

# MONTHLY ECONOMIC INDICATORS

## April 2001

### HIGHLIGHTS

-  **Output rises 0.3% in January, but the Manufacturing sector remains weak.**
-  **Employment rebounds in March after posting a loss in February.**
-  **The Canadian dollar continues to fall, hit by a global flight to the U.S. dollar.**
-  **Although exports were also down, a sharp fall in imports leads to a record high trade surplus in January.**
-  **The Federal Reserve lowers rates an additional 50 basis points to boost the slowing U.S. economy.**

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	799.8	0.3	3.2	Jan.
Goods	258.3	0.0	1.0	Jan.
Services	541.5	0.5	4.3	Jan.
Composite Index	167.1	0.1	5.5	Feb.
Employment (000's)	15,074	0.2	1.6	March
Full-time	12,350	0.1	1.5	March
Part-time	2,723	0.5	1.8	March
Unemployment* (%)	7.0	6.9	6.8	March
Youth*	12.8	12.9	13.0	March
Adult*	5.9	5.8	5.6	March
CPI inflation*	2.9	3.0	2.7	Feb.
Retail Sales (\$M)	23,754	0.6	5.4	Jan.
Housing Starts (000's)	153.8	-1.5	-5.5	March
Trade Balance* (\$M)	6,577	5,848	4,300	Jan.
Exports	36,690	-0.4	10.3	Jan.
Imports	30,113	-2.9	4.0	Jan.
M&E	10,493	-1.9	9.1	Jan.
3-mth Corp. paper* (%)	4.72	5.05	5.46	Apr. 4
Long bond yield* (%)	5.80	5.66	5.84	Apr. 4
Canadian dollar* (US¢)	63.92	65.10	68.99	Apr. 6

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

# MONTHLY ECONOMIC INDICATORS

## April 2001

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This report uses data available as of April 6, 2001. It has been prepared by Éric Chalifoux, Joe Macaluso, Arif Mahmud and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. 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 Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).

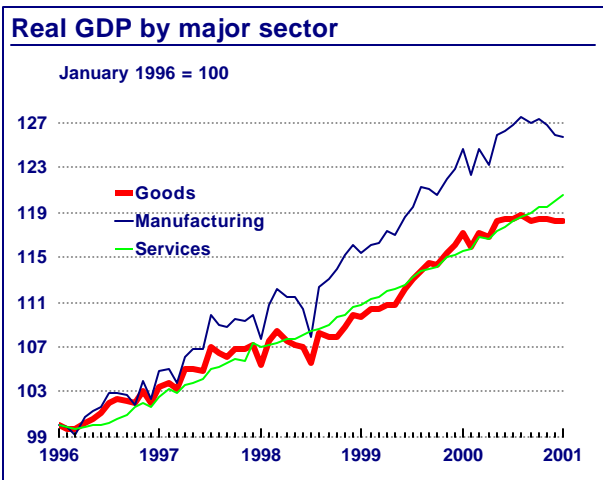
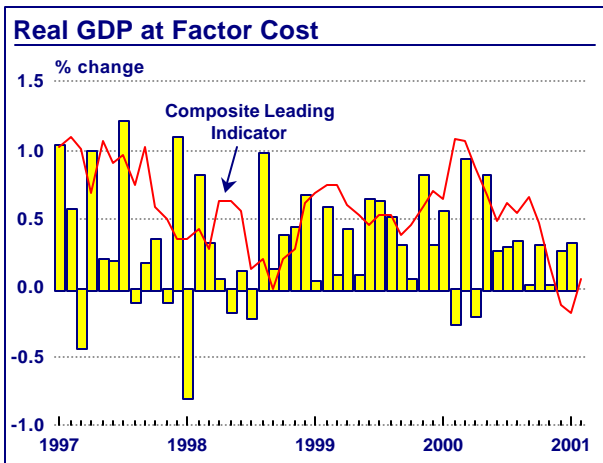


### Output rises in January...

- Real GDP at factor cost increased 0.3% in January, following a similar advance in December. Statistics Canada's composite leading indicator rose in February, after two consecutive monthly declines.

### ... but Manufacturing remains weak

- Output in the Goods sector was flat in January. Ongoing weakness in the automotive and electronic products industries lowered production in Manufacturing, while more seasonable weather reduced utilities' output from December's peak. However, gains in industrial plant construction and home-building boosted Construction activity, and output in Logging & Forestry advanced 4.7% after five consecutive monthly declines. The Mining sector advanced with a rebound in drilling and rigging activity and continued growth in crude petroleum and natural gas extraction.
- Services output increased by 0.5% in January. Surging computer sales pushed Wholesaling higher for the second straight month, while broad-based advances in motor vehicle and department store sales buoyed Retail Trade. The Insurance & Real Estate industry benefited from a surge in home resales.



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

#### January 2001

	\$ millions	monthly change	% Change since last month	% Change since last year
<b>Total Economy</b>	<b>799,790</b>	<b>2,582</b>	<b>0.3</b>	<b>3.2</b>
<b>Business sector</b>	<b>669,429</b>	<b>2,425</b>	<b>0.4</b>	<b>3.4</b>
<b>Goods</b>	<b>258,292</b>	<b>7</b>	<b>0.0</b>	<b>1.0</b>
Agriculture	12,809	38	0.3	-2.2
Fishing & Trapping	655	-35	-5.1	-12.2
Logging & Forestry	4,296	194	4.7	-5.6
Mining*	28,033	421	1.5	4.2
Manufacturing	143,140	-141	-0.1	1.0
Construction	43,176	436	1.0	1.8
Other Utilities	26,183	-906	-3.3	-0.9
<b>Services</b>	<b>541,498</b>	<b>2,575</b>	<b>0.5</b>	<b>4.3</b>
Transport & Storage	37,383	17	0.0	3.9
Communications	31,255	254	0.8	9.4
Wholesale Trade	52,602	871	1.7	6.6
Retail Trade	52,426	596	1.1	4.9
Finance & Insurance	44,317	-40	-0.1	3.5
Real Estate & Ins. Agent	84,046	501	0.6	2.9
Business services	51,522	46	0.1	8.2
Government services	48,294	117	0.2	4.3
Education	41,151	65	0.2	1.2
Health & Social Services	46,472	55	0.1	0.2
Accommodation & Food	21,883	162	0.7	8.4
Other	30,147	-69	-0.2	1.6

\*Includes Quarrying and Crude Petroleum & Natural Gas

# THE ECONOMY

## Consumer Spending and Attitudes



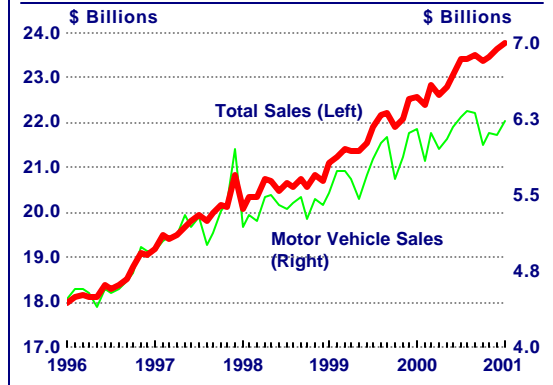
### Consumer spending slows in the fourth quarter of 2000...

- Growth in consumer spending slowed to 2.3% (annual rate) in the fourth quarter, down from average growth of 4.3% since the beginning of 1999.
- While spending on services and non-durable goods advanced at a solid pace, purchases of consumer durables fell 6.8% (annualized) in the fourth quarter. Motor vehicle sales fell back after dealer incentives boosted growth in the third quarter.

### ...but shows some signs of strength early in the new year

- Recent income gains have strengthened household finances and should support increased spending. In particular, personal disposable income rose 9.7% in the fourth quarter, significantly faster than spending. Retail sales were up for the third straight month in January, with widespread gains led by higher sales of furniture and clothing.
- Activity may weaken in February, however, given a drop in housing starts, lower motor vehicle sales and employment losses.

### Total Retail and Motor Vehicle Sales



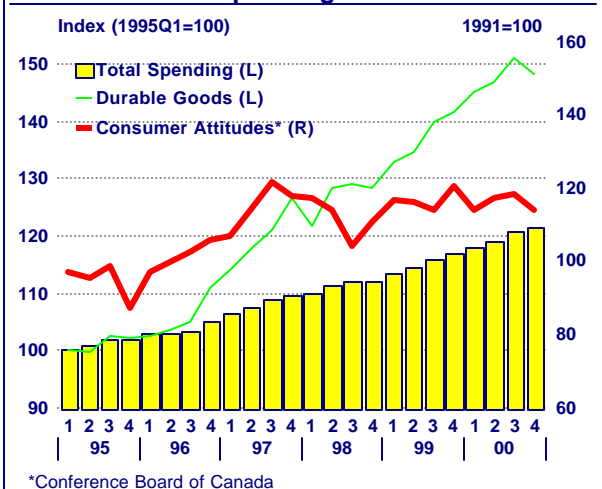
### Retail Sales and Consumer Credit

	January 2001 \$ millions	% Change since	
		last month	last year
<b>Total Retail Sales (S.A.)</b>	23,754	0.6	5.4
Food	5,133	-2.9	5.5
Drug Stores	1,168	1.9	4.2
Clothing	1,326	4.0	7.2
Furniture	1,380	6.1	12.8
Automotive	9,491	0.6	4.5
General Merch. Stores	2,708	1.6	4.3
All other Stores	2,548	1.7	5.3
Total ex. motor vehicles	17,526	0.0	6.9
<b>Consumer Credit (unadjusted)</b>	195	0.4	9.8

### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)		2000 Q3	2000 Q4
	1999	2000		
<b>Real Consumption (92\$)</b>	504,763	524,911	528,476	531,548
% change	3.5	4.0	5.0	2.3
Durable Goods	71,859	77,426	79,096	77,712
% change	8.1	7.7	12.2	-6.8
Semi-Durable Goods	47,103	49,364	49,984	50,104
% change	3.0	4.8	9.5	1.0
Non-Durable Goods	123,344	125,881	126,028	127,140
% change	2.1	2.1	1.9	3.6
Services	262,457	272,240	273,368	276,592
% change	3.0	3.7	3.6	4.8
<b>Disposable Income</b>	590,608	623,720	624,276	638,944
% change	4.0	5.6	2.7	9.7
<b>Saving Rate (%)</b>	3.7	3.2	2.3	3.5
<b>Debt-to-Income Ratio (%)</b>	96.1	95.7	96.2	95.1

### Real Consumer Spending and Attitudes



\*Conference Board of Canada

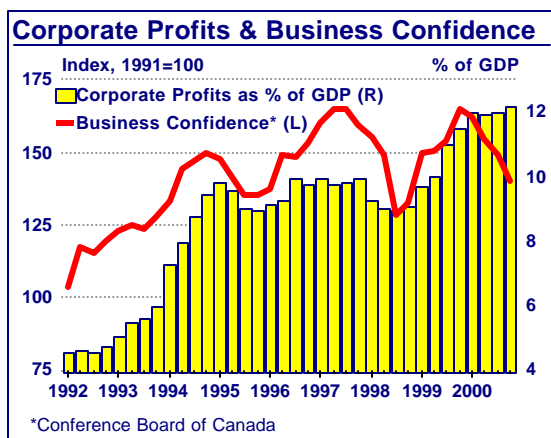
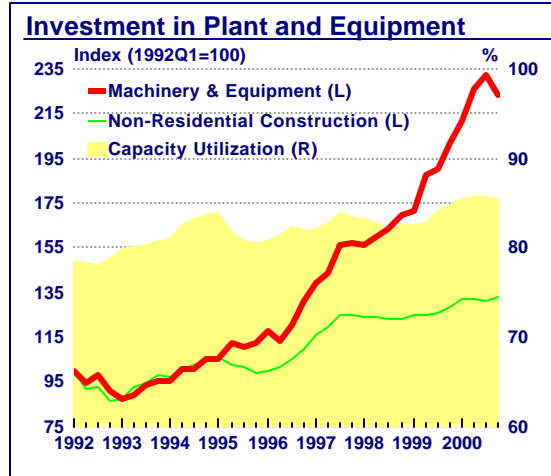


### Business investment falls in the fourth quarter...

- After posting strong advances earlier in the year, business investment in M&E fell 15.0% (annual rate) in the fourth quarter. Most categories of M&E registered a decline, including the first drop in spending on computers in three years.
- Non-Residential Construction activity increased 4.4% in the fourth quarter after a slight downturn in the previous period. Gains were concentrated in the engineering component, as improved weather conditions boosted drilling and rigging activity in the oil patch.

### ...with mixed results in the first quarter

- Business confidence has fallen steadily since peaking late in 1999. Still, operating profits rose strongly overall in 2000.
- Available data early in the new year are mixed. Imports of M&E fell 1.9% in January. However, Non-Residential Construction increased for the third straight month, and building permits were up 26% in January and February compared to a year ago.



### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1999	2000	2000 Q1	2000 Q2	2000 Q3	2000 Q4
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1992\$)</b>	75,557	89,846	85,060	91,024	93,512	89,788
% change	15.6	18.9	20.1	31.1	11.4	-15.0
<b>Non-residential Construction (1992\$)</b>	40,288	42,208	42,080	42,212	42,044	42,496
% change	2.0	4.8	10.5	1.3	-1.6	4.4
<b>Capacity Utilization (% , Non-farm goods)</b>	83.5	85.5	85.4	85.7	85.6	85.4
Capacity Utilization (Mfg. sector)	84.5	85.8	85.6	85.7	86.1	85.7
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
<b>Corporate Operating Profits</b>	174,317.0	211,219.0	207,200.0	210,112.0	211,476.0	216,088.0
% change	22.5	21.2	42.1	5.7	2.6	9.0
Profits - Non-financial industries	123,372.0	147,490.0	141,936.0	145,944.0	149,132.0	152,948.0
% change	30.0	19.5	21.0	11.8	9.0	10.6
Profits - Financial industries	50,945.0	63,728.0	65,264.0	64,168.0	62,340.0	63,140.0
% change	7.5	25.1	106.2	-6.6	-10.9	5.2
<b>Business Credit</b>	734,357.4	787,030.4	764,718.0	783,001.7	793,017.3	807,384.7
% change	5.8	7.2	6.0	9.9	5.2	7.4



### Activity in the housing sector pauses in the fourth quarter...

- Residential Construction activity paused in the fourth quarter. The slight decline in output was due mainly to a fall in new housing construction, as there was a slight gain in renovation activity.
- The housing sector was volatile in 2000, but advanced 1.6% overall.

### ...but should strengthen in the first quarter

- Housing starts fell for the second consecutive month in March, but starts were still up nearly 4% overall in the first quarter due to a surge in January. Residential Construction rose 1.3% in January, and residential building permits were up 14% in January and February compared to a year ago.
- Canada Mortgage and Housing Corporation foresees increased housing market activity in 2001. While slower economic growth is expected to have some impact on demand, declining mortgage rates, tax cuts, and the delayed effect of strong job creation and income growth in recent years should boost construction and the resale market.

### Housing Activity



### Monthly Housing Indicators

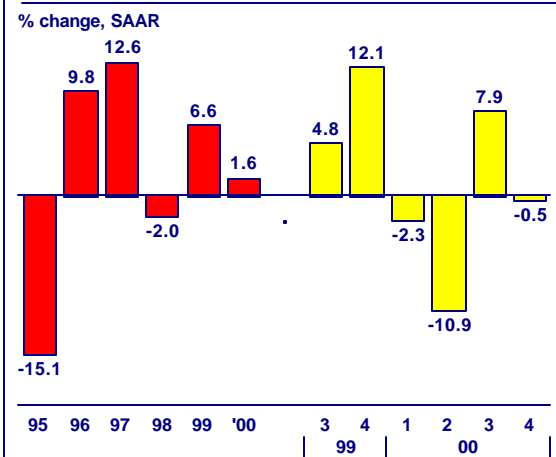
	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	14,102	1.3%	-1.1%
<b>Building Permits, \$M (2)</b>	1,953	-0.9%	16.7%
<b>Sales of Existing Homes (2)</b> (# of units)	20,854	-150	
<b>Housing Starts, # of units (3)</b>	153,800	-2,300	-9,000
Newfoundland	400	-400	-600
Prince Edward Island	400	200	-200
Nova Scotia	1,200	-2,100	-3,300
New Brunswick	1,800	-900	-300
Quebec	21,700	-4,900	1,300
Ontario	73,100	5,100	-2,700
Manitoba	1,600	-100	0
Saskatchewan	1,600	300	-400
Alberta	20,700	2,000	300
British Columbia	12,200	-1,500	1,400

1 - January data; 2 - February data; 3 - March data  
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

### Real Investment in Residential Structures

	\$92 Millions, SAAR (unless otherwise noted)			
	1999	2000	2000 Q3	2000 Q4
<b>Residential Construction</b>	44,259	44,936	45,052	44,988
% change	6.6	1.5	7.8	-0.6
Construction by Business sector	43,983	44,676	44,788	44,736
% change	6.6	1.6	7.9	-0.5
New Housing	22,258	22,144	22,036	21,980
% change	7.5	-0.5	5.7	-1.0
Alterations & Improvements	14,399	15,207	15,316	15,320
% change	5.6	5.6	5.7	0.1
Ownership & Transfer Costs	7,259	7,585	7,700	7,688
% change	1.1	4.5	18.8	-0.6

### Growth in Real Residential Construction



# THE ECONOMY



## Trade and Competitiveness

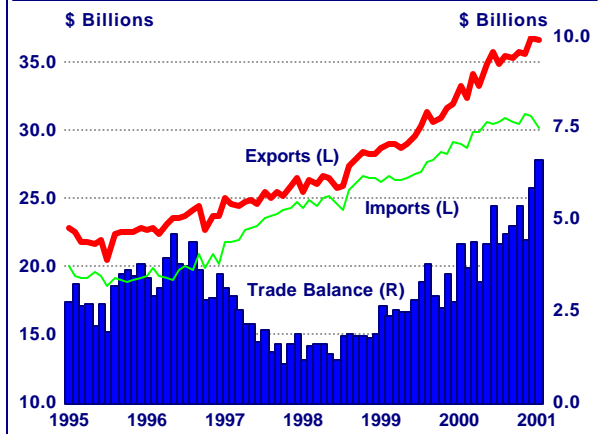
### A sharp drop in imports...

- Imports dropped 2.9% in January, due to a sharp drop in the imports of Automotive Products as production continues to be cut back. Imports of M&E particularly communications equipment were also down on the month.
- Exports also fell in January, albeit at a slower pace (-0.4%) than imports. Exports of M&E fell sharply due to lower shipments of telecommunications equipment and aircraft. Exports of Energy Products were down from a record-setting advance in December, mainly owing to lower prices for electricity. These declines offset gains in the export of Automotive Products and Industrial Goods & Materials.

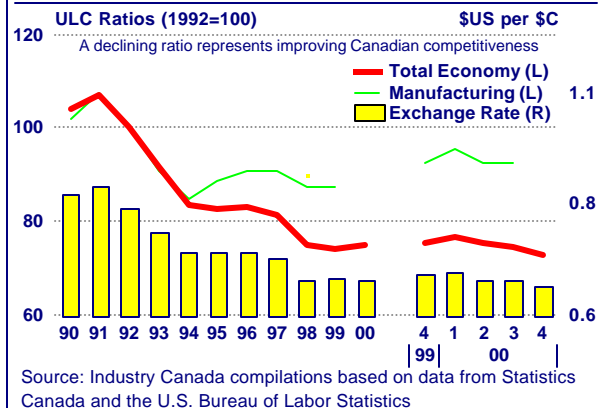
### ...boosts the trade surplus to a record high

- With imports falling faster than exports, Canada's merchandise trade surplus rose to a record high \$6.6 billion in January.

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



### Merchandise Trade

January 2001	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	December 2000	January 2001	1999 Jan-Dec.	2000 Jan-Dec.	Dec. 2000 to Jan. 2001	Dec. 2000 to Jan. 2001	Jan 2000 to Jan 2001
<b>Exports</b>	<b>36,849</b>	<b>36,690</b>	<b>360,609</b>	<b>417,657</b>	<b>-159</b>	<b>-0.4</b>	<b>10.3</b>
to United States	31,876	31,886	309,395	359,630	10	0.0	11.4
<b>Imports</b>	<b>31,001</b>	<b>30,113</b>	<b>326,818</b>	<b>363,162</b>	<b>-888</b>	<b>-2.9</b>	<b>4.0</b>
from United States	22,631	21,815	249,324	267,579	-816	-3.6	0.8
<b>Trade Balance</b>	<b>5,848</b>	<b>6,577</b>	<b>33,791</b>	<b>54,495</b>	<b>729</b>		
with United States	9,245	10,071	60,071	92,051	826		
<b>Exports by Commodity</b>							
Agriculture/Fishing Products	2,371	2,396	25,568	27,575	25	1.1	9.6
Energy Products	6,402	6,088	29,721	52,539	-314	-4.9	90.3
Forestry Products	3,230	3,341	39,116	41,379	111	3.4	-6.5
Industrial Goods & Materials	5,322	5,594	57,431	64,611	272	5.1	9.4
Machinery & Equipment	9,711	9,257	85,984	105,573	-454	-4.7	17.0
Automotive Products	7,232	7,453	95,493	96,298	221	3.1	-16.5
Other Consumer Goods	1,284	1,297	13,469	14,668	13	1.0	11.6
<b>Imports by Commodity</b>							
Agriculture/Fishing Products	1,572	1,641	17,645	18,568	69	4.4	8.0
Energy Products	1,670	1,672	10,709	17,753	2	0.1	39.8
Forestry Products	261	258	2,741	3,064	-3	-1.1	4.0
Industrial Goods & Materials	5,926	5,956	62,132	70,460	30	0.5	7.1
Machinery & Equipment	10,692	10,493	108,168	122,740	-199	-1.9	9.1
Automotive Products	6,199	5,514	75,917	77,406	-685	-11.1	-15.7
Other Consumer Goods	3,522	3,497	36,955	40,079	-25	-0.7	9.2





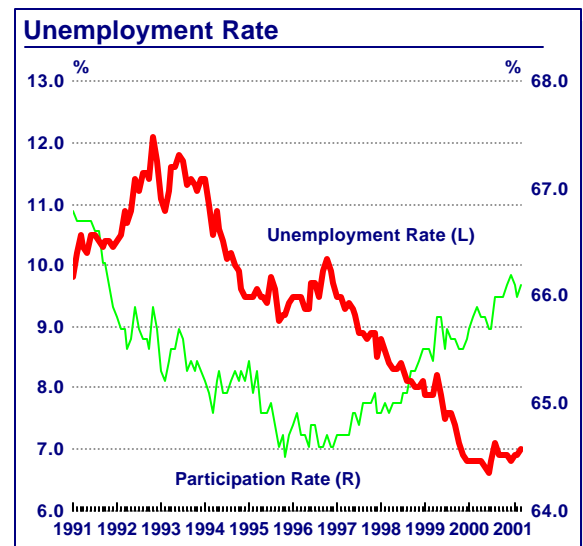
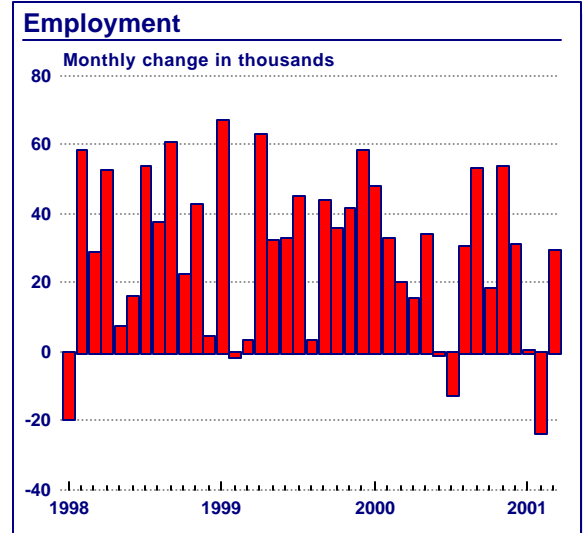
## Employment and Unemployment

### Employment rebounds in March...

- After registering little change in January and a loss of 24,000 jobs in February, employment rose by 30,000 in March.
- These job gains were split evenly between full-time and part-time work.
- Adult women accounted for almost two-thirds of the total increase, with youth accounting for most of the remaining third. Adult male employment was flat for the third time in four months.

### ...but a larger increase in the labour force raises the unemployment rate to 7.0%

- New entrants to the labour force rose more quickly than employment in March, raising the national unemployment rate 0.1 percentage points to 7.0%.
- Employment gains lowered the youth unemployment rate 0.1 percentage points to 12.8%. The adult unemployment rate increased 0.1 points to 5.9%.



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2000 March	2001 February	2001 March	last month	last year	year-to-date	last month	last year
<b>Employment</b>	14,843.0	15,043.9	15,073.6	29.7	230.6	6.9	0.2	1.6
<b>Full-time</b>	12,167.0	12,335.2	12,350.3	15.1	183.3	-7.2	0.1	1.5
<b>Part-time</b>	2,676.0	2,708.8	2,723.3	14.5	47.3	14.1	0.5	1.8
<b>Youth 15-24</b>	2,265.8	2,314.7	2,323.6	8.9	57.8	-20.8	0.4	2.6
<b>Adult 25+</b>	12,577.3	12,729.3	12,750.0	20.7	172.7	27.7	0.2	1.4
<b>Self-employed</b>	2,487.1	2,312.2	2,331.7	19.5	-155.4	-32.1	0.8	-6.2
<b>Unemployment</b>	1,085.3	1,123.0	1,142.8	19.8	57.5	39.5	1.8	5.3
<b>Unemployment Rate</b>	6.8	6.9	7.0	0.1	0.2	0.2		
<b>Youth 15-24</b>	13.0	12.9	12.8	-0.1	-0.2	0.3		
<b>Adult 25+</b>	5.6	5.8	5.9	0.1	0.3	0.2		
<b>Labour Force</b>	15,928.3	16,166.9	16,216.4	49.5	288.1	46.4	0.3	1.8
<b>Participation Rate</b>	65.9	66.0	66.1	0.1	0.2	-0.1		
<b>Employment Rate</b>	61.4	61.4	61.5	0.1	0.1	-0.2		





## Industry Overview

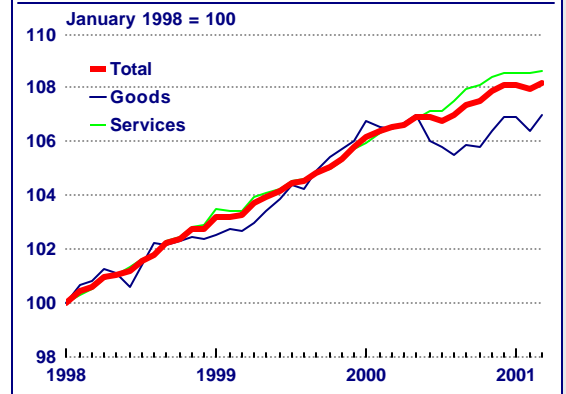
### Job gains are concentrated in Natural Resources and Construction ...

- Employment in the Goods sector increased by 21,000 in March, offsetting a drop in the previous month. Mining and oil and gas extraction boosted employment in Natural Resources, while Construction posted its fifth straight gain. The Manufacturing sector, in particular transportation equipment, remains weak.
- Employment in Services edged up 8,000 in March. Job losses in Finance, Insurance, Real Estate & Leasing, Retail & Wholesale Trade and Management, Administrative & Other Support Services largely offset gains in Information, Culture & Recreation and Health Care & Social Assistance.

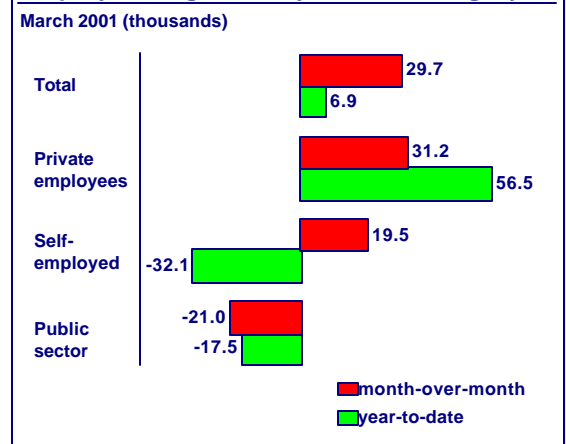
### ...and in the private sector

- Paid employment in the private sector was up 31,000 in March. Self-employment also posted an increase (+20,000), but is still down almost 200,000 from its peak at the beginning of 2000.
- Gains in private sector employment were partly offset by the loss of 21,000 jobs in the public sector.

### Employment by major sector



### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2000 March	2001 February	2001 March	last month	last year	year-to-date	last month	last year
<b>Goods-producing</b>	3,873.5	3,871.9	3,893.3	21.4	19.8	2.9	0.6	0.5
Agriculture	394.0	334.8	337.6	2.8	-56.4	-9.9	0.8	-14.3
Natural Resources*	277.7	284.4	295.1	10.7	17.4	17.3	3.8	6.3
Utilities	114.6	122.5	117.7	-4.8	3.1	0.0	-3.9	2.7
Construction	818.8	833.3	844.1	10.8	25.3	25.3	1.3	3.1
Manufacturing	2,268.3	2,297.1	2,298.8	1.7	30.5	-29.9	0.1	1.3
<b>Services-producing</b>	10,969.6	11,172.0	11,180.3	8.3	210.7	4.1	0.1	1.9
Trade	2,307.5	2,346.1	2,338.0	-8.1	30.5	-16.7	-0.3	1.3
Transportation	779.3	782.5	782.9	0.4	3.6	-5.0	0.1	0.5
FIRE*	862.5	879.7	869.7	-10.0	7.2	-12.3	-1.1	0.8
Professional/Scientific	913.6	1,006.5	1,013.3	6.8	99.7	24.6	0.7	10.9
Management/Administrative	533.2	557.0	549.9	-7.1	16.7	-9.3	-1.3	3.1
Educational Services	990.4	965.8	962.9	-2.9	-27.5	10.7	-0.3	-2.8
Health Care/Social Assistance	1,521.8	1,535.3	1,547.0	11.7	25.2	23.1	0.8	1.7
Information/Culture/Recreation	640.1	689.4	707.0	17.6	66.9	6.3	2.6	10.5
Accommodation & Food	962.7	975.3	977.8	2.5	15.1	12.0	0.3	1.6
Other Services	689.8	680.1	680.3	0.2	-9.5	-18.2	0.0	-1.4
Public Administration	768.7	754.5	751.5	-3.0	-17.2	-11.0	-0.4	-2.2

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



## Provincial Overview

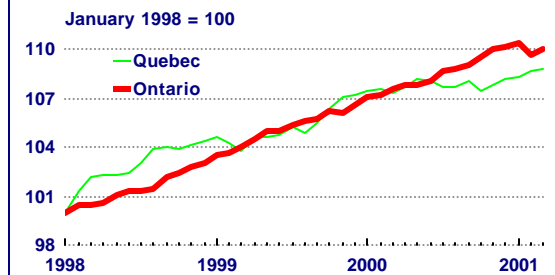
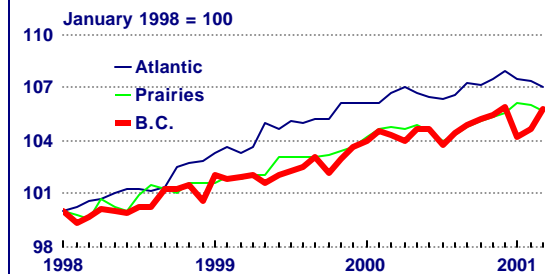
### Job gains are led by British Columbia and Ontario...

- Employment was up 22,000 in British Columbia in March, lowering its unemployment rate 0.7 points to 6.6%, a 20-year low. Gains were led by Health Care & Social Assistance and Construction.
- After falling by 38,000 in February, Ontario gained 16,000 jobs in March, all in part-time jobs. The unemployment rate remained at 6.1%. Employment edged up in Quebec, but a larger rise in the labour force raised its unemployment rate to 8.7%.
- Job gains in Saskatchewan and P.E.I. resulted in lower unemployment rates. In Newfoundland, higher employment was more than matched by an increase in the labour force, causing the unemployment rate to rise.

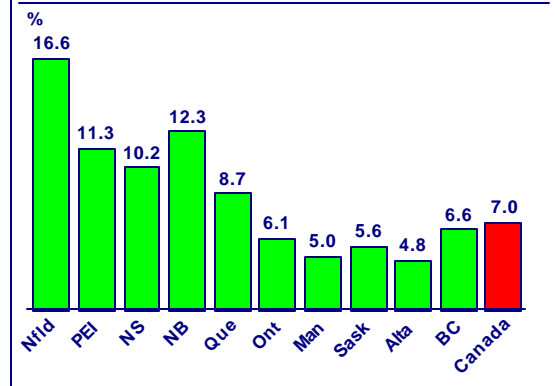
### ...but Alberta, New Brunswick and Nova Scotia post losses

- Losses in Accommodation & Food Services and Trade reduced employment by 9,000 in Alberta, and increased its unemployment rate to 4.8%. Employment edged down by 3,000 jobs in Nova Scotia and New Brunswick, raising their unemployment rates to 10.2% and 12.3% respectively. Employment was little changed in Manitoba.

### Regional employment patterns

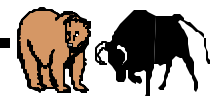


### Unemployment Rates -- March 2001



### Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels 2001 March	Change since last month		Change since last year		Levels	Change since		
		(000's)	%	(000's)	%		last month	last year	
Canada	15,073.6	29.7	0.2	230.6	1.6	7.0	0.1	0.2	
Newfoundland	208.6	2.2	1.1	3.2	1.6	16.6	0.2	-0.9	
P.E.I.	66.5	0.5	0.8	1.2	1.8	11.3	-0.4	-0.3	
Nova Scotia	419.9	-2.9	-0.7	-0.2	-0.0	10.2	1.4	1.3	
New Brunswick	330.1	-3.3	-1.0	-1.1	-0.3	12.3	0.7	2.0	
Quebec	3,469.7	1.7	0.0	45.9	1.3	8.7	0.3	0.1	
Ontario	5,954.4	15.7	0.3	129.3	2.2	6.1	0.0	0.5	
Manitoba	557.3	-0.1	-0.0	6.0	1.1	5.0	0.5	-0.5	
Saskatchewan	479.7	2.5	0.5	-10.8	-2.2	5.6	-0.1	0.9	
Alberta	1,615.8	-8.8	-0.5	29.5	1.9	4.8	0.2	-0.2	
B.C.	1,971.7	22.3	1.1	27.6	1.4	6.6	-0.7	-0.4	



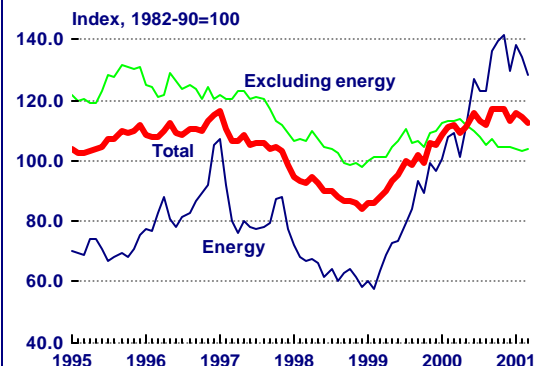
### Inflation edges down in February...

- The annual rate of CPI inflation fell to 2.9% in February. Higher energy and food prices accounted for almost half of the year-over-year rise in prices. Higher mortgage interest cost also exerted upward pressure on the index, while lower prices for motor vehicles, computer equipment & supplies, and video equipment had a dampening effect on the CPI.
- British Columbia's low inflation rate was due partly to the impact of one-time rebates for automotive insurance and electricity.

### ...but the "core" rate remains at the mid-point of the official target range

- The "core" rate of inflation, which excludes energy, food and indirect taxes, remained at 2.0% in February. This is the mid-point of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices were up 0.5% in March compared to a year ago. Prices for Energy commodities rose 17.2%, but non-energy commodity prices decreased 8.0% due to falling prices for ferrous metals and non-ferrous materials.

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



### Consumer Prices

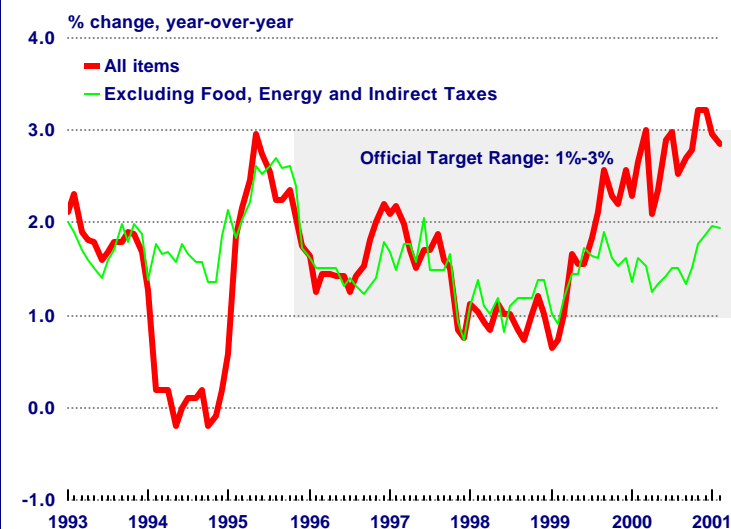
February 2001

	Index (1992=100)	% Change since	
		last month	last year
<b>All items CPI</b>	115.2	0.4	2.9
Food	115.6	0.8	4.5
Shelter	110.8	-0.2	3.2
Household operations	111.0	0.5	1.6
Clothing & Footwear	106.5	1.6	1.1
Transportation	131.5	0.2	2.3
Health & Personal Care	113.6	0.4	2.3
Recreation, Educ. & Reading	122.9	1.2	2.5
Alcohol & Tobacco	99.4	0.2	3.1
<b>Excl. Food/Energy/Indirect Taxes</b>	114.8	0.5	2.0
Energy	129.9	-0.8	6.4

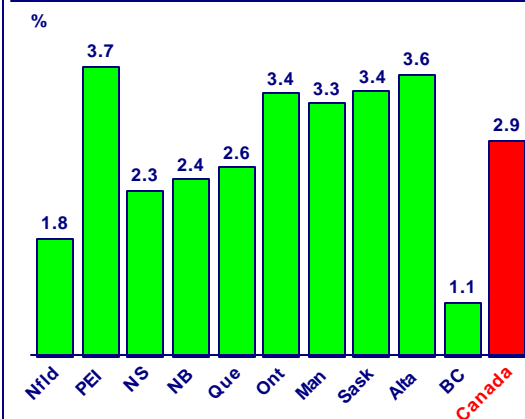
### Commodity Prices (March)

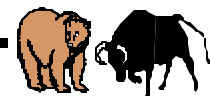
Index, 1982-90=100	112.4	-1.5	0.5
Excluding Energy	104.0	0.7	-8.0
Energy	128.0	-4.6	17.2

### Consumer Price Index



### Provincial CPI Inflation -- February 2001



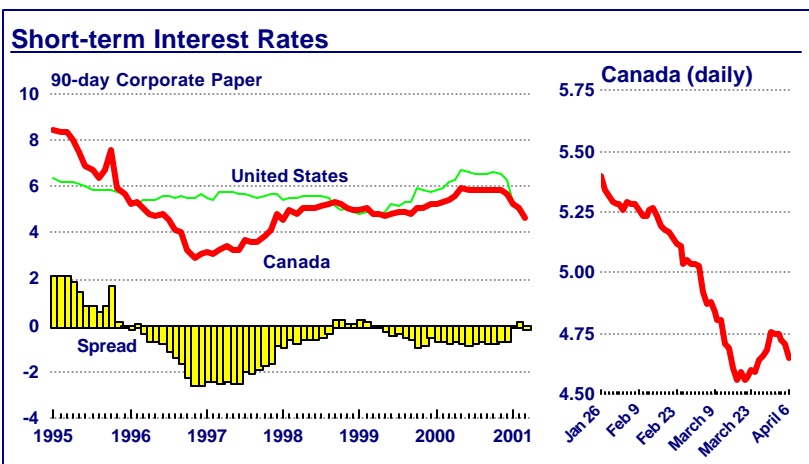


### Short-term interest rates fall in March...

- The Bank of Canada cut its trendsetting Bank Rate by 50 basis points to 5.25% on March 6. The next monetary policy announcement of the Bank of Canada is on April 17, with analysts widely expecting further cuts in interest rates.
- Market-determined short-term rates fell through most of the month as global stock market turmoil increased the demand for safe investments. However, short-term rates increased late in the month as Canada's depreciating dollar dampened market expectations of further interest rate cuts.

### ...but long-term yields rise

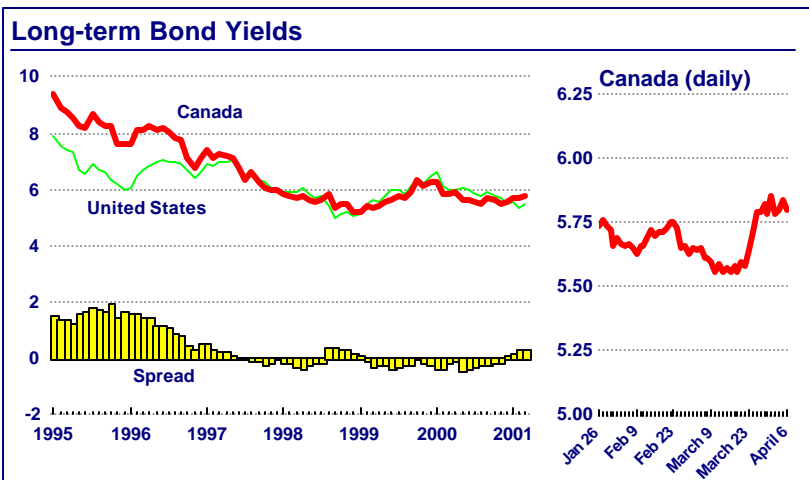
- The long-term interest rate closed April 4 at 5.80%, up 14 basis points from the end of February. Encouraging signs of recovery in the U.S. lowered expectations of future rate cuts and prompted a run-up in bond yields late in March.
- With Canadian and U.S. long-term bond yields both rising throughout the month, Canadian yields were 30 basis points above U.S. rates as of April 4.



### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
Oct 2000	5.85	-0.75	5.61	-0.14
Nov	5.89	-0.68	5.51	-0.15
Dec	5.71	-0.60	5.56	0.11
Jan 2001	5.29	-0.03	5.72	0.18
Feb	5.05	0.11	5.66	0.32
March	4.66	-0.08	5.79	0.32
April 4	4.72	0.02	5.80	0.30

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
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
Oct 2000	6.00	7.50	7.90	8.25
Nov	6.00	7.50	7.90	8.25
Dec	6.00	7.50	7.70	7.95
Jan 2001	5.75	7.25	7.40	7.75
Feb	5.75	7.25	7.20	7.75
March	5.25	6.75	6.70	7.25
April 4	5.25	6.75	6.70	7.25

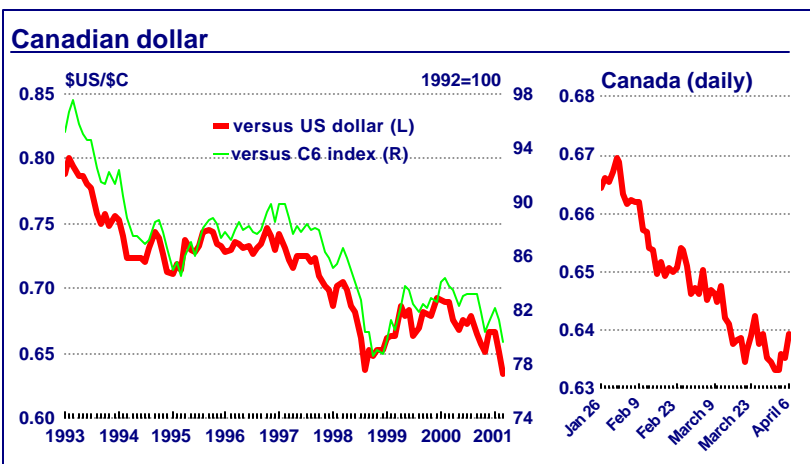


### The Canadian dollar falls in March...

- Increasing concern over slowing global economic growth have prompted a flight to "safe haven" U.S. dollar denominated financial assets and boosted the value of the U.S. dollar. Like other currencies, the Canadian dollar in the first three months of 2001 has weakened against its U.S. counterpart.
- The dollar closed at US¢63.32 on April 2, its lowest level since August 1998. However, the Canadian currency gained strength in subsequent days with heightened prospects for further rate cuts in the U.S.

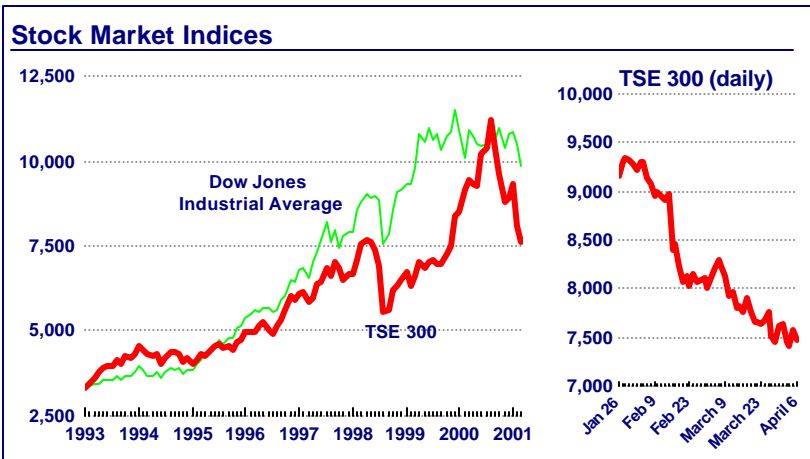
### ...and the TSE 300 index closed below 8,000

- The TSE 300 index lost 5.8% of its value in March, bringing year-over-year losses to 19.6%. A deteriorating profit outlook in most major sectors was the main reason behind the drop.
- The U.S. S&P 500 and Dow Jones indexes also lost ground in March.



### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
Oct 2000	0.6568	81.87	1.517	71.70
Nov	0.6510	80.34	1.485	70.75
Dec	0.6669	81.19	1.433	73.64
Jan 2001	0.6672	82.15	1.387	77.67
Feb	0.6510	81.26	1.396	76.36
March	0.6344	79.62	1.382	77.95
April 6	0.6392			



### Key Stock Market Indexes

	March Close	% change from	
		last month	last year
<b>TSE 300</b>	<b>7,608</b>	<b>-5.8</b>	<b>-19.6</b>
Oil & Gas	8,709	1.8	40.1
Metals & Minerals	3,988	-2.7	12.5
Utilities	13,329	-10.4	-19.5
Paper & Forest	4,814	6.2	-8.6
Merchandising	5,621	-1.0	25.9
Financial Services	10,258	-2.0	35.6
Goods	4,128	-5.3	4.1
Price-Earnings Ratio*	19.7	-0.8	-13.4
<b>S&amp;P 500</b>	<b>1,160</b>	<b>-6.4</b>	<b>-22.6</b>
<b>Dow Jones</b>	<b>9,879</b>	<b>-5.9</b>	<b>-9.6</b>

\*columns 2 & 3 reflect change in levels



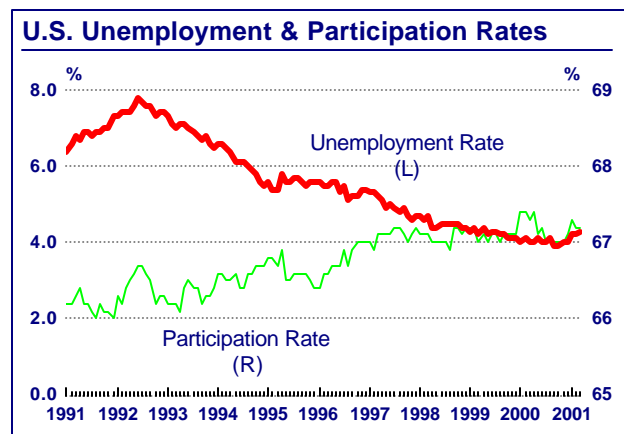
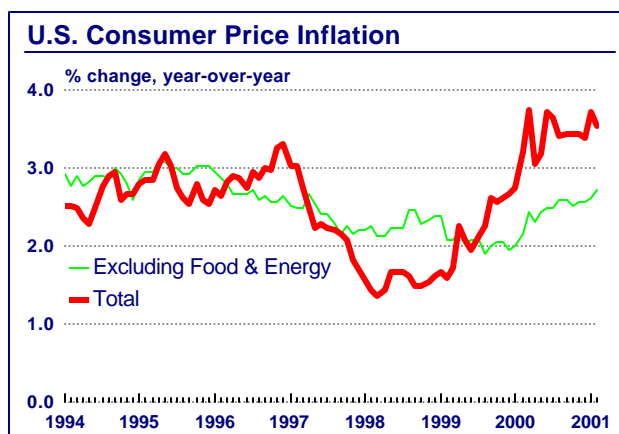
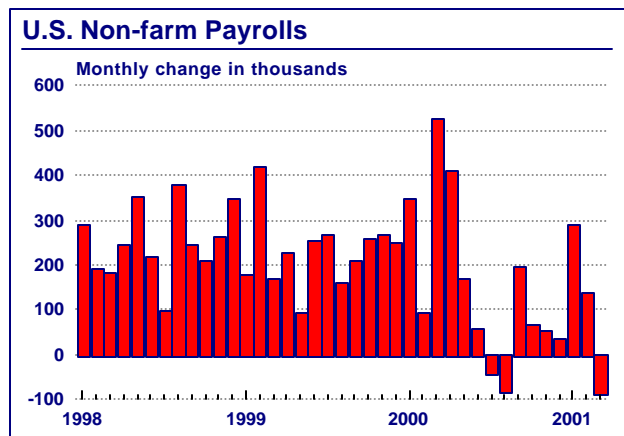
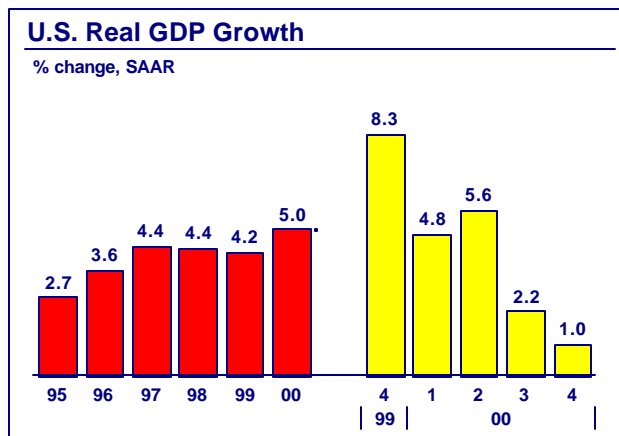
## U.S. Economic Trends

### The U.S. economy slows in the fourth quarter...

- Final estimates show that growth in the U.S. slowed to 1.0% (annual rate) in the fourth quarter of 2000. Overall in 2000, the U.S. economy expanded 5.0%, the fourth straight year of growth in excess of 4%.
- U.S. employment fell by 86,000 in March, the largest monthly drop since November 1991. These losses, which were concentrated in the already weakened manufacturing sector and in retail trade, pushed the unemployment rate up to 4.3 percent, its highest level in 20 months. Still, consumer confidence rose in March after five straight months of decline.
- The U.S. trade deficit for January was \$33.3 billion, an increase of \$0.1 billion over December's revised total.

### ...and the Federal Reserve cuts interest rates

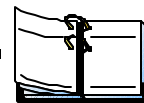
- In a widely anticipated move, the U.S. Federal Reserve lowered interest rates an additional 50 basis points at its March 20 meeting. The federal funds rate now stands at 5.0%, down 150 basis points from the beginning of the year.
- On a year-over-year basis, U.S. consumer prices were up 3.5% in February, while producer prices rose 4.0%. Inflation excluding food and energy prices was 2.7%, the highest rate since 1996.



## COMING UP

### Key Future Data Releases and Planned Events

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#### CANADA

Next scheduled date for Bank Rate announcement .....	April 17
International Trade – February .....	April 18
Survey of Manufacturing – February .....	April 19
Consumer Price Index – March .....	April 20
GDP at factor cost – February .....	April 30
Business Conditions Survey – April .....	May 4
Labour Force Survey – April .....	May 11
National Economic & Financial Accounts – 1st Quarter 2001 .....	May 31
Balance of International Payments – 1st Quarter 2001 .....	May 31
Financial Statistics For Enterprises – 1st Quarter 2001 .....	June 7
Capacity Utilization Rates – 1st Quarter 2001 .....	June 11
Private and Public Investment Intentions – 2001 (revised) .....	July 18

#### UNITED STATES

Consumer Price Index – March .....	April 17
International Trade – February .....	April 18
GDP – 1st Quarter 2001, Advance .....	April 27
Employment Situation – April .....	May 4
Federal Open Market Committee meeting .....	May 15

Note: the April MEI uses data available as of April 6, 2001