

MONTHLY ECONOMIC INDICATORS

February 2002

HIGHLIGHTS

-  **Output continued to recover in November, but still remained below its third quarter level.**
-  **Employment rose sharply by 75,900 in January, with full-time jobs rising after losses in the previous three months.**
-  **The unemployment rate, however, fell only 0.1 percentage point to 7.9%, as the labour force increased again.**
-  **Consumer spending, led by auto sales, and housing activity posted solid gains.**
-  **The Canadian dollar fell to a new record low in January, but recovered later on signs of improving economic conditions and prospects.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	933.7	0.2	-0.3	Nov
Goods	290.5	-0.2	-5.0	Nov
Services	643.2	0.4	1.9	Nov
Composite Index	167.7	0.4	0.4	Dec
Employment (000's)	15,166	0.5	0.7	Jan
Full-time	12,367	0.2	0.3	Jan
Part-time	2,799	1.7	2.6	Jan
Unemployment* (%)	7.9	8.0	6.9	Jan
Youth*	13.8	14.0	12.1	Jan
Adult*	6.8	6.9	5.8	Jan
CPI inflation*	1.3	0.7	3.0	Jan
Retail Sales (\$M)	24,584	1.4	5.2	Nov
Housing Starts (000's)	204.3	17.3	43.1	Jan
Trade Balance* (\$M)	4,561	4,062	5,244	Nov
Exports	32,652	1.3	-9.8	Nov
Imports	28,090	-0.3	-9.3	Nov
M&E	8,578	-1.0	-19.2	Nov
3-mth Corp. paper* (%)	2.09	2.08	5.29	Feb 6
Long bond yield* (%)	5.62	5.69	5.72	Feb 6
Canadian dollar* (US¢)	62.32	62.78	66.72	Feb 8

*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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This report uses data available as of February 14, 2002. It has been prepared by Stéphane Crépeau, Anik Dufour, Arif Mahmud, and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Hossein Rostami. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Hossein Rostami at 613-995-8452 or through the Internet at rostami.hossein@ic.gc.ca.



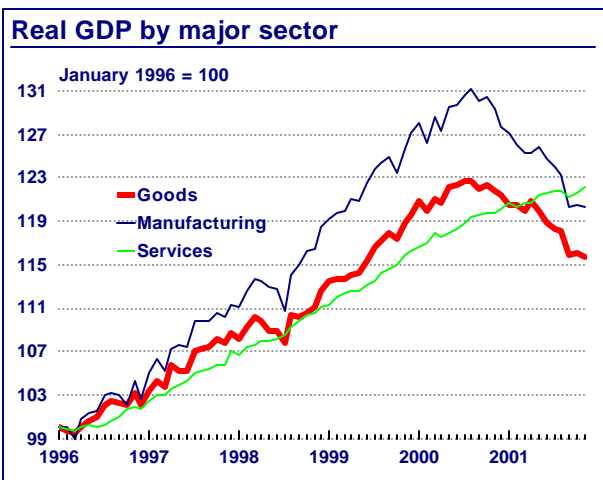
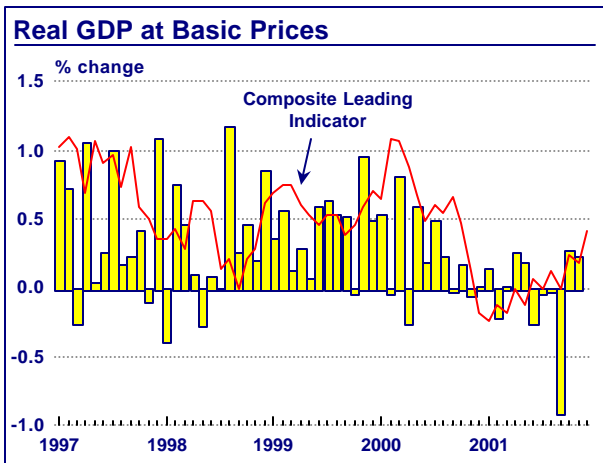
Real GDP by Industry

Output continues to recover in November...

- Real GDP at basic prices increased 0.2% in November, the second straight monthly increase but still only a partial recovery from the 0.8% decline in September. This, combined with the rise in the Composite Leading Index in the past three months, point to improving economic conditions and prospects.

...supported by gains in the Services sector

- Services output rose 0.4% in November after rising 0.3% in October, more than offsetting the losses recorded in September. Retail Trade increased for the second straight month. Travel-related industries made some gains in November although the effects of September 11 continued to hold back demand.
- Goods production edged down 0.2% in November following a comparable gain in October. Manufacturing output fell due to weaker demand for computers & electronic products and electrical equipment.
- A new index for the Information and Communications Technologies (ICT), consisting of seven manufacturing industries (16% of total output) and nine service industries (84% of total output), declined by 0.2% in November, returning to levels not seen since March 2000. The continuing expansion of ICT services (0.4%) was more than offset by the ongoing retrenchment of manufacturing products (-3.2%). ICT share of total output has increased substantially from 4.3% in 1997 to 6.1% in November 2001. Despite its small share, ICT has had an important influence on overall economic growth. In 2000, growth in the ICT sector was up 21%, while total real GDP increased 4.5%. In fact, ICT contributed one-quarter of all economic growth in that year. Up to November 2001, ICT had flattened out, while the overall economy had inched up 0.8%. Moreover the manufacturing component of ICT shot up nearly 40% in 2000 and has declined 25% up to November in 2001.



Real GDP at Basic Prices (1997 dollars)

November 2001

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	933,721	2,164	0.2	-0.3
Business Sector	789,098	2,057	0.3	-0.8
Goods-producing	290,505	-582	-0.2	-5.0
Agri., Forest, Fish, Hunt*	20,123	-187	-0.9	-9.2
Mining & Oil & Gas Extraction	35,570	-205	-0.6	-2.4
Utilities	27,041	-153	-0.6	-4.4
Construction	49,864	150	0.3	1.7
Manufacturing	157,907	-187	-0.1	-7.0
Services-producing	643,216	2,746	0.4	1.9
Wholesale Trade	55,579	279	0.5	0.0
Retail Trade	52,464	1,056	2.1	4.9
Transportation & Warehousing	42,455	152	0.4	-5.4
Information & Cultural	44,519	93	0.2	7.0
FIRE**	184,859	842	0.5	3.3
Professional***	39,895	-130	-0.3	-1.2
Admin & Waste Mgmt	20,434	72	0.4	3.0
Education	43,250	-37	-0.1	0.6
Health & Social	53,754	-13	-0.0	1.5
Arts, Entertain. & Recreation	8,955	97	1.1	-0.5
Accommodation & Food	22,308	240	1.1	-1.9
Other	21,013	20	0.1	2.2
Public Administration	53,731	75	0.1	4.1

*Agriculture, forestry, fishing & hunting

**Finance, Insurance & Real Estate

***Professional, scientific & technical

THE ECONOMY

Consumer Spending and Attitudes



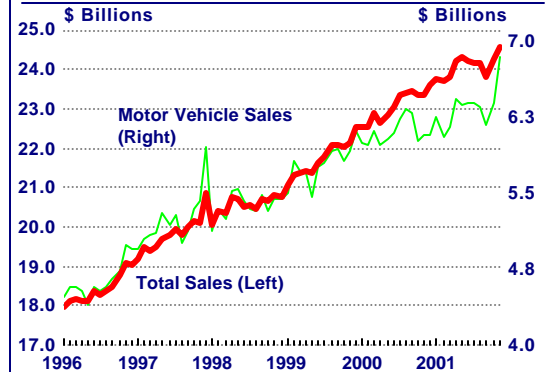
Consumer spending is poised to increase in the fourth quarter

- Following a weak third quarter performance in consumer activity, reflecting in part the adverse affect of September 11, recent indicators point to strong consumer spending in the fourth quarter.
- Driven by rising motor vehicle sales, retail sales increased for the second consecutive month in November, further offsetting the sharp decline in September. Motor vehicle sales were up in December, but down slightly in January (unofficial).

Amid a recovery in consumer confidence and income

- The Consumer Confidence index stood at 109 in the fourth quarter, nearly 10 points higher than the 99.2 level recorded in the Conference Board's special October survey. The gain has not only reversed the October result, but raised the index slightly above the third quarter level. Moreover, tax cuts, and rising employment are helping to cushion disposable income, which rose in the third quarter. These developments bode well for continued healthy consumption. It remains to be seen, however, whether the unusually large incentives have enticed consumers to advance their purchases of motor vehicles.

Total Retail and Motor Vehicle Sales



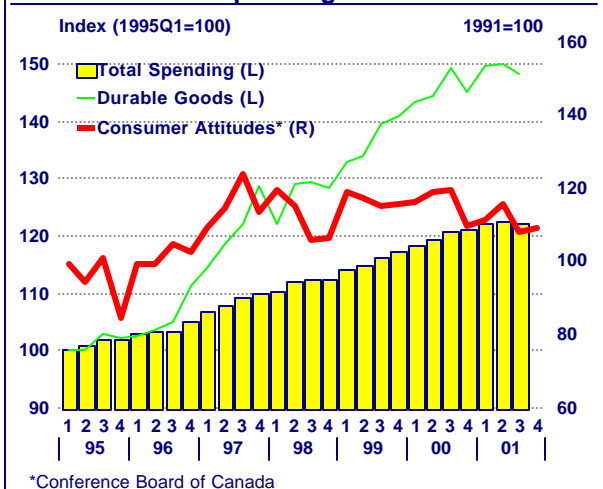
Retail Sales and Consumer Credit

	November 2001 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	24,584	1.4	5.2
Food	5,393	-0.4	4.2
Drug Stores	1,234	0.8	7.2
Clothing	1,348	0.1	3.9
Furniture	1,410	2.3	9.1
Automotive	9,892	3.4	5.7
General Merch. Stores	2,685	-1.0	3.5
All other Stores	2,623	0.8	4.6
Total ex. motor vehicles	17,751	-0.6	2.6
Consumer Credit	206	0.2	5.5

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)		2001 Q2	2001 Q3
	1999	2000		
Real Consumption (97\$)	546,451	566,229	578,210	577,763
% change	3.4	3.6	0.6	-0.3
Durable Goods	76,956	81,882	84,364	83,342
% change	7.5	6.4	1.2	-4.8
Semi-Durable Goods	48,212	50,476	52,641	51,944
% change	3.0	4.7	5.3	-5.2
Non-Durable Goods	128,133	130,347	131,488	131,217
% change	2.0	1.7	-1.2	-0.8
Services	293,192	303,674	310,018	311,479
% change	3.1	3.6	0.6	1.9
Disposable Income	597,710	631,023	651,452	657,040
% change	5.0	5.6	-1.0	3.5
Saving Rate (%)	4.2	3.9	2.6	3.3
Debt-to-Income Ratio (%)	96.1	94.4	95.3	95.6

Real Consumer Spending and Attitudes



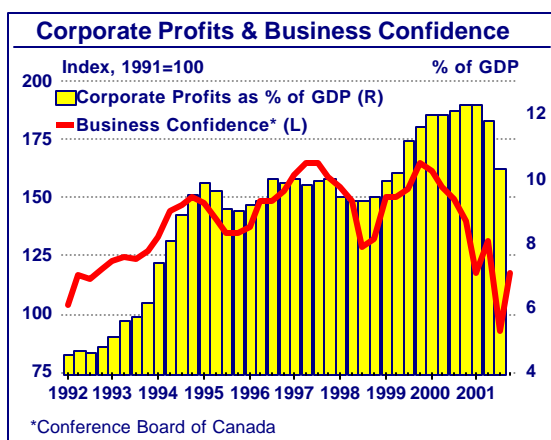
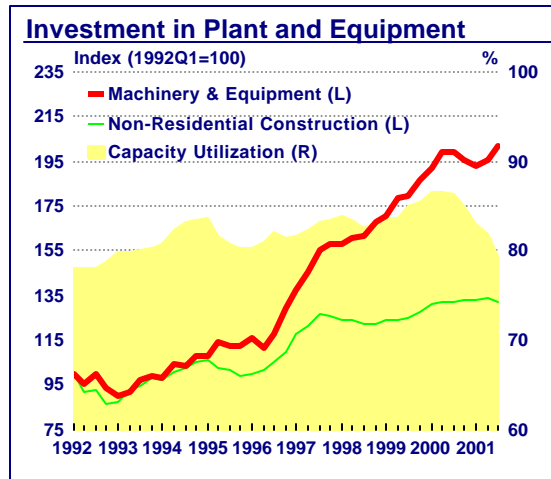


Business investment prospects remain weak

- Business investment in machinery and equipment rose in the third quarter due to special factors such as the importation of a floating drilling rig in Nova Scotia. Signs of upcoming weakness are apparent, however. For example, corporate operating profits in the non-financial industries fell for the third straight quarter to a 2-year low and capacity utilization reported its fifth straight quarterly decline.
- Recent indicators show that imports of M&E fell for the third straight month in November. A similar pattern was evident for non-residential construction activity. These developments point to weak business investment in the fourth quarter.

...despite a sharp recovery in business confidence

- The Conference Board's Index of Business Confidence rose sharply from 92.9 in the third quarter to 117.6 in the fourth quarter. However, the rebound was not enough to fully recover from the downturn of September 11. Moreover, even with the recent increase, only 40% of businesses expected the economy to be better in six months



Business Investment and Corporate Finances						
\$ Millions, SAAR (unless otherwise noted)						
	1999	2000	2000 Q4	2001 Q1	2001 Q2	2001 Q3
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	80,703	88,550	88,135	87,048	88,200	90,900
% change	10.5	9.7	-7.0	-4.8	5.4	12.8
Non-residential Construction (1997\$)	44,873	47,274	47,566	47,704	47,859	47,241
% change	1.8	5.3	2.7	1.2	1.3	-5.1
Capacity Utilization (% , Non-farm goods)	84.4	86.1	85.0	83.0	81.9	79.4
Capacity Utilization (Mfg. sector)	85.6	86.3	84.8	81.5	80.0	77.4
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	168,323	197,733	192,832	173,880	175,552	150,328
% change	20.3	17.5	-9.6	-33.9	3.9	-46.2
Profits - Non-financial industries	118,153	139,248	139,252	134,772	129,000	113,912
% change	27.0	17.9	-5.1	-12.3	-16.1	-39.2
Profits - Financial industries	50,169	58,488	53,584	39,108	46,552	36,416
% change	6.8	16.6	-19.9	-71.6	100.8	-62.6
Business Credit	736,456	788,083	808,245	813,711	813,888	827,810
% change	5.8	7.0	7.3	2.7	0.1	7.0



Housing activity recovers further

- Housing activity continues to gain momentum in the fourth quarter. For example, higher housing starts in December increased the fourth quarter average further above the third quarter, and a sharp rise in housing starts in January augurs well for the first quarter of 2002. Similarly, existing home sales were also higher in the fourth quarter and residential construction rose for the second straight month in November.

...helped by low mortgage rates

- Low interest rates have been an important factor behind the recent overall strength in housing activity. In the fourth quarter, the average one-year mortgage fell to 4.7%, the lowest rate in more than two decades.
- Although residential building permits fell 5.2% in December following two consecutive monthly increases, the overall result for the fourth quarter was higher than that of the previous quarter. This suggests that housing activity should remain robust in the near-term.

Housing Activity



Monthly Housing Indicators

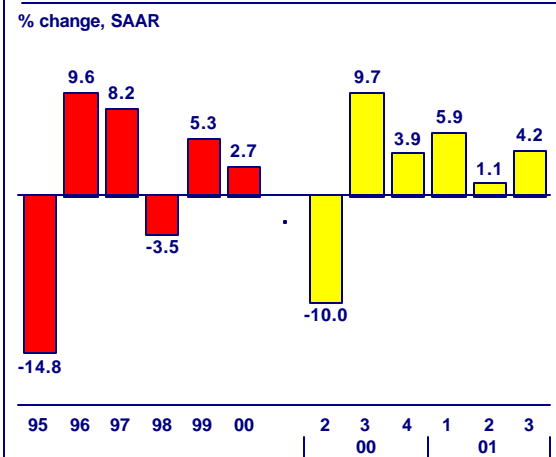
	levels	Change since	
		last month	last year
Residential Construction (1) (\$97M, basic prices)	14,892	0.9%	4.5%
Building Permits, \$M (2)	1,881	-5.2%	15.1%
Sales of Existing Homes (2) (# of units)	26,523	1,470	
Housing Starts, # of units (3)	204,300	30,200	61,500
Newfoundland	1,300	-500	300
Prince Edward Island	200	-100	-400
Nova Scotia	4,000	-200	1,200
New Brunswick	1,100	-1,900	100
Quebec	32,700	3,200	16,100
Ontario	93,500	23,700	28,300
Manitoba	1,500	-1,200	-600
Saskatchewan	2,100	1,600	2,000
Alberta	28,800	1,400	6,700
British Columbia	19,100	4,300	7,500

1 - November data; 2 - December data; 3 - January 2002 data
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

Real Investment in Residential Structures

	1999	2000	2001 Q2	2001 Q3
Construction by Business sector	44,222	45,399	46,734	47,216
% change	5.3	2.7	1.1	4.2
New Housing	22,322	22,857	23,529	23,599
% change	7.7	2.4	-1.9	1.2
Alterations & Improvements	15,117	15,809	15,748	15,988
% change	2.0	4.6	-7.1	6.2
Ownership & Transfer Costs	6,705	6,976	7,628	7,824
% change	0.7	4.0	31.7	10.7
Residential Construction	44,466	45,643	46,948	47,454
% change	5.3	2.6	1.1	4.4

Growth in Real Residential Construction





Trade and Competitiveness

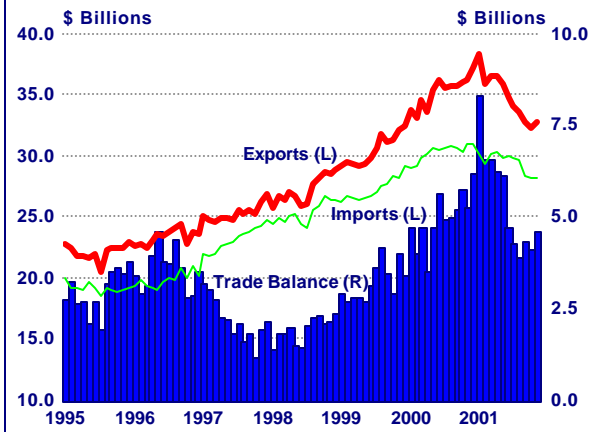
Exports rebound in November...

- Exports rose 1.3% in November following seven straight monthly declines. Four of the seven major categories reported increases, with Machinery & Equipment, Automotive Products and Industrial Goods and Materials leading the growth. These categories account for almost two-thirds of total exports.
- Imports edged down 0.3% on the month, the fifth consecutive monthly decline. A large decline in the imports of Industrial Goods & Materials offset gains in the imports of Automotive and Agricultural & Fishing Products.

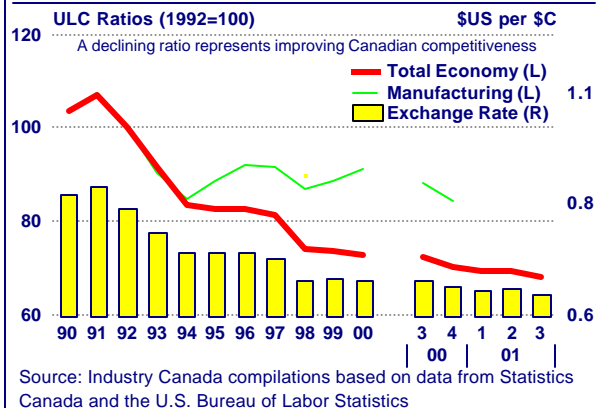
...pushing up the trade surplus

- Canada's merchandise trade surplus increased to \$4.6 billion in November. The cumulative surplus for the first eleven months of the year was \$59.4 billion, \$6.3 billion higher than last year.
- Canada's trade surplus with the U.S. declined to just under \$6.8 billion in November from \$7.0 billion in October. The merchandise trade surplus with all other countries rose by nearly three-quarters of a billion dollars to \$2.2 billion in the wake of higher exports.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



Merchandise Trade

November 2001	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)	% Change	
	October 2001	November 2001	2000 Jan-Nov.	2001 Jan-Nov.		Oct. to Nov. 2001	Oct. to Nov. 2001
Exports	32,234	32,652	385,432	382,895	418	1.3	-9.8
to United States	27,323	27,209	327,772	326,020	-114	-0.4	-12.8
Imports	28,170	28,090	332,288	323,478	-80	-0.3	-9.3
from United States	20,304	20,438	245,103	235,537	134	0.7	-9.3
Trade Balance	4,062	4,561	53,144	59,417	499		
with United States	7,019	6,771	82,669	90,483	-248		
Exports by Commodity							
Agriculture/Fishing Products	2,609	2,574	25,015	28,151	-35	-1.3	11.9
Energy Products	3,448	3,024	46,479	53,617	-424	-12.3	-38.6
Forestry Products	3,102	3,008	38,498	35,603	-94	-3.0	-13.2
Industrial Goods & Materials	5,371	5,691	60,511	61,057	320	6.0	1.7
Machinery & Equipment	7,821	8,055	97,199	91,145	234	3.0	-11.1
Automotive Products	7,438	7,837	90,513	85,256	399	5.4	-5.5
Other Consumer Goods	1,278	1,288	13,512	14,447	10	0.8	-1.8
Imports by Commodity							
Agriculture/Fishing Products	1,755	1,769	16,989	18,700	14	0.8	9.9
Energy Products	1,154	1,150	16,117	16,622	-4	-0.3	-33.7
Forestry Products	234	233	2,805	2,656	-1	-0.4	-10.4
Industrial Goods & Materials	5,635	5,509	64,568	63,237	-126	-2.2	-9.9
Machinery & Equipment	8,665	8,578	112,080	104,039	-87	-1.0	-19.2
Automotive Products	6,075	6,151	71,284	66,836	76	1.3	2.0
Other Consumer Goods	3,565	3,593	36,578	39,268	28	0.8	2.5

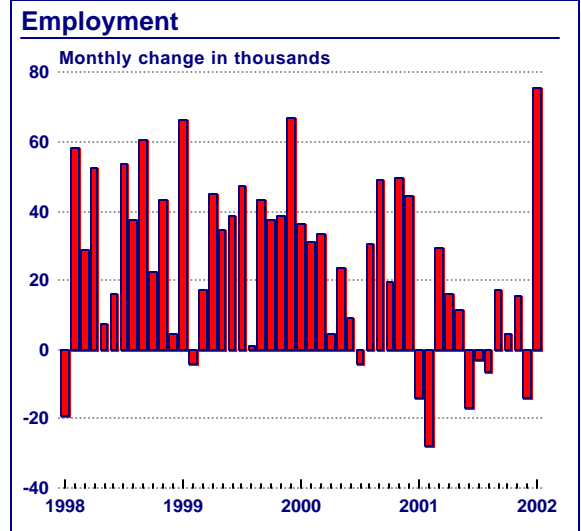
LABOUR MARKET TRENDS



Employment and Unemployment

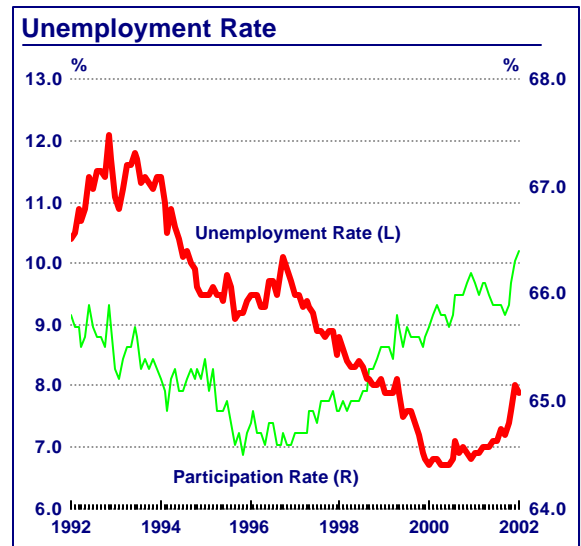
Employment rises sharply in January...

- Employment rose by 75,900 in January, the largest monthly increase since 1994. The rise surprised most analysts who expected a decline in employment. Gains were concentrated in part-time jobs (+46,000) but full-time employment also rose (+30,000), following losses in the previous three months. In line with these developments, total hours worked in all industries increased 0.9% in January, suggesting that production rose this month.
- However, on a year-over-year basis, employment edged up by only 0.7% (+103,000). Of this number, almost 70% were in part-time employment, reflecting the economic slowdown. The proportion of people working part-time reached 18.5% in January, the highest rate since mid-1999.



...reducing the unemployment rate to 7.9%

- Despite better employment conditions, the national unemployment rate was down only 0.1 percentage point to 7.9%, as the labour force expanded again. This rate was still one of the highest unemployment rates recorded since the Spring of 1999.
- Youth employment rose 36,000 in January, mostly due to added work in the restaurant sector. Adult employment increased 40,000, reducing the unemployment rate to 6.8%, but this is still 1 percentage point higher than the rate recorded in January 2001.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2001 January	2001 December	2002 January	last month	last year	year-to- date	last month	last year
Employment	15,063.0	15,090.2	15,166.1	75.9	103.1	75.9	0.5	0.7
Full-time	12,335.2	12,337.2	12,367.3	30.1	32.1	30.1	0.2	0.3
Part-time	2,727.8	2,753.0	2,798.9	45.9	71.1	45.9	1.7	2.6
Youth 15-24	2,337.8	2,300.3	2,335.9	35.6	-1.9	35.6	1.5	-0.1
Adult 25+	12,725.2	12,789.9	12,830.2	40.3	105.0	40.3	0.3	0.8
Self-employed	2,315.3	2,281.6	2,282.8	1.2	-32.5	1.2	0.1	-1.4
Unemployment	1,109.4	1,318.8	1,304.9	-13.9	195.5	-13.9	-1.1	17.6
Unemployment Rate	6.9	8.0	7.9	-0.1	1.0	-0.1		
Youth 15-24	12.1	14.0	13.8	-0.2	1.7	-0.2		
Adult 25+	5.8	6.9	6.8	-0.1	1.0	-0.1		
Labour Force	16,172.3	16,409.0	16,471.1	62.1	298.8	62.1	0.4	1.8
Participation Rate	66.1	66.3	66.4	0.1	0.3	0.1		
Employment Rate	61.6	60.9	61.2	0.3	-0.4	0.3		



Industry Overview

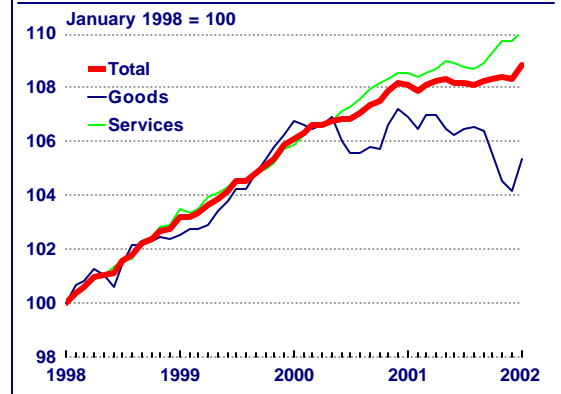
Manufacturing employment increases for the first time since July...

- Employment in the Goods sector increased by 42,000 in January, following four consecutive monthly declines. For the first time since July, Manufacturing employment increased (+25,000) as gains in paper production and printing more than offset the continuing losses in computer & electronic products and transportation manufacturing. Nonetheless, Manufacturing employment was still 88,000 below its peak reached in December 2000. Consistent with recent strength in housing, employment in Construction (+20,000) continued its upward trend. Employment declined further in Agriculture (-7,000) and Natural Resources (-3,000).

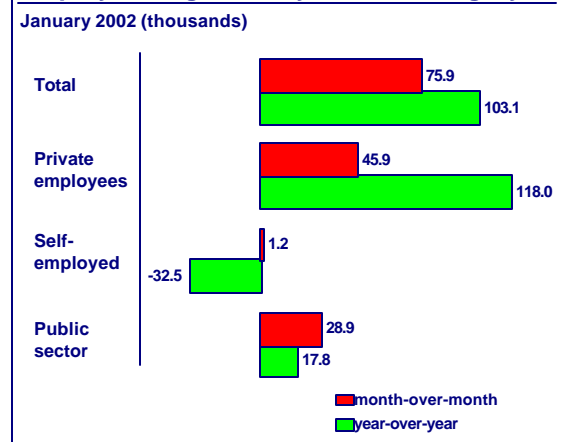
...and the Service sector creates more jobs

- Employment in Services rose by 34,000 in January, following a small decline in December. The highest increase occurred in Educational Services (+25,000) while more jobs in restaurants and drinking places pushed the employment up 19,000 in Accommodation & Food. Trade Services posted the largest loss, but on a year-over-year basis, this sector gained 42,000 jobs. Employment in Transportation declined for the fifth consecutive month, mainly due to fewer air transportation workers.

Employment by major sector



Employment growth by worker category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2001 January	2001 December	2002 January	last month	last year	year-to- date	last month	last year
Goods-producing	3,891.0	3,791.4	3,833.4	42.0	-57.6	42.0	1.1	-1.5
Agriculture	344.7	312.7	306.1	-6.6	-38.6	-6.6	-2.1	-11.2
Natural Resources*	284.3	290.9	287.8	-3.1	3.5	-3.1	-1.1	1.2
Utilities	123.2	121.7	128.8	7.1	5.6	7.1	5.8	4.5
Construction	826.9	848.6	868.7	20.1	41.8	20.1	2.4	5.1
Manufacturing	2,311.9	2,217.4	2,242.0	24.6	-69.9	24.6	1.1	-3.0
Services-producing	11,172.0	11,298.8	11,332.7	33.9	160.7	33.9	0.3	1.4
Trade	2,373.3	2,432.5	2,415.5	-17.0	42.2	-17.0	-0.7	1.8
Transportation*	788.3	745.7	732.7	-13.0	-55.6	-13.0	-1.7	-7.1
FIRE*	868.6	872.8	875.7	2.9	7.1	2.9	0.3	0.8
Professional/Scientific	994.0	969.7	973.4	3.7	-20.6	3.7	0.4	-2.1
Management/Administrative	531.8	569.0	571.3	2.3	39.5	2.3	0.4	7.4
Educational Services	959.5	970.7	995.6	24.9	36.1	24.9	2.6	3.8
Health Care/Social Assistance	1,544.2	1,564.8	1,572.8	8.0	28.6	8.0	0.5	1.9
Information/Culture/Recreation	702.7	696.8	707.3	10.5	4.6	10.5	1.5	0.7
Accommodation & Food	968.4	991.2	1,010.4	19.2	42.0	19.2	1.9	4.3
Other Services	683.1	698.2	693.6	-4.6	10.5	-4.6	-0.7	1.5
Public Administration	757.9	787.5	784.5	-3.0	26.6	-3.0	-0.4	3.5

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



Provincial Overview

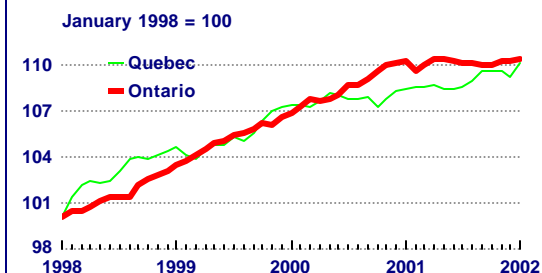
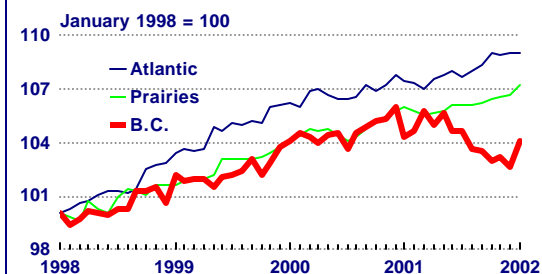
Employment rises in most provinces, with large gains in B.C. and Quebec...

- Quebec and B.C. experienced the biggest employment gains in January, each recording a rise of 27,000. This pushed the unemployment rates down sharply to 9.1% in Quebec and 8.9% in B.C. In Quebec, the Manufacturing sector (+12,000) led employment growth while job gains were concentrated in Construction in B.C. Despite this increase, employment in B.C. has not recovered from losses recorded in the last three quarters of 2001.
- Alberta recorded job growth for the fifth consecutive month (+11,000) as the manufacturing sector recovered from recent losses. In Saskatchewan, employment rose by 4,000 but was still down 12,000 compared to a year ago. This is due to weakness in agriculture.

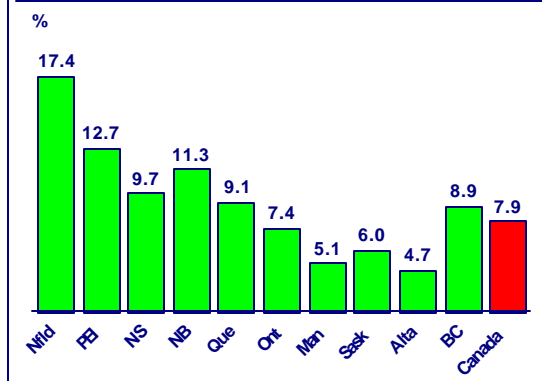
...but the unemployment rate increases sharply in Ontario and Manitoba

- Employment rose by only 0.1% in Ontario and Manitoba in January. However, a strong increase in the labour force pushed the unemployment rates up 0.5 percentage point to 7.4% in Ontario and to 5.1% in Manitoba. The small rise in Ontario's Manufacturing employment in the past two months suggests that the sector is bottoming out especially given recent encouraging economic developments in the U.S.
- Employment in the Atlantic provinces remained unchanged in January as employment gains in New Brunswick almost offset the losses in other provinces. On a year-over-year basis, Nova Scotia (+2.5%) and Newfoundland (+2.4%) led the employment growth in this region.

Regional employment patterns



Unemployment Rates -- January 2002



Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment rate (%)			
	Levels	Change since last month		Change since last year		Levels	Change since last month	
	2002 January	(000's)	%	(000's)	%			last year
Canada	15,166.1	75.9	0.5	103.1	0.7	7.9	-0.1	1.0
Newfoundland	212.3	-1.9	-0.9	4.9	2.4	17.4	0.4	1.2
P.E.I.	65.7	-0.6	-0.9	0.6	0.9	12.7	0.2	1.2
Nova Scotia	426.2	-1.3	-0.3	10.2	2.5	9.7	-0.4	-0.1
New Brunswick	340.2	3.2	0.9	-0.9	-0.3	11.3	-0.1	1.0
Quebec	3,513.0	26.6	0.8	54.9	1.6	9.1	-0.6	0.5
Ontario	5,977.0	6.9	0.1	7.7	0.1	7.4	0.5	1.7
Manitoba	566.1	0.6	0.1	8.3	1.5	5.1	0.5	0.5
Saskatchewan	470.4	4.2	0.9	-12.4	-2.6	6.0	-0.2	0.3
Alberta	1,655.3	11.2	0.7	34.7	2.1	4.7	-0.4	-0.2
B.C.	1,940.0	27.0	1.4	-4.6	-0.2	8.9	-0.8	1.7



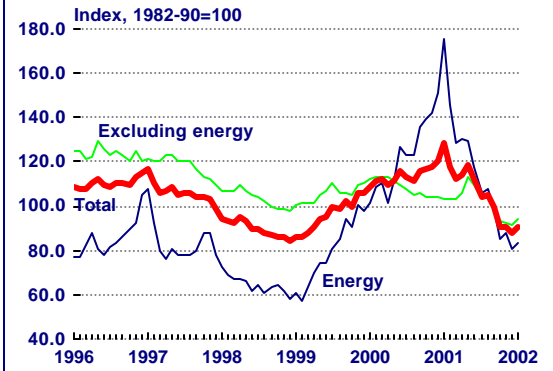
Inflation rises to 1.3%, primarily due to higher gasoline and food prices...

- Inflation was 1.3% in January, up from 0.7% in the previous two months.
- The upward pressure came from unusually high food prices in January, as a result of the worst U.S. harvests in more than 25 years, as well as higher insurance premiums and gasoline prices. Meanwhile, clothing prices declined further, moderating the advance. While energy prices fell 7.0%, this was smaller than the 11.4% decline in December. Excluding energy prices, consumer price inflation rose to 2.2% from 2.0% in December.

...and the "core" rate remains below the midpoint of the official target range

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, rose to 1.8% from 1.6% in December. This remains below the midpoint of the 1%-3% target range.
- Commodity prices were down 29.8%, reflecting a sharp 52.5% drop in energy prices from January last year when both price indices peaked out.

Commodity Prices (\$U.S. basis)



Consumer Prices

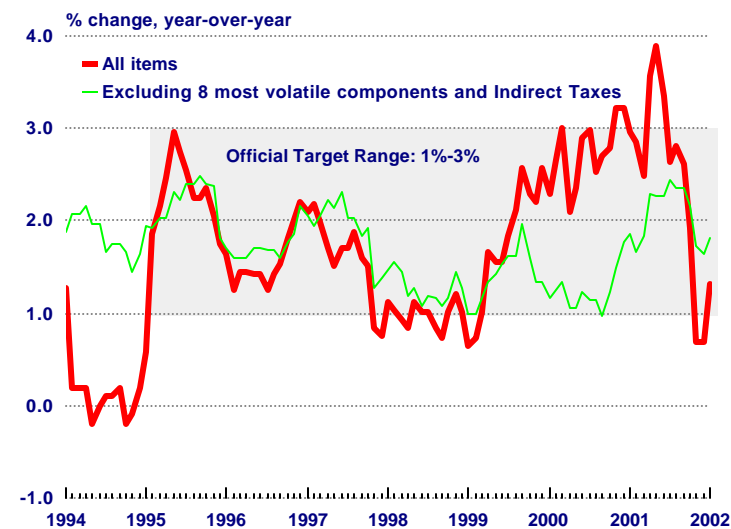
January 2002

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	116.2	0.3	1.3
Food	120.0	1.2	4.6
Shelter	113.0	0.4	1.8
Household operations	112.9	-0.1	2.2
Clothing & Footwear	102.3	-1.4	-2.4
Transportation	126.9	0.7	-3.3
Health & Personal Care	114.3	-0.2	1.1
Recreation, Educ. & Reading	122.3	-0.5	0.7
Alcohol & Tobacco	112.2	0.3	13.1
Excl. 8 Most Volatile/Indirect Taxes	117.4	0.1	1.8
Energy	121.8	2.3	-7.0

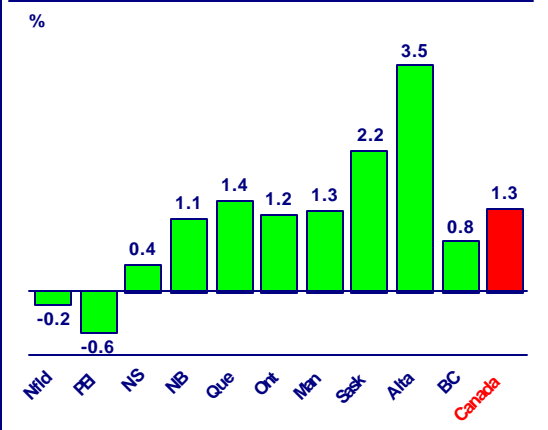
Commodity Prices (January 2002)

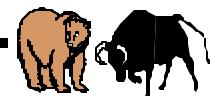
Index, 1982-90=100	90.4	3.0	-29.7
Excluding Energy	94.2	2.5	-9.1
Energy	83.3	3.9	-52.5

Consumer Price Index



Provincial CPI Inflation -- January 2002



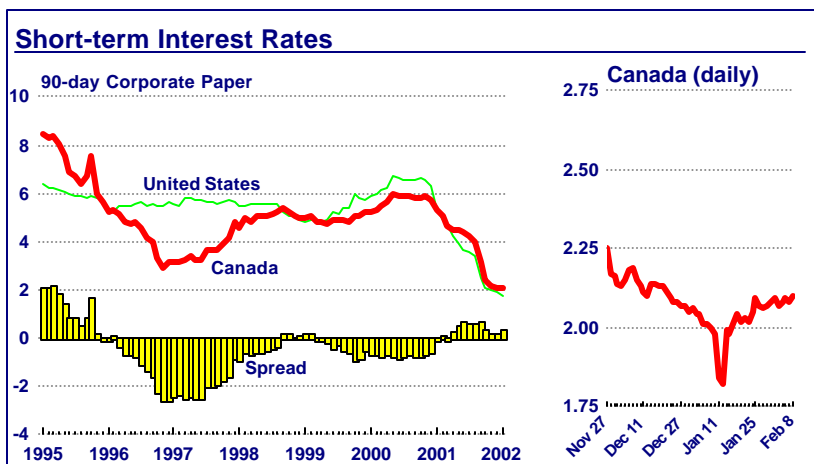


Short-term interest rates show signs of levelling off...

- The Bank of Canada cut its overnight rate to 2.0% and the Bank rate to 2.25% on January 15, bringing the cumulative easing since January 2001 to 375 basis points (bps). Analysts expect the Bank to keep its key rate unchanged on March 5, the next scheduled date for a policy interest rate announcement.
- The U.S. Federal Reserve kept the Fed funds rate unchanged at 1.75% in January, following 11 consecutive rate cuts totalling 475 bps in 2001. The Fed, however, left the door open for further cuts, pointing to the risks of further economic weakness. Nonetheless, in light of improving economic prospects, analysts expect the next action will be an increase in policy rates (likely in the second half of this year).

...while long-term yields are pull down by safe-haven inflows

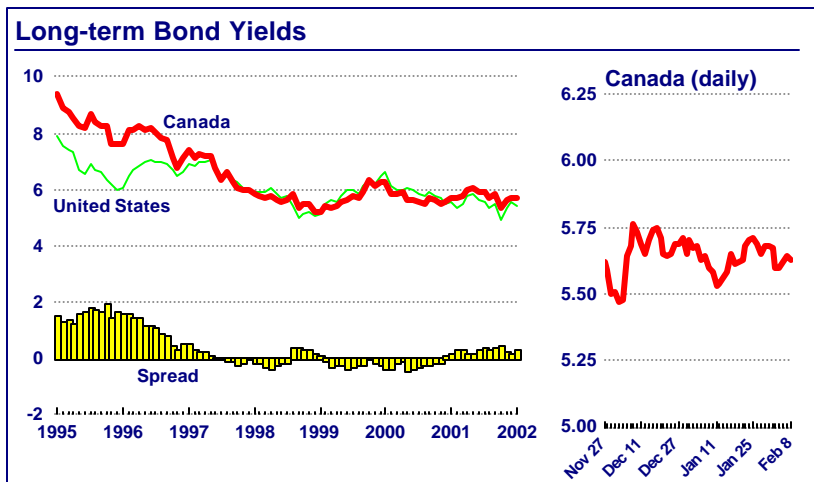
- Yields on long-term bonds in North America have trended higher in the last few months on encouraging economic reports suggesting that the worst of the downturn is over. More recently, however, investors switched some funds out of equities and into the bond market on concerns over corporate accounting practices and market regulations, pushing yields lower.
- After bottoming out around 5.30% in mid-November, Canadian long-term yields rose steadily to 5.75% but softened thereafter, closing out at 5.62% on February 6.



Key Market Rates

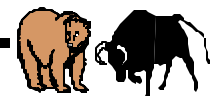
(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1999	5.27	-0.49	6.23	-0.22
2000	5.71	-0.60	5.56	0.11
Aug 2001	3.96	0.57	5.67	0.31
Sept	3.19	0.67	5.86	0.36
Oct	2.45	0.33	5.31	0.42
Nov	2.17	0.17	5.59	0.23
Dec	2.08	0.19	5.69	0.17
Jan 2002	2.07	0.31	5.68	0.27
Feb 6	2.09	0.24	5.62	0.24

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
Aug 2001	4.25	5.75	6.20	7.60
Sept	3.75	5.25	5.45	7.15
Oct	3.00	4.50	4.90	6.90
Nov	2.50	4.00	4.60	6.85
Dec	2.50	4.00	4.60	6.85
Jan 2002	2.25	3.75	4.55	7.00
Feb 6	2.25	3.75	4.55	6.85

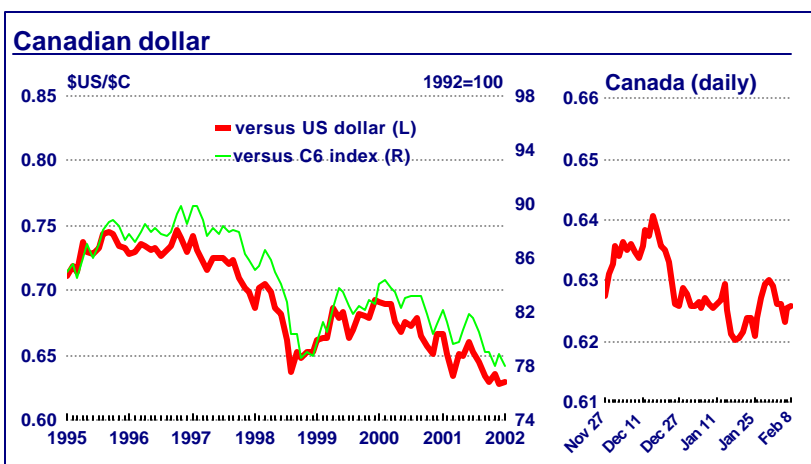


The Canadian dollar recovers after hitting a new record low...

- The Canadian dollar closed out on a new low of US¢62.0 on January 18 on continued weakness in commodity prices and flight-to-safety flows into U.S. dollar assets. The dollar regained some strength, however, amid supportive talk by Canadian officials and improving economic conditions.
- On February 15, the Canadian dollar closed out at US¢62.9, slightly above the level at which it started off the year. In February, the Canadian currency also gained some strength against the Euro and the Yen compared to January levels.

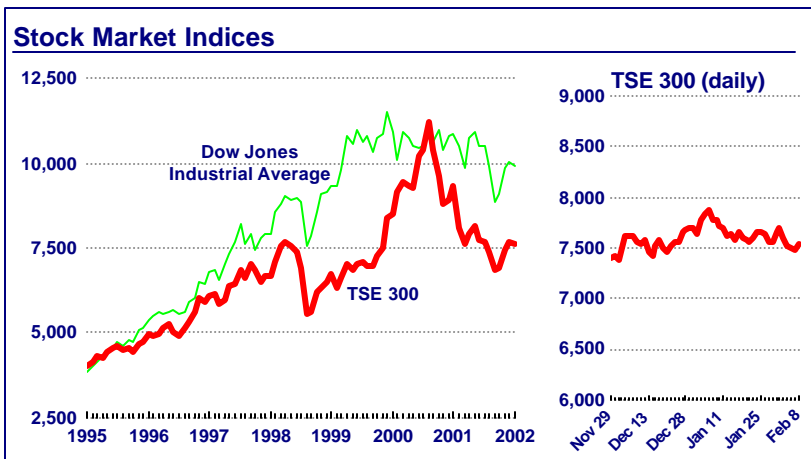
...while dubious corporate practices shake equity investors' confidence

- After a sharp recovery in the closing months of 2001, equity markets came under downward pressure on revelations that the bankruptcy of U.S. energy company Enron ensued from fraudulent financial practices. This raised serious questions on financial statement transparency on corporate activities.
- While North American equity markets are still up more than 15% from last September's lows, the TSE 300 on February 15 was down 173 points from its level at the start of this year to 7515 and the Dow Jones was down 170 points to 9903.



The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	\$Cdn vs. EURO	yen vs. \$Cdn
1999	0.6929	82.67	N/A	69.66
2000	0.6669	81.19	1.365	73.64
Aug 2001	0.6448	80.60	1.390	78.70
Sept	0.6335	79.01	1.430	75.67
Oct	0.6294	78.98	1.422	77.29
Nov	0.6358	78.08	1.414	76.90
Dec	0.6278	78.95	1.407	80.76
Jan 2002	0.6300	78.05	1.414	82.89
Feb 8 2002	0.6232	78.45	1.380	83.75



Key Stock Market Indexes

	January Close	% change from	
		last month	last year
TSE 300	7,648	-0.5	-18.0
Oil & Gas	8,959	-1.5	12.2
Metals & Minerals	4,415	6.1	14.9
Utilities	11,583	-3.0	-27.6
Paper & Forest	5,294	7.0	16.6
Merchandising	6,658	1.1	21.1
Financial Services	10,825	-1.5	-0.3
Gold	5,664	11.6	38.8
S&P 500	1,130.2	-1.6	-17.3
Dow Jones	9,920	-1.0	-8.9

THE UNITED STATES ECONOMY



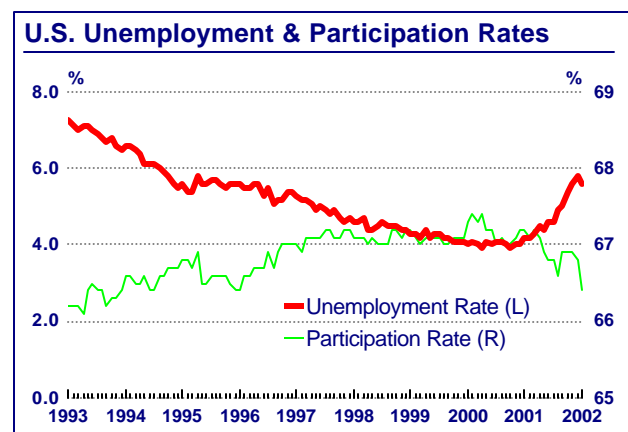
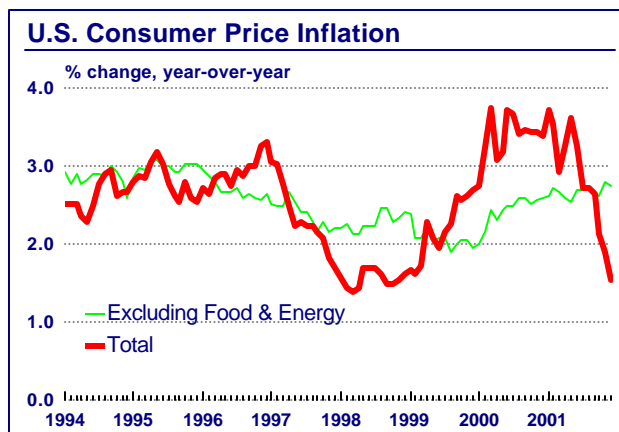
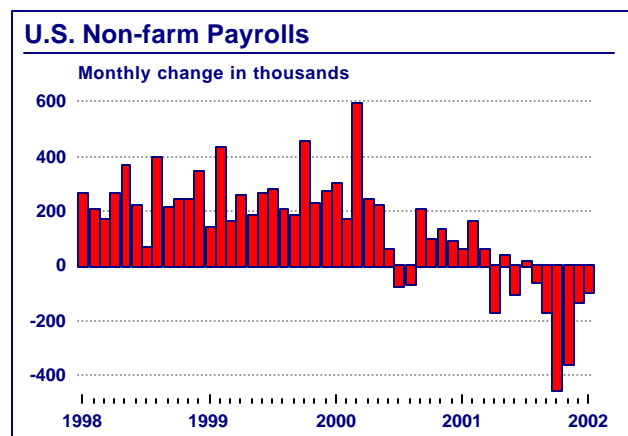
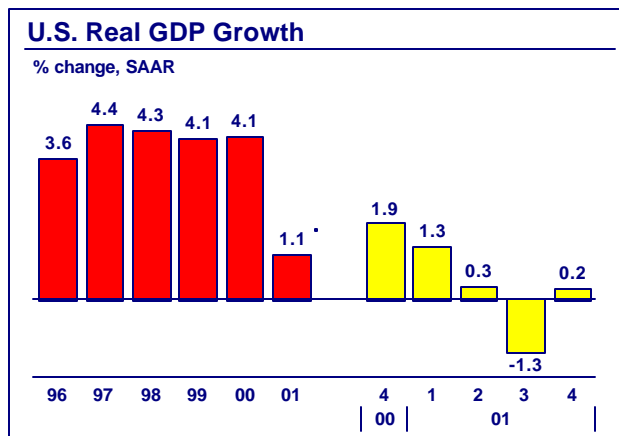
U.S. Economic Trends

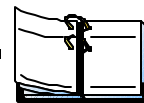
The U.S. economy rose 0.2% in the fourth quarter...

- Based on advance estimates (which are based on incomplete data and subject to substantial revisions) U.S. real GDP grew 0.2% (annualized) in the fourth quarter, after decreasing 1.3% in the third. This reflects the biggest increase in government spending (9.2%) in 15 years and a strong rise in consumer spending (5.4%), which was powered by the zero-interest financing incentives offered to spur car sales. By contrast, business investment fell and firms continued to liquidate their inventories which pulled down the overall growth figures by 1.6 points and 2.2 points, respectively.
- The Institute for Supply Management reported that its index of business activity rose to 49.9 in January from 48.1 in December, another signal of improvement in the manufacturing sector, which has been mired in a 17-month long slump. An index above 50 indicates manufacturing growth.
- Worker productivity increased at an annual rate of 3.5% in the fourth quarter, the largest rise in more than a year as businesses cut workers' hours and eliminated jobs to cope with the ailing economy. It was a big improvement over the 1.1% growth rate in the third quarter.

...and unemployment rate dropped to 5.6% in January...

- The unemployment rate decreased 0.2 percentage point to 5.6% in January not because employment went up but because the labour force decreased - 924,000 job seekers stopped looking for work. Non-farm Payroll employment fell by 89,000 in January, an improvement from the 311,000 average cuts that occurred in the previous three months.
- CPI slowed to 1.6% in December on a year-over-year basis and core inflation was 2.7%.





CANADA

Survey of Manufacturing – December	February 19
International Trade – December	February 21
Private and Public Investment Intentions – 2002	February 27
Financial Statistics for Enterprises – 4th Quarter 2001	February 27
Real GDP by Industry – December	February 28
National Economic & Financial Accounts – 4th Quarter 2001	February 28
Balance of International Payments – 4th Quarter 2001	February 28
Next scheduled date for a bank rate announcement	March 5
Labour Force Survey – February	March 8
Capacity Utilization Rates – 4th Quarter 2001	March 11
Consumer Price Index – February	March 21
Business Conditions Survey – April	May 2

UNITED STATES

Consumer Price Index – January	February 20
International Trade – December	February 21
GDP – 4th Quarter 2001, Preliminary	February 28
Employment Situation – February	March 8
Federal Open Market Committee meeting	March 19

Note: the February 2002 MEI uses data available as of February 14, 2002