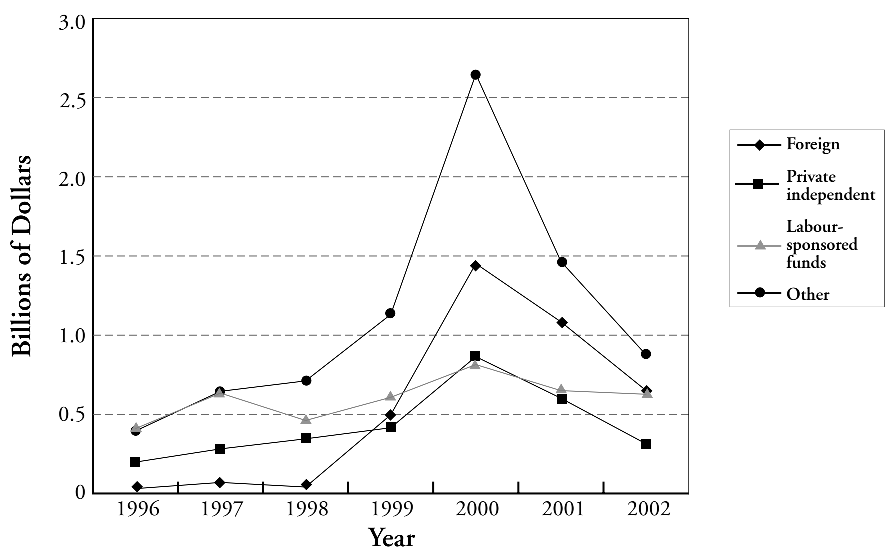
In addition, the report underlines the role of governments in fostering a favourable investment environment to attract foreign venture capital to Canada and makes recommendations to governments:

- Reform tax policy, mainly in the area of foreign property classification and capital gains taxes.
- Fund/coordinate university research.
- Market to foreign venture capitalists.
- Facilitate the building of management capability.
- Invest strategically on a cluster basis.
- Limit government influence on investment decisions.
- Buy from Canadian start-ups.

For more information on this report, please contact Anthony Haddad at (613) 946-2549 or Christine Soucy at (418) 648-4848.

[1] PricewaterhouseCoopers LLP, *Foreign Venture Capital Investment in Canada: A Profile of Foreign Investors and Domestic Investees*, report prepared for Industry Canada, October 2003.

Chart 1: Venture Capital Invested in Canada by Type of Investor, 1996–2002



Source: PricewaterhouseCoopers, based on data provided by Macdonald & Associates Ltd.
Note: Types of investors included in "Other" are corporate, government, institutional and other investors.

BUSINESS *Establishments*

According to Statistics Canada's *Business Register*, there were nearly 2 229 000 business establishments in Canada in June 2003, an increase of 2.5 percent from June 2002. Over this period, the number of businesses in the indeterminate category (businesses without employees) increased by 50 000 or 4.4 percent, while employer businesses increased by 5000 or 0.5 percent. Table 2 provides the June 2003 breakdown of business establishments by number of employees and industry.

In June 2003, businesses with fewer than 100 employees accounted for almost 98 percent of employer establishments. Of these, 58 percent had fewer than 5 employees, 39 percent had 5–49 employees and only 3 percent, or 31 000 business establishments, employed 50–99 employees.

More than one third of small business establishments (establishments with fewer than 100 employees) were active in one of the following three sectors: retail trade; professional, scientific and technical services; or construction. Among micro employer businesses (1–4 employees), more than one third were found in professional, scientific and technical services; construction; or other services. Medium-sized businesses (100–499 employees) were most heavily concentrated in manufacturing (21 percent) and retail trade (13 percent).

Table 2: Business Establishments by Size of Employment and Industry, June 2003

			Employer Businesses										
				Number of Employees								Distribution (%)	
Industry	**Grand Total**	**Indeterminate[1]**	**Total**	**1–4**	**5–9**	**10–19**	**20–49**	**50–99**	**100–199**	**200–499**	**500+**	**1–99**	**100–499**
Agriculture, Forestry, Fishing and Hunting	196 371	135 534	60 837	45 541	7 812	4 313	2 285	603	212	63	8	5.9	1.3
Mining and Oil and Gas Extraction	15 433	7 394	8 039	4 702	1 054	871	715	341	176	126	54	0.8	1.4
Utilities	1 932	747	1 185	519	201	144	137	65	40	42	37	0.1	0.4
Construction	250 288	139 174	111 114	71 221	17 604	10 991	7 585	2 433	901	315	64	10.7	5.7
Manufacturing	104 704	40 937	63 767	27 145	9 774	8 551	8 647	4 683	2 918	1 604	445	5.7	21.3
Wholesale Trade	122 805	57 093	65 712	32 445	12 597	9 695	7 435	2 239	928	311	62	6.3	5.8
Retail Trade	220 505	88 451	132 054	58 517	32 779	21 475	12 215	4 135	2 035	785	113	12.6	13.3
Transportation and Warehousing	106 614	60 622	45 992	30 885	5 821	4 045	3 084	1 183	530	315	129	4.4	4.0
Information and Cultural Industries	30 438	16 589	13 849	7 202	2 084	1 681	1 662	640	309	191	80	1.3	2.3
Finance and Insurance	104 940	69 956	34 984	17 799	5 692	4 647	4 821	1 095	530	246	154	3.3	3.6
Real Estate and Rental and Leasing	163 059	123 243	39 816	24 976	6 495	4 076	2 862	971	292	104	40	3.8	1.9
Professional, Scientific and Technical Services	293 182	179 027	114 155	79 942	15 229	9 439	6 273	1 995	811	358	108	11.0	5.5
Management of Companies and Enterprises	74 378	57 093	17 285	10 196	2 626	1 876	1 564	630	272	72	49	1.7	1.6
Administrative and Support, Waste Management and Remediation Services	102 735	55 404	47 331	27 382	7 989	5 439	3 939	1 391	700	362	129	4.5	5.0
Educational Services	20 104	8 610	11 494	5 867	1 882	1 411	1 040	400	251	213	430	1.0	2.2
Health Care and Social Assistance	93 512	11 515	81 997	46 547	16 231	9 355	5 397	2 028	1 236	811	392	7.8	9.6
Arts, Entertainment and Recreation	40 667	22 614	18 053	9 927	3 175	2 264	1 636	589	285	134	43	1.7	2.0
Accommodation and Food Services	112 845	37 870	74 975	28 082	14 886	14 326	11 843	4 250	1 194	321	73	7.2	7.1
Other Services (Excluding Public Administration)	166 239	69 513	96 726	64 820	17 271	8 798	4 221	1 036	406	135	39	9.4	2.5
Public Administration	7 821	54	7 767	2 328	1 690	1 020	1 083	577	407	338	324	0.7	3.5
Total All Industries	**2 228 572**	**1 181 440**	**1 047 132**	**596 043**	**182 892**	**124 417**	**88 444**	**31 284**	**14 433**	**6 846**	**2 773**	**100.0**	**100.0**

Source: Statistics Canada, *Business Register*, June 2003.

[1] The indeterminate category consists of incorporated or unincorporated businesses without employees. The *Business Register* classifies a business as "indeterminate" when it cannot be determined through payroll data that the firm has paid employees. The firm may, however, have a work force of contract workers, family members and/or its owners.

BUSINESS *Bankruptcies*

Business bankruptcies numbered 2006 in the third quarter of 2003, a drop of 13 percent from the previous quarter (2312) and 7 percent from the same quarter of 2002 (2151). The industries most affected were retail trade (17 percent of total bankruptcies), construction (17 percent), and accommodation and food services (11 percent). Retail trade and accommodation and food services have had the highest bankruptcy rate for the last two years.

In the third quarter of 2003, the liabilities involved in bankruptcies amounted to $838 million or approximately $418 000 per bankrupt business, virtually the same average as in the previous quarter and the same quarter in 2002. The manufacturing industry alone accounted for almost 30 percent of these liabilities.

JOB *Creation*

Data for the third quarter of 2003 from Statistics Canada's *Survey of Employment, Payrolls and Hours* (SEPH) indicate that more than 126 000 new payroll jobs were created compared with the third quarter of 2002. Table 3 shows that more than a third of the new jobs were created in small firms (those with fewer than 100 employees). Their contribution to job creation was larger than that of both medium-sized and large firms.

Table 4 shows, using four-quarter averages over the most recent two years, how the year-over-year change in employment by size of firm varied across the provinces and territories. Job growth rates were the highest in Nunavut (8.3 percent), the Northwest Territories (7.5 percent) and Prince Edward Island (7.3 percent). Firms with fewer than 20 employees had the weakest growth in payroll employment in most provinces and territories. In contrast, the strongest growth was seen in firms with between 20 and 99 employees. Growth rates in the medium-sized categories varied considerably, for example, 4.7 percent for firms in the 100–299 group in Quebec and -0.7 percent for the 300–499 group in Ontario. The largest firms again grew fairly uniformly, except in Manitoba and British Columbia where their growth rate was well below average.

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ECONOMIC *Snapshot*

Data as of December 23, 2003

Canada's real Gross Domestic Product (GDP)... increased 1.1 percent[1] in the third quarter of 2003, following a 0.7-percent drop in the second quarter. The dampening effect of a depletion of inventories was partly offset by a sharp reduction in imports. Final domestic demand, led by consumer spending and business investment, rose 5.7 percent, up from the 4.3-percent growth in the second quarter. Real exports fell (0.9 percent) for the fourth consecutive quarter, but at a slower pace. However, net exports made a small contribution to growth as real imports fell 2.1 percent. On the income side, corporate profits resumed growth while disposable income continued to post healthy growth (3.1 percent).

Monthly GDP data... show that the economy is on the mend, as real GDP at basic prices edged up 0.2 percent in October following a jump of 1.1 percent in September. Real GDP was 2.8 percent above its third-quarter levels, pointing to an acceleration of growth in the fourth quarter. Goods-producing industries edged up 0.1 percent in October following a surge of 1.7 percent in September, owing to gains by utilities, construction and manufacturing. The service sector advanced 0.2 percent in October, after an increase of 0.8 percent in September. The gains in the service sector were led by accommodation and food services; arts, entertainment and recreation; wholesale and retail trade; and education services.

The economic outlook... is for improving economic conditions in Canada, helped by sustained recovery in the United States. The December *Consensus Forecast* calls for growth to strengthen to over 5 percent in the fourth quarter of 2003 and to average 3 percent in 2004. Nonetheless, in the December survey, growth for 2003 was revised down to 1.7 percent, from 2.0 percent a month earlier, largely reflecting downward revisions to data for the first half of 2003. In the meantime, the U.S. growth outlook was revised up to 3.1 percent in 2003, from 2.9 percent a month earlier, and to 4.4 percent for 2004. The dampening effects of the rise in the Canadian dollar on Canadian exports are expected to be counterbalanced by strength in U.S. demand.

Consumer spending... increased 5.1 percent in the third quarter, following an increase of 3.8 percent in the previous quarter. Increases in spending were widespread across the goods and services sectors, led by 17.0 percent higher spending on durable goods. Purchases of new and used vehicles accounted for one third of the increase in consumer spending, while buoyant housing activity boosted purchases of household items and electronics. Spending also rose on services (4.3 percent), semi-durables (3.5 percent) and non-durables (0.9 percent).

Residential investment... increased 18.2 percent, after rising 5.1 percent in the second quarter of 2003. The housing sector continues to be strong, despite some moderation in recent months. Year-to-date housing starts are 6.5 percent higher than in the corresponding period last year.

Business investment in machinery and equipment (M&E)... jumped 18.8 percent, following an increase of 2.3 percent in the second quarter. The decline in M&E prices, in part associated with the appreciation of the Canadian dollar, together with rising profits, underpin the recovery in investment.

Corporate profits... rose 21.2 percent in the third quarter, after dropping 34.8 percent in the second quarter. Manufacturers and retailers benefited from stronger sales, and higher commodity prices increased mining profits. Corporate profits have increased in six of the past seven quarters. Over the first three quarters of 2003 they were 11.1 percent higher than in the same period of 2002.

[1] All quarterly growth rates are annualized.

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Table 3: Year-over-year Quarterly Net Change in Payroll Employment by Firm Size, Canada, Q1 2001 to Q3 2003

	Total Net Change		% Contribution to Total Net Change by Size of Firm (Number of Employees)								
Quarter	**%, y/y**	**Jobs, y/y**	**0–4**	**5–19**	**20–49**	**50–99**	***0–99***	**100–299**	**300–499**	***100–499***	**500+**
Q1 2001	3.7	446 733	10.1	1.0	8.1	6.0	*25.2*	10.9	3.5	*14.4*	60.4
Q2 2001	2.8	350 595	2.0	8.5	13.0	12.0	*35.5*	10.6	2.6	*13.2*	51.3
Q3 2001	1.8	224 453	31.0	1.2	17.0	15.7	*64.9*	-0.3	-0.8	*-1.1*	36.3
Q4 2001	1.0	125 105	34.2	35.3	34.3	13.7	*117.5*	-17.9	-37.8	*-55.7*	38.2
Q1 2002	0.9	115 078	-6.9	28.9	41.5	36.1	*99.5*	-7.1	-24.8	*-31.9*	32.4
Q2 2002	1.7	221 503	-0.7	4.3	36.4	37.5	*77.5*	13.9	-16.0	*-2.1*	24.6
Q3 2002	2.9	376 159	-0.9	1.5	23.7	25.2	*49.5*	16.5	-8.5	*8.0*	42.5
Q4 2002	3.7	472 965	-1.1	2.6	22.1	23.3	*46.8*	13.0	-2.0	*11.0*	42.2
Q1 2003	3.3	416 967	0.9	0.9	17.8	19.7	*39.2*	13.4	2.7	*16.1*	44.7
Q2 2003	2.2	292 913	3.6	1.5	9.9	9.5	*24.6*	13.1	4.4	*17.5*	57.9
Q3 2003	1.0	126 133	9.5	-5.2	15.5	16.2	*36.1*	18.9	11.8	*30.7*	33.2

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), December 2003.

Table 4: Year-over-year Annual Net Change[1] in Payroll Employment[2] by Province and Territory and Firm Size, Four-quarter Averages, Q4 2001 to Q3 2003

	Total Net Change		Growth Rates by Size of Firm and Province (Number of Employees)								
	Jobs, y/y	**%, y/y**	**0–4 (%)**	**5–19 (%)**	**20–49 (%)**	**50–99 (%)**	***0–99 (%)***	**100–299 (%)**	**300–499 (%)**	***100–499 (%)***	**500+ (%)**
Newfoundland	6 588	3.7	1.1	0.7	8.1	1.6	*2.7*	16.9	-28.0	*0.1*	5.3
Prince Edward Island	4 211	7.3	-3.3	0.5	4.4	2.4	*1.3*	21.4	44.2	*27.1*	7.0
Nova Scotia	13 853	3.8	-2.4	0.5	5.3	2.7	*1.7*	7.4	25.0	*11.3*	3.4
New Brunswick	6 582	2.2	-2.5	-0.2	4.1	0.1	*0.5*	0.7	5.0	*1.9*	3.8
Quebec	85 110	2.8	0.2	0.2	1.5	5.7	*1.7*	4.7	1.6	*3.8*	3.6
Ontario	103 800	2.1	0.5	-0.1	4.4	4.3	*2.2*	1.8	-0.7	*1.1*	2.3
Manitoba	11 079	2.2	1.3	-2.1	8.5	7.3	*3.5*	2.6	9.8	*4.6*	0.3
Saskatchewan	15 120	4.1	1.7	-0.6	5.6	6.9	*2.8*	2.0	-1.0	*1.1*	6.4
Alberta	46 146	3.3	1.4	0.7	5.4	8.2	*3.5*	4.6	2.6	*4.0*	2.9
British Columbia	31 882	2.0	1.2	1.2	4.1	7.4	*3.1*	0.8	2.6	*1.3*	1.0
Yukon[3]	523	3.4	5.3	-1.0	-3.7	7.8	*0.9*	59.9	—	—	—
Northwest Territories[3]	1 524	7.5	-0.2	-2.9	2.4	24.6	*3.7*	22.7	—	—	—
Nunavut[3]	827	8.3	-4.5	-3.2	20.9	23.0	*10.8*	39.7	—	—	—
Canada Total	**327 245**	**2.5**	**0.6**	**0.2**	**4.0**	**5.5**	***2.4***	**3.1**	**1.3**	***2.6***	**2.7**

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), December 2003.

[1] The year-over-year change in net payroll employment is calculated as the difference between the average level of employment in the four quarters ending the third quarter of 2003 and the average level in the preceding four quarters.

[2] SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. The data breaking down employment by size of firm also exclude unclassified industries.

[3] Data for firms with 300 or more employees in the territories are suppressed owing to confidentiality restrictions but are included in the size category and territorial totals.

SELF-*Employment*

A recent Statistics Canada study demonstrates that measuring productivity, particularly of the self-employed, requires careful interpretation. The study examined the different impacts on labour productivity of self-employment in the United States and Canada.[1] Labour productivity was measured as Gross Domestic Product (GDP) at basic prices per worker or per hour worked. Self-employment was defined as only the unincorporated self-employed. In Canada, the latter represents roughly two thirds of all workers who declare themselves self-employed.

In both countries, between 1988 and 1998, self-employed earnings of the unincorporated sector remained constant as a proportion of business sector GDP. However, in Canada the proportion of jobs and hours worked accounted for by the unincorporated self-employed rose between 1988 and 1998, whereas in the United States their share of jobs and hours fell. The authors calculate that the unincorporated self-employed reduced business sector real productivity growth per hour in Canada by 2.3 percentage points, whereas in the United States the self-employed pulled up business sector productivity growth by 3.2 percentage points. When the unincorporated self-employed are removed from the business sector, the Canada–U.S. gap in cumulative growth of real GDP per hour worked that has persisted over the 1990s virtually disappears.

Translating the results into GDP per job, it would be too simplistic to conclude that the self-employed are less productive — productivity is influenced by a host of factors. Rather, the authors point out that in Canada, which experienced higher unemployment during the period, many of the self-employed were less than fully employed and therefore had lower incomes. Consequently, the Canadian productivity measure actually captures something more akin to output per available worker, whereas the U.S. data reflect GDP per utilized worker. The study implies that productivity statistics can be deceiving if qualitative differences in similarly named concepts are not recognized. The study also revealed that the meaning of productivity measures can actually change in recessions compared with expansions.

The study is available at
http://www.statcan.ca/english/IPS/Data/11F0027MIE2003016.htm

[1] John Baldwin and James Chowhan, Statistics Canada, *The Impact of Self-employment on Labour-productivity Growth: A Canada and United States Comparison*, August 2003.

ECONOMIC *Snapshot*

Data as of December 23, 2003

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The current account... posted its 17th consecutive surplus ($7.3 billion) in the third quarter of 2003, $2.3 billion higher than in the previous quarter. The merchandise trade surplus rose by $1.8 billion to $15.5 billion, largely reflecting a decline in imports. The deficit on investment income decreased $0.2 billion to $5.5 billion and the deficit on services decreased by a similar amount to $2.7 billion.

The October *Business Conditions Survey*... indicated an improvement in manufacturers' outlook on production prospects for the fourth quarter. Fifty percent of manufacturers expected to keep their production levels unchanged and 34 percent expected to raise them. Eighty-six percent of producers stated that their work force would remain the same or increase. Seventy-five percent of manufacturers reported no production impediments, despite any shortages of skilled workers and the combined effects of a rising dollar and mad cow disease.

Employment... rose by 54 000 in November, bringing total job creation since August to 166 000 (mostly full-time jobs), compared with 115 000 jobs over the same period in 2002. In 2003, 218 000 jobs were created over the January to November period. The unemployment rate fell to 7.5 percent from 8.0 percent in September. In November, the participation rate (67.6 percent) remained at a record high.

Labour productivity in the business sector... increased 2.9 percent in the third quarter, marking the strongest quarterly gain in more than a year. This was largely owing to a decrease in hours worked, as production experienced a slight increase. In the meantime, U.S. business productivity growth rose from 7.4 percent in the second quarter to 8.7 percent in the third. These developments together with the rising Canadian dollar have led Canadian unit labour costs, relative to their U.S. counterparts (measured in the same currency), to rise significantly in 2003.

The Consumer Price Index (CPI)... posted a year-over-year increase of 1.6 percent in November, matching the increase in October and the smallest monthly advance since June 2002. "Core" inflation, which excludes the most volatile components of the overall CPI and indirect taxes, rose slightly to 1.8 percent in November, but remained below the midpoint of the official 1–3 percent target range.

The Bank of Canada... held the overnight rate steady at 2.75 percent on December 2. Recent developments showed evidence of underlying strength in the economy, but at the same time core inflation remained below target. The U.S. Federal Reserve left its federal funds rate at 1.0 percent on December 9. With the slack economy and low inflation, an accommodative monetary stance could be retained for a while.

The Canadian dollar... continued to strengthen in recent months, rising to a 10-year high of U.S.$0.7704 on December 2 (closing rate). Since then, the Canadian dollar has retreated somewhat as a result of favourable U.S. economic developments, closing at U.S.$0.7553 on December 23. Since the beginning of 2003, the Canadian dollar has risen nearly 20 percent against the U.S. dollar, reflecting higher Canadian interest rates, rising commodity prices and the weakness of the U.S. dollar vis-à-vis all major currencies, partly because of large U.S. current account and fiscal deficits.

The "Economic Snapshot" is prepared by the Micro-Economic Policy Analysis Branch of Industry Canada. Please address comments to Joseph Macaluso at (613) 954-3495 or at **macaluso.joseph@ic.gc.ca**

RECENT *Developments*

APEC Small and Medium Enterprises Working Group Meeting, Vancouver

On behalf of Chile, lead economy for Asia-Pacific Economic Cooperation (APEC) in 2004, Industry Canada will host the 18th Meeting of the APEC Small and Medium Enterprises (SME) Working Group and the second meeting of the Sub-group on Micro-enterprises, March 8–10, 2004, in Vancouver, British Columbia. Industry Canada has played an active role in APEC's SME Working Group since its inception as a policy analysis group in 1995. APEC SME meetings aim to exchange information on barriers to SME and micro-enterprise development in the Asia-Pacific region. Under the central theme for APEC 2004, "One Community, Our Future" are the following sub-themes:

- A Commitment to Development Through Trade
- Sharing Benefits Through Better Practices
- Skills for the Coming Challenges
- Opportunities for Entrepreneurial Growth
- Growth and Stability: Keys for APEC Integration
- Commitment to Sustainable Growth
- Experiencing Our Diversity

Further information on APEC's agenda for 2004 may be obtained at **www.apec2004.cl/**

Second OECD Ministerial Conference on Small and Medium-sized Enterprises

Small and medium-sized enterprises (SMEs) account for more than 95 percent of enterprises and 60–70 percent of employment in countries that belong to the Organisation for Economic Cooperation and Development (OECD). For these reasons, governments continue to recognize the important contribution SMEs make to economic growth.

In acknowledgement of this, the OECD and the Turkish government are organizing an OECD conference for ministers responsible for SMEs, which will be held June 3–5, 2004, in Istanbul, Turkey. The conference, entitled "Promoting Entrepreneurship and Innovative SMEs in a Global Economy," is the second OECD conference at the ministerial level on the topic of SMEs.

The conference will present ministers with the opportunity to discuss issues critical to promoting entrepreneurship and SME growth, such as financing, e-business, clusters and partnerships. It is hoped that these discussions will help member countries create a sound policy-making environment for SMEs.

Conclusions from the conference will be presented in the "Istanbul Ministerial Declaration," which will include a set of guidelines for good SME and entrepreneurship policy practice.

More information on the conference is available at **http://www.oecd-istanbul.sme2004.org**

Small Business Quarterly
Small Business Policy Branch

The *Small Business Quarterly* (SBQ) provides a quick and easy-to-read snapshot of the recent performance of Canada's small business sector. The SBQ is published by the Small Business Policy Branch of Industry Canada.

Please send your comments to the editor:

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