

MONTHLY ECONOMIC INDICATORS

May 2002

HIGHLIGHTS

-  **Output rose 0.5% in February following an increase of 0.6% in January. This points to solid growth for the first quarter.**
-  **Employment rose by 37,000 in April and the unemployment rate fell to 7.6%.**
-  **While 207,000 jobs have been created in Canada so far this year, employment has declined slightly in the U.S.**
-  **In line with these developments, the Bank of Canada raised its policy rates by 25 basis points while the U.S. Federal Reserve kept them unchanged.**
-  **This has helped the Canadian dollar which rose to over US64¢ in recent weeks.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	953.1	0.5	1.8	Feb
Goods	299.8	1.5	-0.7	Feb
Services	653.3	0.0	2.9	Feb
Composite Index	173.0	1.3	4.1	Mar
Employment (000's)	15,297	0.2	1.4	Apr
Full-time	12,464	0.3	0.9	Apr
Part-time	2833	-0.2	3.8	Apr
Unemployment* (%)	7.6	7.7	7.0	Apr
Youth*	13.3	13.7	12.8	Apr
Adult*	6.5	6.5	5.9	Apr
CPI inflation*	1.8	1.5	2.5	Mar
Retail Sales (\$M)	25,234	-0.1	6.9	Feb
Housing Starts (000's)	184.5	-23.5	23.9	Apr
Trade Balance* (\$M)	4,549	5,085	6,449	Feb
Exports	33,691	2.7	-10.3	Feb
Imports	29,142	5.1	-4.4	Feb
M&E	8,764	5.3	-10.4	Feb
3-mth Corp. paper* (%)	2.57	2.46	4.49	May 10
Long bond yield* (%)	5.58	5.64	5.66	May 10
Canadian dollar* (US¢)	64.19	63.76	65.08	May 10

*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 2002

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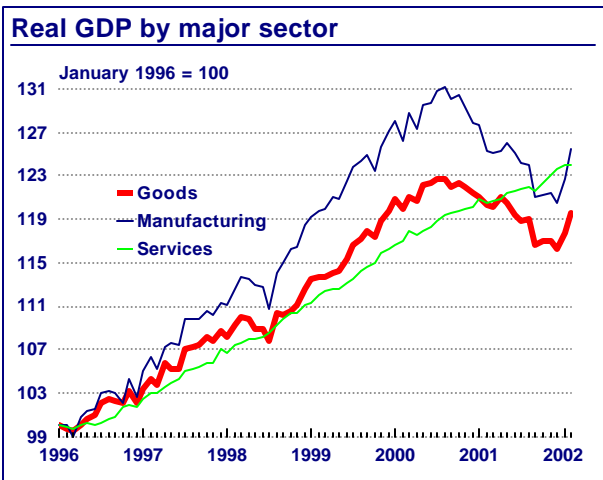
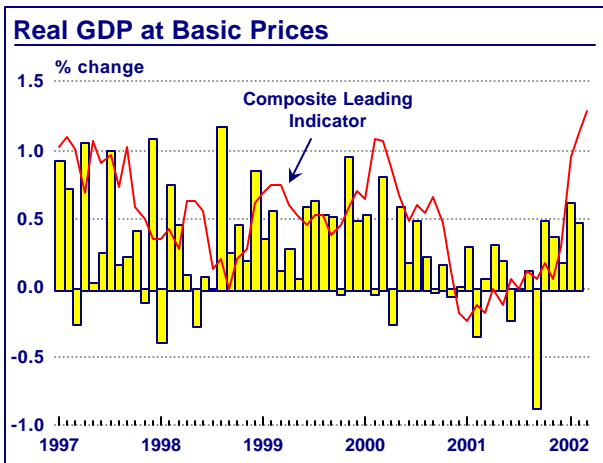


Output growth continues in February...

- Following January's 0.6% increase, real GDP at basic prices advanced 0.5% in February, the fifth consecutive monthly gain. These were the largest back-to-back monthly increases since the end of 1999. The average GDP for January and February was 4.5% (annual rate) higher than the fourth quarter. The Composite Leading Index experienced its sixth consecutive monthly gain in March and the largest in 15 years. These factors point to solid first quarter economic growth.

...supported by gains in the Goods sector

- Goods production rose 1.5% in February, adding to the 1.3% gain in January. Manufacturing was the main driving force behind February's increase with the greatest contribution from motor vehicle assembly and parts fabrication industries. Producers of computer, electrical, paper, chemical, and wood products also reported significant gains. Construction activity rose again in February, led by another increase in residential construction, backed by improved consumer confidence, near record low interest rates, and large employment gains.
- Services output was unchanged in February following gains of 0.3% and 0.6% in January and December respectively. Retailing activity declined in February following four strong monthly increases, due mainly to lower motor vehicle sales. However, Wholesale Trade was boosted by a rise in the wholesaling of motor vehicle and parts. The Education sector was down in February as a result of a 3-week strike by Alberta teachers, while the Arts & Entertainment industry suffered a setback due in part to the shutdown of the National Hockey League for 10 days during the Winter Olympics.



Real GDP at Basic Prices (1997 dollars)

February 2002

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	953,112	4,521	0.5	1.8
Business Sector	808,588	5,001	0.6	1.8
Goods-producing	299,787	4,475	1.5	-0.7
Agri., Forest, Fish, Hunt.*	20,478	481	2.4	-8.8
Mining & Oil & Gas Extraction	35,804	-148	-0.4	-3.2
Utilities	27,443	308	1.1	-3.0
Construction	51,383	159	0.3	3.4
Manufacturing	164,679	3,675	2.3	0.2
Services-producing	653,325	46	0.0	2.9
Wholesale Trade	58,292	135	0.2	4.8
Retail Trade	53,666	-333	-0.6	5.8
Transportation & Warehousing	42,655	305	0.7	-3.7
Information & Cultural	45,792	221	0.5	8.0
FIRE**	187,709	290	0.2	3.9
Professional***	40,697	195	0.5	0.7
Admin. & Waste Mgmt.	20,883	31	0.1	3.8
Education	42,862	-500	-1.2	-0.9
Health & Social	54,509	100	0.2	2.6
Arts, Entertain. & Recreation	8,584	-520	-5.7	-3.0
Accommodation & Food	22,277	-65	-0.3	-1.4
Other	21,227	22	0.1	2.3
Public Administration	54,172	165	0.3	4.0

*Agriculture, forestry, fishing & hunting

**Finance, Insurance & Real Estate

***Professional, scientific & technical

THE ECONOMY

Consumer Spending and Attitudes

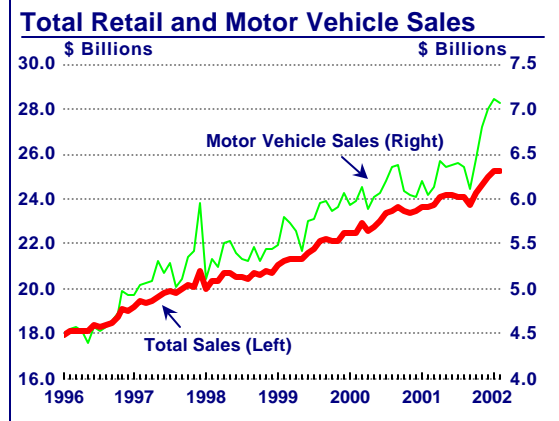


Consumer spending remained strong in the first quarter

- Retail sales were relatively stable in February following four consecutive monthly increases, driven by rising motor vehicle sales. The average retail sales for January and February was 10.7% above the level in the fourth quarter when sales rose 10.3%. The strong auto sales in recent months has been fuelled by very generous incentive measures, including 0% financing, offered by the industry to bring back inventories closer to normal levels. This has likely resulted in consumers bringing forward their auto purchases and as such, auto sales are expected to decline. Preliminary figures from the auto industry show fewer motor vehicles sold in March, primarily the result of lower truck sales.

...amid rising consumer confidence and employment

- The Conference Board's Consumer Confidence Index rose to 126.7 in March, more than 15 points higher than the 111 level recorded for the fourth quarter, and the highest since 1988. The improvement in consumer confidence is helped by strong growth in employment in recent months, low interest rates and improved economic prospects. With business spending expected to remain subdued in the near-term, consumer spending is key to continued robust growth.

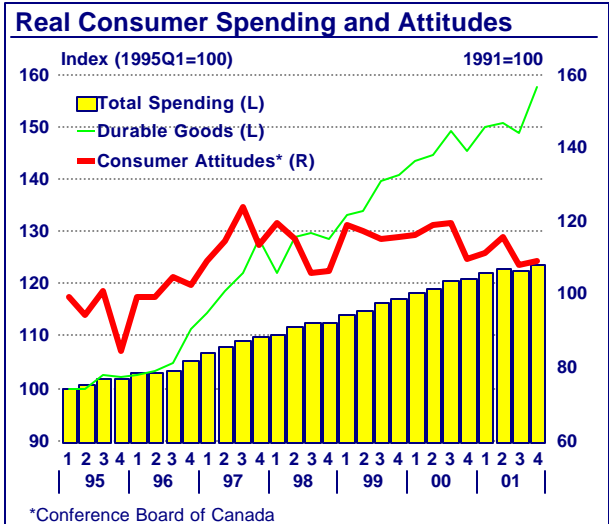


Retail Sales and Consumer Credit

February 2002	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	25,234	-0.1	6.9
Food	5,449	0.8	3.9
Drug Stores	1,282	0.1	9.7
Clothing	1,361	0.5	4.8
Furniture	1,466	-1.6	10.6
Automotive	10,195	-0.6	9.0
General Merch. Stores	2,794	0.0	4.5
All other Stores	2,686	0.2	5.3
Total ex. motor vehicles	18,167	0.1	3.3
Consumer Credit	207	0.3	5.1

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 (%)	95.3	96.4	97.0	97.1



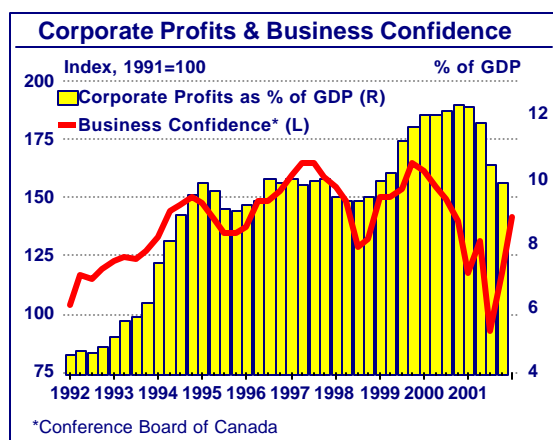
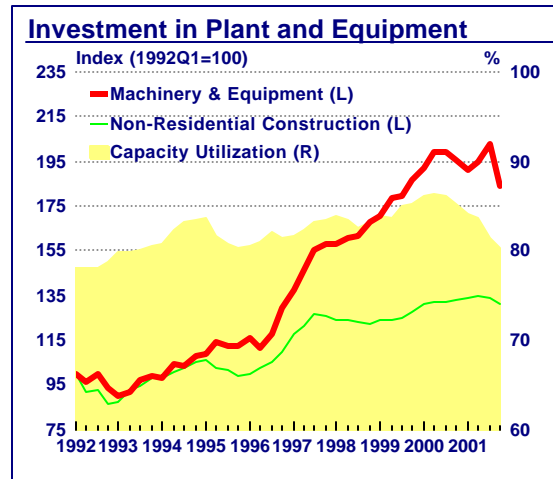


Business investment is still weak

- Business investment has been weak in recent quarters amid falling corporate profits and capacity utilization rates, which have fallen for six consecutive quarters. Recent developments indicate a continuation of weak business investment for the first quarter.
- Despite a rise in February, average imports of M&E for January and February was down 2.8% from the fourth quarter. Nonetheless, the February rise is an encouraging development.

...but continuing recovery in business confidence bodes well for the future

- The Conference Board's Index of Business Confidence rose for the second straight quarter from 117.6 in the fourth quarter of 2001 to 141.5 in the first quarter of 2002. This is the first time the index has jumped more than 20 points in two consecutive quarters. This remarkable recovery in confidence bodes well for future investment expenditures although the majority of respondents reported a level of operations below capacity.



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



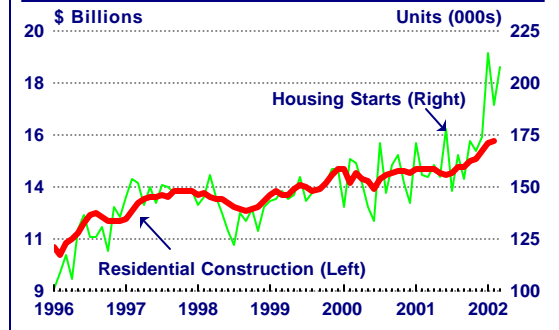
Robust housing activity continued in the first quarter...

- Following a strong fourth quarter performance, housing activity remained robust in the first quarter. Residential construction rose in February for the fifth straight month, with the average for January and February rising 4.5% from the fourth quarter level. In addition, first quarter housing starts were 19% higher than the fourth quarter. First quarter existing home sales were 11.2% higher than the previous quarter.

...and near-term prospects are good

- Residential building permits for the first quarter were 4.4% higher than the fourth quarter despite a 1.2% decline in March. Despite an 11.3% decline in housing starts in April, the monthly rate is still 14.9% higher than a year ago and the trend in new home construction remains positive according to the Canada Mortgage and Housing Corporation.
- While some slowdown may be forthcoming, the housing sector should remain strong given a strengthening economy, accompanied by rising disposable incomes, strong full-time job growth and still near record low mortgage rates.

Housing Activity



Monthly Housing Indicators

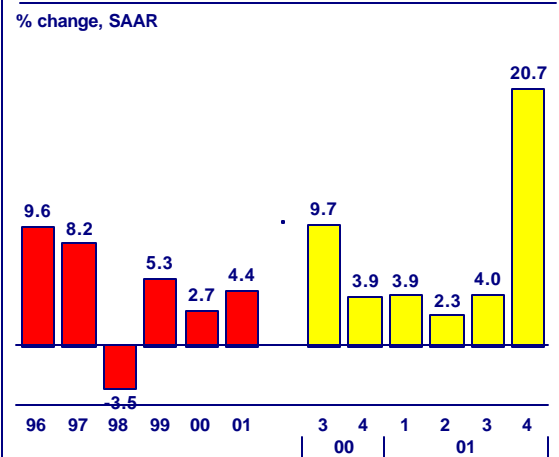
	levels	Change since	
		last month	last year
Residential Construction (1) (\$97M, basic prices)	15,559	0.9%	8.8%
Building Permits, \$M (2)	2,392	-1.2%	43.8%
Sales of Existing Homes (2) (# of units)	25,191	-2,636	4,535
Housing Starts, # of units (3)	184,500	-23,500	23,900
Newfoundland	1,600	0	800
Prince Edward Island	500	-200	300
Nova Scotia	2,900	500	-500
New Brunswick	2,700	1,000	1,300
Quebec	31,000	100	9,600
Ontario	71,600	-9,000	3,500
Manitoba	1,700	-200	-400
Saskatchewan	2,000	700	600
Alberta	30,600	-8,900	6,100
British Columbia	14,000	-3,900	-2,100

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





Trade and Competitiveness

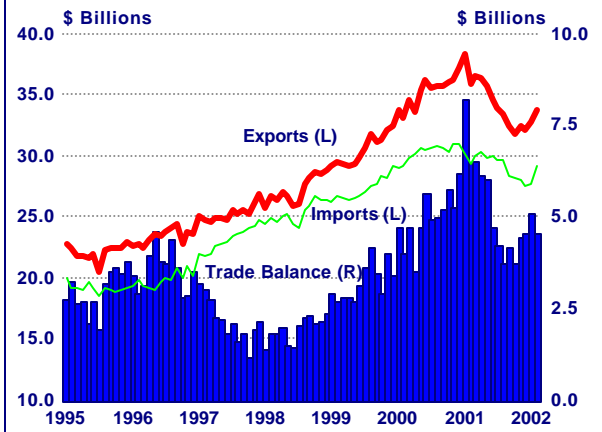
Imports rose faster than exports in February...

- Consistent with improving domestic demand, imports posted a second consecutive monthly increase with a 5.1% gain in February. This is the largest monthly growth rate since August 1998. Growth was led by Automotive Products, Machinery & Equipment, and Industrial Goods & Materials.
- In light of improving global economic conditions and prospects, particularly in the U.S., exports rose 2.7% in February, the second straight monthly increase and the largest since May 2000. Five of the seven major categories reported increases, led by Automotive Products, Forestry Products, and Industrial Goods & Materials.

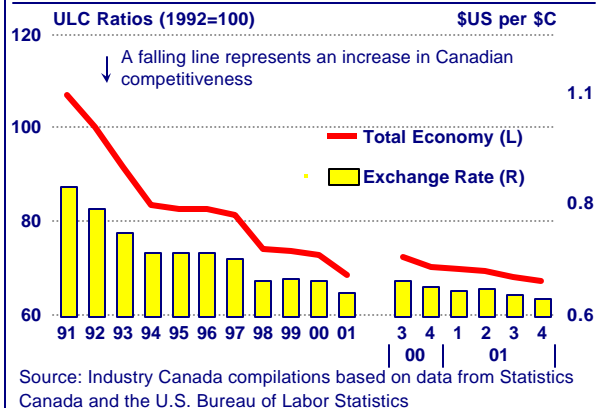
...resulting in smaller trade surplus

- In line with these developments, Canada's merchandise trade surplus fell to \$4.5 billion in February from \$5.1 billion in January. This is the first decrease in four months.
- Canada's trade surplus with the U.S. fell \$33 million to \$7.6 billion in February, while the trade deficit with all other trading partners rose \$0.5 billion to \$3.1 billion.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



Merchandise Trade

February 2002	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	January 2002	February 2002	Jan.-Feb. 2001	Jan.-Feb. 2002	Jan. to Feb. 2002	Jan. to Feb. 2002	Jan.-Feb. 2001 to Jan.-Feb. 2002	
Exports	32,802	33,691	74,138	66,493	889	2.7	-10.3	
to United States	28,072	28,531	63,841	56,603	459	1.6	-11.3	
Imports	27,717	29,142	59,486	56,859	1,425	5.1	-4.4	
from United States	20,410	20,902	43,218	41,312	492	2.4	-4.4	
Trade Balance	5,085	4,549	14,652	9,634	-536			
with United States	7,662	7,629	20,623	15,291	-33			
Exports by Commodity								
Agriculture/Fishing Products	2,585	2,695	4,844	5,280	110	4.3	9.0	
Energy Products	2,987	3,071	13,570	6,058	84	2.8	-55.4	
Forestry Products	2,889	3,098	6,682	5,987	209	7.2	-10.4	
Industrial Goods & Materials	5,523	5,848	11,139	11,371	325	5.9	2.1	
Machinery & Equipment	8,737	8,035	17,751	16,772	-702	-8.0	-5.5	
Automotive Products	7,396	8,286	14,893	15,682	890	12.0	5.3	
Other Consumer Goods	1,490	1,406	2,633	2,896	-84	-5.6	10.0	
Imports by Commodity								
Agriculture/Fishing Products	1,779	1,803	3,286	3,582	24	1.3	9.0	
Energy Products	1,162	1,064	3,429	2,226	-98	-8.4	-35.1	
Forestry Products	249	250	502	499	1	0.4	-0.6	
Industrial Goods & Materials	5,558	5,850	11,965	11,408	292	5.3	-4.7	
Machinery & Equipment	8,323	8,764	20,126	17,087	441	5.3	-15.1	
Automotive Products	6,014	6,430	11,112	12,444	416	6.9	12.0	
Other Consumer Goods	3,612	3,795	6,965	7,407	183	5.1	6.3	

LABOUR MARKET TRENDS



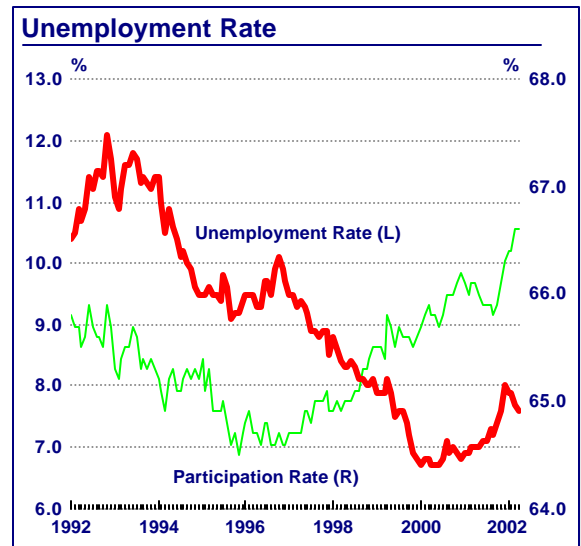
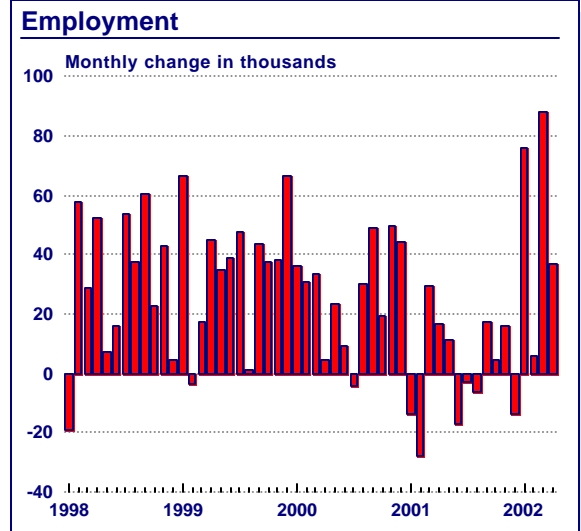
Employment and Unemployment

Employment increased further in April...

- Employment rose 37,000 in April, bringing total gains since January to 207,000. All the gains were concentrated in full-time employment (+41,000) while part-time jobs edged down 5,000. The strengthening of the Canadian labour market observed so far this year is in contrast to the U.S. situation, where employment is down slightly over the first four months of the year.
- Total hours worked increased 0.9% in April, further suggesting that the Canadian economy is rebounding quickly.

...reducing the unemployment rate to 7.6%

- The national unemployment rate declined to 7.6% in April, down from a peak of 8% in December 2001 but up from a low of 6.7% in mid 2000.
- Youth employment increased only 2,000 in April but is up 56,000 since the start of the year, mostly in part-time. The unemployment rate for this group decreased 0.4 percentage point to 13.3%, as the labour force declined at a faster pace than employment increased. Adult employment increased 35,000, bringing gains to 151,000 since January.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2001 April	2002 March	2002 April	last month	last year	year-to-date	last month	last year
Employment	15,081.1	15,260.1	15,296.7	36.6	215.6	206.5	0.2	1.4
Full-time	12,352.9	12,422.5	12,463.8	41.3	110.9	126.6	0.3	0.9
Part-time	2,728.3	2,837.6	2,832.8	-4.8	104.5	79.8	-0.2	3.8
Youth 15-24	2,326.2	2,354.1	2,356.2	2.1	30.0	55.9	0.1	1.3
Adult 25+	12,754.9	12,906.0	12,940.5	34.5	185.6	150.6	0.3	1.5
Self-employed	2,325.5	2,288.8	2,318.4	29.6	-7.1	36.8	1.3	-0.3
Unemployment	1,142.6	1,273.0	1,262.5	-10.5	119.9	-56.3	-0.8	10.5
Unemployment Rate	7.0	7.7	7.6	-0.1	0.6	-0.4		
Youth 15-24	12.8	13.7	13.3	-0.4	0.5	-0.7		
Adult 25+	5.9	6.5	6.5	0.0	0.6	-0.4		
Labour Force	16,223.8	16,533.1	16,559.1	26.0	335.3	150.1	0.2	2.1
Participation Rate	66.1	66.6	66.6	0.0	0.5	0.3		
Employment Rate	61.4	61.4	61.5	0.1	0.1	0.6		



Industry Overview

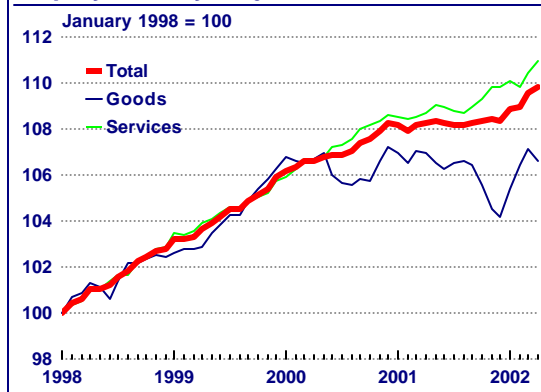
Employment declined in the Goods sector...

- Employment in the Goods sector decreased by 19,000 in April, offsetting most of the gains recorded in the previous month. The Manufacturing sector lost about 19,000 jobs in April, although employment is up 81,000 since the beginning of the year in this sector. The downward trend in Natural Resources employment continued in April, with a decrease of 8,000 jobs. The Construction sector recorded the highest employment gains (+7,000).

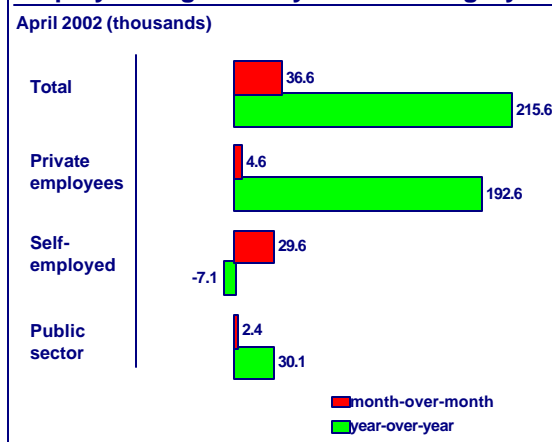
...while the Service sector continues its upward trend in April

- Employment in Services rose by 56,000 in April, bringing the total job gains to 121,000 since January. The largest gains were posted in Health Care & Social Assistance (+25,000), continuing the upward trend that began last July. The strength in the housing market continued to fuel consumer demand for household-related items. Reflecting continued strength in household spending, Trade employment increased 24,000, bringing gains to 42,000 in the last two months. The largest loss was recorded in Public Administration (-22,000).
- Self-employment increased by 30,000 in April, the first major increase in nearly two years.

Employment by major sector



Employment growth by worker category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2001 April	2002 March	2002 April	last month	last year	year-to- date	last month	last year
Goods-producing	3,892.6	3,896.4	3,877.2	-19.2	-15.4	85.8	-0.5	-0.4
Agriculture	340.6	312.4	311.7	-0.7	-28.9	-1.0	-0.2	-8.5
Natural Resources*	288.0	285.0	276.6	-8.4	-11.4	-14.3	-2.9	-4.0
Utilities	120.8	128.5	130.1	1.6	9.3	8.4	1.2	7.7
Construction	846.5	853.4	860.6	7.2	14.1	12.0	0.8	1.7
Manufacturing	2,296.8	2,317.0	2,298.3	-18.7	1.5	80.9	-0.8	0.1
Services-producing	11,188.5	11,363.8	11,419.5	55.7	231.0	120.7	0.5	2.1
Trade	2,346.9	2,433.8	2,457.6	23.8	110.7	25.1	1.0	4.7
Transportation*	782.0	729.8	741.1	11.3	-40.9	-4.6	1.5	-5.2
FIRE*	879.6	881.4	885.6	4.2	6.0	12.8	0.5	0.7
Professional/Scientific	1,014.0	976.8	974.9	-1.9	-39.1	5.2	-0.2	-3.9
Management/Administrative	543.4	595.1	592.0	-3.1	48.6	23.0	-0.5	8.9
Educational Services	964.3	981.8	993.0	11.2	28.7	22.3	1.1	3.0
Health Care/Social Assistance	1,530.9	1,557.2	1,581.9	24.7	51.0	17.1	1.6	3.3
Information/Culture/Recreation	706.8	709.8	717.9	8.1	11.1	21.1	1.1	1.6
Accommodation & Food	974.3	1,008.6	1,010.2	1.6	35.9	19.0	0.2	3.7
Other Services	680.4	698.1	696.4	-1.7	16.0	-1.8	-0.2	2.4
Public Administration	765.8	791.5	769.1	-22.4	3.3	-18.4	-2.8	0.4

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



Provincial Overview

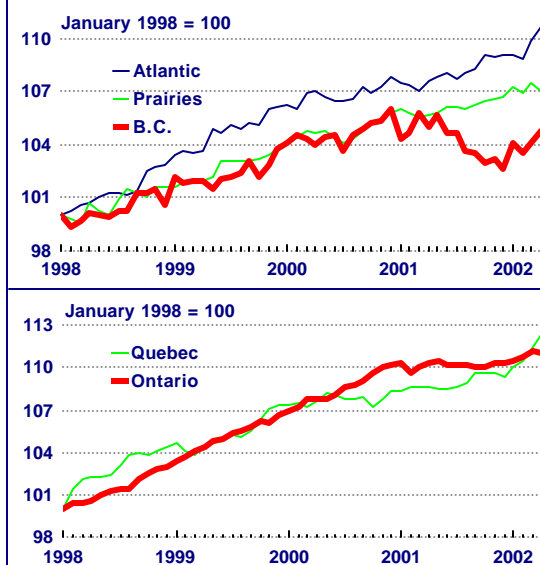
Employment gains were concentrated in Quebec and British Columbia in April

- Quebec (+29,000) and British Columbia (+13,000) experienced the biggest job gains in April. Quebec's employment increased for the fourth consecutive month and was 117,000 higher than the same period last year. Employment in British Columbia also continued its upward trend, but it was still lower than its recent peak reached in May 2001. The highest gains in these two provinces were recorded in the Trade sector. Prince Edward Island (+2.4%) and Newfoundland & Labrador (+1.4%) also recorded strong employment growth in April.
- In Ontario, employment was little changed in April. Still, it is up 43,000 since the start of the year. Employment decreased in all the Prairies provinces. In Alberta, job losses were concentrated in the Natural Resources sector (-10,000), continuing its downward trend that started in October 2001.

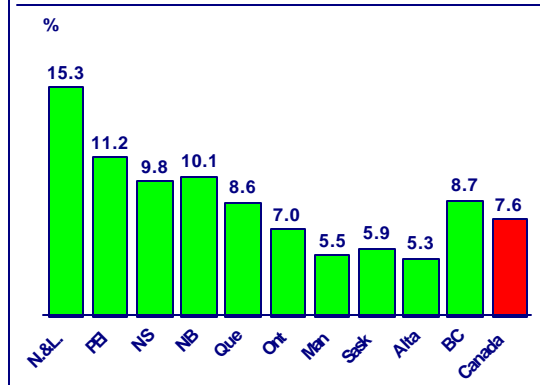
The unemployment rate increased in the Prairies but fell in the Atlantic region

- The unemployment rate increased in all the Prairie provinces in April with the largest increase occurring in Manitoba (0.5 percentage point to 5.5%). It also edged up to 9.8% in Nova Scotia, as the labour force increased at a faster pace than employment.
- The largest reductions in unemployment rates were posted by Newfoundland & Labrador (-1.3 percentage points to 15.3%) and P.E.I. (-1.2 percentage points to 11.2%).

Regional employment patterns

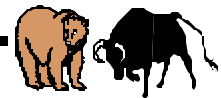


Unemployment Rates -- March 2002



Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment rate (%)			
	Levels	Change since last month		Change since last year		Levels	Change since last month	
	2002 April	(000's)	%	(000's)	%		last month	last year
Canada	15,296.7	36.6	0.2	215.6	1.4	7.6	-0.1	0.6
Newfoundland & Labrador	217.9	3.1	1.4	6.6	3.1	15.3	-1.3	-2.0
P.E.I.	67.9	1.6	2.4	2.8	4.3	11.2	-1.2	-2.2
Nova Scotia	427.4	2.7	0.6	7.7	1.8	9.8	0.1	-0.3
New Brunswick	347.2	0.1	0.0	12.8	3.8	10.1	-0.3	-1.1
Quebec	3,584.3	29.1	0.8	116.9	3.4	8.6	-0.3	-0.1
Ontario	6,012.6	-1.6	0.0	38.1	0.6	7.0	0.0	1.1
Manitoba	563.0	-4.3	-0.8	8.9	1.6	5.5	0.5	0.4
Saskatchewan	473.0	-2.2	-0.5	-0.6	-0.1	5.9	0.1	-0.2
Alberta	1,650.7	-5.0	-0.3	25.6	1.6	5.3	0.3	0.5
B.C.	1,952.7	13.0	0.7	-3.3	-0.2	8.7	-0.3	1.7



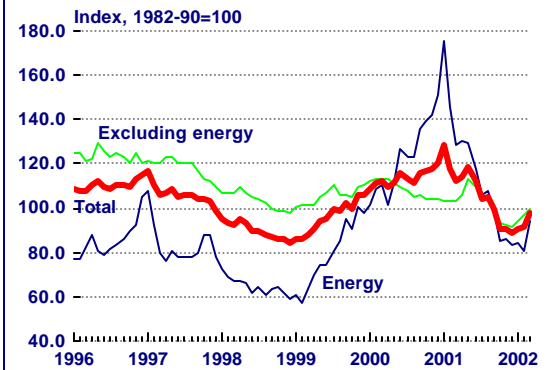
Inflation rose to 1.8% in March...

- Inflation was 1.8% in March, up from 1.5% in February and 1.3% in January.
- Higher transportation costs contributed to this increase, reflecting in part a strong year-over-year rise in air travel costs. Higher provincial taxes on cigarettes also played a role. Energy prices were down 3.3%, following a decline of 5.8% in February. Inflation was the highest in British Columbia (2.9%) and the lowest in Newfoundland & Labrador (0.4%).
- On a monthly basis, the Consumer Price Index (CPI) increased 0.7%, following a 0.6% rise in February. The energy index rose by 3.9% as gasoline prices jumped 9.2%, the biggest monthly rise in almost 20 years. Electricity prices increased 2.8%, driven by higher electricity rates in Ontario.

...and the "core" rate remained within the midpoint of the official target range

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, edged down to 2.1% from 2.2% in February, very close to the Bank of Canada's 2% target midpoint.
- Commodity prices were down 13.1% in March on a year-over-year basis compared with declines of over 20% in the previous five months. This smaller decline reflected a recovery in energy and non-energy prices in the first three months of this year.

Commodity Prices (\$U.S. basis)



Consumer Prices

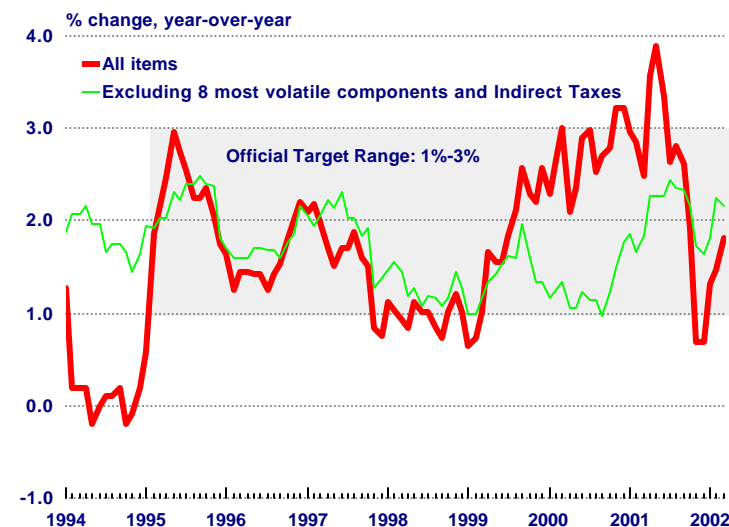
March 2002

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	117.7	0.7	1.8
Food	120.4	-0.2	3.3
Shelter	113.1	0.0	1.1
Household operations	113.7	0.5	2.2
Clothing & Footwear	107.1	1.6	-0.7
Transportation	130.5	2.4	0.3
Health & Personal Care	114.5	-0.3	0.9
Recreation, Educ. & Reading	124.9	0.6	1.1
Alcohol & Tobacco	114.1	1.1	14.8
Excl. 8 Most Volatile/Indirect Taxes	118.7	0.4	2.2
Energy	127.2	3.9	-3.3

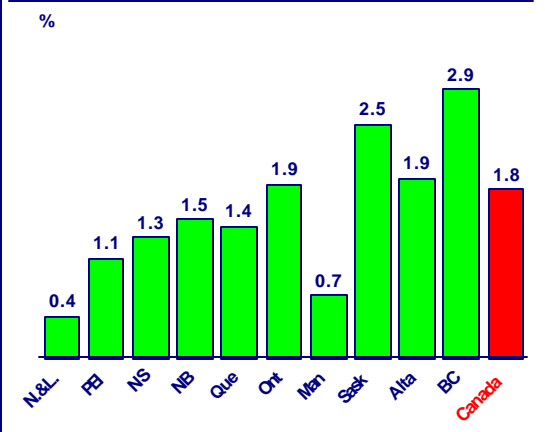
Commodity Prices (March 2002)

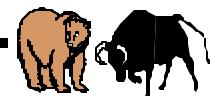
	Index, 1982-90=100	% Change since last month	% Change since last year
Index, 1982-90=100	97.5	6.8	-13.1
Excluding Energy	99.4	2.7	-4.1
Energy	94.1	16.3	-26.7

Consumer Price Index



Provincial CPI Inflation -- March 2002



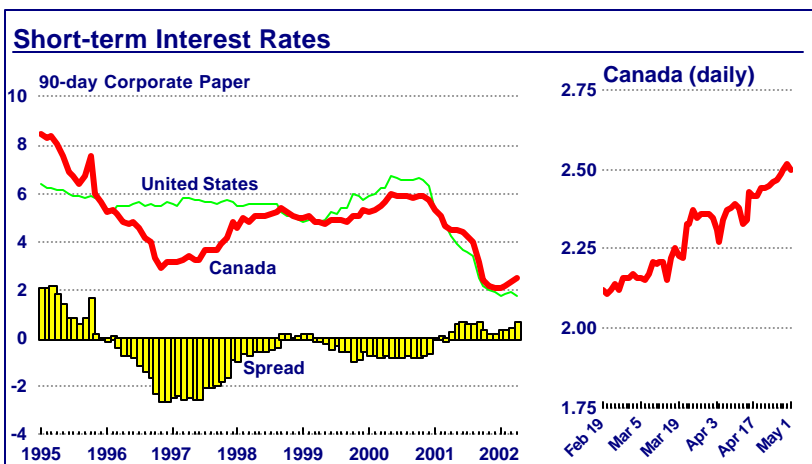


The Bank of Canada increased the overnight rate, while the U.S. Federal Reserve kept its policy rate unchanged

- The Bank of Canada raised its overnight rate target by 25 basis points (bps) to 2.25% on April 16. The Bank cited that improving domestic and global economic conditions necessitate less stimulative credit conditions, but noted the possibility of renewed weakness. Given continued good economic performance, analysts expect the Bank to steadily raise interest rates throughout this year and next year, pushing the overnight rate back up to 4.5 - 5.0%. In the meantime, the U.S. Federal Reserve decided to keep the federal funds rate unchanged at 1.75%, pointing to still considerable uncertainty about the durability and strength of the recovery.
- In line with these developments, the Canada-U.S. short-term rate spread widened to about 70 bps in early May, adding to the upward trend that began last November when the spread was 17 bps.

North American long-term yields retreated

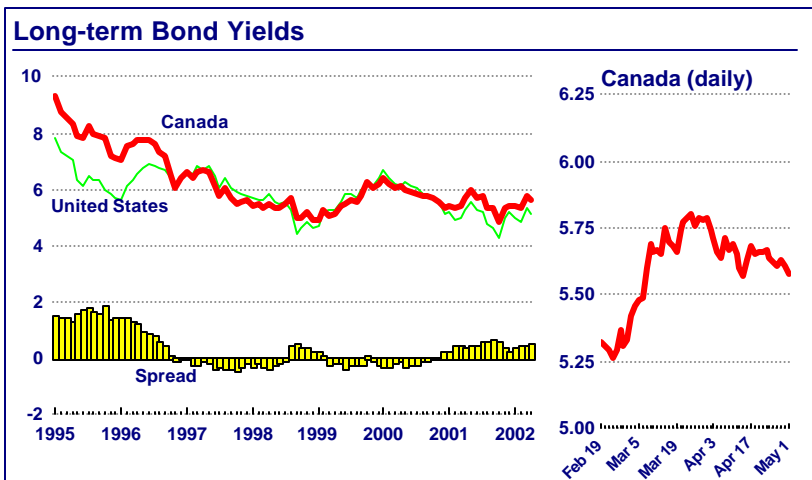
- After peaking in late March, long-term yields have subsequently retreated as investors shifted some funds away from equity to bonds on concerns about the strength of the U.S. economic recovery and corporate profits.
- Canadian and U.S. 10-year bond yields are down about 30 bps from their peak in March. On May 6, the Canadian bond yield was at 5.5%, 40 bps above its U.S. counterpart.



Key Market Rates

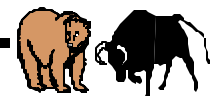
(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1999	5.27	-0.49	6.18	-0.22
2000	5.71	-0.60	5.35	0.24
Nov 2001	2.17	0.17	5.36	0.38
Dec	2.08	0.19	5.44	0.22
Jan	2.07	0.31	5.42	0.40
Feb	2.16	0.34	5.31	0.47
Mar	2.36	0.42	5.79	0.44
Apr 2002	2.46	0.69	5.64	0.53
May 1	2.50	0.72	5.58	0.50

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



Key Lending Rates

(end of period)	Overnight Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1999	4.76	6.50	7.35	8.25
2000	5.80	7.50	7.70	7.95
Nov 2001	2.60	4.00	4.60	6.85
Dec	2.24	4.00	4.60	6.85
Jan	1.99	3.75	4.55	7.00
Feb	1.99	3.75	4.55	6.85
Mar	1.99	3.75	5.30	7.30
Apr 2002	2.24	4.00	5.40	7.45
May 1	2.25	4.00	5.40	7.45

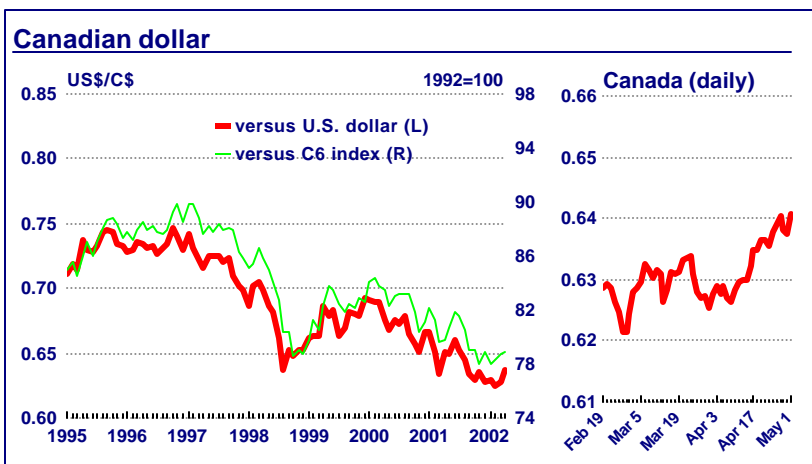


The Canadian dollar reached a six-and-a-half month high

- After hovering around the US63¢ level since the beginning of 2002, the Canadian dollar climbed sharply in April and closed out on May 10 at US64.2¢, a level last observed in mid-October of 2001. A quick economic rebound in Canada, an increasing Canada-U.S. short-term rate spread and a weakening of the U.S. currency against major currencies contributed to bolstering our dollar.
- Vis-à-vis the currencies of other trading partners, the dollar has remained relatively stable since the start of 2002. The exchange rate per euro was steady at \$C1.40, while one dollar exchanged for about 82 Yen, and the exchange rate per British Pound was around \$C2.30.

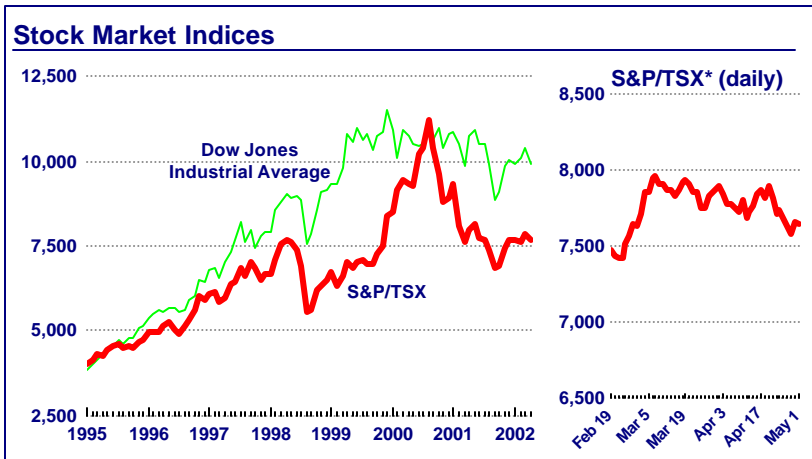
Uneasy investor sentiment weakened equity markets

- After a rally late in February, major North American stock indices trended steadily lower, erasing the gains accumulated since the start of the year. Sparse indication of a near-term profit revival, combined with ongoing concerns about corporate reporting accountability, weighed heavily on the indices.
- As of May 6, the S&P/TSX was down 4.4% from its recent peak in early March, while the Dow Jones was down 6.5%.



The Canadian Dollar

(close)	US\$ vs. C\$	index vs. C-6 (92=100)	C\$ vs. EURO	yen vs. C\$
1999	0.6929	82.67	1.453	69.66
2000	0.6669	81.19	1.409	73.64
Nov 2001	0.6358	78.08	1.408	76.90
Dec	0.6278	78.95	1.419	80.76
Jan	0.6300	78.05	1.368	82.89
Feb	0.6242	78.38	1.390	83.71
Mar	0.6273	78.69	1.388	82.51
Apr 2002	0.6376	78.89	1.412	82.69
May 12002	0.6407	79.58	1.412	81.81



Key Stock Market Indexes

	April Close	% change from	
		last month	last year
S&P/TSX *	7,663	-2.4	-3.6
Oil & Gas	10,521	0.6	11.3
Metals & Minerals	4,502	-4.9	-4.2
Utilities	9,876	-1.3	-28.4
Paper & Forest	5,683	-0.8	11.3
Merchandising	7,673	1.2	30.9
Financial Services	11,483	0.6	17.6
Goods	6,503	5.0	40.2
S&P 500	1,076.9	-6.1	-13.8
Dow Jones	9,946	-4.4	-7.3

* On May 1st, Canada's main composite index was renamed S&P/TSX with no change in the composition of the index for the time being.

THE UNITED STATES ECONOMY



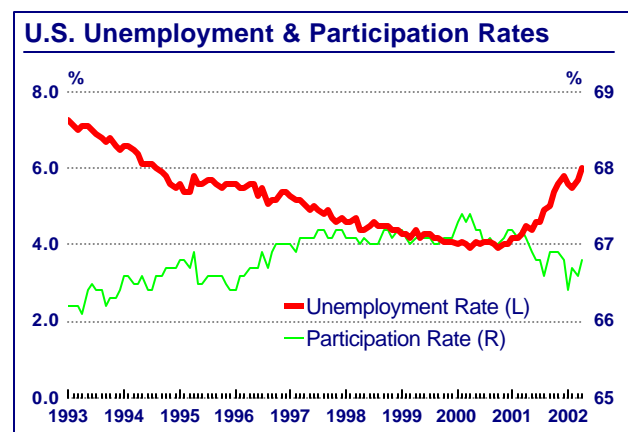
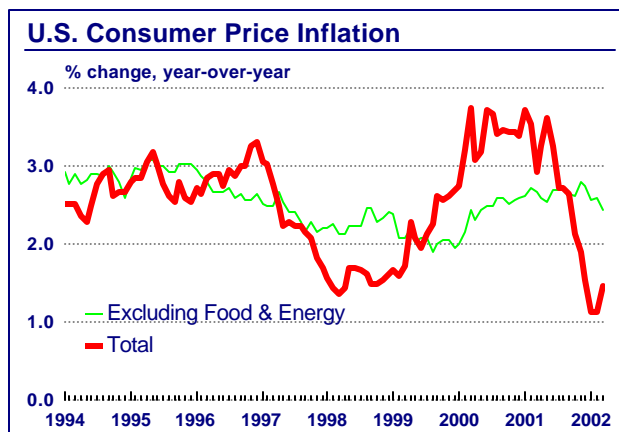
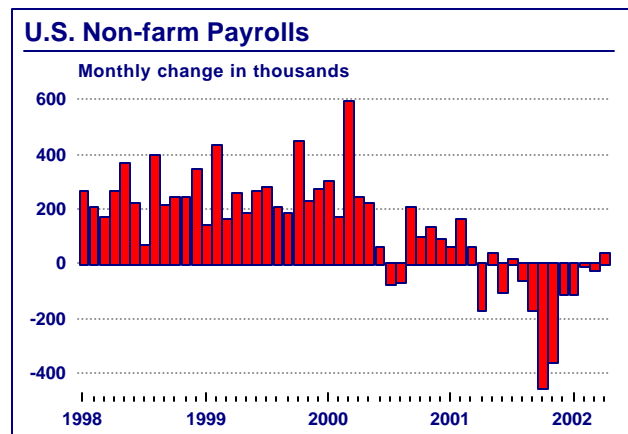
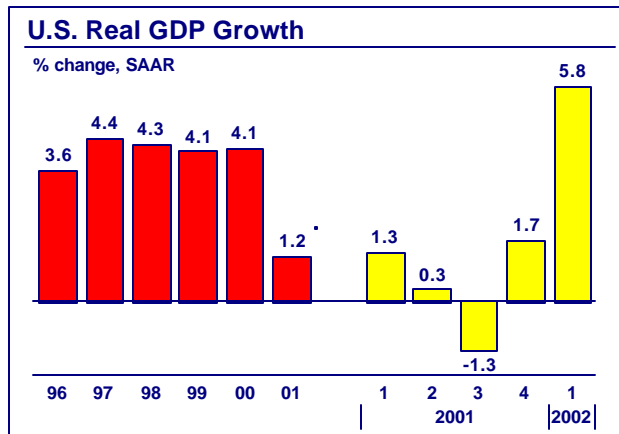
U.S. Economic Trends

The U.S. posted strong growth in output and productivity...

- According to advance estimates, U.S. real GDP recorded an annualized growth of 5.8% in the first quarter of 2002, its largest increase since the end of 1999 (this is based on incomplete data and is subject to significant revisions). A slowdown in inventory liquidation contributed 3.1% to growth. Consumer spending continued to rise, but at a slower pace than in the first quarter, reflecting a decline in spending on durables following a sharp rise in the previous quarter. Residential investment (15.7%), government spending (7.9%) and exports (6.8%) also contributed to growth. The contributions of these components were partly offset by a sharp upturn in imports (15.5%) and a decline in non-residential investment.
- In line with strong growth in output and weak hours worked, labour productivity in the non-farm business sector rose 8.6% in the first quarter, up from 5.5% in the previous quarter and the largest quarterly increase since the second quarter of 1983. The rise in productivity more than offset the gain in wages, leading to unit labour costs falling by 5.4% after a decline of 3.1% in the previous quarter. This is helping keep inflation quiescent. In March, CPI inflation rose slightly to 1.5%, while core inflation fell to 2.4%.

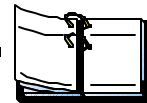
...but employment conditions remained weak, with the unemployment rate rising to 6%

- Following a decline of 21,000 jobs in March, non-farm employment edged up 43,000 in April. Employment has been relatively flat in the last three months, contrasting with an average monthly loss of 144,000 jobs between March 2001 and January 2002. April's gains were widespread, partly offsetting lower employment in construction and manufacturing. The unemployment rate was up 0.3 of a percentage point to 6% in April, its highest level since August 1994, as more people entered the job market. This, together with some indications of consumer spending and orders leveling off, has raised questions about the strength and durability of the U.S. recovery.



COMING UP

Key Future Data Releases and Planned Events



CANADA

Survey of Manufacturing - March	May 16
International Trade - March	May 17
Consumer Price Index - April	May 22
Balance of International Payments - 1st Quarter, 2002	May 31
National Economic & Financial Accounts - 1st Quarter, 2002	May 31
Real GDP by Industry - March	May 31
Bank of Canada (key policy interest rate announcement)	June 4
Labour Force Survey - May	June 7
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
Business Conditions Survey - July	August 2

UNITED STATES

Consumer Price Index - April	May 15
International Trade in Goods and Services - March	May 17
GDP - 1st Quarter, 2002 (preliminary)	May 24
The Employment Situation - May	June 7
Federal Open Market Committee meeting	June 24/25

Note: the May 2002 MEI uses data available as of May 10, 2002