



MONTHLY ECONOMIC INDICATORS


November 2002


HIGHLIGHTS

 **Real Gross Domestic Product increased for the eleventh consecutive month in August, helped by growth in the services sector.**

 **In October, 33 000 jobs (mostly part-time) were created, reducing the unemployment rate to 7.6%. Canada's labour market has performed well since the beginning of 2002, evidenced by the creation of 459 000 jobs.**

 **These, combined with indicators such as retail sales and housing starts, point to continued but moderate growth in the third quarter.**

 **A slew of weak economic indicators prompted the U.S. Federal Reserve to cut its policy rate by 50 basis points (to 1.25%) on November 6. The Bank of Canada kept its overnight rate unchanged at 2.75% on October 16.**

 **Financial markets have remained volatile, with North American long-term interest rates falling and stock markets retreating in November.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	979.3	0.1	3.2	Aug
Goods	305.7	-0.4	2.9	Aug
Services	673.9	0.3	3.4	Aug
Composite Index	179.1	0.2	7.6	Sep
Employment (000's)	15,550	0.2	3.1	Oct
Full-time	12,572	-0.2	1.6	Oct
Part-time	2,977	1.8	9.7	Oct
Unemployment* (%)	7.6	7.7	7.4	Oct
Youth*	13.9	13.7	13.1	Oct
Adult*	6.4	6.5	6.3	Oct
CPI inflation*	2.3	2.6	2.6	Sep
Retail Sales (\$M)	25,671	0.2	6.4	Aug
Housing Starts (000's)	220.1	10.2	27.4	Oct
Trade Balance* (\$M)	4,078	5,037	4,052	Aug
Exports	34,750	-0.6	3.3	Aug
Imports	30,674	2.6	3.7	Aug
M&E	8,995	2.6	-3.6	Aug

	October		
	November 13	2002	2001
3-mth Corp. paper (%)*	2.81	2.83	2.45
Long bond yield (%)*	5.01	5.16	5.31
Canadian dollar (US¢)*	63.50	64.21	62.94

*Data in levels only – % change not reported

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html.

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November 2002

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This report uses data available as of November 15, 2002. It has been prepared by Marianne Blais, Anik Dufour, Kevin Koch, Joseph Macaluso, Arif Mahmud, Sue Moore, François Poitras, Patrick Taylor and Jeff Waring of the Micro-Economic Analysis Directorate, under the direction of Hossein Rostami and François Poitras. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Hossein Rostami at 613-995-8452 or through the Internet at rostami.hossein@ic.gc.ca.



Real GDP by Industry

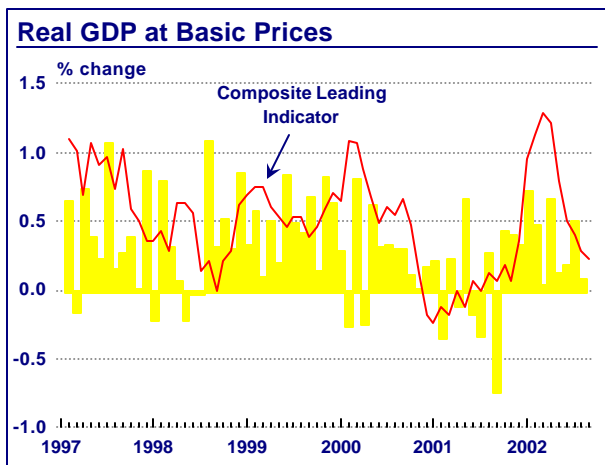
Output growth slowed in August...

- Following an increase of 0.5% (revised upward from 0.4%) in July, real GDP at basic prices* edged up by 0.1% in August. Meanwhile, industrial production (mining, utilities and manufacturing) fell 0.4% after a 1.6% increase in July. Overall, real GDP for July and August increased by 2.9% (annual rate) from its second quarter level. Given the 4.3% growth in the second quarter, the above information suggests it moderated in the third quarter.

... largely reflecting sharp declines in Agriculture, Mining and Utilities output

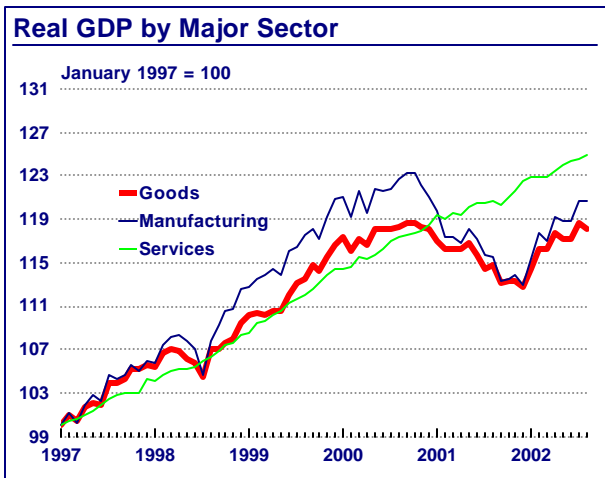
- Decreases of 1.6% in Mining activity and in Utilities production, combined with a 2.3% drop in agricultural output, resulted in a 0.4% fall in the Goods-producing sector. Weakness in the oil patch caused a decrease in Mining and Oil & Gas extraction activity while lower electricity output, which had been boosted by unusually warm weather in July, drove down production in Utilities. The drought continued to hurt Agriculture. Still, robust demand for new houses kept construction booming. Manufacturing output was sustained by strong North American sales of vehicles.
- Supported by consumer spending, output in the service sector rose 0.3% in August, following a 0.2% increase in July. Eight of the thirteen major sectors recorded higher output levels, notably Information & Culture, Professional, Scientific & Technical services and Arts, Entertainment & Recreation.

*Starting with July data, the Chain-Fisher formula is used to derive monthly GDP estimates. The change is applied from January 1997 and will be pushed back to January 1961 within a year.



Real GDP at Basic Prices (1997 chained dollars)

August 2002	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	979,345	767	0.1	3.2
Business Sector	830,723	305	0.0	3.4
Goods-producing	305,675	-1,133	-0.4	2.9
Agri., Forest, Fish, Hunt*	21,139	-498	-2.3	-3.5
Mining & Oil & Gas Extraction	36,565	-601	-1.6	-3.0
Utilities	28,021	-462	-1.6	2.8
Construction	53,004	178	0.3	5.1
Manufacturing	166,424	181	0.1	4.5
Service-producing	673,889	1,911	0.3	3.4
Wholesale Trade	57,869	150	0.3	4.8
Retail Trade	53,837	-35	-0.1	4.8
Transportation & Warehousing	45,205	-36	-0.1	0.7
Information & Cultural	46,866	460	1.0	9.4
FIRE**	193,452	96	0.0	3.0
Professional***	45,187	414	0.9	1.9
Admin & Waste Mgmt	21,430	185	0.9	5.7
Education	44,400	92	0.2	1.4
Health & Social	57,122	172	0.3	3.3
Arts, Entertain. & Recreation	9,264	255	2.8	6.1
Accommodation & Food	22,917	-11	-0.0	0.3
Other	22,022	-1	-0.0	2.2
Public Administration	55,304	225	0.4	3.1



*Agriculture, forestry, fishing & hunting

**Finance, Insurance & Real Estate

***Professional, scientific & technical services



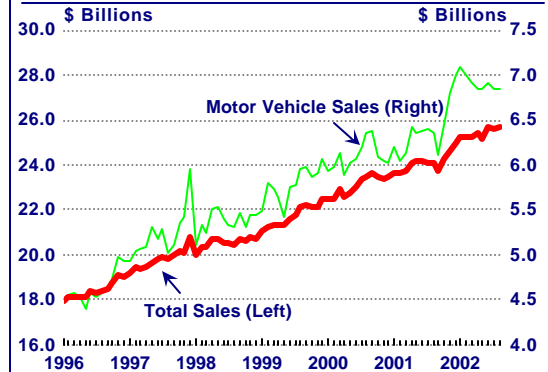
Consumer spending growth has eased in the third quarter...

- Recent indicators point to slower growth in real consumer spending in the third quarter than the 3.0% (annual rate) increase recorded in the second quarter. Average real retail sales for the July-August period are up 1.5% (annual rate) from their second quarter level after rising by 4.9% in the first half of the year. The fact that new vehicle sales rose in August (+4.1%) and eased in September (-0.4%) suggest that real retail sales have likely weakened in September.

...but, fundamentals remain strong

- Personal disposable income has risen by 6.5% in the first half of the year, helping consumers raise their saving rate to 5.3% from 4.6% in 2001, the highest since 1996. This, together with continued employment growth in October, bodes well for robust income growth. Moreover, borrowing costs have remained near record lows, and mortgage rates fell in November. In addition, while consumer confidence fell slightly in October, it remained near historical highs and at a level compatible with healthy consumer spending.
- These factors should support continued growth in spending for the remainder of the year.

Total Retail and Motor Vehicle Sales



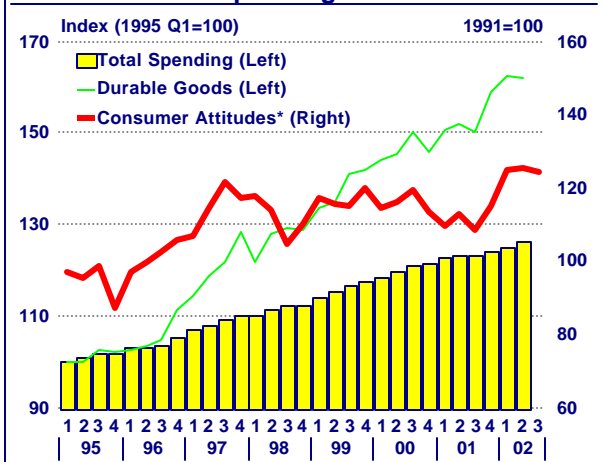
Retail Sales and Consumer Credit

	August 2002 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	25,671	0.2	6.4
Food	5,597	0.3	4.6
Drug Stores	1,309	0.6	8.3
Clothing	1,356	0.0	3.2
Furniture	1,498	-0.0	9.9
Automotive	10,352	0.3	7.8
General Merch. Stores	2,834	-0.9	5.5
All other Stores	2,725	0.3	4.9
Total ex. motor vehicles	18,831	0.3	6.0
Consumer Credit	217	0.9	6.9

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	2000	2001	2002 Q1	2002 Q2
Real Consumption (97\$)	565,487	579,999	588,822	593,119
% change	3.7	2.6	2.8	3.0
Durable Goods	82,234	85,939	91,251	91,091
% change	6.1	4.5	9.2	-0.7
Semi-Durable Goods	50,440	52,360	54,287	54,369
% change	4.5	3.8	8.0	0.6
Non-Durable Goods	131,791	133,186	134,207	134,739
% change	2.2	1.1	2.6	1.6
Services	301,173	308,888	309,896	313,672
% change	3.7	2.6	0.5	5.0
Disposable Income	637,673	665,924	685,544	695,596
% change	6.9	4.4	7.0	6.0
Saving Rate (%)	4.8	4.6	5.3	5.3
Debt-to-Income Ratio (%)	94.4	95.2	95.8	95.8

Real Consumer Spending and Attitudes



*Conference Board of Canada

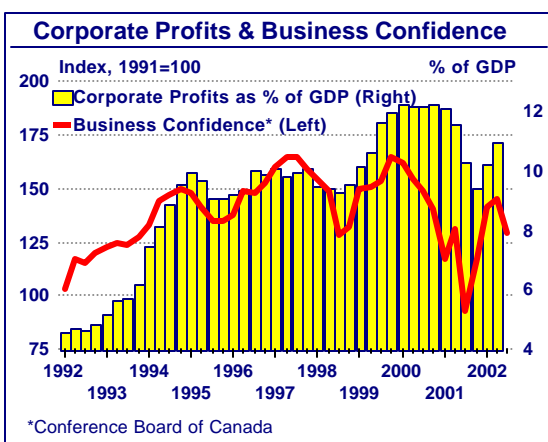
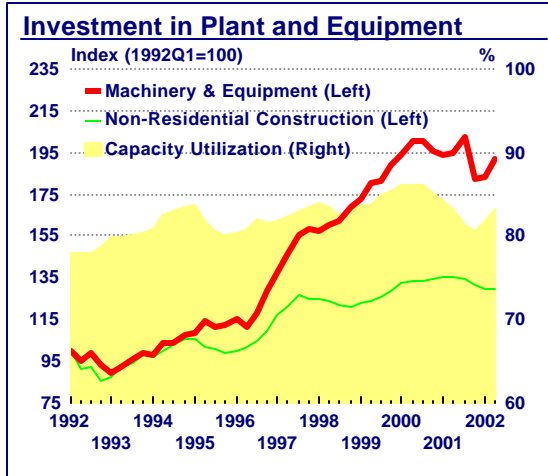


Investment in machinery and equipment recovered in the second quarter...

- Real business investment in machinery and equipment surged 20.6% (annual rate) in the second quarter. However, there are indications that investment growth weakened in the third quarter. After growing by 13.4% in the second quarter, imports of machinery and equipment were only 1.6% above their second quarter level for the July-August period. Moreover, shipments of machinery and equipment increased slightly in July and August following a jump of 20.0% in the second quarter.
- Meanwhile, the value of investment in non-residential building construction increased by 3.5% in the third quarter, after declining 1.7% in the second quarter.

...and rising corporate profits and high business confidence point to a sustained recovery

- The Conference Board's Index of Business Confidence declined in the third quarter, but remained well above lows reached in 2001. This reflected concerns over the global economic outlook and turmoil in the Middle-East. However, operating profits have increased in 2002 and the Board's survey showed that firms remained upbeat about their financial prospects and were willing to invest in plant and equipment.



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2000	2001	2001 Q3	2001 Q4	2002 Q1	2002 Q2
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	89,094	87,145	91,295	82,118	82,509	86,456
% change	9.3	-2.2	17.3	-34.5	1.9	20.6
Non-residential Construction (1997\$)	47,762	48,126	48,165	47,230	46,470	46,514
% change	6.4	0.8	-3.9	-7.5	-6.3	0.4
Capacity Utilization (% , Non-farm goods)	85.9	82.3	81.3	80.5	81.9	83.2
Capacity Utilization (Mfg. sector)	86.0	80.9	79.9	78.9	80.9	82.7
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	173,029	147,758	142,688	127,248	140,004	155,016
% change	28.5	-14.6	-28.8	-36.8	46.5	50.3
Profits - Non-financial industries	136,086	113,095	104,704	97,968	108,924	121,832
% change	35.6	-16.9	-40.0	-23.4	52.8	56.5
Profits - Financial industries	36,944	34,662	37,984	29,276	31,084	33,184
% change	7.9	-6.2	18.8	-64.7	27.1	29.9
Business Credit	791,267	832,893	838,292	848,223	849,923	855,920
% change	6.9	5.3	6.5	4.8	0.8	2.9



Housing

Housing activity showed strength in the third quarter...

- After declining by 1.5% in the second quarter, real residential construction spending increased in both July (1.5%) and August (1.6%). Moreover, supply of new housing continued to show strength in the third quarter with the average value of building permits increasing 2.0% from its second quarter level.

...and looks promising for the remainder of the year

- Housing starts rose by 5.3% in the third quarter, following a modest decline in the second quarter, and remained robust in October, increasing by 10.4% to a record high. Sales of existing homes also rose in October, and were up 8.6% from their third quarter level.
- Year-over-year price increases for new housing remained moderate in September (+4.2%). This combined with attractive mortgage rates and rising disposable income should continue to underpin the housing market.

Housing Activity



Monthly Housing Indicators

	Levels	Change since	
		Last month	Last year
Residential Construction (1) (\$97M, basic prices)	17,828	1.6%	18.0%
Building Permits, \$M (2)	2,446	-4.4%	34.6%
Sales of Existing Homes (3) (# of units)	25,649	1,051	2,755
Housing Starts, # of units (3)	220,200	20,500	47,400
Newfoundland	2,300	-100	500
Prince Edward Island	600	0	-400
Nova Scotia	5,000	600	1,400
New Brunswick	4,300	700	-2,300
Quebec	46,200	1,900	17,100
Ontario	89,300	11,400	17,200
Manitoba	3,800	-1,300	1,000
Saskatchewan	3,200	-1,400	-1,000
Alberta	42,300	4,800	9,600
British Columbia	23,200	3,900	4,300

1 - August data; 2 - September data; 3 - October data

Sources: Statistics Canada; Canadian Real Estate Association; Canada Mortgage and Housing Corporation

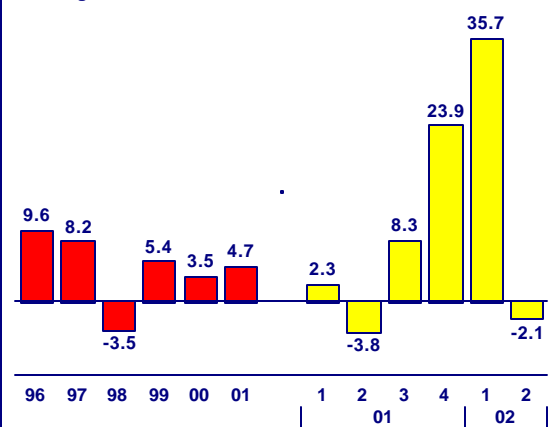
Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)

	2000	2001	2002 Q1	2002 Q2
Construction by Business sector	45,796	47,967	54,276	53,995
% change	3.5	4.7	35.7	-2.1
New Housing	22,475	23,866	27,907	28,704
% change	0.7	6.2	47.0	11.9
Alterations & Improvements	16,521	16,529	16,916	17,028
% change	9.3	0.0	10.7	2.7
Ownership & Transfer Costs	7,050	7,754	9,464	8,432
% change	5.0	10.0	50.3	-37.0
Residential Construction	46,043	48,201	54,456	54,253
% change	3.4	4.7	35.3	-1.5

Growth in Real Residential Construction

% change, SAAR





Trade and Competitiveness

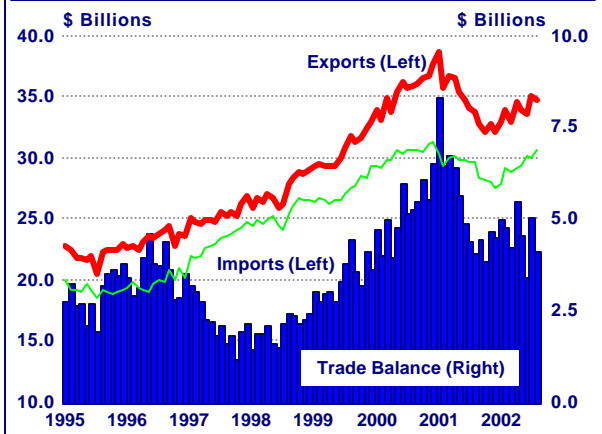
Exports retreated while imports increased further in August....

- Total merchandise exports decreased 0.6% in August, but exports to the U.S. remained stable. Forestry product exports (+3.0%) continued to regain ground after the sharp decline provoked by anti-dumping measures. Exports of Automotive products (+1.8%) also increased, driven by U.S. companies' desire to increase inventories. On the other hand, Machinery and Equipment exports declined 2.2%, reflecting weakness in U.S. business spending.
- Imports continued to rise (+2.6%) with increases in five of the seven sectors. Imports of Machinery and Equipment increased (+2.6%), as did Automotive products (+3.6%). Imports of Energy products soared 14.2%, with higher prices for petroleum and coal products mostly responsible for the gain.

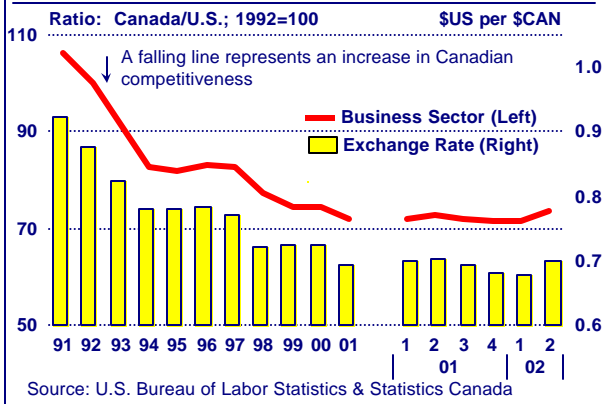
...leading to a lower trade surplus

- The merchandise trade surplus decreased nearly \$1.0 billion to reach \$4.1 billion in August.
- Canada's trade surplus with the U.S. decreased \$500 million to \$7.7 billion, but its trade deficit with all other trading partners decreased \$460 million to \$3.6 billion.

Merchandise Trade Flows and Balance



Canada-United States Unit Labour Cost Ratios



Merchandise Trade

August 2002	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	July 2002	August 2002	Jan.-Aug. 2001	Jan.-Aug. 2002	July to Aug. 2002	July to Aug. 2002	Jan.-Aug. 2001 to Jan.-Aug. 2002	
Exports	34,945	34,750	285,181	271,246	-195	-0.6	-4.9	
to United States	29,666	29,762	241,788	230,222	96	0.3	-4.8	
Imports	29,908	30,674	238,516	234,889	766	2.6	-1.5	
from United States	21,494	22,091	173,932	169,221	597	2.8	-2.7	
Trade Balance	5,037	4,078	46,665	36,357	-959			
with United States	8,172	7,671	67,856	61,001	-501			
Exports by Commodity								
Agriculture/Fishing Products	2,586	2,630	20,330	20,511	44	1.7	0.9	
Energy Products	4,217	4,136	42,457	30,759	-81	-1.9	-27.6	
Forestry Products	2,900	2,987	26,934	24,468	87	3.0	-9.2	
Industrial Goods & Materials	6,001	5,869	44,661	46,210	-132	-2.2	3.5	
Machinery & Equipment	7,907	7,736	68,105	62,815	-171	-2.2	-7.8	
Automotive Products	8,661	8,815	62,280	65,519	154	1.8	5.2	
Other Consumer Goods	1,490	1,415	10,634	11,386	-75	-5.0	7.1	
Imports by Commodity								
Agriculture/Fishing Products	1,887	1,871	13,389	14,458	-16	-0.8	8.0	
Energy Products	1,350	1,542	12,909	10,390	192	14.2	-19.5	
Forestry Products	269	273	1,947	2,082	4	1.5	6.9	
Industrial Goods & Materials	5,800	5,868	46,531	45,797	68	1.2	-1.6	
Machinery & Equipment	8,771	8,995	77,960	70,054	224	2.6	-10.1	
Automotive Products	6,896	7,143	48,335	53,459	247	3.6	10.6	
Other Consumer Goods	3,939	3,918	28,526	30,452	-21	-0.5	6.8	



Employment and Unemployment

Employment was up again in

October...

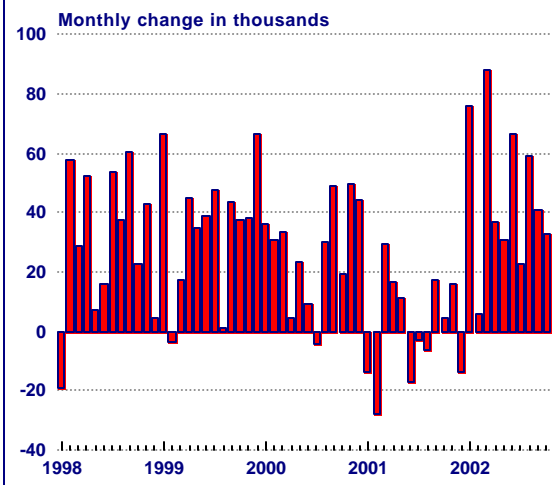
Employment went up by 33 000 in October, slowing somewhat from its pace of August (+41 000) and September (+59 000). Nonetheless, year-to-date job gains totaled 459,000 or 3.0%, the fastest growth pace for this period since 1987. By comparison, the U.S. labour market has created a mere 5 000 jobs since January.

- For the second month in a row, part-time work accounted for job creation as full-time employment fell 0.2%. Most of the increase was concentrated in adult employment, with youth employment increasing slightly.
- Hours worked fell 1.6% in October, following a 0.2% drop in the third quarter. October's decline was largely the result of more employees taking time off for Thanksgiving and a shift from full-time to part-time work. Still, hours worked in October were 2.7% above last year's level.

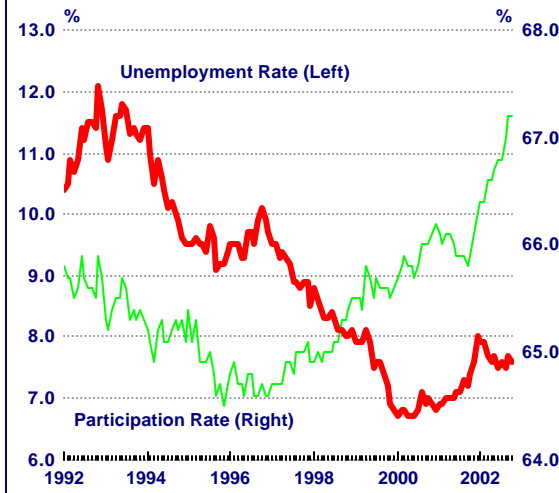
...and the unemployment rate fell to 7.6%

- The unemployment rate fell 0.1 percentage point to 7.6% in the month, as employment gains more than offset an increase in the labour force.
- The participation rate remained at 67.2% in October, while the employment rate rose further to 62.1%. As a result, both rates stood at their highest levels since April 1990.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2001 October	2002 September	2002 October	last month	last year	year-to- date	last month	last year
Employment	15,088.3	15,516.7	15,549.5	32.8	461.2	459.3	0.2	3.1
Full-time	12,374.3	12,592.4	12,572.0	-20.4	197.7	234.8	-0.2	1.6
Part-time	2,714.0	2,924.3	2,977.4	53.1	263.4	224.4	1.8	9.7
Youth 15-24	2,297.7	2,376.8	2,382.9	6.1	85.2	82.6	0.3	3.7
Adult 25+	12,790.6	13,139.9	13,166.6	26.7	376.0	376.7	0.2	2.9
Self-employed	2,306.7	2,373.5	2,412.0	38.5	105.3	130.4	1.6	4.6
Unemployment	1,201.2	1,289.0	1,282.4	-6.6	81.2	-36.4	-0.5	6.8
Unemployment Rate	7.4	7.7	7.6	-0.1	0.2	-0.4		
Youth 15-24	13.1	13.7	13.9	0.2	0.8	-0.1		
Adult 25+	6.3	6.5	6.4	-0.1	0.1	-0.5		
Labour Force	16,289.5	16,805.7	16,831.8	26.1	542.3	422.8	0.2	3.3
Participation Rate	65.9	67.2	67.2	0.0	1.3	0.9		
Employment Rate	61.0	62.0	62.1	0.1	1.1	1.2		



Industry Overview

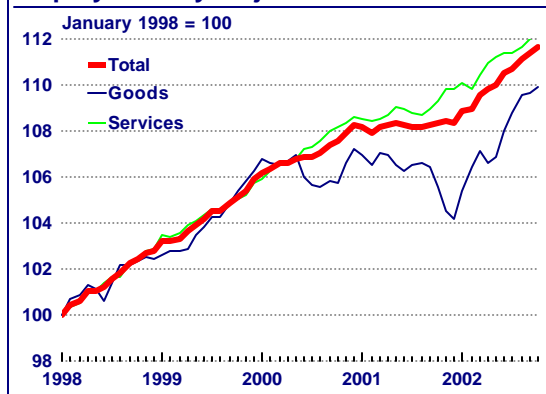
Employment was up in the Goods sector...

- A total of 9 000 jobs were created in the Goods sector in October, up from a meagre 2 000 in September, but well below an average rise of 33 000 in the previous three months. October gains took place in Construction, in line with strong demand in the housing market, as well as Agriculture and Natural Resources.
- Employment in Manufacturing fell for the second consecutive month. Nonetheless, 117 000 new jobs have been created in that industry since the beginning of the year.

...and in Services industries

- Services-producing industries created 24 000 new jobs in October, with five out of eleven major groups reporting higher employment. Accommodation & Food recorded gains of 20 000 new jobs which accounted for most of the overall year-to-date employment gains in the industry.
- Employment in Management & Administrative services, which has shown signs of weakness since April, bounced back in October. Educational Services and Transportation recorded the largest employment losses.
- Self-employment, which has been on an upward trend since April, rose 39 000 in October. So far this year, it has increased by 5.7% due to gains in professional & scientific services, agriculture and social services. The public sector took a breather as 21 000 jobs were lost. Nonetheless, public sector employment is up 3.7% in 2002, helped by gains in education and health care.

Employment by Major Sector



Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2001 October	2002 September	2002 October	last month	last year	year-to- date	last month	last year
Goods-producing	3,840.8	3,988.7	3,997.3	8.6	156.5	205.9	0.2	4.1
Agriculture	319.9	341.5	352.7	11.2	32.8	40.0	3.3	10.3
Natural Resources*	297.4	267.1	267.6	0.5	-29.8	-23.3	0.2	-10.0
Utilities	123.7	137.6	129.6	-8.0	5.9	7.9	-5.8	4.8
Construction	850.8	893.4	913.0	19.6	62.2	64.4	2.2	7.3
Manufacturing	2,249.1	2,349.1	2,334.4	-14.7	85.3	117.0	-0.6	3.8
Services-producing	11,247.5	11,528.0	11,552.2	24.2	304.7	253.4	0.2	2.7
Trade	2,414.0	2,427.7	2,426.1	-1.6	12.1	-6.4	-0.1	0.5
Transportation*	764.5	787.5	772.7	-14.8	8.2	27.0	-1.9	1.1
FIRE*	869.8	907.6	904.6	-3.0	34.8	31.8	-0.3	4.0
Professional/Scientific	968.6	1,012.8	1,007.6	-5.2	39.0	37.9	-0.5	4.0
Management/Administrative	567.2	584.6	602.3	17.7	35.1	33.3	3.0	6.2
Educational Services	979.9	1,035.1	1,018.6	-16.5	38.7	47.9	-1.6	3.9
Health Care/Social Assistance	1,546.9	1,631.3	1,643.1	11.8	96.2	78.3	0.7	6.2
Information/Culture/Recreation	709.5	690.3	683.0	-7.3	-26.5	-13.8	-1.1	-3.7
Accommodation & Food	980.1	996.0	1,016.1	20.1	36.0	24.9	2.0	3.7
Other Services	676.0	679.5	696.5	17.0	20.5	-1.7	2.5	3.0
Public Administration	771.0	775.5	781.5	6.0	10.5	-6.0	0.8	1.4

*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.



Provincial Overview

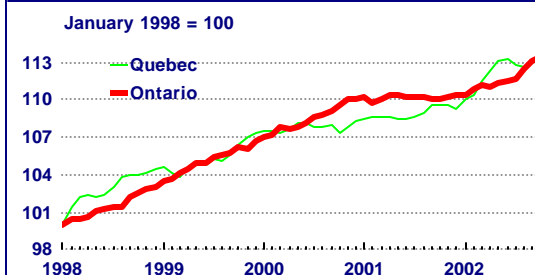
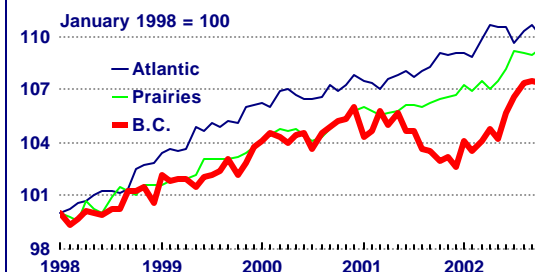
Employment gains were concentrated in Central Canada and the Prairies...

- Ontario (+20 000) and Quebec (+12 000) recorded the largest employment increases of all provinces. In Ontario, gains were widespread across industries. Trade and Other services provided most of the increase in Quebec. Employment was also up in the Prairies.
- Atlantic provinces and British Columbia posted job losses.

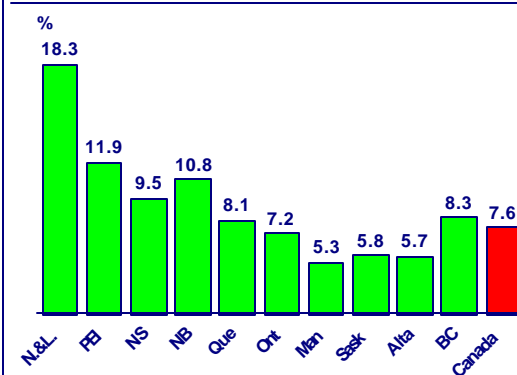
...and the unemployment rate fell in half of the provinces

- For the Atlantic region, the unemployment rate rose by 1.5 percentage points to 18.8% in Newfoundland & Labrador and by 0.6 percentage point to 10.8% in New Brunswick, reflecting significant job losses. It fell marginally in Nova Scotia and Prince Edward Island.
- Quebec's rate fell by 0.3 percentage points in October to 8.1%, well below its 9.7% peak of last December. Ontario's edged down to 7.2%. But, so far this year, Quebec has experienced higher employment growth and lower labour force growth than Ontario. This has narrowed the gap between unemployment rates in the two provinces to 0.9 percentage point in October from 2.8 percentage points in December 2001.
- Manitoba's unemployment rate jumped to 5.3% (still the lowest rate in Canada). It edged up in British Columbia and Saskatchewan, and was little changed in Alberta.

Regional employment patterns



Unemployment Rates -- October 2002



Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment Rate (%)			
	<u>Levels</u>	<u>Change since last month</u>		<u>Change since last year</u>		<u>Levels</u>	<u>Change since last year</u>	
	2002 October	(000's)	%	(000's)	%	2002 October	last month	last year
Canada	15,549.5	32.8	0.2	461.2	3.1	7.6	-0.1	0.2
Newfoundland & Labrador	211.3	-2.4	-1.1	-1.4	-0.7	18.3	1.5	2.3
Prince Edward Island	67.6	-0.7	-1.0	1.6	2.4	11.9	-0.1	-0.7
Nova Scotia	428.5	-1.1	-0.3	-0.6	-0.1	9.5	-0.2	-0.2
New Brunswick	346.9	-1.5	-0.4	10.1	3.0	10.8	0.6	0.2
Quebec	3,614.3	11.8	0.3	116.6	3.3	8.1	-0.3	-0.5
Ontario	6,139.5	20.3	0.3	183.8	3.1	7.2	-0.1	0.6
Manitoba	569.0	0.7	0.1	5.5	1.0	5.3	0.5	0.5
Saskatchewan	489.6	2.2	0.5	22.0	4.7	5.8	0.3	-0.2
Alberta	1,683.2	6.5	0.4	42.4	2.6	5.7	-0.1	1.2
British Columbia	1,999.6	-2.9	-0.1	81.2	4.2	8.3	0.2	-0.1

PRICES and FINANCIAL MARKETS

Consumer and Commodity Prices



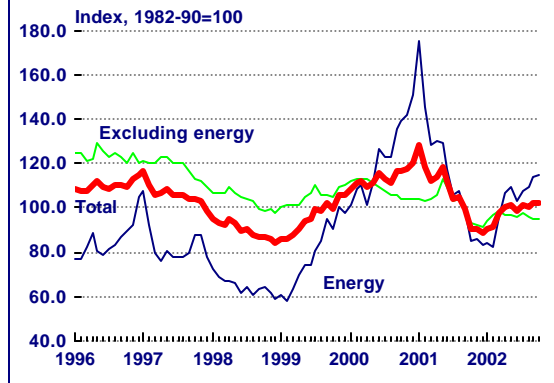
Inflation eases to 2.3% in September...

- On a year-over-year basis, consumer price inflation was 2.3% in September, down from 2.6% in August. The moderation in inflation was largely due to lower price increases for transportation cost and for household operations.
- On a monthly basis, the Consumer Price Index (CPI) was unchanged in September after rising 0.4% in August. This mainly reflected a much smaller rise in energy prices (0.9% compared to the 3.4% jump in August) and lower food and household operations prices. Excluding energy prices, the index decreased 0.1% after rising by 0.1% in August. Since the beginning of 2002, prices of energy, cigarettes and air transportation have all recorded large increases.
- In October, commodity prices were up 13.1% on a year-over-year basis, up from 2.4% in September. This rise was driven by continued strength in energy prices and rising agricultural product prices.

...and the "core" rate remained above the 2% mark

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes remained at 2.5% in September and above the midpoint of the 1%-3% official target range.

Commodity Prices (\$US basis)



Consumer Prices

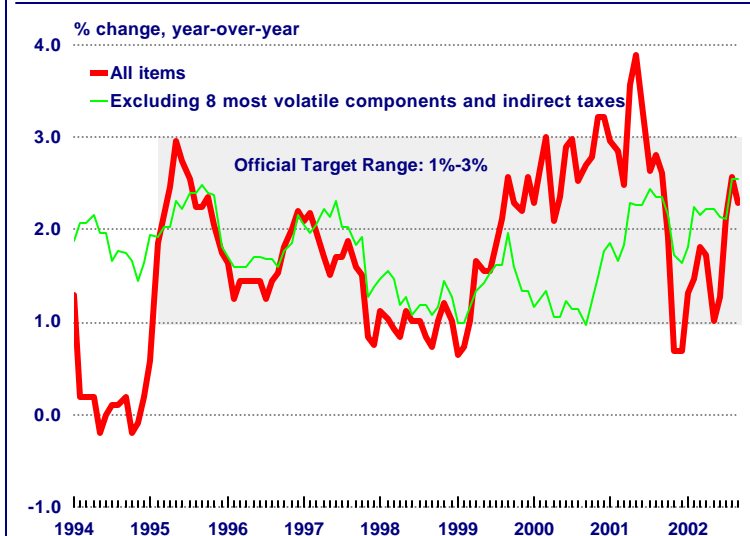
September 2002

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	120.1	0.0	2.3
Food	119.2	-0.8	2.0
Shelter	114.6	0.4	1.1
Household operations	113.8	-0.4	0.5
Clothing & Footwear	107.3	2.2	-0.6
Transportation	136.8	-0.1	2.9
Health & Personal Care	115.7	0.1	1.3
Recreation, Educ. & Reading	128.7	0.2	2.1
Alcohol & Tobacco	129.9	0.1	22.0
Excl. 8 Most Volatile/Indirect Taxes	120.8	0.2	2.5
Energy	134.6	0.9	-1.8

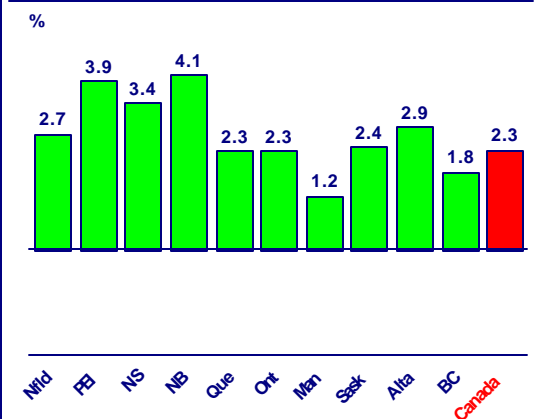
Commodity Prices (October 2002)

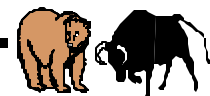
Index, 1982-90=100	101.9	0.0	13.1
Excluding Energy	95.1	-0.1	2.3
Energy	114.5	0.1	35.2

Consumer Price Index



Provincial CPI Inflation -- September 2002



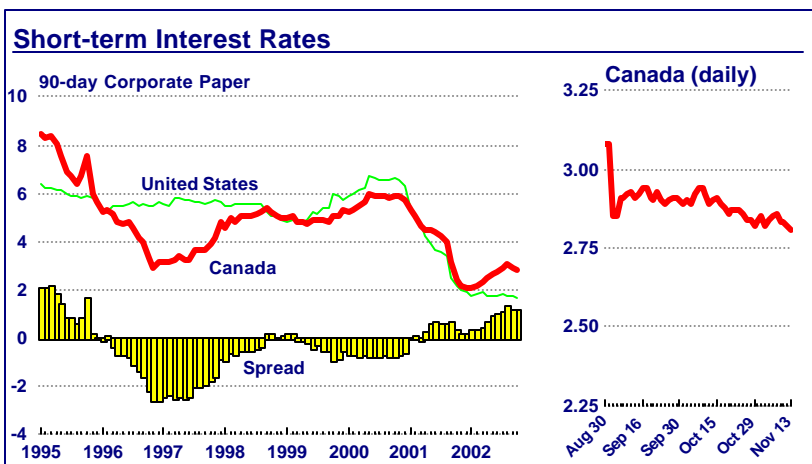


The U.S. Federal Reserve lowered its policy rate by 50 basis points while the Bank of Canada remained on the sideline

- Concerns over geo-political turmoil in the Middle-East and softness in the U.S. economy prompted the Federal Reserve to cut its funds and discount rates by 50 basis points to 1.25% on November 6. The Bank of Canada kept its policy rate at 2.75% on October 16 and subsequently, in its semi-annual Monetary Policy Report of October 23, indicated policy rate increases could be delayed unless warranted by pressures on capacity and inflation. In line with these developments, short-term rates fell in the U.S., but remained steady in Canada, resulting in a widening spread between Canadian and U.S. rates. On November 13, the yield spread on the 90-day corporate paper was 150 basis points, the highest since October 1995.

Risk aversion pushes North American bond yields further down

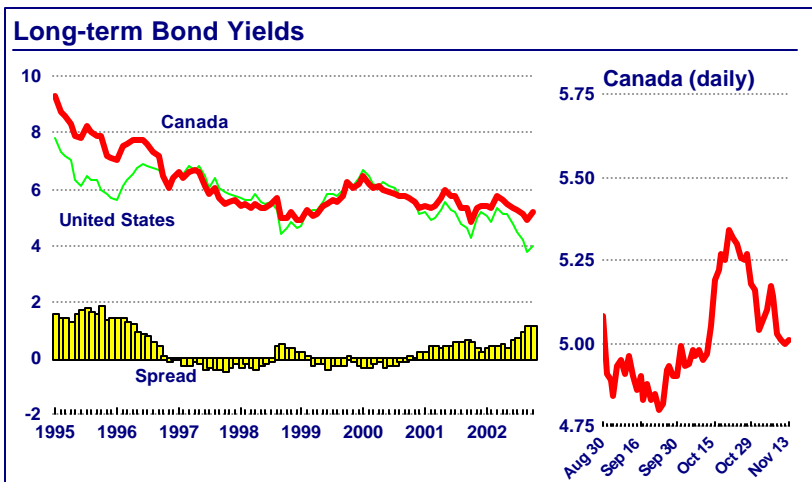
- Bond prices recovered in recent weeks amid easing of the U.S. monetary policy and lingering concerns about the potential negative consequences of a war in the Middle-East on fragile U.S. and global recoveries. On November 13, yields on the 10-year U.S. Treasury bonds and Canadian government bonds were 3.84% and 5.01%, respectively, down 43 and 33 basis points from their recent highs of October 22. The spread between U.S. and Canadian long rates was at 1.17% on November 13, similar to the level reached at the end of October.
- In light of these developments, Canadian mortgage rates have fallen, with the 5-year rate reaching 6.70% on November 13 compared to 7.00% at the end of October.



Key Market Rates

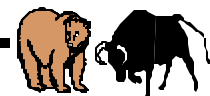
(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2000	5.71	-0.60	5.35	0.24
2001	2.08	0.19	5.44	0.22
May 2002	2.68	0.91	5.49	0.38
June	2.78	1.03	5.37	0.62
July	2.88	1.06	5.23	0.72
Aug	3.09	1.36	5.14	0.92
Sep	2.90	1.16	4.92	1.15
Oct	2.83	1.20	5.16	1.17
Nov 13	2.81	1.50	5.01	1.17

A positive spread indicates that Canadian rates are above their U.S. counterparts.



Key Lending Rates

(end of period)	Overnight Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
2000	5.75	7.50	7.70	7.95
2001	2.25	4.00	4.60	6.85
May 2002	2.25	4.00	5.55	7.40
June	2.50	4.25	5.55	7.25
July	2.75	4.50	5.35	7.05
Aug	2.75	4.50	5.35	6.80
Sep	2.75	4.50	5.30	6.70
Oct	2.75	4.50	5.30	7.00
Nov 13	2.75	4.50	4.90	6.70

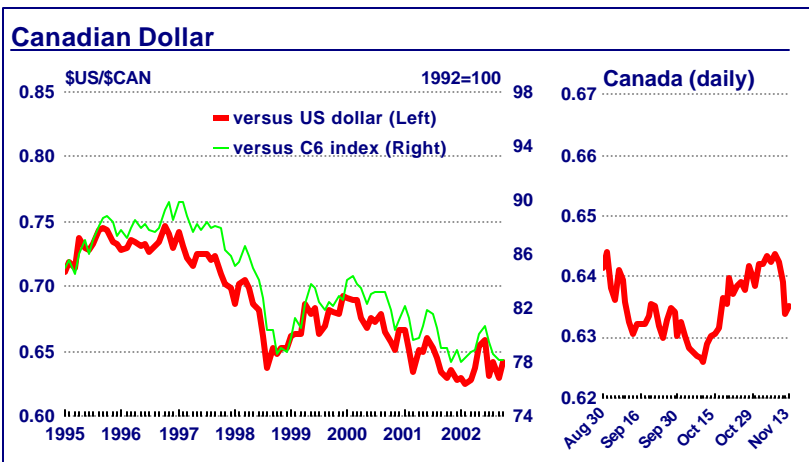


The loonie has been trading in the US¢63-64 range

- Favourable economic news and anticipation of a widening gap between Canadian and U.S. rates helped the Canadian dollar to recover in October, rising to a high of US¢64.21 on October 31. However, the loonie retreated subsequently and closed at US¢63.5 on November 13, in part reflecting global economic weakness and a decline in non-energy prices.
- The Canadian dollar relinquished gains made against the Japanese Yen since July and lost ground against the Euro in early November.

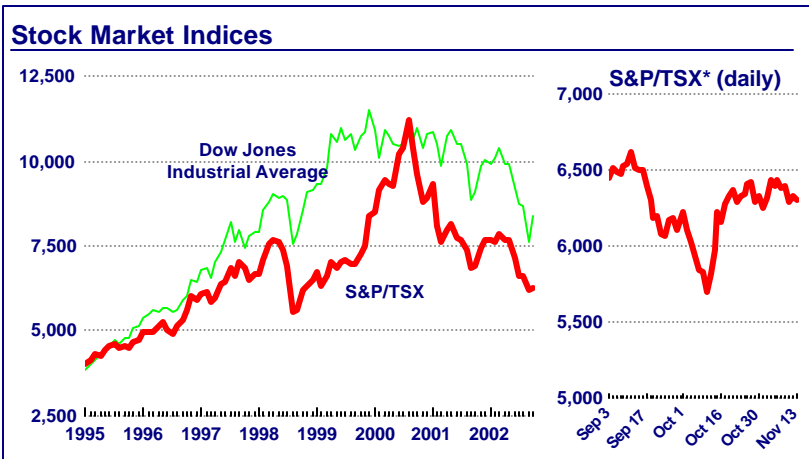
Stock markets have difficulty showing sustained recovery

- A string of positive third quarter earnings announcements from several companies helped stock markets make gains in October and early November. On November 6, the Dow Jones index closed at 8771 and the S&P/TSE index at 6438, up respectively 20.4% and 13% from their October 9 lows. However, stock markets retreated after the Federal Reserve lowered its policy rate, indicative of the negative impact economic uncertainty is having on economic growth.



The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2000	0.6669	81.19	1.370	73.64
2001	0.6278	78.95	1.387	80.76
May 2002	0.6545	80.15	1.421	81.51
June	0.6595	80.73	1.465	80.46
July	0.6318	79.53	1.535	76.25
Aug	0.6415	78.54	1.533	75.88
Sep	0.6300	78.18	1.546	76.81
Oct	0.6421	78.17	1.548	78.53
Nov 13	0.6350	77.95	1.586	76.29



Key Stock Market Indexes

	October Close	% change from	
		last month	last year
S&P/TSX *	6,249	1.1	-9.2
Oil & Gas	9,579	-7.3	4.0
Metals & Minerals	3,644	11.8	2.2
Utilities	9,240	-3.0	-21.3
Paper & Forest	4,471	-1.2	9.0
Merchandising	6,712	-0.3	15.0
Financial Services	9,513	1.6	-4.6
Goods	5,430	-10.4	7.8
S&P 500	885.8	8.6	-16.4
Dow Jones	8,397	10.6	-7.5



U.S. Economic Trends

Real GDP growth rebounded in the third quarter

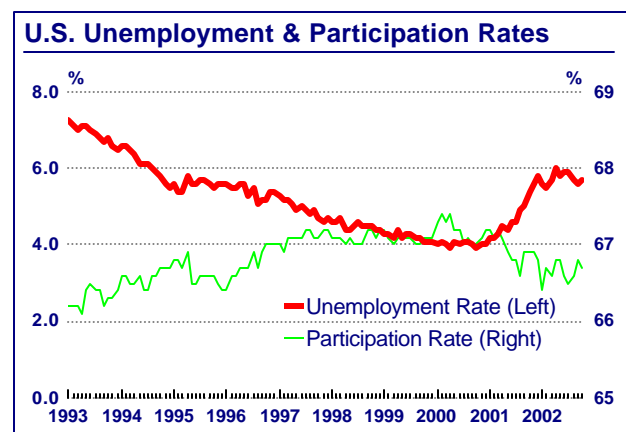
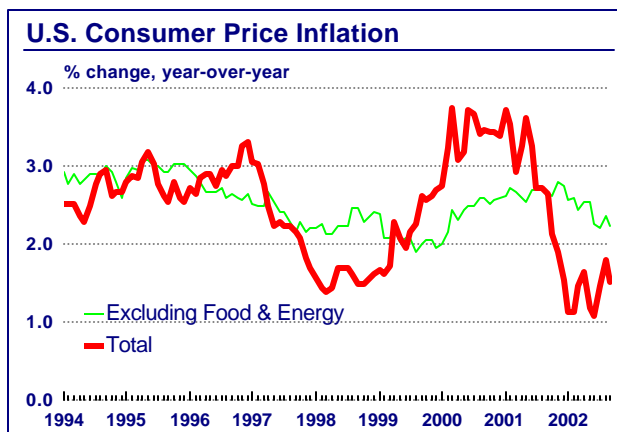
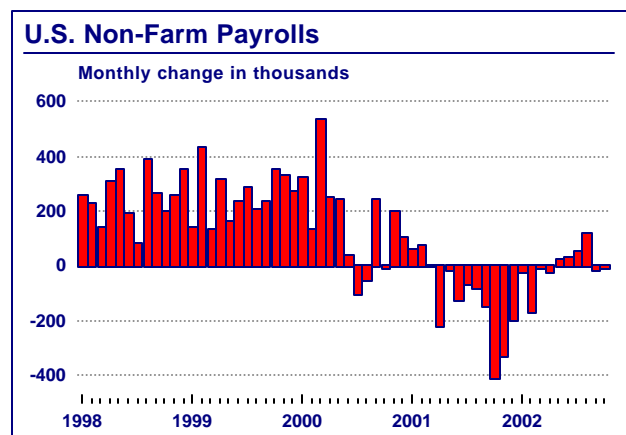
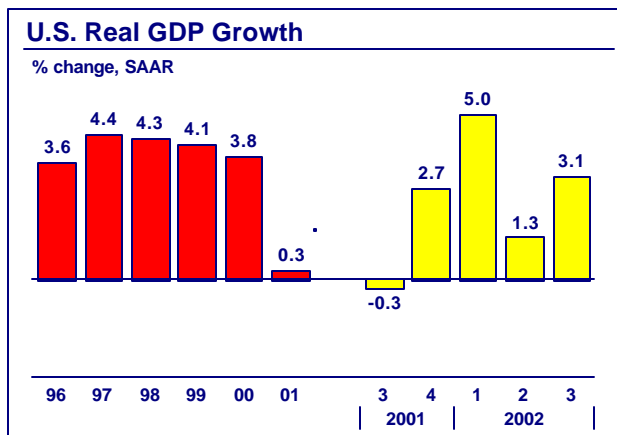
- According to advanced estimates, U.S. real GDP grew 3.1% (annualized) in the third quarter up from 1.3% in the second quarter. Helped by strong automotive sales, consumption spending surged 4.2% up from 1.8% in the second quarter and was the major factor in the rebound. Other contributions came from increases in equipment and software investment and in government expenditures. Net exports exerted a dampening effect on growth as imports increased more than exports.

...but recent indicators point to slower growth in the fourth quarter

- Recent developments point to slower growth in the fourth quarter. Consumption, which provided roughly 90% of third quarter growth lost some momentum at the end of the quarter as it fell by 0.6% in September. Meanwhile, real retail sales dropped 0.3% in October due to lower motor vehicle and furnishing sales. Despite the fact that consumer confidence increased in November (from 80.6 in October to 85), it remained lower than earlier in the year (96.9 in May). All of this is pointing to lower consumer spending growth. Moreover, the Institute of Supply Management manufacturing index fell for the third consecutive month to 48.5 in October and non-residential investment in structures continues to exert a dampening effect on investment.

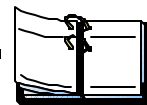
Labour market remains weak in October

- Non-farm employment continued to decline, losing 5 000 positions following losses of 13 000 jobs in September. October also marked the 27th consecutive month of manufacturing employment decline with 49 000 positions disappearing. The unemployment rate rose from 5.6% in September to 5.7% in October.
- With stalled employment growth, productivity in the non-farm sector rose from 1.7% (annual rate) in the second quarter to 4.0% in the third quarter, helping keep inflation under control. On a year-over-year basis, the Consumer Price Index (CPI) and core CPI rose by 1.5% and 2.2%, respectively, in September, down from 1.8% and 2.4% in August.



COMING UP

Key Future Data Releases and Planned Events



CANADA

Survey of Manufacturing - September	November 18
International Trade - September	November 19
Consumer Price Index - October	November 21
Real GDP by industry - September	November 29
Financial Statistics for Enterprises - 3rd Quarter	November 28
Balance of International Payments - 3rd Quarter	November 29
National Economic and Financial Accounts - 3rd Quarter	November 29
Key Policy Interest Rate Announcement	December 3
Labour Force Survey - November	December 6

UNITED STATES

Consumer Price Index - October	November 19
International Trade in Goods and Services - September	November 19
GDP - 3rd Quarter (preliminary)	November 26
The Employment Situation - November	December 6
Federal Open Market Committee Meeting	December 10

Note: The November 2002 MEI uses data available as of November 15, 2002