

MONTHLY ECONOMIC INDICATORS

May 2001

HIGHLIGHTS

-  ***Output edges lower in February, with a sharp decline in Manufacturing activity.***
-  ***Employment bounces back in March and April after weakening early in the year.***
-  ***Weak demand in North America reduces Canadian exports and imports in February.***
-  ***The Bank of Canada and the U.S. Federal Reserve lower interest rates in April to boost their slowing economies.***
-  ***Deeper rate cuts in the U.S. help support the Canadian dollar.***

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	798.1	-0.1	3.1	Feb.
Goods	257.2	-0.0	1.4	Feb.
Services	540.8	-0.1	4.0	Feb.
Composite Index	166.6	-0.1	4.1	March
Employment (000's)	15,099	0.2	1.6	April
Full-time	12,376	0.2	1.8	April
Part-time	2,723	-0.0	0.6	April
Unemployment* (%)	7.0	7.0	6.8	April
Youth*	12.7	12.8	12.8	April
Adult*	5.9	5.9	5.6	April
CPI inflation*	2.5	2.9	3.0	March
Retail Sales (\$M)	23,642	-0.3	4.9	Feb.
Housing Starts (000's)	162.3	3.1	2.3	April
Trade Balance* (\$M)	6,670	5,867	3,641	Feb.
Exports	36,803	-4.5	8.5	Feb.
Imports	30,133	-2.8	1.9	Feb.
M&E	10,439	-5.0	6.0	Feb.
3-mth Corp. paper* (%)	4.50	4.66	5.62	May 2
Long bond yield* (%)	5.97	5.79	5.92	May 2
Canadian dollar* (US¢)	64.54	63.44	67.56	May 4

*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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MONTHLY ECONOMIC INDICATORS

May 2001

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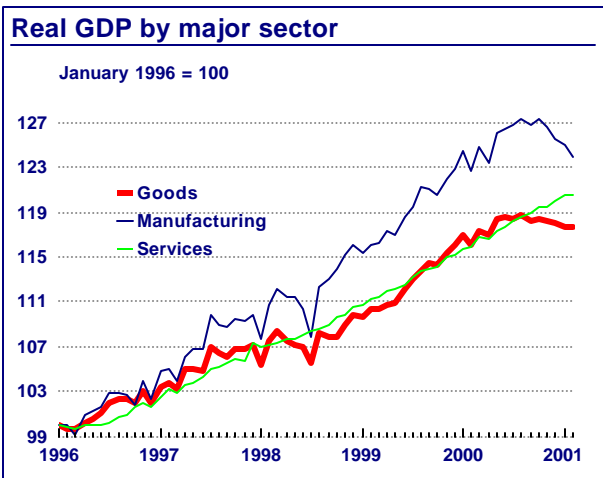
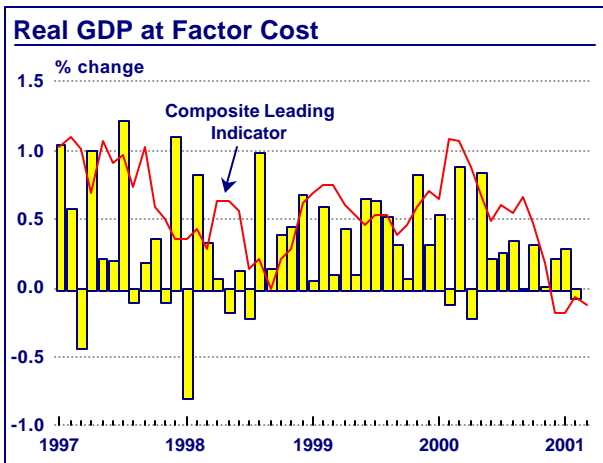


Output falls slightly in February...

- Real GDP at factor cost declined 0.1% in February, following a 0.3% advance in January. Losses were registered in both the Goods and Services-producing industries. Statistics Canada's composite leading indicator was down for the fourth straight month in March.

... due to weakness in Manufacturing and related Service industries

- Output in the Goods sector was flat in February, as a sharp drop in Manufacturing output -- due mainly to lower production of telecommunications equipment -- was offset by gains in other industries. Cooler winter temperatures led to a rebound in utilities' output, and Construction activity benefited from strength in both the residential and non-residential components. Mining activity also advanced in February, as high prices continue to support production in the oil patch.
- Services output edged down 0.1% in February. The slowdown in Manufacturing and international trade generally hit the Transportation & Storage industries, while Wholesale Trade was affected by weaker demand for computer and automotive products. The largest gain was in Communications, which registered increased use of long distance and cellular services.



Real GDP at Factor Cost (1992 dollars)

February 2001

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	798,059	-493	-0.1	3.1
Business sector	667,506	-582	-0.1	3.3
Goods	257,249	-51	-0.0	1.4
Agriculture	12,652	-18	-0.1	-3.0
Fishing & Trapping	641	-14	-2.1	-14.6
Logging & Forestry	4,410	188	4.5	-7.1
Mining*	28,245	192	0.7	4.3
Manufacturing	140,983	-1,319	-0.9	1.0
Construction	43,497	222	0.5	3.5
Other Utilities	26,821	698	2.7	1.3
Services	540,810	-442	-0.1	4.0
Transport & Storage	37,140	-427	-1.1	3.6
Communications	31,611	386	1.2	9.7
Wholesale Trade	51,917	-434	-0.8	6.0
Retail Trade	52,031	-261	-0.5	4.6
Finance & Insurance	44,079	-164	-0.4	1.3
Real Estate & Ins. Agent	84,274	219	0.3	3.0
Business services	51,686	105	0.2	8.0
Government services	48,427	78	0.2	4.3
Education	41,241	25	0.1	1.4
Health & Social Services	46,411	-44	-0.1	0.1
Accommodation & Food	21,731	-68	-0.3	5.7
Other	30,262	143	0.5	1.9

*Includes Quarrying and Crude Petroleum & Natural Gas



Consumer Spending and Attitudes

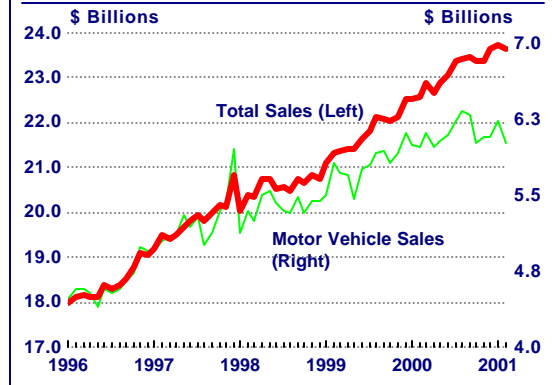
Consumer spending slows in the fourth quarter of 2000...

- 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. Personal disposable income rose an annualized 9.7% in the fourth quarter, significantly faster than spending.
- Retail sales were down in February, but this followed three straight monthly increases. Monthly output figures show that Retail Trade averaged 1.2% higher in January and February than in the fourth quarter. Activity may strengthen further in March, given higher employment and early indications of a pick-up in auto sales.

Total Retail and Motor Vehicle Sales



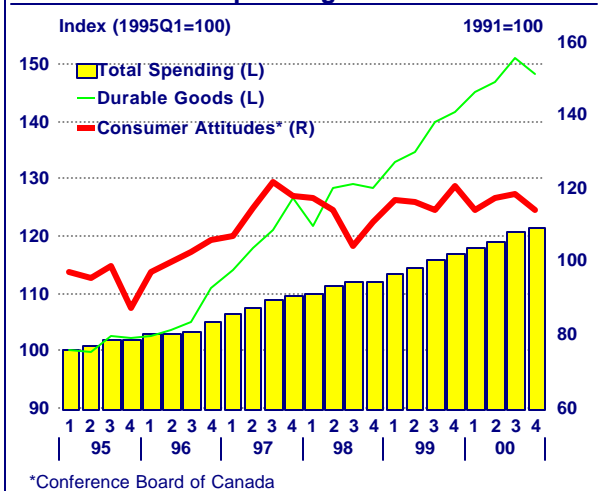
Retail Sales and Consumer Credit

	February 2001 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	23,642	-0.3	4.9
Food	5,254	2.4	5.5
Drug Stores	1,171	0.6	7.0
Clothing	1,298	-0.7	4.5
Furniture	1,325	-1.5	8.3
Automotive	9,342	-1.8	3.4
General Merch. Stores	2,706	-0.0	6.1
All other Stores	2,545	0.2	5.2
Total ex. motor vehicles	17,628	0.8	6.3
Consumer Credit (unadjusted)	198	1.1	10.0

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)		2000 Q3	2000 Q4
	1999	2000		
Real Consumption (92\$)	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
Disposable Income	590,608	623,720	624,276	638,944
% change	4.0	5.6	2.7	9.7
Saving Rate (%)	3.7	3.2	2.3	3.5
Debt-to-Income Ratio (%)	96.1	95.7	96.2	95.1

Real Consumer Spending and Attitudes



*Conference Board of Canada

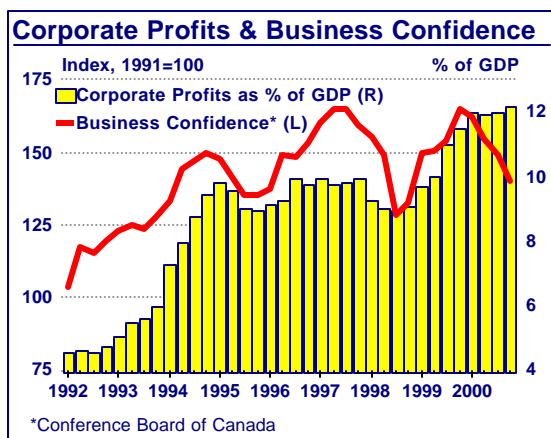
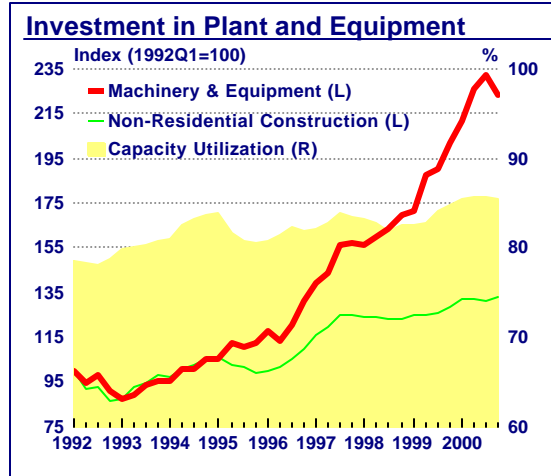


Business investment falls in the fourth quarter...

- 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.

...but results are mixed for the first quarter

- Business confidence has fallen steadily since peaking late in 1999. Still, corporate profits rose strongly in 2000.
- Available data for the first quarter are mixed. Imports of M&E fell sharply in January and February. However, Non-Residential Construction activity continues to expand. Indeed, building permits reached a record high in the first quarter, up 20.4% from a year ago.



Business Investment and Corporate Finances						
\$ Millions, SAAR (unless otherwise noted)						
	1999	2000	2000 Q1	2000 Q2	2000 Q3	2000 Q4
BUSINESS INVESTMENT						
Machinery & Equipment (1992\$)	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
Non-residential Construction (1992\$)	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
Capacity Utilization (% , Non-farm goods)	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
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	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
Business Credit	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 has strengthened so far in 2001

- The outlook for the housing sector is generally positive. Residential Construction rose 1.1% in February, and output in the first two months of 2001 was 2.0% higher than the fourth quarter average. Residential building permits were up 9.4% in the first three months of 2001 compared to a year ago.
- Despite the slowing economy, the effects of lower mortgage rates, favourable labour market conditions and rising migration should all support residential construction. The Canada Mortgage and Housing Corporation expects housing starts to rise further this year and remain strong in 2002.

Housing Activity



Monthly Housing Indicators

	levels	Change since	
		last month	last year
Residential Construction (1) (\$92M, factor cost basis)	14,312	1.1%	2.9%
Building Permits, \$M (2)	1,692	-13.5%	-0.8%
Sales of Existing Homes (2) (# of units)	20,670	-155	
Housing Starts, # of units (3)	162,300	4,900	3,700
Newfoundland	800	400	-600
Prince Edward Island	300	-100	100
Nova Scotia	3,500	2,300	500
New Brunswick	1,500	-300	-400
Quebec	21,900	100	2,400
Ontario	68,600	-5,500	-2,000
Manitoba	2,200	600	400
Saskatchewan	1,500	-100	-100
Alberta	24,800	4,100	3,500
British Columbia	15,000	2,600	1,000

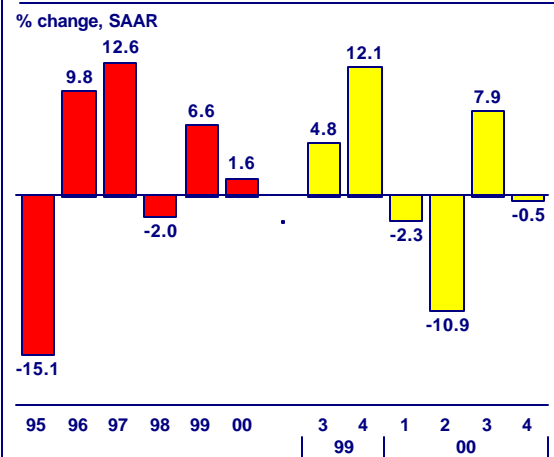
1 - February data; 2 - March data; 3 - April data
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1999	2000	2000 Q3	2000 Q4
Residential Construction	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





Trade and Competitiveness

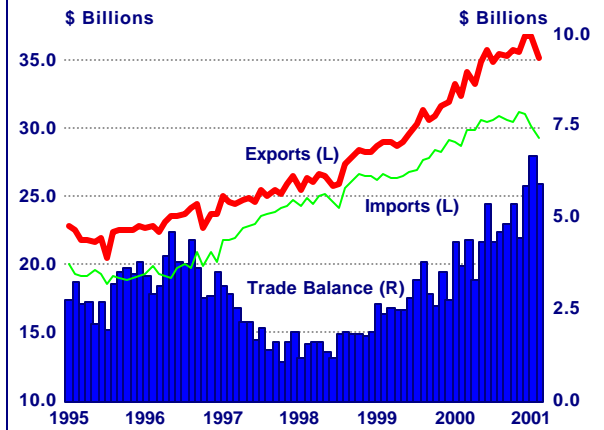
Sharp declines in both imports and exports...

- Exports dropped 4.5% in February, with two-thirds of this decline due to lower sales to the U.S. The decline was widespread, but led by lower exports of M&E – including a sharp fall in optical networks and wireless communications equipment. Exports of Energy Products also fell sharply, owing in part to lower prices for natural gas.
- Imports fell 2.8% on the month. Reduced demand for computer chips and semiconductors resulted in a sharp decline in M&E imports. Imports of Energy Products were down due to a sharp drop in crude petroleum imports.

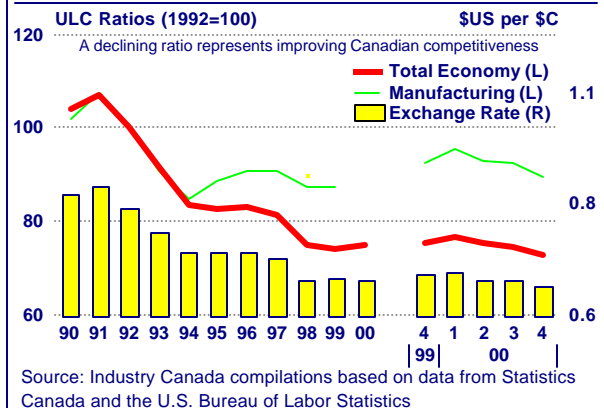
...lead to a lower trade surplus

- With exports falling faster than imports, Canada's merchandise trade surplus fell to \$5.9 billion in February. This is down from a record high the previous month.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



Merchandise Trade

February 2001	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)	% Change	
	January 2001	February 2001	2000 Jan-Feb	2001 Jan-Feb		Jan to Feb 2001	Jan to Feb 2001
Exports	36,803	35,144	65,636	71,947	-1,659	-4.5	8.5
to United States	31,869	30,745	56,137	62,614	-1,124	-3.5	11.7
Imports	30,133	29,277	57,695	59,410	-856	-2.8	1.9
from United States	21,707	21,646	43,240	43,353	-61	-0.3	0.2
Trade Balance	6,670	5,867	7,941	12,537	-803		
with United States	10,162	9,099	12,897	19,261	-1,063		
Exports by Commodity							
Agriculture/Fishing Products	2,407	2,362	4,351	4,769	-45	-1.9	9.1
Energy Products	6,222	5,808	6,894	12,030	-414	-6.7	57.2
Forestry Products	3,332	3,219	7,030	6,551	-113	-3.4	-6.9
Industrial Goods & Materials	5,572	5,358	10,253	10,930	-214	-3.8	4.2
Machinery & Equipment	9,281	8,521	15,725	17,802	-760	-8.2	9.0
Automotive Products	7,405	7,206	16,667	14,611	-199	-2.7	-7.0
Other Consumer Goods	1,301	1,317	2,320	2,618	16	1.2	13.7
Imports by Commodity							
Agriculture/Fishing Products	1,644	1,621	3,008	3,265	-23	-1.4	8.9
Energy Products	1,839	1,438	2,556	3,277	-401	-21.8	5.7
Forestry Products	256	245	484	501	-11	-4.3	3.8
Industrial Goods & Materials	5,942	6,046	11,185	11,988	104	1.8	7.5
Machinery & Equipment	10,439	9,922	18,982	20,361	-517	-5.0	6.0
Automotive Products	5,507	5,445	13,025	10,952	-62	-1.1	-16.0
Other Consumer Goods	3,494	3,440	6,316	6,934	-54	-1.5	10.4

LABOUR MARKET TRENDS



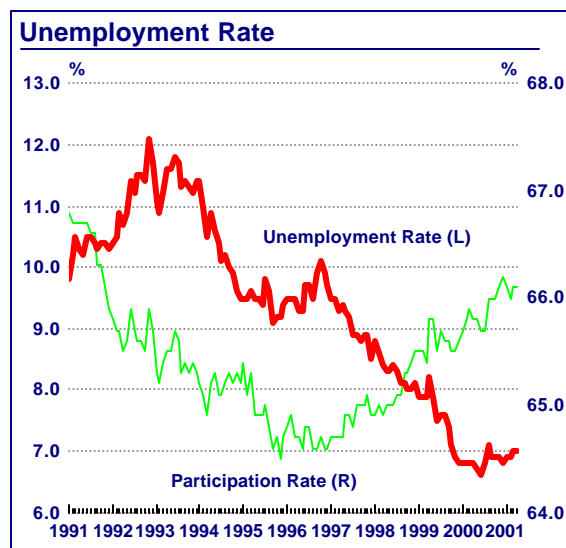
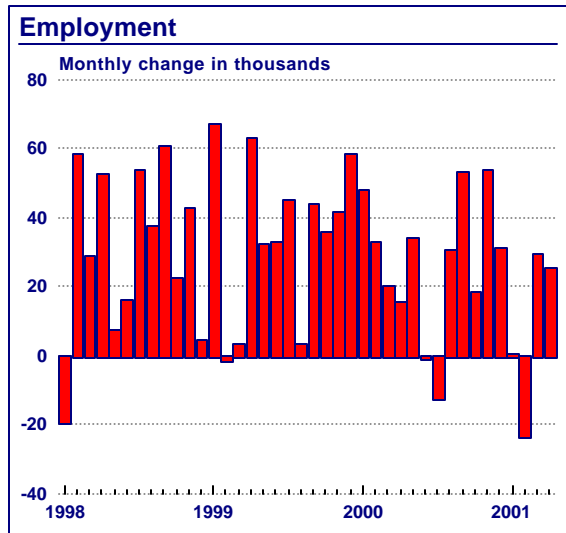
Employment and Unemployment

Employment rises for the second straight month in April...

- After weakening in January and February, employment has rebounded in the past two months. Employment rose 25,000 in April, bringing gains over the past two months to 55,000 – an encouraging signal on the state of the economy.
- The April job gains were due entirely to an increase in full-time work, as part-time employment edged down.
- Youth employment posted a solid advance, accounting for almost half of the total increase.

...but the unemployment rate holds steady at 7.0%

- The national unemployment rate was unchanged at 7.0% in April, as job growth was offset by a corresponding rise in the labour force.
- Employment gains lowered the youth unemployment rate 0.1 percentage points to 12.7%. The adult unemployment rate was unchanged at 5.9%.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2000 April	2001 March	2001 April	last month	last year	year-to-date	last month	last year
Employment	14,858.4	15,073.6	15,098.8	25.2	240.4	32.1	0.2	1.6
Full-time	12,151.5	12,350.3	12,375.8	25.5	224.3	18.3	0.2	1.8
Part-time	2,707.0	2,723.3	2,723.0	-0.3	16.0	13.8	-0.0	0.6
Youth 15-24	2,271.8	2,323.6	2,335.7	12.1	63.9	-8.7	0.5	2.8
Adult 25+	12,586.6	12,750.0	12,763.1	13.1	176.5	40.8	0.1	1.4
Self-employed	2,404.6	2,331.7	2,334.3	2.6	-70.3	-29.5	0.1	-2.9
Unemployment	1,081.6	1,142.8	1,138.9	-3.9	57.3	35.6	-0.3	5.3
Unemployment Rate	6.8	7.0	7.0	0.0	0.2	0.2		
Youth 15-24	12.8	12.8	12.7	-0.1	-0.1	0.2		
Adult 25+	5.6	5.9	5.9	0.0	0.3	0.2		
Labour Force	15,940.0	16,216.4	16,237.7	21.3	297.7	67.7	0.1	1.9
Participation Rate	65.8	66.1	66.1	0.0	0.3	-0.1		
Employment Rate	61.4	61.5	61.5	0.0	0.1	-0.2		



Industry Overview

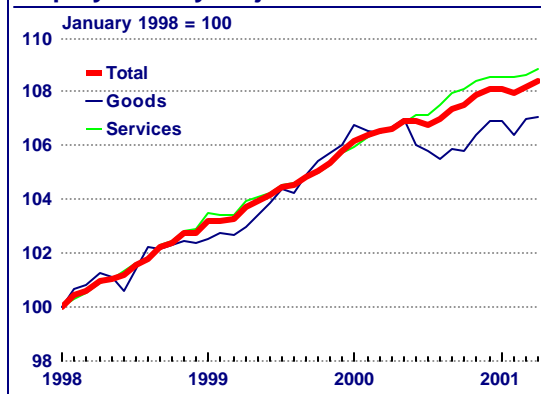
Strength in Services offsets continuing weakness in Manufacturing...

- Employment in the Goods sector increased by 4,000 in April. Manufacturing employment was little changed for the second month in a row, following losses of 32,000 in the first two months of the year. Elsewhere, Construction registered its sixth straight gain, largely offsetting the loss of 8,000 jobs in Natural Resources.
- Employment in Services increased by 21,000 in April, led by gains in Public Administration and Finance, Insurance, Real Estate & Leasing. Notable losses were posted by Health Care & Social Assistance and Management, Administrative & Other Support Services (which has been particularly weak this year).

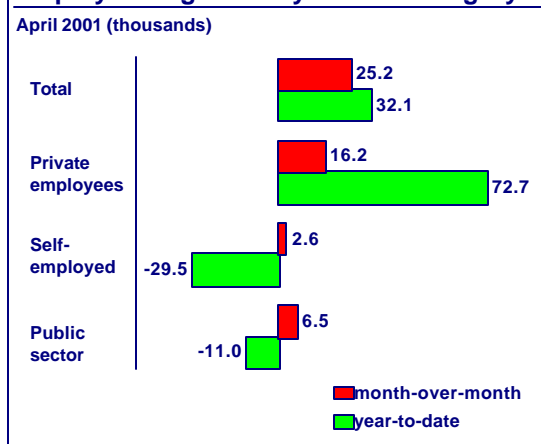
...and private sector job growth is sustained

- Paid employment in the private sector was up 16,000 in April. Self-employment edged up on the month, but is down 70,000 compared to a year ago.
- The public sector gained 7,000 jobs in April, though employment is down on a year-to-date basis.

Employment by major sector



Employment growth by worker category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2000 April	2001 March	2001 April	last month	last year	year-to-date	last month	last year
Goods-producing	3,881.9	3,893.3	3,897.2	3.9	15.3	6.8	0.1	0.4
Agriculture	383.7	337.6	340.9	3.3	-42.8	-6.6	1.0	-11.2
Natural Resources*	285.0	295.1	287.1	-8.0	2.1	9.3	-2.7	0.7
Utilities	115.4	117.7	120.2	2.5	4.8	2.5	2.1	4.2
Construction	816.9	844.1	849.9	5.8	33.0	31.1	0.7	4.0
Manufacturing	2,281.0	2,298.8	2,299.1	0.3	18.1	-29.6	0.0	0.8
Services-producing	10,976.5	11,180.3	11,201.6	21.3	225.1	25.4	0.2	2.1
Trade	2,296.0	2,338.0	2,345.7	7.7	49.7	-9.0	0.3	2.2
Transportation	782.3	782.9	783.2	0.3	0.9	-4.7	0.0	0.1
FIRE*	860.6	869.7	880.9	11.2	20.3	-1.1	1.3	2.4
Professional/Scientific	919.7	1,013.3	1,022.2	8.9	102.5	33.5	0.9	11.1
Management/Administrative	538.8	549.9	539.1	-10.8	0.3	-20.1	-2.0	0.1
Educational Services	981.7	962.9	966.0	3.1	-15.7	13.8	0.3	-1.6
Health Care/Social Assistance	1,529.7	1,547.0	1,534.1	-12.9	4.4	10.2	-0.8	0.3
Information/Culture/Recreation	639.6	707.0	706.2	-0.8	66.6	5.5	-0.1	10.4
Accommodation & Food	966.2	977.8	975.5	-2.3	9.3	9.7	-0.2	1.0
Other Services	684.3	680.3	681.3	1.0	-3.0	-17.2	0.1	-0.4
Public Administration	777.7	751.5	767.4	15.9	-10.3	4.9	2.1	-1.3

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



Provincial Overview

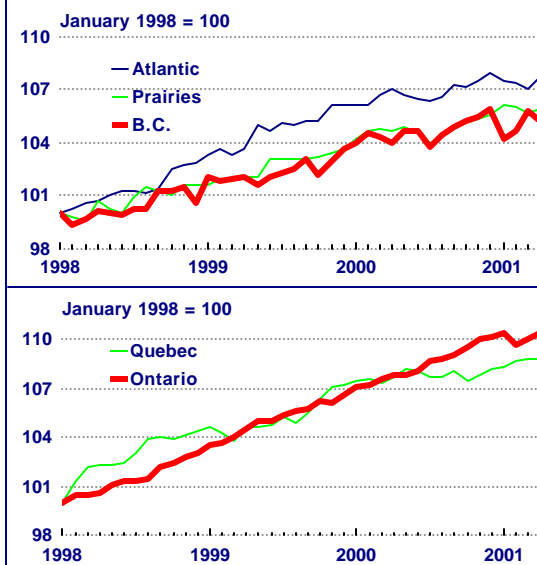
Job gains are led by Ontario and Alberta...

- Employment was up 24,000 in Ontario in April, lowering the unemployment rate to 5.9%. Job gains in the past two months have now completely offset a sharp loss in February. Employment in Alberta has increased in eight of the past nine months.
- New Brunswick and Newfoundland posted the largest percentage increases in employment among the provinces. While New Brunswick's gains did not offset losses in the previous two months, its unemployment rate fell 1.2 points to 11.1%. In Newfoundland, the labour force rose twice as fast as employment, raising the unemployment rate 0.7 points to 17.3%.

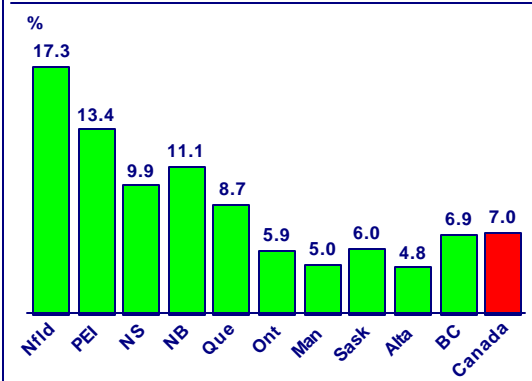
...but British Columbia, Saskatchewan, Manitoba & P.E.I. post losses

- In percentage terms, Saskatchewan and P.E.I. had the largest job losses in April. Saskatchewan's unemployment rate rose 0.4 points to 6.0%, while that of P.E.I. increased 2.1 points to 13.4%. Job losses pushed up the B.C. unemployment rate 0.3 points to 6.9%, but Manitoba's rate was unchanged at 5.0% despite lower employment.
- Labour market conditions were little changed in Quebec and Nova Scotia in April.

Regional employment patterns

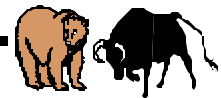


Unemployment Rates -- April 2001



Provincial Employment and Unemployment Trends

	Levels 2001 April	Employment (thousands)				Unemployment rate (%)		
		Change since last month		Change since last year		Levels	Change since	
		(000's)	%	(000's)	%		last month	last year
Canada	15,098.8	25.2	0.2	240.4	1.6	7.0	0.0	0.2
Newfoundland	211.4	2.8	1.3	5.5	2.7	17.3	0.7	0.8
P.E.I.	65.3	-1.2	-1.8	-0.1	-0.2	13.4	2.1	1.8
Nova Scotia	420.1	0.2	0.0	-1.0	-0.2	9.9	-0.3	1.6
New Brunswick	334.8	4.7	1.4	1.8	0.5	11.1	-1.2	0.6
Quebec	3,470.3	0.6	0.0	35.3	1.0	8.7	0.0	-0.1
Ontario	5,978.0	23.6	0.4	144.0	2.5	5.9	-0.2	0.4
Manitoba	555.4	-1.9	-0.3	-0.8	-0.1	5.0	0.0	0.0
Saskatchewan	475.4	-4.3	-0.9	-12.2	-2.5	6.0	0.4	1.1
Alberta	1,626.8	11.0	0.7	44.2	2.8	4.8	0.0	-0.3
B.C.	1,961.3	-10.4	-0.5	23.7	1.2	6.9	0.3	0.0



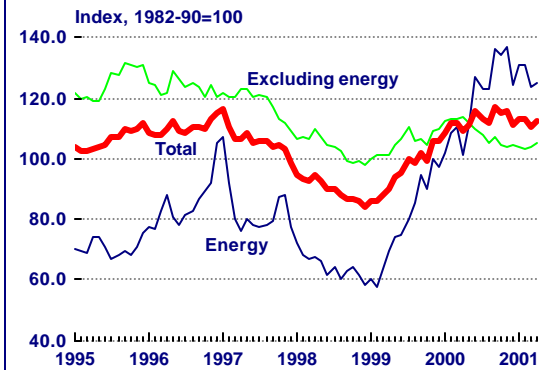
Inflation drops to 2.5% in March...

- Consumer price inflation fell to 2.5% in March, the lowest rate since last August. Higher prices for food accounted for more than one-third of the overall rise. Energy prices also contributed, but posted their lowest annual increase in nearly two years. The impact of sharply-higher natural gas prices was tempered by lower prices for gasoline and electricity.
- Lower prices for air transportation, motor vehicles and computer products were the main offsetting forces nationally. The remaining portion of a \$200 electricity rebate lowered the B.C. inflation rate again in March.

...and the "core" rate falls below the mid-point of the official target range

- The "core" rate of inflation, which excludes energy, food and indirect taxes, dropped to 1.7% in March. This is down from 2.0% in January and February, 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 2.7% in April compared to a year ago. Prices for energy commodities rose 23.5%, but non-energy commodity prices decreased 7.2% due to falling prices for ferrous materials and non-ferrous metals.

Commodity Prices (\$U.S. basis)



Consumer Prices

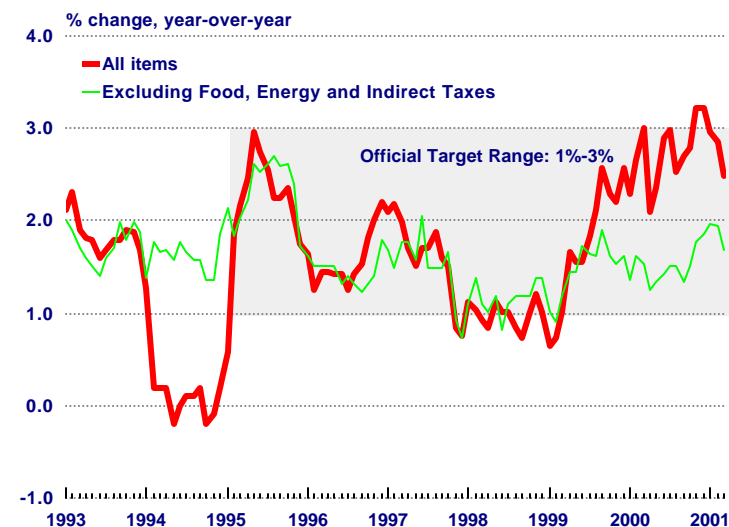
March 2001

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	115.6	0.3	2.5
Food	116.6	0.9	5.0
Shelter	111.9	1.0	4.1
Household operations	111.3	0.3	1.5
Clothing & Footwear	107.9	1.3	1.3
Transportation	130.1	-1.1	-0.8
Health & Personal Care	113.5	-0.1	2.3
Recreation, Educ. & Reading	123.5	0.5	2.2
Alcohol & Tobacco	99.4	0.0	2.8
Excl. Food/Energy/Indirect Taxes	114.9	0.1	1.7
Energy	131.6	1.3	3.6

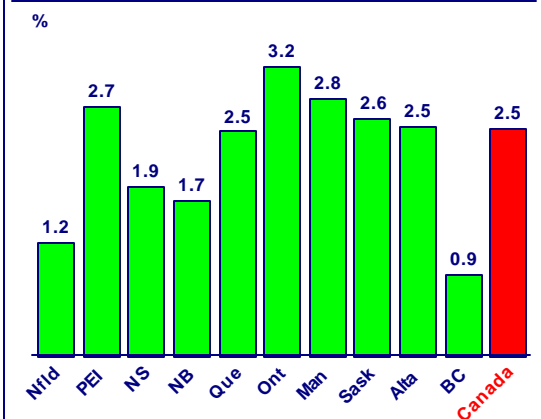
Commodity Prices (April)

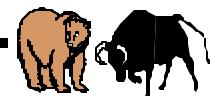
	Index, 1982-90=100	1.4	2.7
Index, 1982-90=100	112.2	1.4	2.7
Excluding Energy	105.3	1.4	-7.2
Energy	124.9	1.1	23.5

Consumer Price Index



Provincial CPI Inflation -- March 2001



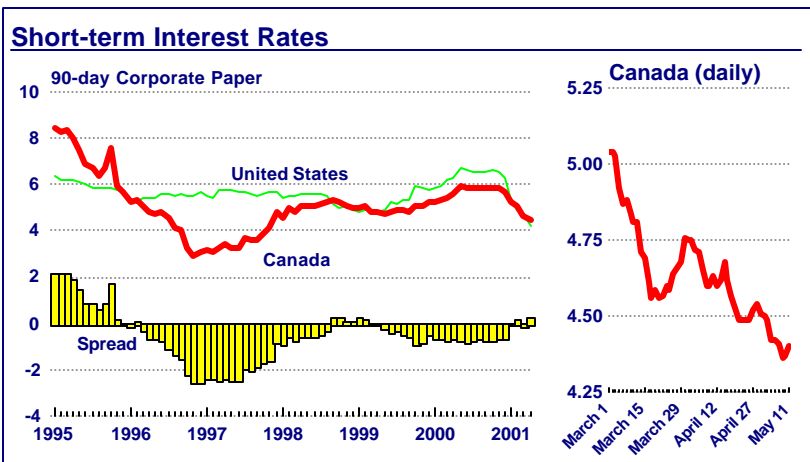


Short-term interest rates fall further in April...

- The Bank of Canada cut its trendsetting Bank rate by 25 basis points to 5.0% on April 17. Although underlying domestic fundamentals remain strong, the U.S. slowdown has spilled over into Canada and caused the economy to operate below potential. Should this weakness persist, some analysts expect a further interest rate cut on May 29, the Bank's next scheduled announcement date.
- Mortgage rates and the Prime Lending rate have fallen steadily between January and April, in line with cuts in the Bank Rate. As U.S. rates have fallen faster, Canadian short-term rates have risen above corporate U.S. yields.

...but long-term yields rise

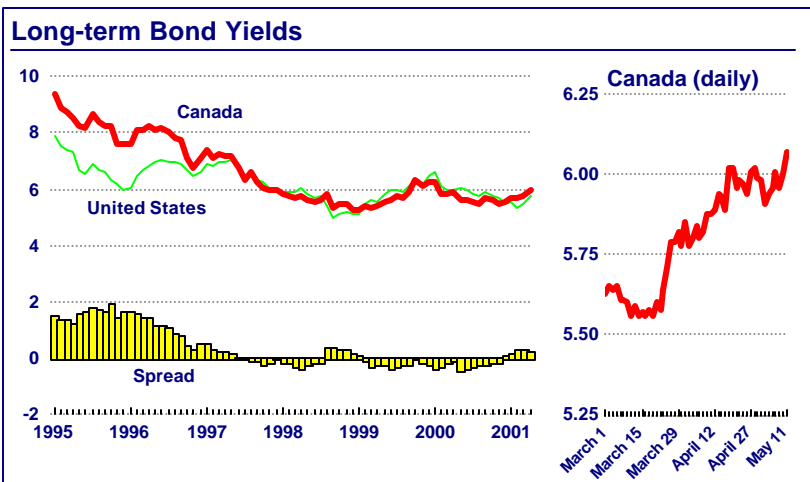
- Lower short rates have contributed to a modest rebound in stock prices, and induced investors to switch from bonds back to equities. This has led to a steepening yield curve, with long rates rising nearly 20 basis points in April while short rates fell back.



Key Money Market Rates

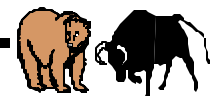
(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1999	5.27	-0.49	6.23	-0.22
2000	5.71	-0.60	5.56	0.11
Nov 2000	5.89	-0.68	5.51	-0.15
Dec	5.71	-0.60	5.56	0.11
Jan 2001	5.29	-0.03	5.72	0.18
Feb	5.05	0.11	5.66	0.32
March	4.66	-0.08	5.79	0.32
April	4.49	0.25	5.97	0.19
May 2	4.50	0.30	5.98	0.27

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
1999	5.00	6.50	7.35	8.25
2000	6.00	7.50	7.70	7.95
Nov 2000	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	5.00	6.50	6.80	7.50
May 2	5.00	6.50	6.80	7.50

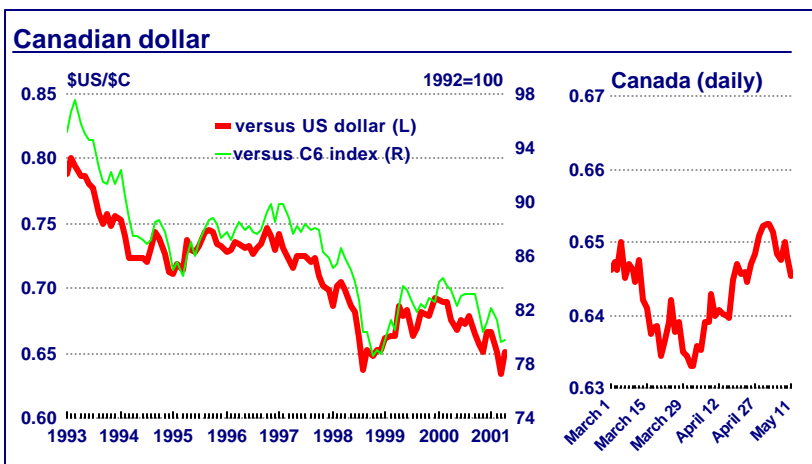


The Canadian dollar regains some lost ground in April...

- The Canadian dollar weakened against its U.S. counterpart over the first three months of 2001. The safety and liquidity of U.S. financial markets combined with bargain hunting in equity markets to strengthen the U.S. dollar against most major currencies.
- The Canadian dollar has gained just over two cents since the end of March, however, rising from a low of US¢63.32 in early April to US¢65.54 on May 11. This recovery was fuelled by expectations that U.S. rates would be cut more aggressively in the future than Canadian rates.

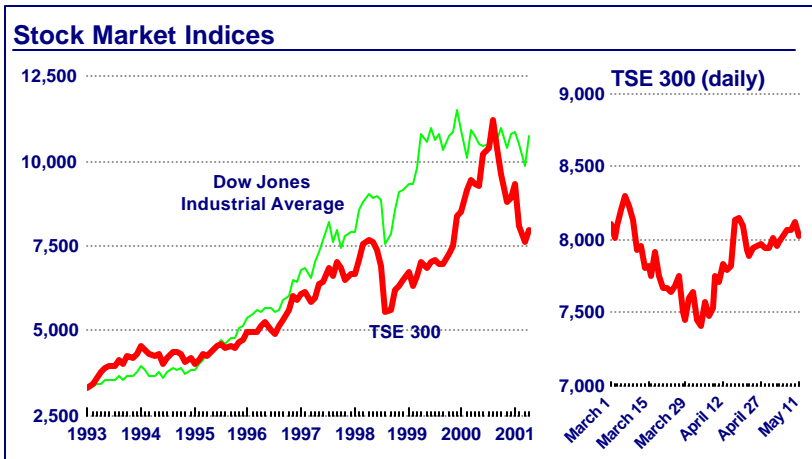
...and stock markets rebound

- The TSE 300 index rose 4.5% in April, closing near the 8000 mark. While the overall index is still down 15.0% compared to a year ago, most major sub-indices are higher. Corporate profits are expected to improve in the second half of the year.
- In the U.S., the S&P 500 and Dow Jones indexes were also higher in April, boosted by a further cut in the Fed Funds rate.



The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1999	0.6929	82.67	1.313	69.66
2000	0.6669	81.19	1.433	73.64
Nov 2000	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	0.6508	79.85	1.406	79.44
May 11	0.6454			



Key Stock Market Indexes

	April Close	% change from	
		last month	last year
TSE 300	7,947	4.5	-15.0
Oil & Gas	9,454	8.6	42.7
Metals & Minerals	4,702	17.9	35.5
Utilities	13,789	3.4	-12.1
Paper & Forest	5,107	6.1	-14.1
Merchandising	5,861	4.3	21.4
Financial Services	9,766	-4.8	26.0
Gold	4,639	12.4	10.3
Price-Earnings Ratio*	23.5	3.8	-4.9
S&P 500	1,249	7.7	-14.0
Dow Jones	10,735	8.7	0.0

*columns 2 & 3 reflect change in levels



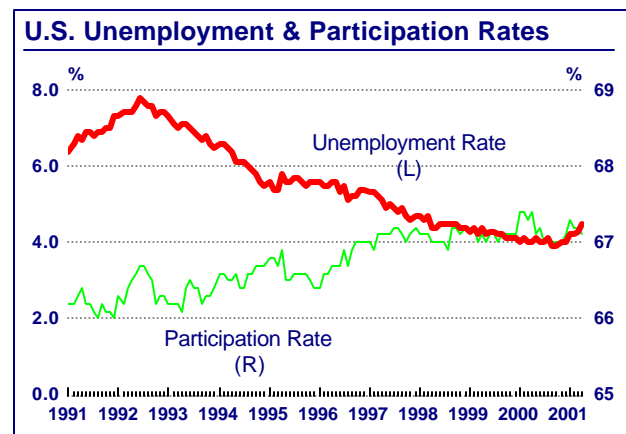
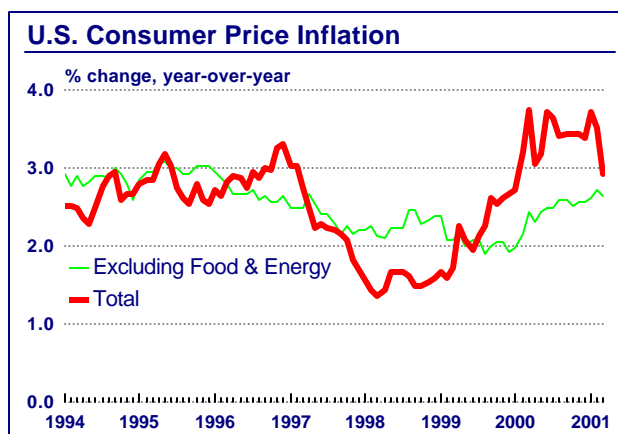
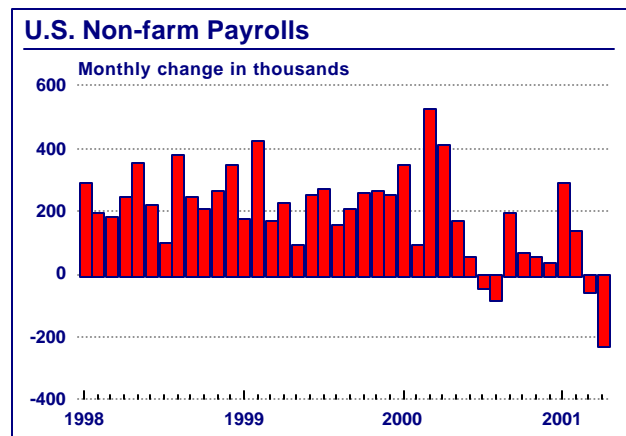
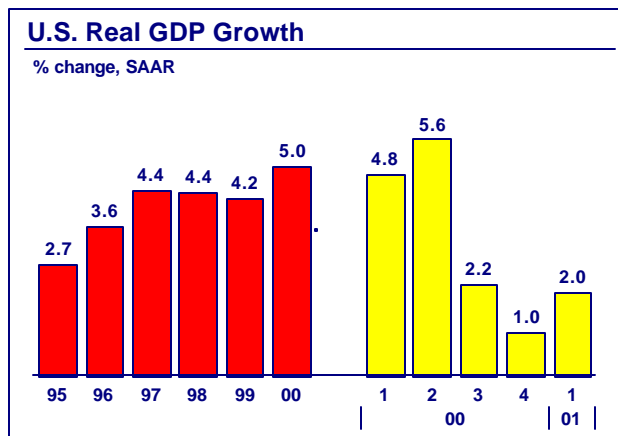
U.S. Economic Trends

The U.S. economy rebounds in the first quarter...

- Advance estimates indicate that U.S. real GDP grew a faster than expected 2.0% (annual rate) in the first quarter of 2001. This reflects higher consumer spending -- backed by rising personal incomes -- and increases in residential and nonresidential construction. However, business investment weakened, with purchases of technology equipment falling for the first time in a decade. Inventories posted their largest decline on record, paving the way for future output gains.
- U.S. unemployment rose to 4.5% in April, the highest rate in over two and a half years, as payroll employment fell by 223,000. While Manufacturing sustained further job losses, lower inventories and a rise in new orders point to a possible recovery. Consumer confidence fell for the sixth time in seven months, but still remains above recession levels.

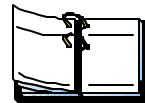
...and the Federal Reserve cuts interest rates again

- The U.S. Federal Reserve announced a surprise 50 basis point cut in its key rate on April 18th, bringing the total decline since the beginning of the year to 200 points. The move was prompted by concern over weak business investment and the potential impact of lower stock prices on consumer confidence.
- Consumer prices were up 2.9% in March on a year-over-year basis, the smallest increase in over a year. Lower productivity led to higher unit labour costs in the first quarter, but this is viewed mainly as a cyclical phenomenon.



COMING UP

Key Future Data Releases and Planned Events



CANADA

Survey of Manufacturing – March	May 16
Consumer Price Index – April	May 17
International Trade – March	May 18
Next scheduled date for a bank rate announcement	May 29
GDP at factor cost – March	May 31
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
Labour Force Survey – May	June 8
Capacity Utilization Rates – 1st Quarter 2001	June 11
Private and Public Investment Intentions – 2001 (revised)	July 18
Business Conditions Survey – July	August 2

UNITED STATES

Consumer Price Index – April	May 16
International Trade – March	May 18
GDP – 1st Quarter 2001, Preliminary	May 25
Employment Situation – May	June 1
Federal Open Market Committee meeting	June 26, 27

Note: the May MEI uses data available as of May 11, 2001