

# MONTHLY ECONOMIC INDICATORS

May 1999

## HIGHLIGHTS

-  **The national jobless rate rises to 8.3% in April, as a surge in the labour force (particularly for youth) offsets a modest gain in employment.**
-  **Output expands in February, but at its slowest pace in five months.**
-  **Canada's trade surplus slips back in February after reaching its highest level in nearly two years in January.**
-  **The Bank of Canada lowers its key lending rate for the second time in just over a month.**
-  **The Canadian dollar and stock markets post solid gains in April before retreating in early May.**

## Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	730.6	0.1	2.4	Feb
Goods	239.7	-0.0	1.3	Feb
Services	490.9	0.2	2.9	Feb
Composite Index	212.1	1.3	0.6	Mar
Employment (000's)	14650	0.1	2.6	Apr
Full-time	11998	0.2	3.5	Apr
Part-time	2652	-0.5	-1.2	Apr
Unemployment* (%)	8.3	7.8	8.4	Apr
Youth*	15.7	14.3	15.6	Apr
Adult*	6.9	6.6	7.0	Apr
CPI inflation*	1.0	0.7	0.9	Mar
Retail Sales (\$M)	21,008	-0.4	3.8	Feb
Housing Starts (000's)	144.7	-3.3	1.1	Apr
Trade Balance* (\$M)	2,603	2,711	1,856	Feb
Exports	28,707	-0.9	8.4	Feb
Imports	26,104	-0.5	6.0	Feb
M&E	8,899	2.2	9.2	Feb
3-mth Corp. paper* (%)	4.59	4.85	5.04	May 5
Long bond yield* (%)	5.51	5.36	5.76	May 5
Canadian dollar* (US¢)	68.57	68.63	69.88	May 7

\*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://strategies.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategies.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).



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# MONTHLY ECONOMIC INDICATORS

## May 1999

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This report uses data available as of May 7, 1999. It has been prepared by Dave Dupuis, Joseph Macaluso and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Shane Williamson. Translation services have been provided by Lucie Larocque. 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 Shane Williamson at 613-954-3494 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).

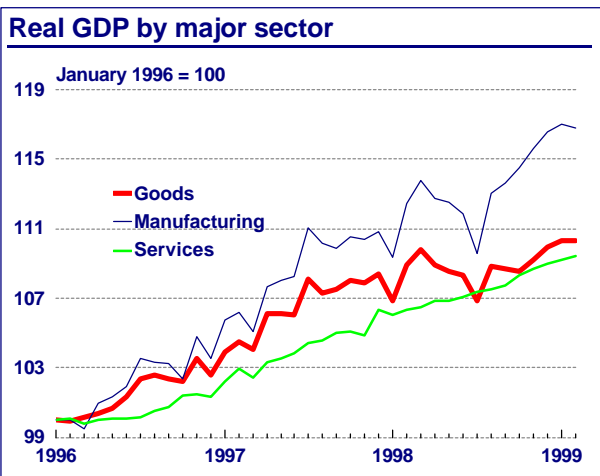
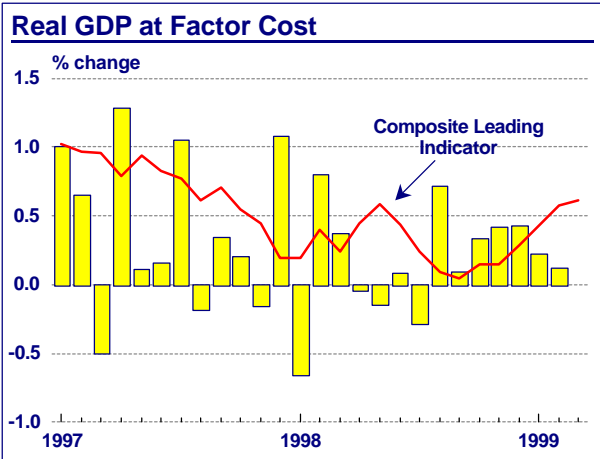


### Output growth slows in February ...

- Real GDP increased marginally in February, rising 0.1 per cent. This is the seventh consecutive monthly increase, but it is also the slowest rate of growth since last September.

### ...as Manufacturing posts its first decline since July

- Output in the Goods-producing industries was little changed in February. Manufacturing posted its first decline in seven months, led by a 2.1% drop in the production of motor vehicles – due in part to an explosion at a Ford plant in Michigan which slowed the flow of parts into Canada. Elsewhere in the Goods sector, forestry output was down sharply as unusually heavy snowfall hindered production in British Columbia.
- Activity in the Service sector rose 0.2% in February. Communications posted yet another strong month (boosted by rapid growth in long distance and cellular telephone use), while Business Services continued to expand on the strength of computer services. Wholesale Trade also bounced back in February, led by higher sales of computer equipment. Finally, work stoppages in B.C. contributed to lower output for Health & Social Services, while reduced securities trading resulted in a decline in Financial Services.



### Real GDP at Factor Cost (1992 dollars)

February 1999

	\$ millions	monthly change	% Change since last month	% Change since last year
<b>Total Economy</b>	<b>730,557</b>	<b>884</b>	<b>0.1</b>	<b>2.4</b>
<b>Business sector</b>	<b>604,750</b>	<b>1,074</b>	<b>0.2</b>	<b>2.9</b>
<b>Goods</b>	<b>239,678</b>	<b>-63</b>	<b>-0.0</b>	<b>1.3</b>
Agriculture	11,998	88	0.7	1.7
Fishing & Trapping	683	21	3.2	-8.4
Logging & Forestry	4,778	-110	-2.3	-1.5
Mining*	26,556	-54	-0.2	-7.3
Manufacturing	132,349	-246	-0.2	3.8
Construction	38,908	44	0.1	-1.5
Other Utilities	24,406	194	0.8	3.0
<b>Services</b>	<b>490,879</b>	<b>947</b>	<b>0.2</b>	<b>2.9</b>
Transport & Storage	32,878	200	0.6	1.6
Communications	25,952	344	1.3	12.8
Wholesale Trade	44,455	345	0.8	9.7
Retail Trade	45,602	-142	-0.3	2.5
Finance & Insurance	40,093	-192	-0.5	1.7
Real Estate & Ins. Agent	79,930	296	0.4	2.0
Business services	42,938	300	0.7	6.4
Government services	42,954	47	0.1	0.8
Education	39,776	-182	-0.5	-1.0
Health & Social Services	48,399	-223	-0.5	0.0
Accommodation & Food	18,803	-53	-0.3	-0.3
Other	29,099	207	0.7	2.1

\*Includes Quarrying and Crude Petroleum & Natural Gas

# THE ECONOMY

## Consumer Spending and Attitudes



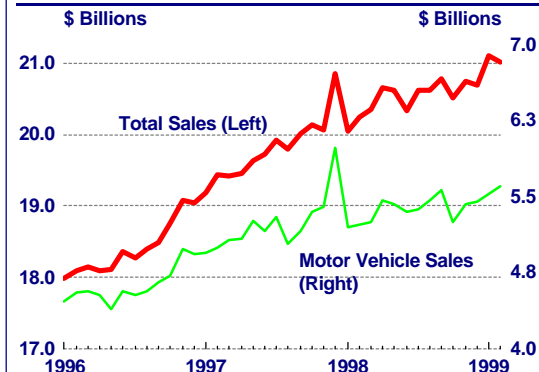
### Growth in consumer spending weakens late in 1998...

- Growth in real consumer spending slowed to 0.8% (annual rate) in the fourth quarter of 1998, continuing the deceleration witnessed in the previous quarter.
- Purchases of goods fell across all major categories – durables, semi-durables, and non-durables. Higher spending on services, buoyed by an increase in air travel following a strike in the previous period, was the lone bright spot in the quarter.

### ...but retail sales are up so far this year

- Retail sales declined 0.4% in February – not enough to offset a post-holiday spending spree in January – mainly due to falling sales in General Merchandise Stores. Retail sales in the first two months of the year averaged 2.0% higher than in the fourth quarter.
- The outlook for consumer spending is mixed. Rebounding consumer confidence, the 3.5% rise in disposable income in the fourth quarter, and recent cuts in the Bank Rate all bode well for the future. However, in recent months employment growth has weakened considerably from last year's fast pace.

### Total Retail and Motor Vehicle Sales



### Retail Sales and Consumer Credit

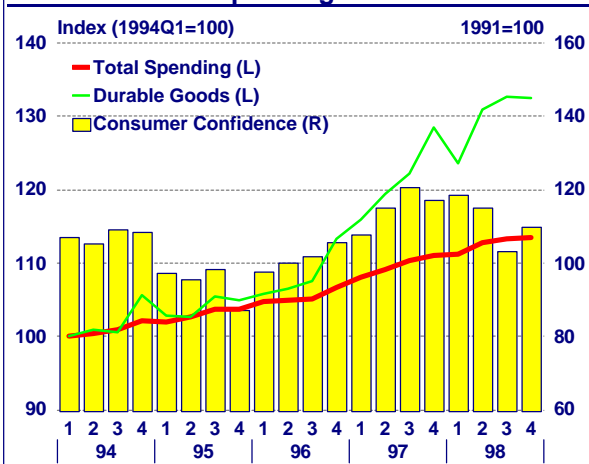
	\$ millions	% Change since	
		last month	last year
<b>Total Retail Sales</b>	21,008	-0.4	3.8
Food	4,837	-0.3	2.0
Drug Stores	1,109	0.6	3.8
Clothing	1,175	0.6	0.6
Furniture	1,095	-0.1	8.2
Automotive	8,073	0.2	4.6
General Merch. Stores	2,428	-2.6	4.3
All other Stores	2,292	-1.7	3.9
Total ex. motor vehicles	15,402	-1.1	2.5
<b>Consumer Credit</b>	159,227	0.8	7.0

### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	1997	1998	1998 Q3	1998 Q4
<b>Real Consumption (92\$)</b>	471,525	484,434	486,888	487,812
% change	4.1	2.7	1.5	0.8
Durable Goods	61,926	66,224	67,632	67,572
% change	12.2	6.9	5.5	-0.4
Semi-Durable Goods	44,485	46,661	46,784	46,676
% change	4.3	4.9	1.2	-0.9
Non-Durable Goods	118,644	120,250	121,020	120,700
% change	1.5	1.4	2.6	-1.1
Services	246,470	251,299	251,452	252,864
% change	3.4	2.0	0.0	2.3
<b>Disposable Income</b>	529,082	545,585	545,776	550,520
% change	1.9	3.1	1.1	3.5
<b>Saving Rate (%)</b>	2.2	1.2	0.4	0.8
<b>Debt-to-Income Ratio (%)</b>	97.3	99.3	99.9	100.0
<b>Consumer Attitudes*</b>	115.0	111.6	103.2	109.8

\*Conference Board of Canada

### Real Consumer Spending and Confidence



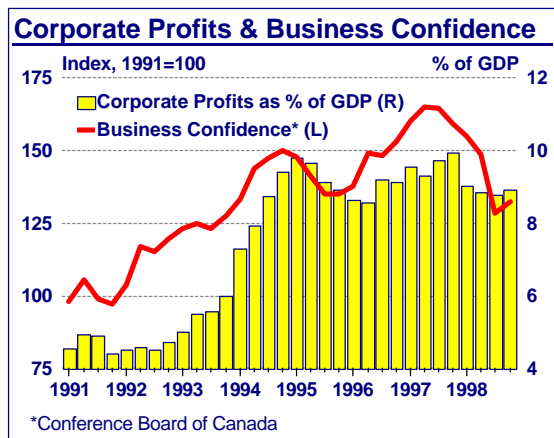
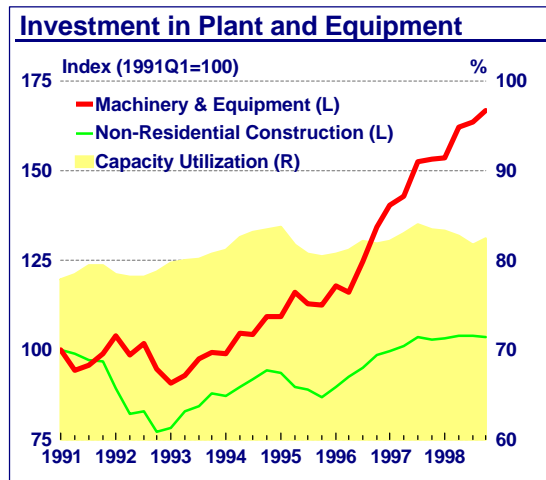


### Investment and profits both rise in the fourth quarter...

- Investment in Machinery & Equipment (M&E) picked up considerably in the fourth quarter, fuelled by purchases of computers and other office equipment.
- However, Non-Residential Construction was down in the fourth quarter, the second straight decline. Higher spending on building construction was more than offset by lower engineering construction.
- Despite a fourth-quarter rebound, corporate operating profits fell 4.8% overall in 1998. Weak commodity prices, in particular the collapse in world oil prices, have been the primary factor affecting profits over the year. Business confidence has fallen in step with lower profits.

### ...and may make further gains in the first quarter of 1999

- Activity in the non-residential building sector expanded for the third consecutive month in February. A jump in Aircraft imports was largely responsible for a 2.2% increase in M&E imports in February. With this increase, the average value of imports of M&E in January and February is roughly equal to that for the fourth quarter of 1998.
- Together, these indicators point to a further increase in business investment in the first quarter of 1999.



### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1997	1998	1998 Q1	1998 Q2	1998 Q3	1998 Q4
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1992\$)</b>	57,057	62,631	59,556	62,892	63,420	64,656
% change	19.6	9.8	0.9	24.4	3.4	8.0
<b>Non-residential Construction (1992\$)</b>	36,433	37,109	36,988	37,236	37,152	37,060
% change	8.4	1.9	1.4	2.7	-0.9	-1.0
<b>Capacity Utilization (% , Non-farm goods)</b>	83.2	82.6	83.3	82.7	81.8	82.5
Capacity Utilization (Mfg. sector)	83.6	83.8	83.9	83.5	82.7	85.1
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
<b>Corporate Operating Profits</b>	110,682	105,318	107,816	98,752	99,828	114,876
% change	15.2	-4.8	-25.4	-29.6	4.4	75.4
Profits - Non-financial industries	82,218	77,741	79,676	72,760	74,116	84,412
% change	14.4	-5.4	-21.9	-30.5	7.7	68.3
Profits - Financial industries	28,462	27,576	28,140	25,992	25,708	30,464
% change	17.6	-3.1	-34.3	-27.2	-4.3	97.2
<b>Business Credit</b>	621,420	682,926	663,186	676,193	692,331	699,997
% change	8.8	9.9	9.1	8.1	9.9	4.5
<b>Index of Business Confidence*</b>	162.3	141.2	155.0	148.9	128.6	132.3

\*Conference Board of Canada



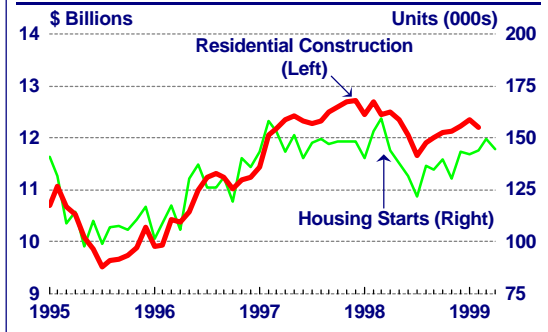
### Spending on new housing rises in the fourth quarter...

- Investment in residential construction rose 2.4% (annual rate) in the final quarter of 1998, the first quarterly advance of the year.
- Strong gains in new housing construction and renovation activity were partially offset by lower ownership and transfer costs, which stumbled after strong mid-year growth.

### ...with encouraging signs for the new year

- Monthly GDP data indicate that spending on residential construction fell 1.2% in February, the first decline since July of last year. However, activity in the housing market remains well above that recorded during the summer.
- After an 11.8% increase in February, sales of existing homes increased a further 4.0% in March. In the first quarter of 1999, existing homes sales were 3.5% higher than in the previous quarter.
- National housing starts decreased 3.3% in April, following a 3.8% increase in March. Housing starts were up 5.5% overall in the first quarter of 1999.
- These results, combined with recent interest rate reductions, point to continued strength in the housing sector.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	12,210	-1.2%	-3.9%
<b>Building Permits, \$M (2)</b>	1,471	1.6%	5.4%
<b>Sales of Existing Homes (2)</b> (# of units)	19,408	741	
<b>Housing Starts, # of units (3)</b>	144,700	-5,000	1,600
Newfoundland	1,500	-1,300	1,000
Prince Edward Island	300	200	0
Nova Scotia	3,700	1,600	2,700
New Brunswick	1,400	-500	300
Quebec	20,100	2,200	-1,000
Ontario	62,000	-600	9,800
Manitoba	2,600	300	-500
Saskatchewan	2,300	-200	-1,000
Alberta	16,500	-400	-5,000
British Columbia	13,100	-5,800	-4,700

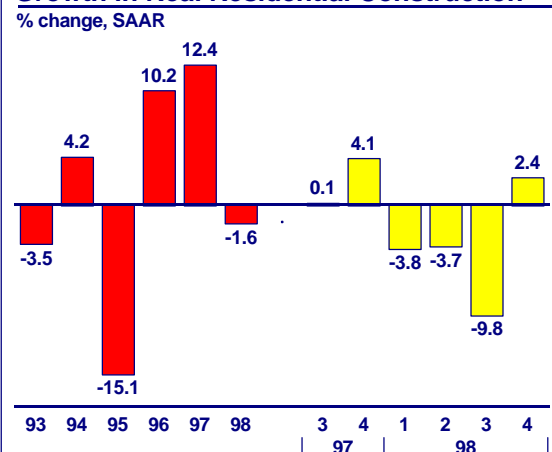
1 - February data; 2 - March data; 3 - April data.

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

### Real Investment in Residential Structures

	\$92 Millions, SAAR (unless otherwise noted)			
	1997	1998	1998 Q3	1998 Q4
<b>Residential Construction</b>	42,385	41,703	41,012	41,256
% change	12.3	-1.6	-9.7	2.4
Construction by Business sector	42,229	41,547	40,856	41,100
% change	12.4	-1.6	-9.8	2.4
New Housing	21,383	20,656	19,716	20,368
% change	18.9	-3.4	-20.1	13.9
Alterations & Improvements	13,426	13,806	13,612	13,820
% change	8.1	2.8	-5.9	6.3
Ownership & Transfer Costs	7,576	7,241	7,684	7,068
% change	3.3	-4.4	16.0	-28.4

### Growth in Real Residential Construction



# THE ECONOMY

## Trade and Competitiveness

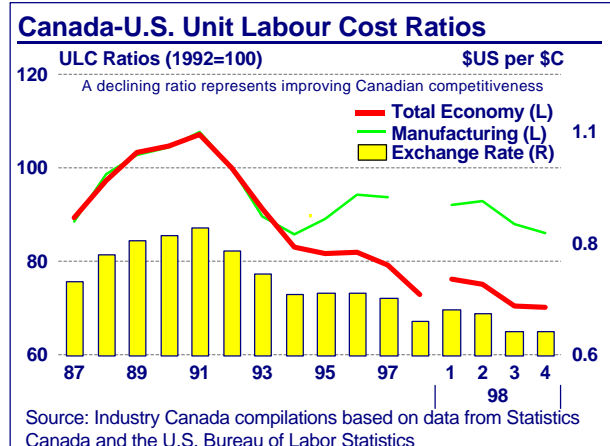
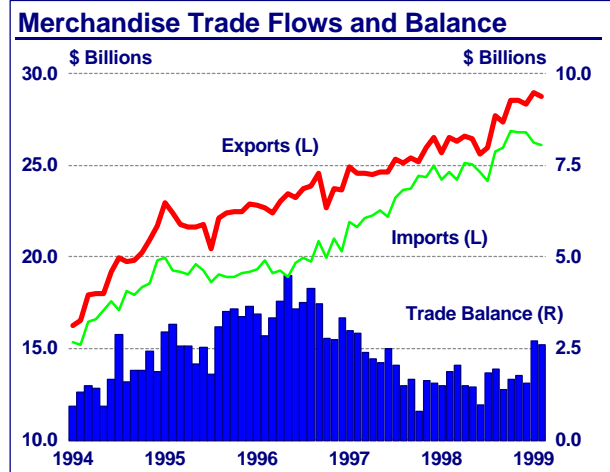


### Exports fall more than imports in February...

- After a strong gain in January, exports fell 0.9% in February. The decline was broad based, with shipments down across all major sectors except Agriculture and Industrial Goods. The biggest contributor to February's decline was M&E, particularly exports of new aircraft and helicopters.
- Following a sharp drop in January, imports declined a further 0.5% in February. The largest drop occurred in the Automotive sector, where lower imports of auto parts more than offset higher imports of motor vehicles. Elsewhere, a surge in aircraft imports was the driving force behind a 2.1% gain in M&E imports.

### ...but the trade surplus remains at a high level

- Although the drop in exports outpaced that for imports, the trade surplus remained at a relatively high level in February. After rising to a near two-year high of \$2.7 billion in January, the trade balance fell back only slightly to \$2.6 billion in February.



### Merchandise Trade

February 1999	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	1999 January	1999 February	1998 Jan-Feb	1999 Jan-Feb	Jan to Feb 1999	Jan to Feb 1999	Feb 98 to Feb 99
<b>Exports</b>	<b>28,955</b>	<b>28,707</b>	<b>52,150</b>	<b>57,662</b>	<b>-248</b>	<b>-0.9</b>	<b>8.4</b>
to United States	24,773	24,422	42,698	49,195	-351	-1.4	12.6
<b>Imports</b>	<b>26,244</b>	<b>26,104</b>	<b>48,811</b>	<b>52,348</b>	<b>-140</b>	<b>-0.5</b>	<b>6.0</b>
from United States	20,496	19,995	37,693	40,491	-501	-2.4	5.8
<b>Trade Balance</b>	<b>2,711</b>	<b>2,603</b>	<b>3,339</b>	<b>5,314</b>	<b>-108</b>		
with United States	4,277	4,427	5,005	8,704	150		
<b>Exports by Commodity</b>							
Agriculture/Fishing Products	2,096	2,177	4,276	4,273	81	3.9	-1.0
Energy Products	1,786	1,744	3,956	3,530	-42	-2.4	-12.4
Forestry Products	3,135	3,118	5,860	6,253	-17	-0.5	4.6
Industrial Goods & Materials	4,607	4,684	9,598	9,291	77	1.7	-2.2
Machinery & Equipment	6,940	6,737	12,337	13,677	-203	-2.9	5.4
Automotive Products	8,142	8,019	12,463	16,161	-123	-1.5	28.7
Other Consumer Goods	1,154	1,141	1,901	2,295	-13	-1.1	16.9
<b>Imports by Commodity</b>							
Agriculture/Fishing Products	1,476	1,432	2,761	2,908	-44	-3.0	4.1
Energy Products	629	609	1,618	1,238	-20	-3.2	-24.0
Forestry Products	212	221	401	433	9	4.2	10.0
Industrial Goods & Materials	4,998	4,927	9,754	9,925	-71	-1.4	2.2
Machinery & Equipment	8,705	8,899	16,134	17,604	194	2.2	9.2
Automotive Products	6,207	6,078	10,799	12,285	-129	-2.1	10.2
Other Consumer Goods	3,003	3,029	5,340	6,032	26	0.9	11.9



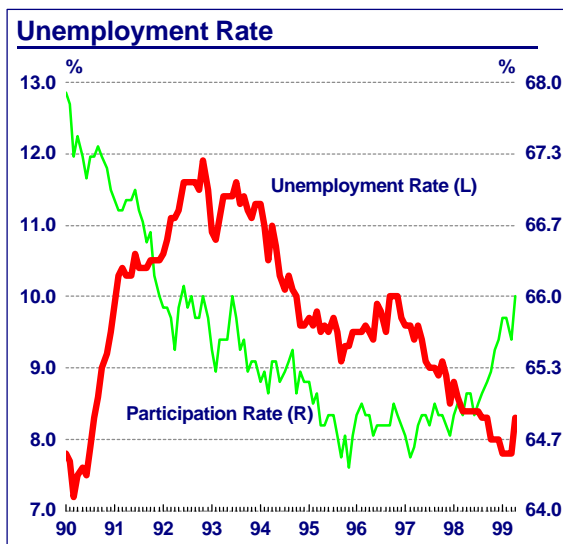
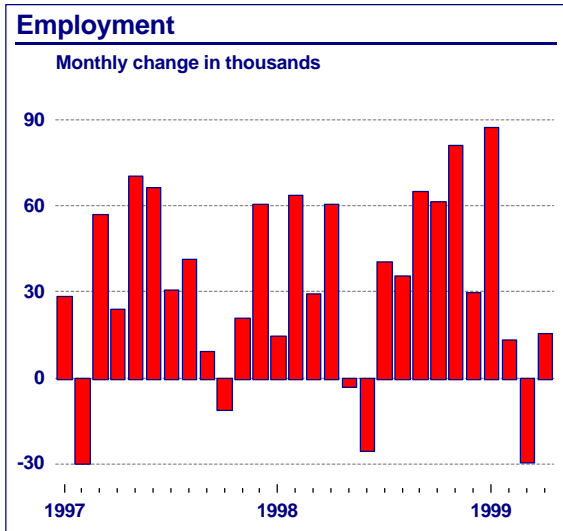
## Employment and Unemployment

### Employment edges up in April...

- The economy generated a modest net gain of 15,000 jobs in April. Employment has levelled off over the past three months after a period of strong growth in the last half of 1998.
- For the third straight month, gains in full-time employment have been offset (to varying degrees) by losses in part-time work. On a year-over-year basis, full-time employment was up 3.5% in April, while the number of part-time jobs has fallen by 1.2%.
- Adult employment rose slightly in April, but youth employment edged lower, its third decline in as many months.

### ...but a surge in the labour force pushes the unemployment rate up to 8.3%

- The national unemployment rate jumped up half a percentage point to 8.3% in April. The small rise in employment was more than offset by a sharp increase in the number of people seeking work (+96,000).
- With this latest rise in the labour force, the participation rate reached 66.0% in April, its highest level since June 1993.
- For youth, job losses and a sharp increase in the labour force increased the youth unemployment rate by 1.4 percentage points to 15.7%. The adult unemployment rate was 6.9% in April, up from 6.6% the previous month.



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1998 April	1999 March	1999 April	last month	last year	year-to-date	last month	last year
<b>Employment</b>	14,278.2	14,634.8	14,650.1	15.3	371.9	86.7	0.1	2.6
<b>Full-time</b>	11,593.1	11,969.3	11,998.3	29.0	405.2	188.6	0.2	3.5
<b>Part-time</b>	2,685.2	2,665.5	2,651.7	-13.8	-33.5	-102.0	-0.5	-1.2
<b>Youth 15-24</b>	2,083.0	2,178.1	2,176.5	-1.6	93.5	-5.0	-0.1	4.5
<b>Adult 25+</b>	12,195.3	12,456.7	12,473.6	16.9	278.3	91.7	0.1	2.3
<b>Self-employed</b>	2,476.0	2,614.9	2,601.5	-13.4	125.5	11.9	-0.5	5.1
<b>Unemployment</b>	1,309.4	1,242.3	1,323.4	81.1	14.0	51.2	6.5	1.1
<b>Unemployment Rate</b>	8.4	7.8	8.3	0.5	-0.1	0.3		
<b>Youth 15-24</b>	15.6	14.3	15.7	1.4	0.1	1.3		
<b>Adult 25+</b>	7.0	6.6	6.9	0.3	-0.1	0.1		
<b>Labour Force</b>	15,587.6	15,877.1	15,973.5	96.4	385.9	137.9	0.6	2.5
<b>Participation Rate</b>	65.1	65.6	66.0	0.4	0.9	0.4		
<b>Employment Rate</b>	59.7	60.5	60.5	0.0	0.8	0.1		





## Industry Overview

### Employment gains in the Service sector offsets losses in Goods-producing industries...

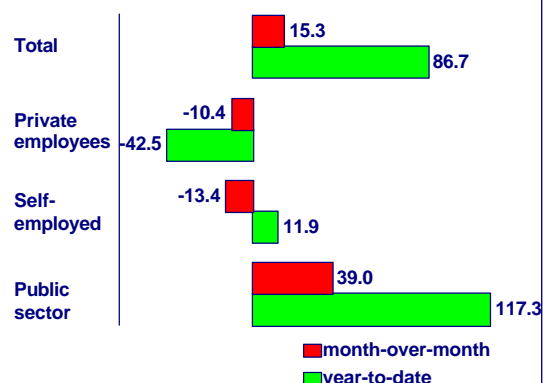
- The number of jobs in the Service sector increased by 39,000 in April. Although gains were widespread, the largest increases were recorded in Accommodation & Food and Health & Social Services.
- Employment was down 24,000 overall in the Goods-producing industries, due mainly to job losses in Manufacturing and Construction. In both industries, however, employment remains up strongly on a year-over-year basis.

### ...but the private sector labour market remains weak

- The number of paid employees in the private sector fell for the third straight month in April. Self-employment was also down.
- The public sector accounted for all the net job gains in April, with employment rising by 39,000 – the fourth increase in as many months. Lower employment in Public Administration in recent months has been offset by strong gains in the Education and Health & Social Services industries.

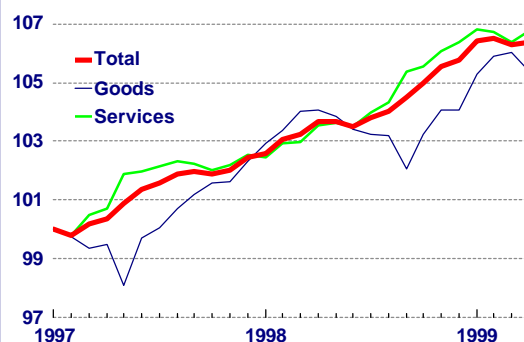
### Employment growth by worker category

April 1999 (thousands)



### Employment by major sector

January 1997 = 100



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1998 April	1999 March	1999 April	last month	last year	year-to-date	last month	last year
<b>Goods-producing</b>	3,762.3	3,833.4	3,809.5	-23.9	47.2	47.3	-0.6	1.3
Agriculture	435.6	411.7	414.2	2.5	-21.4	2.0	0.6	-4.9
Other Primary*	311.9	264.0	262.3	-1.7	-49.6	-17.7	-0.6	-15.9
Utilities	121.0	123.6	124.5	0.9	3.5	9.3	0.7	2.9
Construction	732.4	796.8	787.0	-9.8	54.6	-26.1	-1.2	7.5
Manufacturing	2,161.3	2,237.2	2,221.5	-15.7	60.2	79.8	-0.7	2.8
<b>Service-producing</b>	10,515.9	10,801.4	10,840.5	39.1	324.6	39.3	0.4	3.1
Trade	2,185.2	2,275.2	2,286.7	11.5	101.5	45.6	0.5	4.6
Transportation	703.7	744.3	745.8	1.5	42.1	15.1	0.2	6.0
FIRE*	826.7	899.5	893.8	-5.7	67.1	-4.3	-0.6	8.1
Professional/Scientific	875.2	923.1	925.4	2.3	50.2	-11.2	0.2	5.7
Management/Administrative	483.8	511.8	515.3	3.5	31.5	28.2	0.7	6.5
Educational Services	932.6	942.4	943.1	0.7	10.5	3.8	0.1	1.1
Health Care/Social Assistance	1,456.5	1,434.8	1,449.1	14.3	-7.4	-41.6	1.0	-0.5
Information/Culture/Recreation	625.2	630.2	621.3	-8.9	-3.9	-22.0	-1.4	-0.6
Accommodation & Food	922.6	912.7	932.7	20.0	10.1	0.2	2.2	1.1
Other Services	704.9	746.1	753.0	6.9	48.1	21.1	0.9	6.8
Public Administration	799.6	781.2	774.5	-6.7	-25.1	4.6	-0.9	-3.1

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



## Provincial Overview

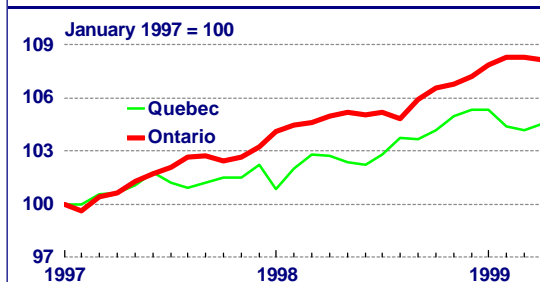
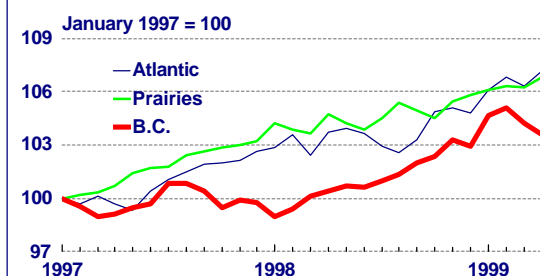
### Employment is higher in most provinces in April...

- Employment was up in seven of ten provinces in April. In percentage terms, job gains were led by Nova Scotia and Prince Edward Island.
- Quebec registered its first monthly increase in employment in four months. However, this gain was not large enough to offset losses over the preceding three months.
- Employment fell in British Columbia, Ontario and Newfoundland.

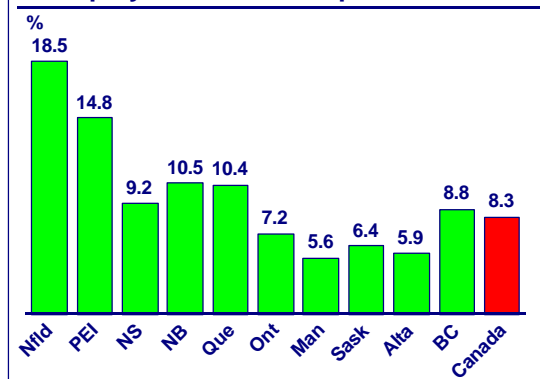
### ...but unemployment rates are down only in Nova Scotia and P.E.I.

- Six provinces posted higher unemployment rates in April. Of note, Newfoundland's unemployment rate jumped up 0.9 percentage points to 18.5%, while that for Ontario rose 0.8 points to 7.2%. In both provinces, the impact of employment losses were exacerbated by an increase in the number of people searching for work.
- Consistent with strong employment growth, unemployment rates fell in both Nova Scotia and P.E.I. in April.
- Unemployment rates were unchanged in New Brunswick and Alberta, but rose in all other provinces.

### Regional employment patterns



### Unemployment Rates -- April 1999



### Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels 1999 April	Change since last month		Change since last year		Levels	Change since last month		last year
		(000's)	%	(000's)	%		last month	last year	
Canada	14,650.1	15.3	0.1	371.9	2.6	8.3	0.5	-0.1	
Newfoundland	203.0	-1.9	-0.9	4.7	2.4	18.5	0.9	1.0	
P.E.I.	62.9	0.7	1.1	2.1	3.5	14.8	-0.1	0.1	
Nova Scotia	416.5	8.0	2.0	11.5	2.8	9.2	-1.1	-1.7	
New Brunswick	337.1	1.3	0.4	14.3	4.4	10.5	0.0	-2.9	
Quebec	3,371.6	11.9	0.4	58.2	1.8	10.4	0.5	-0.1	
Ontario	5,760.1	-5.9	-0.1	172.2	3.1	7.2	0.8	0.0	
Manitoba	554.9	2.0	0.4	10.1	1.9	5.6	0.2	0.1	
Saskatchewan	480.7	2.9	0.6	2.3	0.5	6.4	0.1	0.6	
Alberta	1,557.6	8.5	0.5	38.5	2.5	5.9	0.0	0.7	
B.C.	1,905.7	-12.2	-0.6	57.9	3.1	8.8	0.4	-0.4	

# PRICES and FINANCIAL MARKETS

## Consumer and Commodity Prices



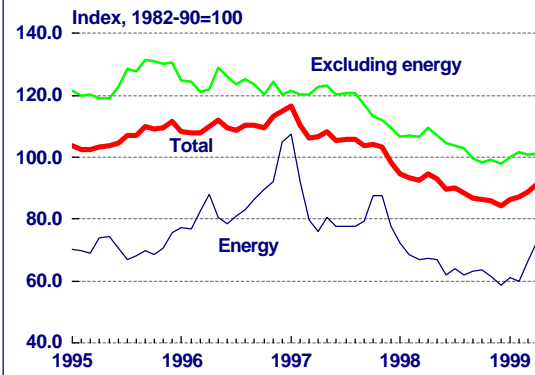
### Inflation rises in March...

- The year-over-year rate of CPI inflation increased to 1.0% in March, up from 0.6% in January and 0.7% in February.
- Compared to last year, consumers paid lower prices for computer equipment, fuel oil and fresh vegetables. This was offset by higher prices for new cars and trucks and increased charges for piped gas, tuition fees and property taxes.
- The "core" inflation rate – excluding the volatile food and energy components as well as the impact of indirect taxes – increased to 1.2% in March, near the bottom of the 1-3% target range set jointly by the Bank of Canada and the Department of Finance.

### ...but remains near the bottom of the Bank of Canada's target range

- The inflation rate has hovered around its lower bound target of 1% since the end of 1997.
- And, inflation should remain low. Although commodity prices gained some momentum in March due to a pickup in Energy prices, they are still down on a year-over-year basis.

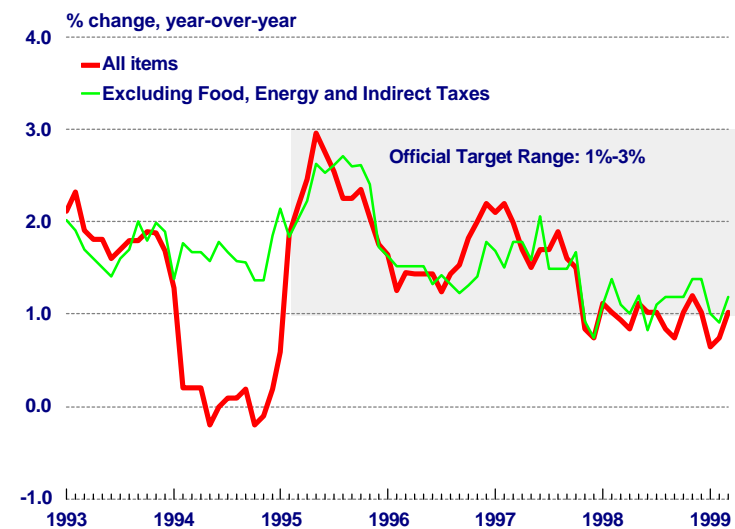
### Commodity Prices (\$U.S. basis)



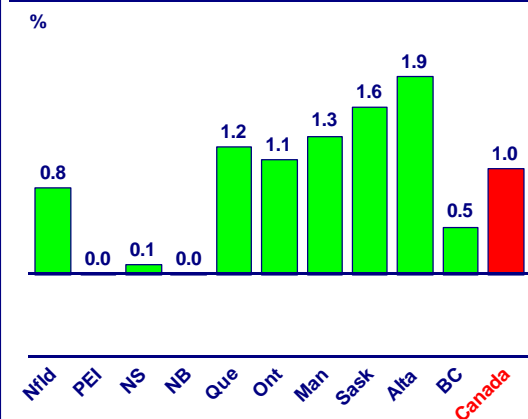
### Consumer Prices

	March 1999		
	Index (1992=100)	% Change since last month	last year
<b>All items CPI</b>	109.5	0.4	1.0
Food	110.7	0.2	1.4
Shelter	104.5	0.0	1.1
Household operations	108.7	0.2	0.2
Clothing & Footwear	106.2	1.7	1.4
Transportation	121.3	1.2	0.8
Health & Personal Care	109.2	0.0	1.9
Recreation, Educ. & Reading	117.3	0.4	0.8
Alcohol & Tobacco	93.7	0.0	1.7
<b>Excl. Food/Energy/Indirect Taxes</b>	111.3	0.5	1.2
Energy	103.8	1.5	0.2
<b>Commodity Prices (April)</b>			
Index, 1982-90=100	91.2	2.6	-3.8
Excluding Energy	101.2	0.3	-7.6
Energy	72.6	9.3	8.0

### Consumer Price Index



### Provincial CPI Inflation -- March 1999



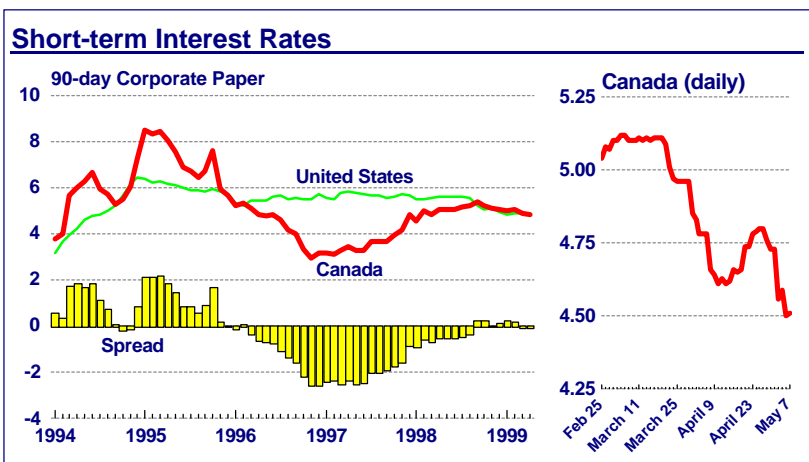


### *The Bank of Canada lowers short-term rates for the second time in five months...*

- Following a quarter percentage point cut on March 31, the Bank of Canada reduced the Bank Rate by an additional 25 basis points on May 4 – lowering this trend-setting lending rate to 4.75%, its lowest level since January 1998.
- This action put downward pressure on Canadian short-term interest rates, which are now at their lowest levels in over a year (and below comparable U.S. rates).

### *...but bond yields rise to a nine week high*

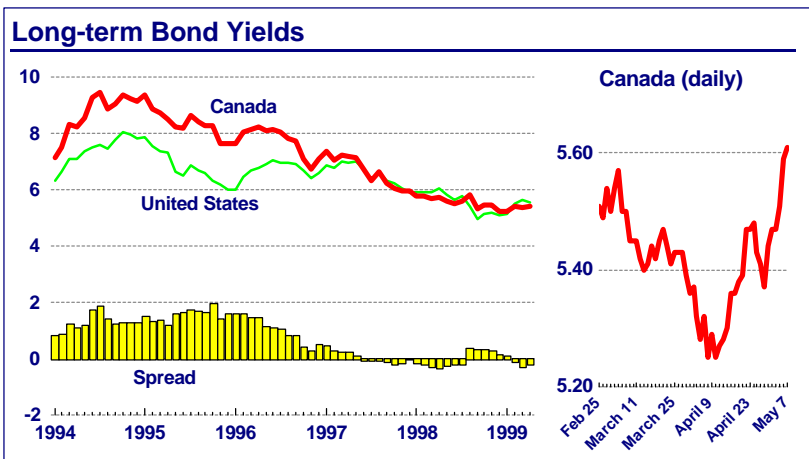
- Canadian bond yields increased through most of April, driven higher by expectations that further gains in the Canadian dollar (which had contributed to lower yields) would be limited by the most recent cut in the Bank Rate. There is also concern that the interest rate cuts and a rebound in commodity prices could push up inflation.
- After falling to 5.25% early in April, long rates have subsequently risen by roughly 35 basis points. As of May 7, mortgage rates were not affected, but rising long-term yields suggest that the cost of borrowing for homes may be on the way up.



### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1997	4.80	-0.85	5.95	0.02
1998	5.02	0.09	5.23	0.14
1998 Nov	5.09	0.02	5.47	0.28
1998 Dec	5.02	0.09	5.23	0.14
1999 Jan	5.01	0.19	5.23	0.09
1999 Feb	5.04	0.16	5.43	-0.08
1999 Mar	4.85	-0.04	5.36	-0.27
1999 Apr	4.80	-0.05	5.41	-0.17
May 5	4.59	-0.28	5.51	-0.20

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



### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1997	4.50	6.00	6.65	7.05
1998	5.25	6.75	6.20	6.60
1998 Nov	5.25	6.75	6.40	7.15
1998 Dec	5.25	6.75	6.20	6.60
1999 Jan	5.25	6.75	6.40	6.90
1999 Feb	5.25	6.75	6.40	6.90
1999 Mar	5.00	6.75	6.45	6.95
1999 Apr	5.00	6.50	6.30	6.95
May 5	4.75	6.25	6.30	6.95

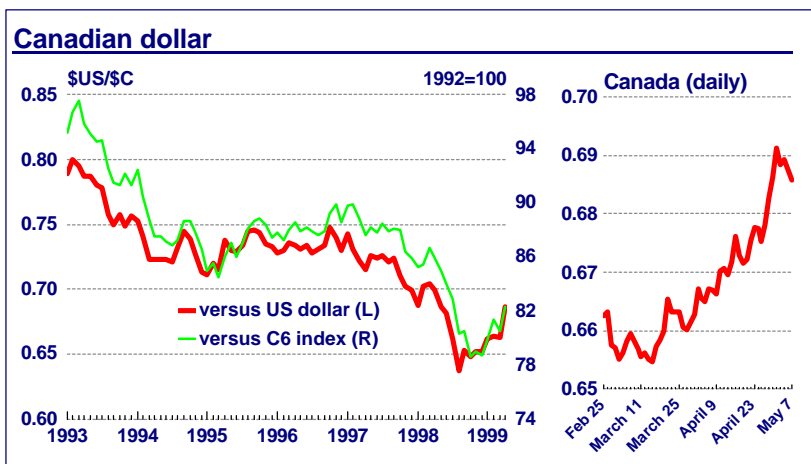


### The Canadian dollar and stock prices both advance in April...

- Despite the fact that interest rates in Canada were lowered at the end of March independently from those in the U.S., the Canadian dollar gained almost 3 full cents in April. In fact, the dollar traded above US69¢ on May 3 for the first time in nearly a year.
- Buoyed by lower interest rates and stronger commodity prices, the TSE300 gained 6.3% in April. Canadian stocks also benefited from a rally in U.S. markets, with the Dow Jones Industrial average closing above the 11,000 mark for the first time on May 4.

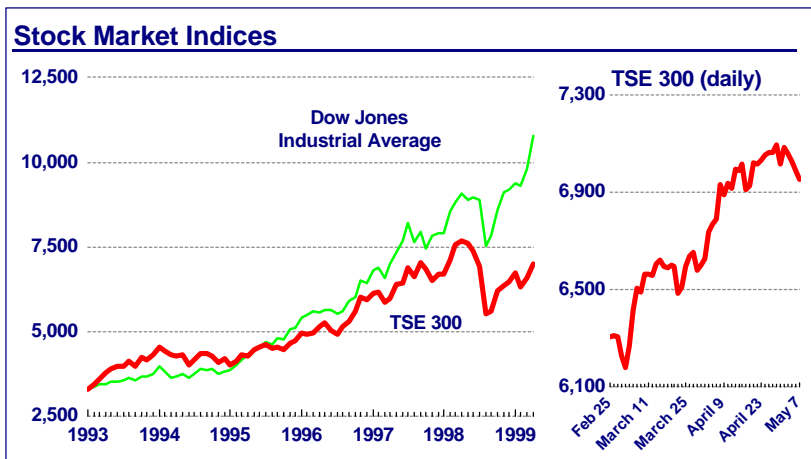
### ...but fall back somewhat early in May

- After their sharp gain in April, Canadian stock prices lost some ground early in May. Disappointing profit reports from some key companies and investor concern over a possible interest rate hike by the Federal Reserve combined to undercut prices.
- The Canadian dollar also retreated somewhat from its earlier gains following the most recent quarter-point reduction in the Bank Rate.



### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1997	0.6991	85.87	1.247	90.87
1998	0.6522	78.71	1.082	75.91
1998 Nov	0.6523	79.02	1.093	78.17
1998 Dec	0.6522	78.71	1.082	75.91
1999 Jan	0.6618	79.83	1.110	74.58
Feb	0.6632	81.33	1.166	77.81
Mar	0.6628	80.51	1.184	78.71
Apr	0.6863	82.26	1.229	80.49
May 7	0.6857			



### Key Stock Market Indexes

	April Close	% change from	
		last month	last year
<b>TSE 300</b>	<b>7,015</b>	<b>6.3</b>	<b>-8.5</b>
Oil & Gas	5,876	18.0	-10.3
Metals & Minerals	3,814	21.5	-9.4
Utilities	7,822	-1.3	0.4
Paper & Forest	4,411	14.0	-11.4
Merchandising	5,494	-2.2	-13.4
Financial Services	8,472	3.3	-15.0
Gold	5,919	14.1	-20.8
Price-Earnings Ratio*	30.6	4.7	-4.0
<b>S&amp;P 500</b>	<b>1,335</b>	<b>3.8</b>	<b>20.1</b>
<b>Dow Jones</b>	<b>10,789</b>	<b>10.2</b>	<b>19.0</b>

\*columns 2 & 3 reflect change in levels



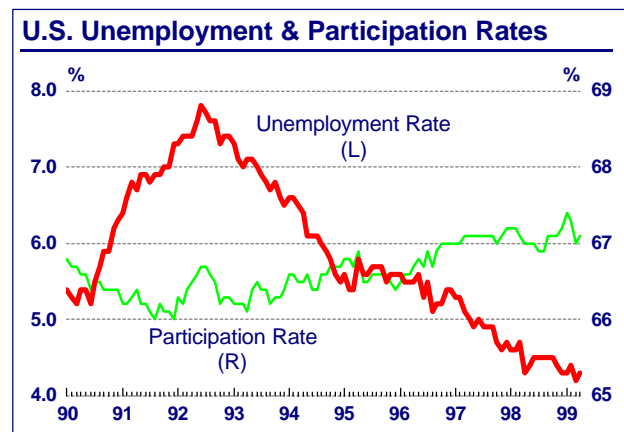
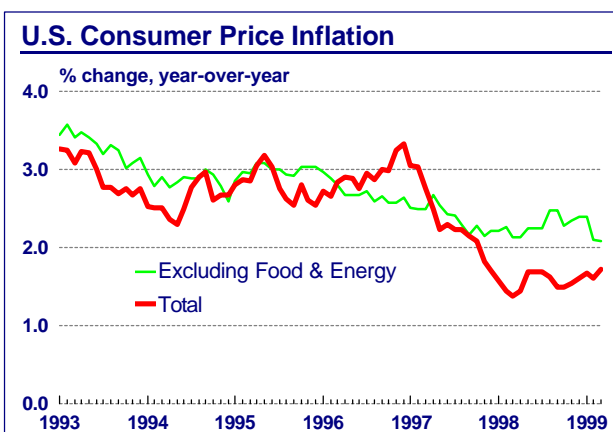
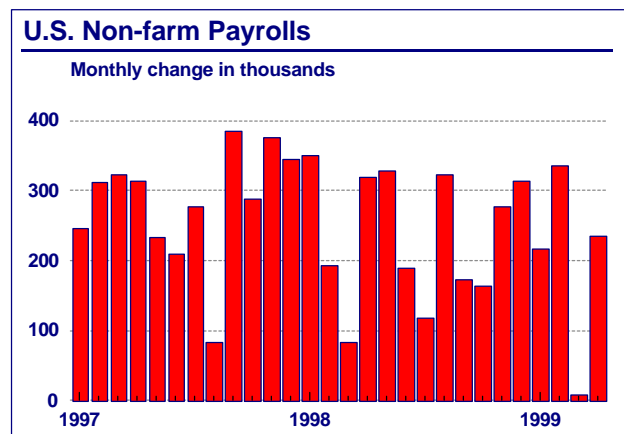
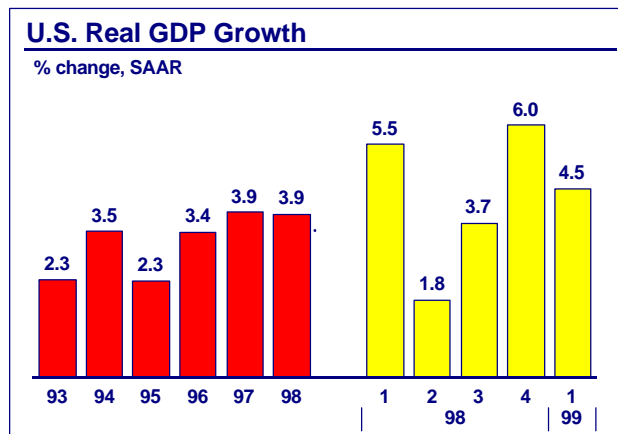
## U.S. Economic Trends

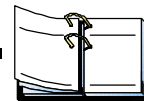
### *The US economy continues to expand beyond expectations...*

- Advance estimates reveal that the U.S. economy grew at an annual rate of 4.5% in the first quarter of 1999, far exceeding the consensus forecast of 3.3%. The major contributor to this increase was consumer spending, which increased by 6.7% – its strongest advance in over ten years. However, personal savings fell 0.5%, the weakest quarterly performance since the U.S. government began compiling data for this indicator in 1946. The trade sector was the only restraint on the U.S. economy in the first quarter, with real exports declining 7.7%.
- Elsewhere, employment picked up in April after registering virtually no change in March. Led by strong gains in the Service sector, non-farm payroll employment increased by 234,000 in April. The unemployment rate edged up slightly to 4.3%.

### *...raising fears of a possible rate hike by the Federal Reserve*

- Although the economy is growing at a strong pace and the labour market is extremely tight, U.S. labour costs rose at their slowest rate in nearly two decades in the first quarter. The employment cost index, which measures all labour-related costs, rose just 0.4% in the first quarter.
- Despite few signs of underlying inflation, some market analysts predict that the robust economy will prompt the Federal Reserve to raise rates at its upcoming meeting on May 18.





### Key Future Data Releases and Planned Events

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#### CANADA

Survey of Manufacturing – March .....	May 18
International Trade – March .....	May 20
Consumer Price Index – April .....	May 21
Financial Statistics For Enterprises – 1st Quarter 1999 .....	May 26
GDP at factor cost – March .....	May 31
Labour Force Survey – May .....	June 4
Capacity Utilization Rates – 1st Quarter 1999 .....	June 7
National Economic & Financial Accounts – 1st Quarter 1999 .....	June 10
Balance of International Payments – 1st Quarter 1999 .....	June 10
Business Conditions Survey – July .....	August 3

#### UNITED STATES

Consumer Price Index – April .....	May 14
Federal Open Market Committee meeting .....	May 18
International Trade – March .....	May 20
GDP – 1st Quarter 1999, Preliminary .....	May 27
Employment Situation – May .....	June 4

Note: the May MEI uses data available as of May 7, 1999