

MONTHLY ECONOMIC INDICATORS

March/April 2002

HIGHLIGHTS

-  **Output rose by 0.6 % in January, the fourth consecutive monthly increase and the best performance in almost two years.**
-  **In March, a record setting 88,000 jobs were created, helping reduce the unemployment rate to 7.7 %.**
-  **170,000 jobs have been created so far this year, almost equally split between part- and full-time jobs and most in manufacturing.**
-  **Consumer spending and housing activity have continued to forge ahead, while exports rose strongly in January.**
-  **Long-term interest rates have risen significantly on expectations that policy interest rates will be raised sooner than previously anticipated.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	948.4	0.6	1.0	Jan
Goods	295.0	1.3	-2.6	Jan
Services	653.4	0.3	2.7	Jan
Composite Index	170.9	1.1	2.6	Feb
Employment (000's)	15,260	0.6	1.3	Mar
Full-time	12,422	0.3	0.7	Mar
Part-time	2,838	1.7	4.2	Mar
Unemployment* (%)	7.7	7.9	7.0	Mar
Youth*	13.7	13.7	12.7	Mar
Adult*	6.5	6.7	5.9	Mar
CPI inflation*	1.5	1.3	2.9	Feb
Retail Sales (\$M)	25,251	1.1	6.4	Jan
Housing Starts (000's)	199.8	19.7	44.8	Mar
Trade Balance* (\$M)	5,098	4,539	8,202	Jan
Exports	33,014	3.1	-13.9	Jan
Imports	27,916	1.6	-7.3	Jan
M&E	8,352	-2.6	-19.3	Jan
3-mth Corp. paper* (%)	2.31	2.36	4.66	Apr 3
Long bond yield* (%)	5.71	5.79	5.41	Apr 3
Canadian dollar* (US¢)	62.89	62.73	63.44	Apr 3

*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

March/April 2002

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This report uses data available as of April 12, 2002. It has been prepared by Anik Dufour, Arif Mahmud, Joseph Macaluso and Patrick Taylor 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.

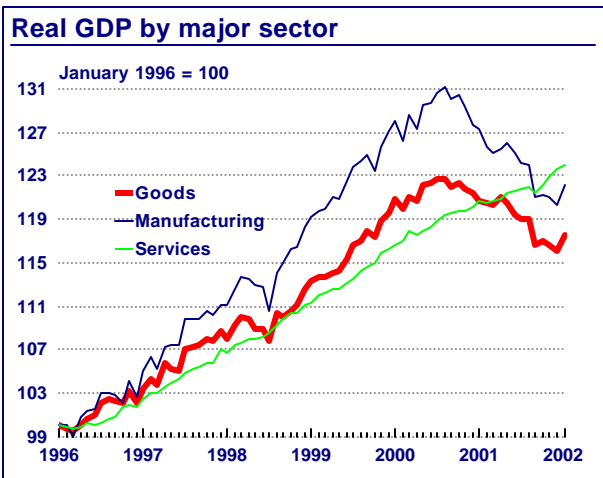
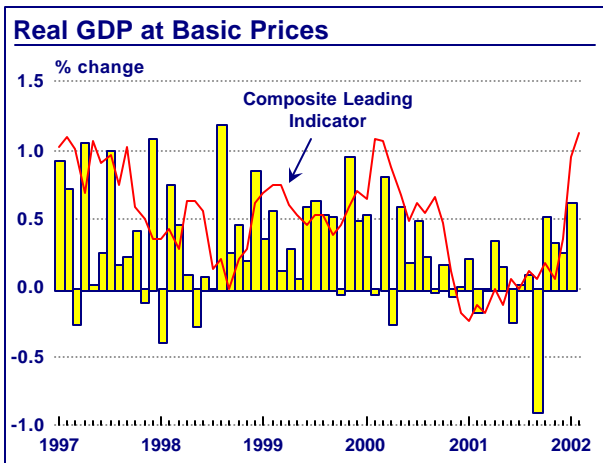


Output growth continues in January...

- Real GDP at basic prices increased 0.6% in January, the fourth straight monthly increase. Output has now more than recovered losses in September and is 3.6% (annual rate) higher than its level in the fourth quarter. Real GDP (expenditure based) rose by 2.0% in the fourth quarter. The Composite Leading Index experienced its fourth consecutive monthly increase in January and the largest gain in 2 years. A string of surprisingly good economic data has improved Canada's growth outlook. In the April issue of the U.K. consensus forecast, Canadian growth for 2002 was revised up to 2.7% from 2.1% in March and a low of 1.3% in December.

...supported largely by gains in the Goods sector

- Goods production rebounded 1.3% in January, more than offsetting the 0.8% slump in December. Manufacturing output marked its first significant advance in 16 months, led by gains in the production of wood, chemical, plastic, rubber, and paper products. Construction activity continued to increase in January, led by a surge in new home construction which in turn was influenced by milder than normal weather and low mortgage rates. Mining, Oil and Gas Extraction rose for the first time since September as drilling & rigging activity and oil production increased.
- Services output rose 0.3% in January. This follows a 0.6% gain in December and represents the fourth consecutive monthly gain. Fuelled by low interest rates, retailing activity rose for the fourth straight month, while a rise in new motor vehicle sales and parts boosted Wholesale Trade. The effects of September 11 were still evident in Air Transportation with current output below pre-September levels, despite a fourth straight monthly gain in January.



Real GDP at Basic Prices (1997 dollars)

January 2002

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	948,425	5,899	0.6	1.0
Business Sector	803,503	5,877	0.7	0.9
Goods-producing	295,016	3,759	1.3	-2.6
Agri., Forest, Fish, Hunt*	20,622	204	1.0	-9.0
Mining & Oil & Gas Extraction	35,809	720	2.1	-1.7
Utilities	26,849	-3	-0.0	-2.6
Construction	51,320	408	0.8	4.2
Manufacturing	160,416	2,430	1.5	-4.0
Services-producing	653,409	2,140	0.3	2.7
Wholesale Trade	58,273	1,225	2.1	3.5
Retail Trade	54,000	588	1.1	5.8
Transportation & Warehousing	42,253	54	0.1	-6.1
Information & Cultural	45,541	-92	-0.2	8.6
FIRE**	187,657	265	0.1	4.0
Professional***	40,469	-9	-0.0	0.1
Admin & Waste Mgmt	20,846	125	0.6	3.9
Education	43,398	102	0.2	0.3
Health & Social	54,415	74	0.1	2.7
Arts, Entertain. & Recreation	8,910	-45	-0.5	0.5
Accommodation & Food	22,558	-156	-0.7	-1.7
Other	21,190	111	0.5	2.5
Public Administration	53,899	-102	-0.2	3.9

*Agriculture, forestry, fishing & hunting

**Finance, Insurance & Real Estate

***Professional, scientific & technical

THE ECONOMY



Consumer Spending and Attitudes

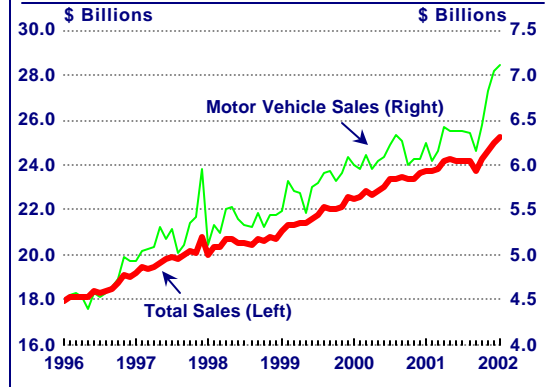
Consumer spending rebounds in the fourth quarter

- Overall fourth quarter consumer spending surged 4.2%, more than offsetting the third quarter decline stemming from the September 11 attacks.
- The quarterly gain was led by a 25.4% increase in the sales of durable goods following third quarter decline of 4.6%. New motor vehicles sales played a primary role, as generous incentives such as 0% financing lured prospective buyers into automobile showrooms.

...and appears to remain robust in the first quarter

- Retail sales continued its upward momentum with a 1.1% gain in January. The rise was led by higher motor vehicle sales, which reached a 25-year high, and increased sales at department stores.
- Personal disposable income surged 5.3% in the fourth quarter, adding to the 2.7% gain in the third. It is expected to remain strong in the first quarter given the recent sharp increase in employment. Further reinforcing the positive economic climate is a survey conducted by Decima Research, which found that the Index of Canadian Consumer Confidence was up sharply in March.
- All these factors point to continued strength in consumer spending.

Total Retail and Motor Vehicle Sales



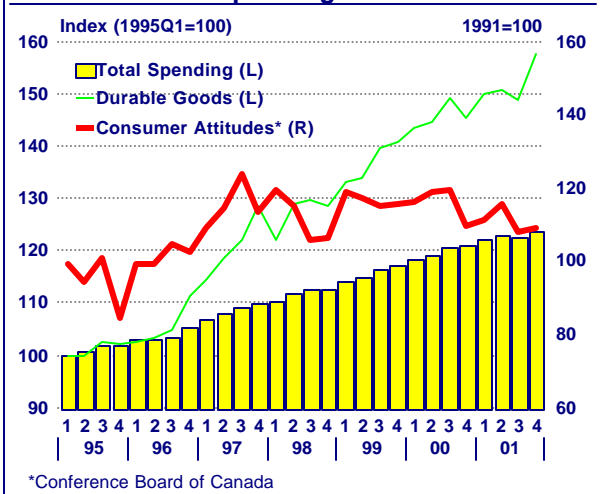
Retail Sales and Consumer Credit

January 2002	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	25,251	1.1	6.4
Food	5,415	-0.2	5.5
Drug Stores	1,280	2.1	9.8
Clothing	1,360	-0.6	3.4
Furniture	1,499	0.4	11.8
Automotive	10,197	1.8	7.0
General Merch. Stores	2,800	2.2	3.2
All other Stores	2,702	1.3	6.4
Total ex. motor vehicles	18,140	1.2	3.7
Consumer Credit	207	0.2	5.2

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)		2001 Q3	2001 Q4
	2000	2001		
Real Consumption (97\$)	566,229	580,531	579,149	585,184
% change	3.6	2.5	-0.7	4.2
Durable Goods	81,882	85,294	83,705	88,571
% change	6.4	4.2	-4.6	25.4
Semi-Durable Goods	50,476	52,489	52,108	53,370
% change	4.7	4.0	-3.7	10.0
Non-Durable Goods	130,347	131,809	131,743	131,935
% change	1.7	1.1	0.2	0.6
Services	303,674	311,292	311,809	311,939
% change	3.6	2.5	0.5	0.2
Disposable Income	631,023	657,934	657,844	666,392
% change	5.6	4.3	2.7	5.3
Saving Rate (%)	3.9	3.6	3.4	3.7
Debt-to-Income Ratio (%)	94.4	95.0	95.6	95.6

Real Consumer Spending and Attitudes



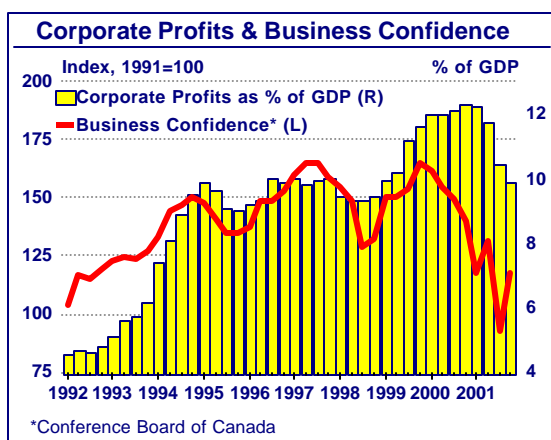
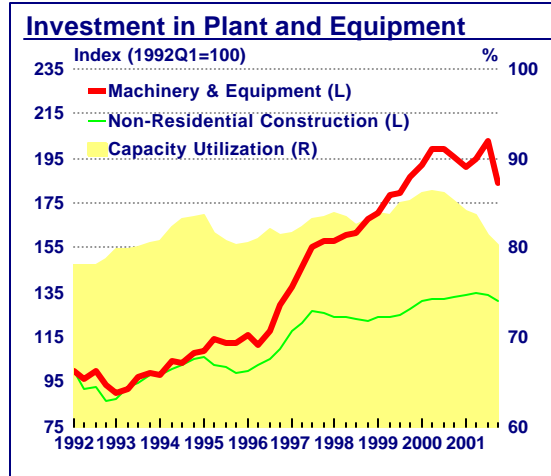


Business investment falls in the fourth quarter

- Business investment in machinery and equipment plunged 31.3% in the fourth quarter, following an increase of 17.7% in the third quarter. Some of this drop, however, reflects delivery of a floating drill that boosted investment in the third quarter. Other signs of weakness include a second consecutive quarterly decrease in overall corporate operating profits and the sixth straight quarterly decline in capacity utilization.
- Non-residential construction activity fell 7.5% in the fourth quarter, the largest quarterly decrease since the second quarter of 1995. The decline was largely the result of downturn in building and engineering construction.

...with evidence of continued weakness in the near-term

- Signs of weakness were apparent early in the first quarter. Imports of M&E fell sharply in January after a slight increase in December. According to Statistics Canada's Private and Public Investment Intentions released February 27, capital spending is expected to fall in 2002.



Business Investment and Corporate Finances						
\$ Millions, SAAR (unless otherwise noted)						
	2000	2001	2001 Q1	2001 Q2	2001 Q3	2001 Q4
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	88,550	87,133	86,334	87,693	91,341	83,164
% change	9.7	-1.6	-7.9	6.4	17.7	-31.3
Non-residential Construction (1997\$)	47,274	47,685	47,990	48,121	47,777	46,851
% change	5.3	0.9	3.6	1.1	-2.8	-7.5
Capacity Utilization (% , Non-farm goods)	86.0	82.4	84.1	83.6	81.5	80.3
Capacity Utilization (Mfg. sector)	86.0	80.9	82.9	82.0	80.0	78.7
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	197,733	156,839	173,880	175,084	143,212	135,180
% change	17.5	-20.7	-33.9	2.8	-55.2	-20.6
Profits - Non-financial industries	139,248	121,317	134,772	128,480	113,160	108,856
% change	17.9	-12.9	-12.3	-17.4	-39.8	-14.4
Profits - Financial industries	58,488	35,522	39,108	46,604	30,052	26,324
% change	16.6	-39.3	-71.6	101.7	-82.7	-41.1
Business Credit	787,619	823,834	812,765	816,759	828,522	837,289
% change	7.0	4.6	3.4	2.0	5.9	4.3



Housing

Housing activity gains momentum in the fourth quarter

- Residential investment surged 21% in the fourth quarter, the sixth consecutive quarterly advance, and a substantial increase from the 4.2% gain in the third quarter.

...and continues to be strong in the first quarter

- First quarter average existing home sales were still 16.7% higher than that of the fourth. Similarly, first quarter housing starts were 13.3% higher than the fourth quarter. Residential building permits were virtually unchanged in February, declining slightly by 0.2%, following a 12-year record increase of 24.9% in January.
- Low mortgage rates and rising disposable income, together with milder than normal weather, have contributed to the recent strength in the housing sector. These factors should help keep the housing sector robust in the coming months.

Housing Activity



Monthly Housing Indicators

	levels	Change since	
		last month	last year
Residential Construction (1) (\$97M, basic prices)	15,441	2.2%	8.4%
Building Permits, \$M (2)	2,381	-0.2%	23.0%
Sales of Existing Homes (2) (# of units)	28,201	-1,572	
Housing Starts, # of units (3)	199,800	19,700	44,800
Newfoundland	1,500	-600	1,100
Prince Edward Island	500	100	100
Nova Scotia	2,200	-300	900
New Brunswick	3,500	1,900	1,700
Quebec	30,900	0	10,600
Ontario	80,600	6,000	7,300
Manitoba	1,900	0	300
Saskatchewan	1,300	-800	-200
Alberta	39,500	11,300	18,500
British Columbia	17,900	2,100	5,800

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

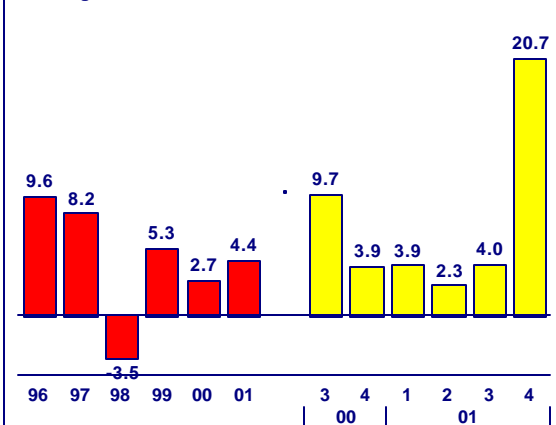
Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)

	2000	2001	2001 Q3	2001 Q4
Construction by Business sector	45,399	47,392	47,121	49,395
% change	2.7	4.4	4.0	20.7
New Housing	22,857	24,013	23,770	25,172
% change	2.4	5.1	3.7	25.8
Alterations & Improvements	15,809	15,820	15,780	15,832
% change	4.6	0.1	2.8	1.3
Ownership & Transfer Costs	6,976	7,731	7,752	8,556
% change	4.0	10.8	8.7	48.4
Residential Construction	45,643	47,616	47,351	49,658
% change	2.6	4.3	4.2	21.0

Growth in Real Residential Construction

% change, SAAR





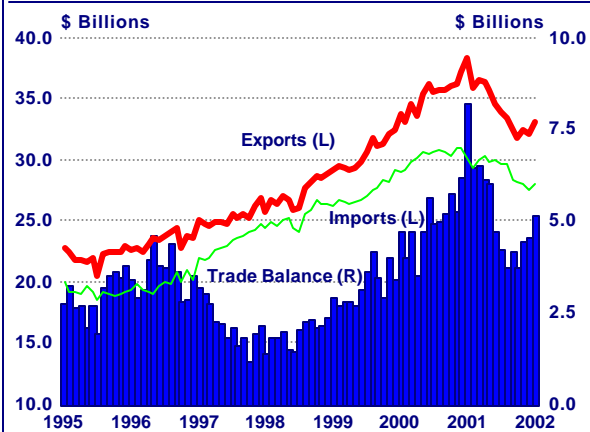
Exports surge in January...

- Exports rose 3.1% in January. This was only the third monthly increase in the last eleven months, but it was the largest monthly increase since January 2001. Five of the seven major categories reported increases, led by Aircraft, Industrial Machinery and Natural Gas.
- Imports rose 1.6% in January, following six months of decline. Import growth was led by Industrial Goods and Energy. It was moderated by declines in Automotive Products and Machinery & Equipment.

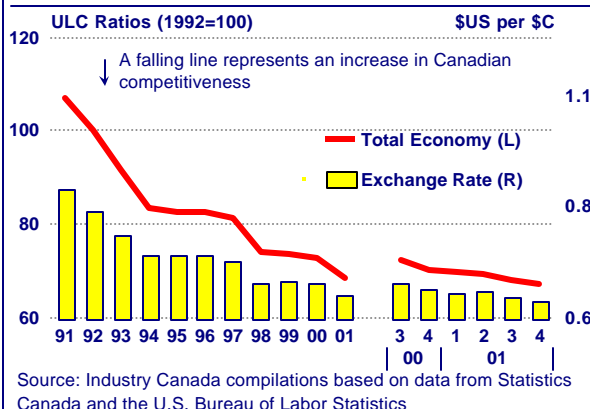
...pushing up the trade surplus

- Largely on the strength of export growth to the U.S. and the European Union, Canada's merchandise trade surplus increased \$559 million to \$5.1 billion in January, which is the highest level since May 2001.
- Canada's trade surplus with the U.S. rose \$852 million to \$7.6 billion. However, the trade deficit with all other nations worsened by more than a quarter of a billion dollars to just over \$2.5 billion.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



Merchandise Trade

January 2002	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	December 2001	January 2002	2000 Jan-Dec.	2001 Jan-Dec.	Dec. 2001 to Jan. 2002	Dec. 2001 to Jan. 2002	Jan. 2001 to Jan. 2002
Exports	32,014	33,014	422,557	413,111	1,000	3.1	-13.9
to United States	26,803	27,975	359,552	351,086	1,172	4.4	-15.1
Imports	27,474	27,916	363,281	350,503	442	1.6	-7.3
from United States	20,039	20,359	267,675	255,085	320	1.6	-5.9
Trade Balance	4,539	5,098	59,276	62,608	559		
with United States	6,764	7,616	91,877	96,001	852		
Exports by Commodity							
Agriculture/Fishing Products	2,658	2,599	27,366	30,810	-59	-2.2	6.9
Energy Products	2,836	3,040	52,929	55,309	204	7.2	-58.7
Forestry Products	2,994	3,017	41,757	38,631	23	0.8	-11.4
Industrial Goods & Materials	5,443	5,503	65,917	66,269	60	1.1	-3.6
Machinery & Equipment	7,872	8,720	106,884	98,809	848	10.8	-5.8
Automotive Products	7,707	7,452	97,941	92,723	-255	-3.3	-1.5
Other Consumer Goods	1,357	1,504	14,805	15,797	147	10.8	15.1
Imports by Commodity							
Agriculture/Fishing Products	1,695	1,775	18,567	20,359	80	4.7	6.9
Energy Products	1,128	1,368	17,864	17,712	240	21.3	-24.4
Forestry Products	226	249	3,064	2,889	23	10.2	-2.4
Industrial Goods & Materials	5,121	5,535	70,471	68,452	414	8.1	-6.8
Machinery & Equipment	8,577	8,352	122,677	112,422	-225	-2.6	-19.3
Automotive Products	6,033	5,982	77,402	72,541	-51	-0.8	7.0
Other Consumer Goods	3,584	3,592	40,088	42,919	8	0.2	2.6

LABOUR MARKET TRENDS



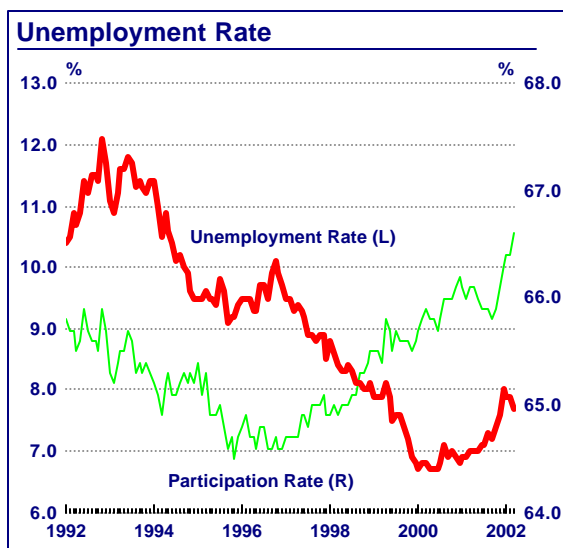
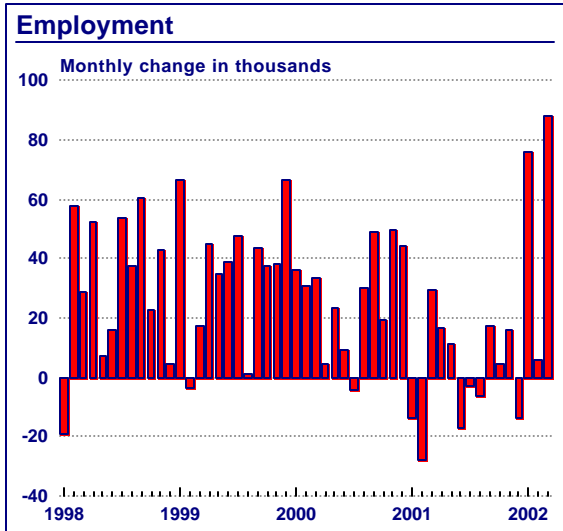
Employment and Unemployment

Employment rose sharply in March...

- Employment rose by 88,000 jobs (48,000 part-time and 40,000 full-time jobs) or by 0.6% in March, bringing the total job creation in the first quarter to 170,000, the largest increase since 1987.
- The private sector accounted for 87,000 of the jobs created in March and for 153,000 of the jobs created in the first quarter.
- Total hours worked rose by 5.2% (annual rate) in the first quarter, pointing to strong output growth.

...reducing the unemployment rate to 7.7%

- The national unemployment rate was down 0.2 percentage point to 7.7%, despite the continued expansion of the labour force (+0.4%).
- Youth employment rose 19,000 in March (most of the new jobs were full-time jobs), but failed to change the unemployment rate which at 13.7% remains one percentage point higher than in March 2001. Adult employment increased 69,000, reducing the unemployment rate to 6.5%, but this is still 0.6 of a percentage point higher than the rate recorded in March 2001.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2001 March	2002 February	2002 March	last month	last year	year-to- date	last month	last year
Employment	15,064.7	15,172.0	15,260.1	88.1	195.4	169.9	0.6	1.3
Full-time	12,340.3	12,382.8	12,422.5	39.7	82.2	85.3	0.3	0.7
Part-time	2,724.4	2,789.2	2,837.6	48.4	113.2	84.6	1.7	4.2
Youth 15-24	2,321.0	2,335.2	2,354.1	18.9	33.1	53.8	0.8	1.4
Adult 25+	12,743.8	12,836.9	12,906.0	69.1	162.2	116.1	0.5	1.3
Self-employed	2,328.2	2,290.3	2,288.8	-1.5	-39.4	7.2	-0.1	-1.7
Unemployment	1,142.3	1,293.0	1,273.0	-20.0	130.7	-45.8	-1.5	11.4
Unemployment Rate	7.0	7.9	7.7	-0.2	0.7	-0.3		
Youth 15-24	12.7	13.7	13.7	0.0	1.0	-0.3		
Adult 25+	5.9	6.7	6.5	-0.2	0.6	-0.4		
Labour Force	16,207.0	16,465.1	16,533.1	68.0	326.1	124.1	0.4	2.0
Participation Rate	66.1	66.4	66.6	0.2	0.5	0.3		
Employment Rate	61.5	61.1	61.4	0.3	-0.1	0.5		



Industry Overview

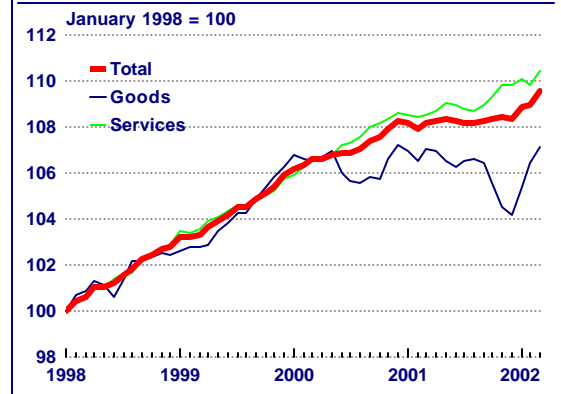
Manufacturing employment accounted for most of overall growth in the first quarter...

- Employment in the Goods sector increased by 24,000 in March, bringing the total number of jobs created in the first quarter to 105,000. This more than offset the loss of jobs in the last three quarters of 2001. All of the major industrial groups in this sector contributed to the overall monthly growth, except for Construction where 7,000 jobs were lost. The Manufacturing sector gained 13,000 jobs, bringing the quarterly job creation to 100,000. Agriculture gained 12,000 jobs. Smaller gains were posted by other sectors.

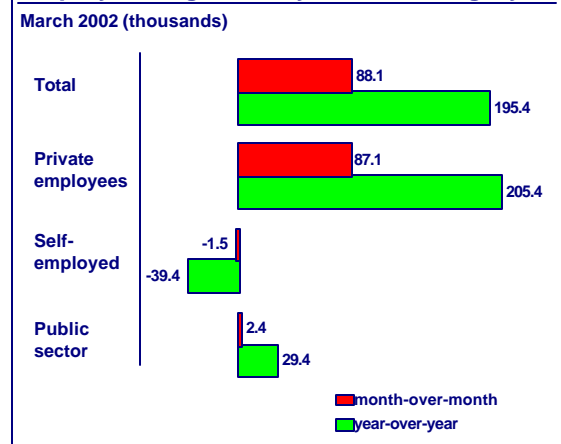
...and the Service sector created more jobs in March

- Employment in Services rose by 65,000 in March, accounting for almost all of the gains in the quarter. The largest gains were posted by Management, Administrative & Other Support (+27,000) and Trade (+18,000). Losses were posted by Transportation & Warehousing, Health Care & Social Assistance and Professional, Scientific & Technical Services.

Employment by major sector



Employment growth by worker category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2001 March	2002 February	2002 March	last month	last year	year-to-date	last month	last year
Goods-producing	3,893.5	3,872.8	3,896.4	23.6	2.9	105.0	0.6	0.1
Agriculture	337.2	300.5	312.4	11.9	-24.8	-0.3	4.0	-7.4
Natural Resources*	295.5	283.9	285.0	1.1	-10.5	-5.9	0.4	-3.6
Utilities	117.8	124.6	128.5	3.9	10.7	6.8	3.1	9.1
Construction	843.2	860.2	853.4	-6.8	10.2	4.8	-0.8	1.2
Manufacturing	2,299.9	2,303.6	2,317.0	13.4	17.1	99.6	0.6	0.7
Services-producing	11,171.2	11,299.2	11,363.8	64.6	192.6	65.0	0.6	1.7
Trade	2,338.3	2,416.0	2,433.8	17.8	95.5	1.3	0.7	4.1
Transportation*	783.1	739.8	729.8	-10.0	-53.3	-15.9	-1.4	-6.8
FIRE*	868.8	869.3	881.4	12.1	12.6	8.6	1.4	1.5
Professional/Scientific	1,008.6	977.1	976.8	-0.3	-31.8	7.1	-0.0	-3.2
Management/Administrative	547.2	567.9	595.1	27.2	47.9	26.1	4.8	8.8
Educational Services	962.0	978.6	981.8	3.2	19.8	11.1	0.3	2.1
Health Care/Social Assistance	1,543.1	1,560.9	1,557.2	-3.7	14.1	-7.6	-0.2	0.9
Information/Culture/Recreation	708.3	704.1	709.8	5.7	1.5	13.0	0.8	0.2
Accommodation & Food	976.9	1,007.8	1,008.6	0.8	31.7	17.4	0.1	3.2
Other Services	679.7	695.2	698.1	2.9	18.4	-0.1	0.4	2.7
Public Administration	755.0	782.5	791.5	9.0	36.5	4.0	1.2	4.8

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



Provincial Overview

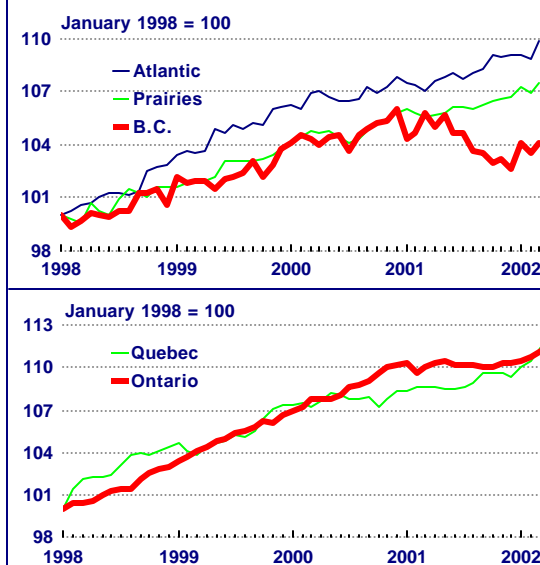
March's employment growth was concentrated in central Canada...

- Quebec (+32,000) and Ontario (+17,000) accounted for most of the job gains in March. The net gain in Quebec was in part-time jobs and in Ontario in full-time jobs. This brought their first quarter gains to 69,000 and 44,000, respectively. Manufacturing accounted for most of the jobs created in Central Canada in the first quarter.
- All of the other provinces posted gains, except for Saskatchewan where employment edged down. In B.C. and Alberta, employment increased by 11,000, bringing quarterly gains to 27,000 and 12,000, respectively. Manufacturing accounted for most of the quarterly growth in B.C. and Construction in Alberta.

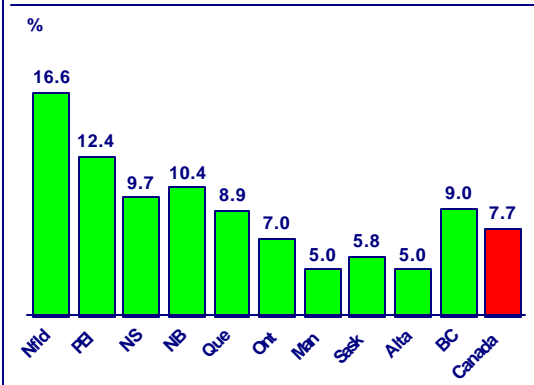
...but the unemployment rate increased in Ontario and B.C.

- Reflecting a stronger increase in the labour force than in employment, the unemployment rate was up 0.1 of a percentage point to 7.0% in Ontario and 0.2 of a percentage point to 9.0% in B.C.
- The unemployment rate decreased in all the remaining provinces, except in Alberta where it remained at 5.8%. The largest reductions in unemployment rates were posted by P.E.I. (-1.9 percentage points to 12.4%) and Newfoundland (-1.2 percentage points to 16.6%).

Regional employment patterns



Unemployment Rates -- March 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 March	(000's)	%	(000's)	%		last month	last year
Canada	15,260.1	88.1	0.6	195.4	1.3	7.7	-0.2	0.7
Newfoundland	214.8	3.0	1.4	6.0	2.9	16.6	-1.2	0.2
P.E.I.	66.3	0.3	0.5	0.0	0.0	12.4	-1.9	1.0
Nova Scotia	424.7	1.9	0.4	5.4	1.3	9.7	-0.6	-0.5
New Brunswick	347.1	5.5	1.6	16.5	5.0	10.4	-0.8	-1.9
Quebec	3,555.2	32.4	0.9	90.4	2.6	8.9	-0.4	0.2
Ontario	6,014.2	17.4	0.3	60.6	1.0	7.0	0.1	0.9
Manitoba	567.3	6.7	1.2	10.7	1.9	5.0	-0.8	-0.1
Saskatchewan	475.2	-1.0	-0.2	-2.6	-0.5	5.8	0.0	0.2
Alberta	1,655.7	11.0	0.7	40.2	2.5	5.0	-0.1	0.2
B.C.	1,939.7	10.9	0.6	-31.7	-1.6	9.0	0.2	2.4

PRICES and FINANCIAL MARKETS

Consumer and Commodity Prices



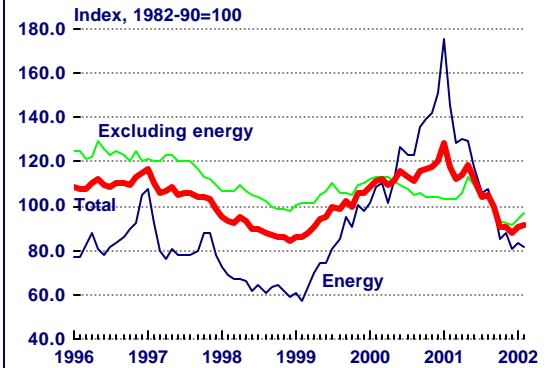
Inflation rose to 1.5% on higher electricity and food prices...

- Inflation was 1.5% in February, up from 1.3% in January.
- Electricity prices jumped 16.2% from an unusually low level in February last year, when a credit on electricity bills dampened prices in B.C. Food prices rose 4.3% following a 4.6% increase in January. Energy prices, however, remained below last year's levels, falling 5.8% in February and 7.0% in January.

...and the "core" rate edged above the midpoint of the official target range

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, rose to 2.2% from 1.8% in January, moving above the midpoint of the 1%-3% target range. This reflected in part the advance in the cost of electricity, which is not among the eight most volatile components in the index. Higher clothing prices and car insurance premiums also contributed.
- Commodity prices were down 22.7% in February, reflecting in part a 44.5% drop in energy prices. Non-energy prices were down 6.3%, but rose 2.7% on a monthly basis, the second consecutive monthly rise. This induced monthly rises in the overall commodity price index in January and February.

Commodity Prices (\$U.S. basis)



Consumer Prices

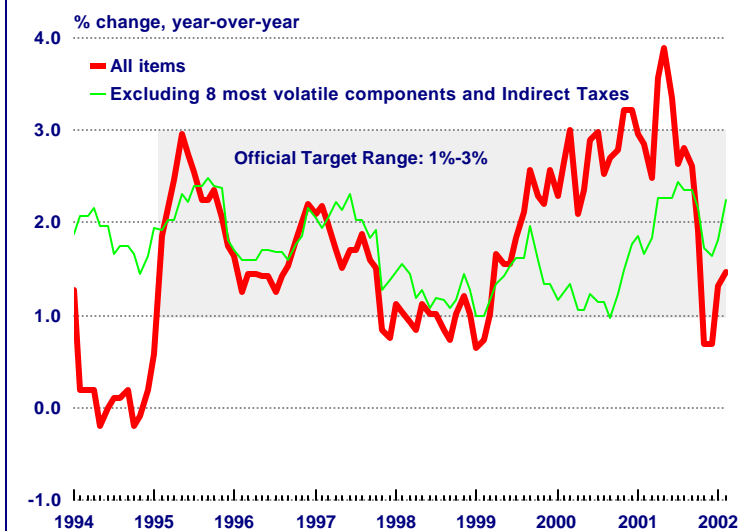
February 2002

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	116.9	0.6	1.5
Food	120.6	0.5	4.3
Shelter	113.1	0.1	2.1
Household operations	113.1	0.2	1.9
Clothing & Footwear	105.4	3.0	-1.0
Transportation	127.5	0.5	-3.0
Health & Personal Care	114.8	0.4	1.1
Recreation, Educ. & Reading	124.1	1.5	1.0
Alcohol & Tobacco	112.9	0.6	13.6
Excl. 8 Most Volatile/Indirect Taxes	118.2	0.7	2.2
Energy	122.4	0.5	-5.8

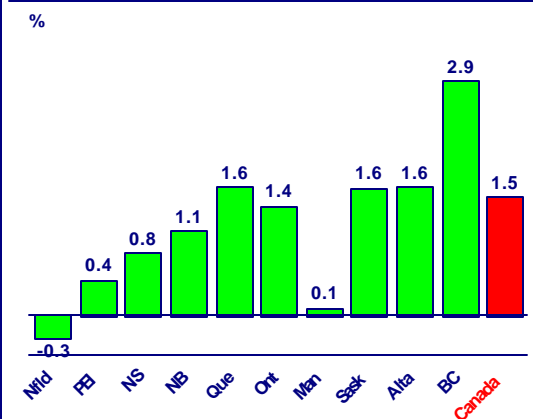
Commodity Prices (February 2002)

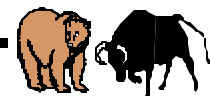
Index, 1982-90=100	91.3	0.9	-22.7
Excluding Energy	96.7	2.7	-6.3
Energy	81.1	-3.1	-44.5

Consumer Price Index



Provincial CPI Inflation -- February 2002



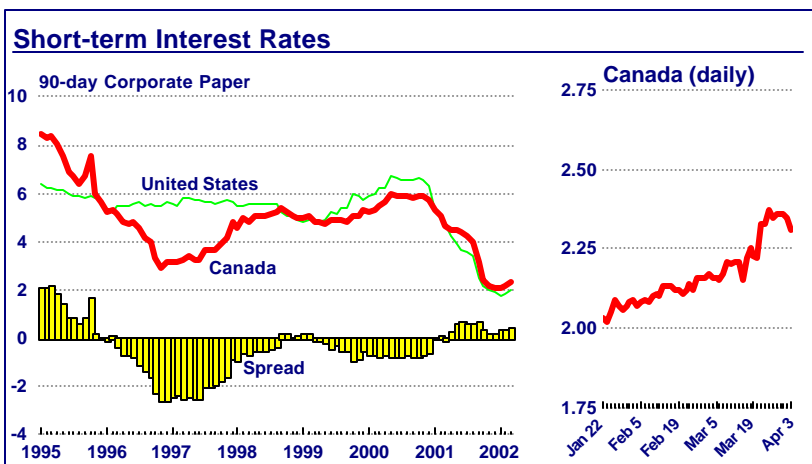


Policy rates remain at 40-year lows, while short-term rates move higher

- The Bank of Canada (BoC) left its overnight rate target unchanged at 2.0% on March 5 after a 25 basis points (bps) cut in January. Meanwhile, the U.S. Federal Reserve (Fed) kept the Fed funds rate unchanged at 1.75% in both January and March. In light of much improved economic conditions and prospects, analysts expect policy rates will be raised sooner than previously anticipated. The next policy rate announcements are on April 16 in Canada and May 7 in the U.S.
- In the first three months of 2002, the 90-day corporate paper rate rose steadily from January's 1.82% low to 2.35% on April 2. This remains 3 percentage points below the levels in January last year.

Long-term yields rise on expectations of upcoming policy rate increases

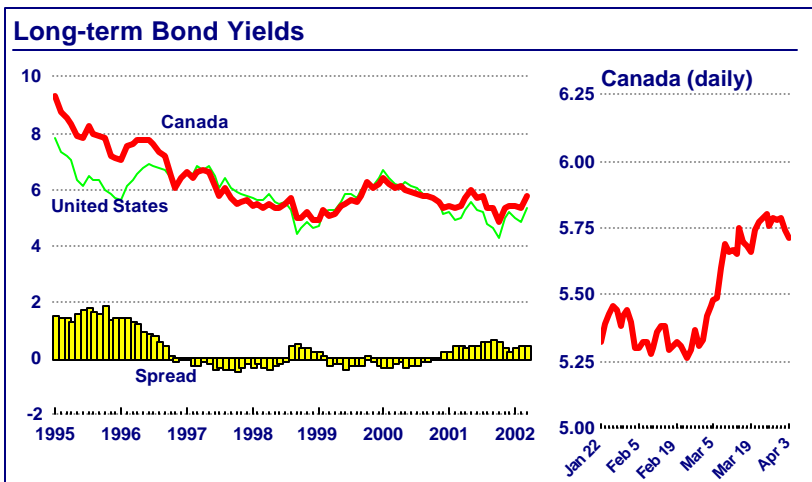
- As signs of improving economic activity accrued in the last couple of months, investors have switched some assets from bond to equity markets, pushing long-term yields higher.
- At 5.71% in early April, yields on 10-year bonds were up 45 bps from their recent low of 5.26% in mid-February and 90 bps from a low of 4.81% in early November. In line with these developments, mortgage rates have risen sharply in recent weeks; one-year rates rose 75 basis points in March to 5.3% while five-year rates were up 55 bps to 7.3%.



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	6.18	-0.22
2000	5.71	-0.60	5.35	0.24
Oct 2001	2.45	0.33	4.86	0.56
Nov	2.17	0.17	5.36	0.38
Dec	2.08	0.19	5.44	0.22
Jan	2.07	0.31	5.42	0.40
Feb	2.16	0.34	5.31	0.47
Mar 2002	2.36	0.40	5.79	0.44
Apr 3, 2002	2.31	0.41	5.71	0.41

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
Oct 2001	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	2.25	3.75	4.55	7.00
Feb	2.25	3.75	4.55	6.85
Mar 2002	2.25	3.75	5.30	7.30
Apr 3, 2002	2.25	3.75	5.00	7.30

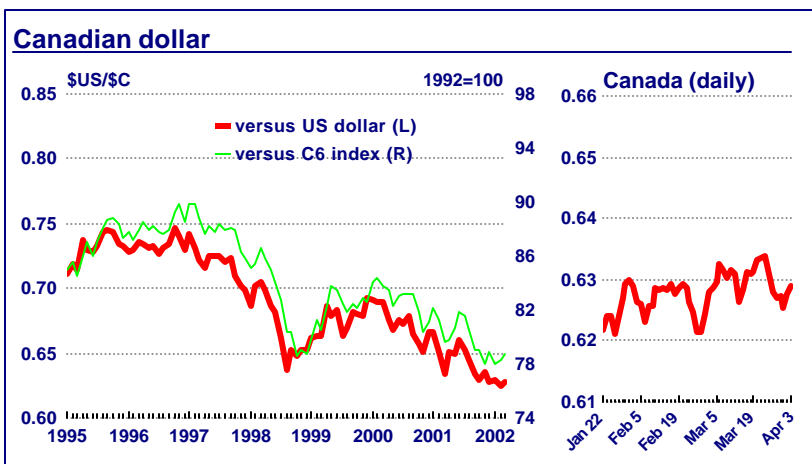


Good economic news help support the Canadian dollar...

- The Canadian dollar trended higher in the last few months, but showed substantial variability. Supported by improving economic conditions and prospects and rising non-energy commodity prices, the Canadian currency regained strength in March. However, subsequently the near-term uncertainty in Canada-U.S. trade relations combined with safe-haven flows that strengthen the U.S. currency weighed on the currency.
- The dollar rebounded from January's low of US¢62.0, trading above the US¢63 level for most of March, but softened subsequently closing out at US¢62.7 on April 8.

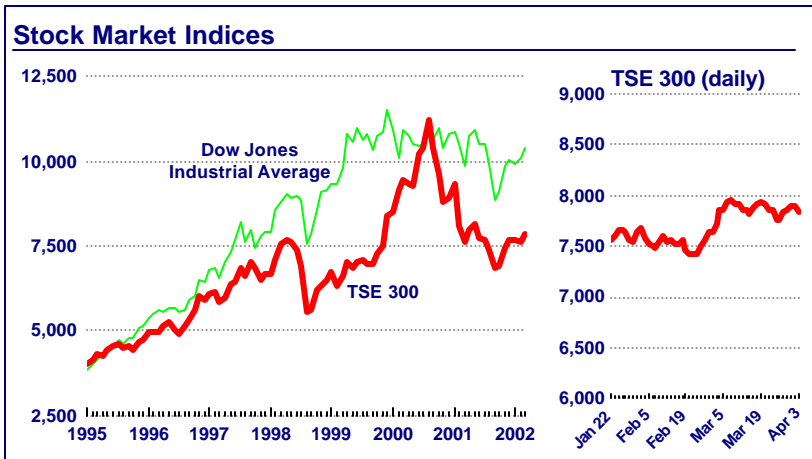
...and sustain the recovery in equity markets

- The TSE 300 index rebounded sharply from February's low of 7418 to near 8000 in March, the highest level since last June. The Dow Jones also reached levels last seen in the summer of 2001, climbing above 10,500 in March, while the broader based S&P 500's advance was more modest.
- In recent weeks, however, concerns about still relatively high price-earning ratios, particularly in the high-tech sector where the near-term profit outlook remains bleak, have weighed on equity markets. Nonetheless, equity indices remain above their February lows.



The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	\$Cdn vs. EURO	yen vs. \$Cdn
1999	0.6929	82.67	1.585	69.66
2000	0.6669	81.19	1.370	73.64
Oct 2001	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	0.6300	78.05	1.414	82.89
Feb	0.6242	78.38	1.390	83.71
Mar 2002	0.6273	78.69	1.392	82.51
Apr 3 2002	0.6289	78.40	1.399	83.45



Key Stock Market Indexes

	March Close	% change from	
		last month	last year
TSE 300	7,851	2.8	3.2
Oil & Gas	10,456	7.0	20.1
Metals & Minerals	4,732	1.5	18.7
Utilities	10,006	-9.7	-24.9
Paper & Forest	5,731	1.1	19.1
Merchandising	7,579	7.8	34.8
Financial Services	11,414	4.3	11.3
Gold	6,192	3.7	50.0
S&P 500	1,147.4	3.7	-1.1
Dow Jones	10,404	2.9	5.3



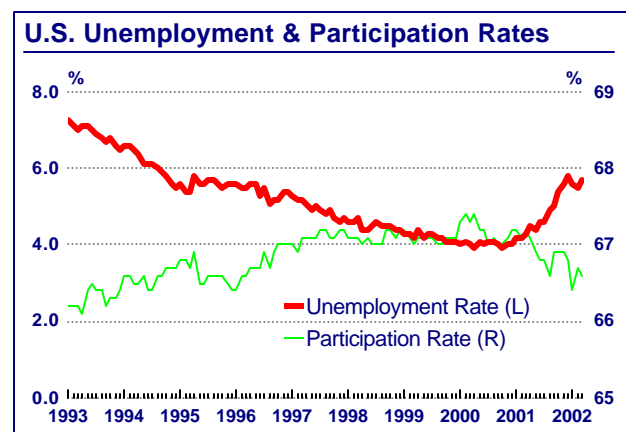
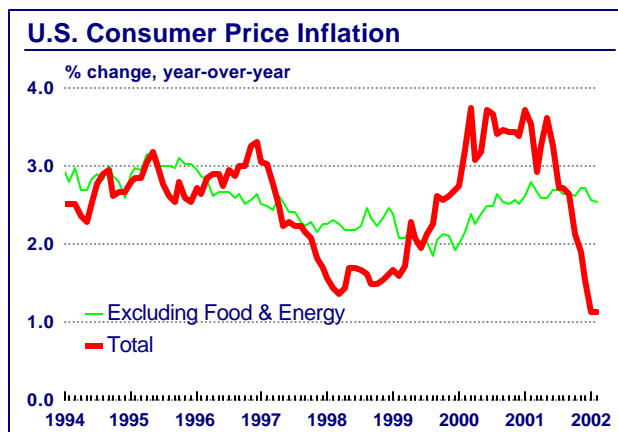
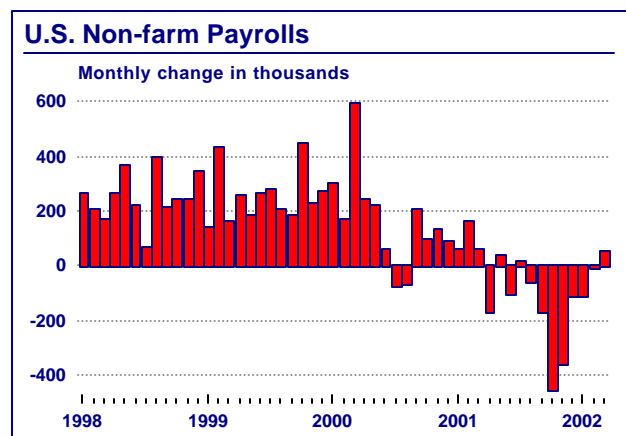
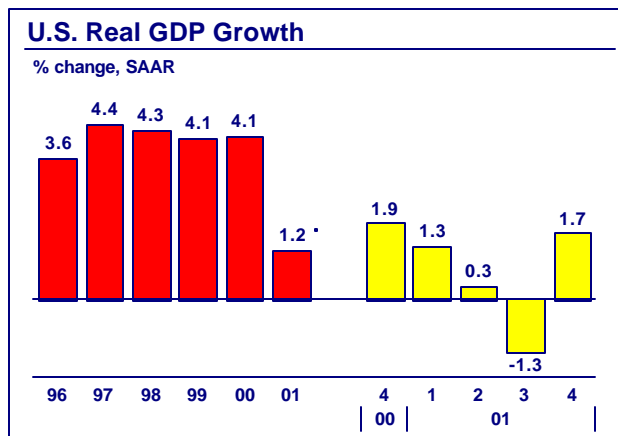
U.S. Economic Trends

The U.S. economy rose 1.7% in the fourth quarter...

- According to final estimates, U.S. real GDP grew at an annualized rate of 1.7% in the fourth quarter (revised up from the 1.4% reported earlier), after decreasing 1.3% in the third. This reflects the biggest increase in government spending (10.2%) in many years and a strong rise in consumer spending (6.1%), 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.
- Recent indicators point to stronger growth in the first quarter. Consumer spending has remained strong, rising further in January and February. Consumer confidence surged 15 points in March, to 110.2. New orders for durable goods rose 1.5% in February following a revised rise of 1.3% in January. Industrial production posted the second monthly increase in a row (+0.4%) in February. In light of these developments, the consensus forecast for growth has been revised up again in April to 2.6% from 2.1% in March and a low of 0.7% in November.

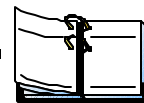
...but unemployment rate edged up to 5.7% in March...

- The unemployment rate increased 0.2 of a percentage point to 5.7% in March. It averaged 5.6% in the first quarter of 2002. Non-Farm Payroll Employment increased by 58,000, helping reduce job losses to 53,000 in the first quarter. March's job gains were concentrated in Services, as Manufacturing lost another 38,000 jobs. However, this is the lowest monthly loss in Manufacturing since December 2000, suggesting the sector is bottoming out.
- CPI inflation was steady at 1.1% in January and February, while core inflation fell from 2.6% to 2.5%.



COMING UP

Key Future Data Releases and Planned Events



CANADA

Bank of Canada (key policy interest rate announcement)	April 16
International Trade - February	April 17
Survey of Manufacturing - February	April 17
Consumer Price Index - March	April 23
Real GDP by industry - February	April 30
Business Conditions Survey - April	May 2
Labour Force Survey - April	May 10
Balance of International Payments - 1st Quarter, 2002	May 31
National Economic & Financial Accounts - 1st Quarter, 2002	May 31
Industrial Capacity Utilization Rates - 1st Quarter, 2002	June 11
Financial Statistics for Enterprises - 1st Quarter, 2002	June 21
Private and Public Investment (revised intentions) - 2002	July 24

UNITED STATES

Consumer Price Index - March	April 16
International Trade in Goods and Services - February	April 17
GDP by Industry - 2001 (preliminary)	April 24
GDP - 1st Quarter, 2002 (advance)	April 26
The Employment Situation - April	May 3
Federal Open Market Committee meeting	May 7

Note: the March/April 2002 MEI uses data available as of April 12, 2002