



Industry
Canada

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Monthly Economic Indicators

May 2003

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.


Canada


MONTHLY ECONOMIC INDICATORS


May 2003


HIGHLIGHTS


 ***In February, real Gross Domestic Product (GDP) rose 0.2% following a gain of 0.5% in January.***

 ***This points to continued economic growth in the first quarter with domestic demand providing the bulk of support.***

 ***Employment decreased by 19 000 in April as Accommodation & Food as well as Health & Social Services felt the negative impact of the Severe Acute Respiratory Syndrome (SARS) outbreak.***

 ***SARS will limit Canadian growth in the second quarter, but the dissipation of uncertainties over the conflict in Iraq should have a positive impact on economic activity in the near future.***

 ***The Bank of Canada raised its overnight rate in April while the U.S. Federal Reserve kept its policy rate unchanged in May.***

 ***The Canadian dollar continued to make impressive gains approaching US¢72.0 in early May, its highest level since October 1997.***

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	995.4	0.2	3.1	Feb
Goods	308.3	0.3	2.7	Feb
Services	687.4	0.2	3.3	Feb
Composite Index	181.2	0.2	4.7	Mar
Employment (000's)	15,698	-0.1	2.6	Apr
Full-time	12,769	0.1	2.4	Apr
Part-time	2,930	-1.0	3.5	Apr
Unemployment* (%)	7.5	7.3	7.6	Apr
Youth*	13.4	12.7	13.4	Apr
Adult*	6.4	6.3	6.5	Apr
CPI inflation*	4.3	4.6	1.8	Mar
Retail Sales (\$M)	26,480	1.5	5.2	Feb
Housing Starts (000's)**	207.8	-5.7	12.3	Apr
Trade Balance* (\$M)	4,625	5,181	4,770	Feb
Exports	34,582	-1.6	2.0	Feb
Imports	29,956	0.0	2.8	Feb
M&E	8,475	-1.9	-3.3	Feb

	May 7***	April	
		2003	2002
3-mth Corp. paper (%)*	3.34	3.35	2.46
Long bond yield (%)*	4.82	4.90	5.64
Canadian dollar (US¢)*	71.56	69.76	63.76

*Data in levels only – % change not reported

**Canada Mortgage and Housing Corporation

***Bank of Canada's Weekly Financial Statistics

All other data from Statistics Canada

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May 2003

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This report uses data available as of May 9, 2003. It has been prepared by Eric Chalifoux, Stéphane Crépeau, Anik Dufour, Kevin Koch, Joseph Macaluso, Arif Mahmud, Sue Moore, François Poitras, François Rimbaud, and Patrick Taylor of the Micro-Economic Analysis Directorate, under the direction of François Poitras. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support.

Sources of information include, primarily, Statistics Canada, as well as the Bank of Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Conference Board of Canada, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics.

Unless cited otherwise, data contained in graphs and tables are derived from Statistics Canada.

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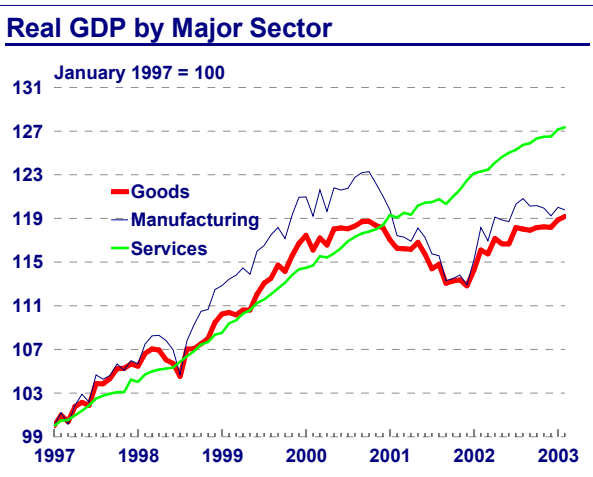
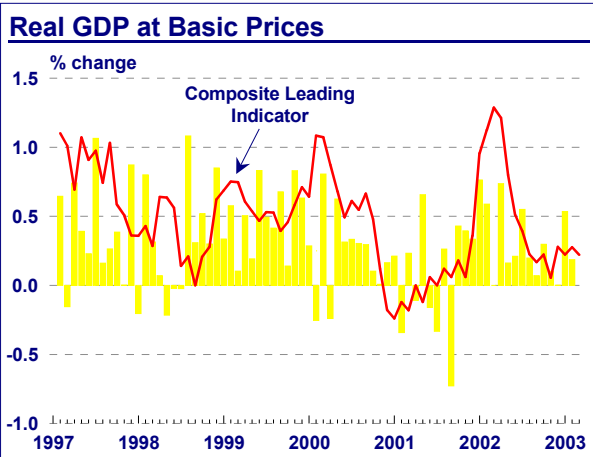
Real GDP by Industry

Economic activity increased in February...

- Real GDP at basic prices advanced 0.2% in February, following a strong increase in January (0.5%). Gains in residential construction activity and retail trade accounted for much of February's increase. This, together with other indicators, point to continued growth in the first quarter.

...with higher output both in the Goods and Services sectors

- Production in the goods sector rose 0.3% in February after increasing 0.6% in January. Strong residential construction activity led to a 1.2% increase of output in Construction. Meanwhile, output surged (2.7%) in Agriculture, Forestry, Fishing & Hunting and increased for the fifth consecutive month. Hampered by lower motor vehicle sales in the U.S., Manufacturing production was down 0.2%. Output in Utilities declined 0.7% following a gain of 2.2% in January.
- Services output increased 0.2% in February, after rising 0.5% in January. Strong consumer spending on motor vehicles propelled the Retail Trade sector 0.8%. Excluding motor vehicle dealers from the total, retail trade actually declined 0.4%. Output in industries associated with tourism, i.e. Arts, Entertainment & Recreation, and Accommodation & Food Services lost ground.



Real GDP at Basic Prices (1997 chained dollars)

February 2003

	\$ millions	monthly change	% Change since last month	year
Total Economy	995,423	1,855	0.2	3.1
Business Sector	844,654	1,637	0.2	3.1
Goods-producing	308,307	815	0.3	2.7
Agri., Forest, Fish, Hunt*	22,893	607	2.7	9.8
Mining & Oil & Gas Extraction	38,287	145	0.4	2.6
Utilities	28,580	-191	-0.7	4.4
Construction	53,120	616	1.2	3.3
Manufacturing	165,112	-311	-0.2	1.4
Service-producing	687,380	1,037	0.2	3.3
Wholesale Trade	62,085	141	0.2	10.3
Retail Trade	55,545	465	0.8	2.8
Transportation & Warehousing	45,667	-27	-0.1	2.7
Information & Cultural	46,857	212	0.5	4.3
FIRE**	195,466	4	0.0	1.3
Professional***	46,540	141	0.3	3.6
Admin. & Waste Mgmt	21,850	30	0.1	5.3
Education	44,793	86	0.2	3.1
Health & Social	58,371	69	0.1	3.8
Arts, Entertain. & Recreation	9,248	-79	-0.8	7.8
Accommodation & Food	23,297	-77	-0.3	1.1
Other	22,499	-46	-0.2	2.8
Public Administration	56,193	128	0.2	2.4

*Agriculture, forestry, fishing & hunting

**Finance, Insurance & Real Estate

***Professional, scientific & technical services

THE ECONOMY



Consumer Spending and Attitudes

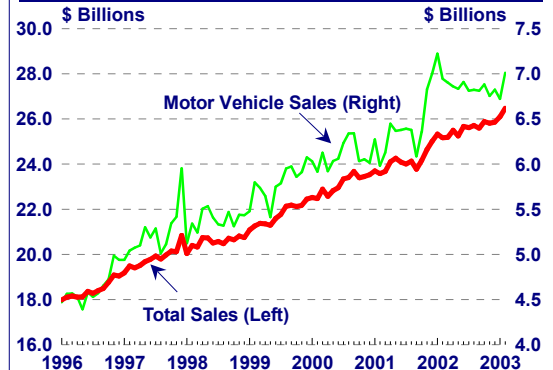
Consumer spending should remain strong in the first quarter...

- Real retail sales rose in February and if nothing else changes, would increase 5.1% (annual rate) in the first quarter following a 2.0% rise in the fourth quarter of 2002. Meanwhile, motor vehicle sales were up substantially in February (4.3%) and were above 2002's (a record year) average.

...but the outlook for the second quarter appears uncertain

- Following declines in February and March, the Conference Board's Consumer Confidence Index rose to 121.9 in April. The survey revealed that 57.8% of respondents are prepared to make a major outlay for either a house or a car, which represented a 5 percentage points increase compared to March.
- However, the advent of the SARS epidemic late in the first quarter is expected to have a negative impact on accommodation & food spending even though the full magnitude of SARS effect on consumer spending cannot be fully assessed at this stage.

Total Retail and Motor Vehicle Sales



Retail Sales and Consumer Credit

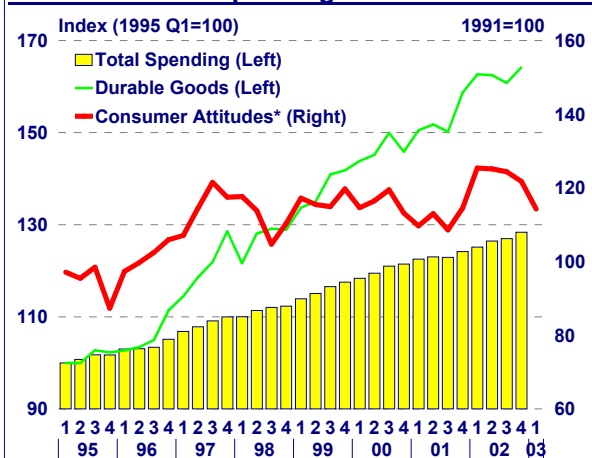
February 2003

	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	26,480	1.5	5.2
Food	5,758	0.1	5.4
Drug Stores	1,314	0.1	3.0
Clothing	1,347	-2.0	-0.6
Furniture	1,537	-0.7	3.7
Automotive	10,885	3.9	7.9
General Merch. Stores	2,892	0.1	3.3
All other Stores	2,747	-0.1	1.4
Total ex. motor vehicles	19,468	0.5	6.8
Consumer Credit	225	0.9	9.0

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	2001	2002	2002 Q3	2002 Q4
Real Consumption (97\$)	579,999	596,812	597,917	604,452
% change	2.6	2.9	1.6	4.4
Durable Goods	85,939	91,410	90,438	92,323
% change	4.5	6.4	-4.1	8.6
Semi-Durable Goods	52,360	54,374	54,099	54,801
% change	3.8	3.8	-1.9	5.3
Non-Durable Goods	133,186	135,573	135,927	137,550
% change	1.1	1.8	3.0	4.9
Services	308,888	316,165	318,030	320,446
% change	2.6	2.4	3.0	3.1
Disposable Income	665,924	695,857	698,348	705,624
% change	4.4	4.5	3.3	4.2
Saving Rate (%)	4.6	4.5	4.2	3.7
Debt-to-Income Ratio (%)	95.2	96.7	97.1	97.6

Real Consumer Spending and Attitudes



*Conference Board of Canada

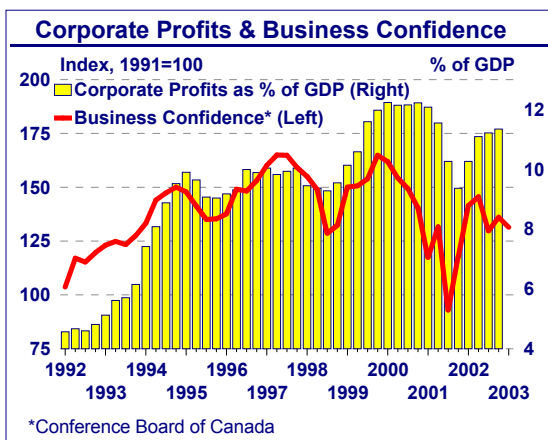
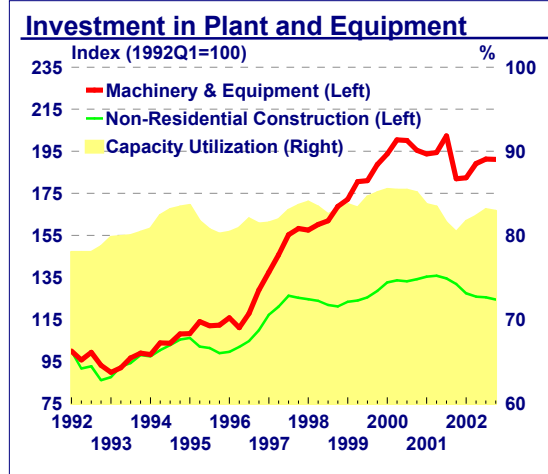


Investment appears to be stalling...

- Machinery & Equipment (M&E) investments fell by 0.4% (annualized) in the fourth quarter of 2002. Prospects for a quick rebound appear dim as imports of machinery and equipment have fallen by 14.9% during the January to February period from their 2002 fourth quarter level. Shipments of manufacturing machinery have also fallen by 9.0% during this same period.
- Investment in non-residential construction has now fallen for eight straight quarters. The recent 3.2% drop has left non-residential investments at their lowest point since 1999.

...and uncertainty is still a factor

- Although geopolitical uncertainty has recently receded, global uncertainty linked to the strength of the global economic recovery is still very much present and will continue to impact investment decisions. The Conference Board's survey of business confidence for the first quarter showed a 17.9 percentage point increase in the number of respondents who felt this was a bad time to invest.
- The loonie's strength should render business investments more attractive by making imported machinery and equipment relatively cheaper.



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2001	2002	2002 Q1	2002 Q2	2002 Q3	2002 Q4
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	87,145	85,067	82,308	85,374	86,340	86,247
% change	-2.2	-2.4	0.9	15.8	4.6	-0.4
Non-residential Construction (1997\$)	48,126	45,061	45,632	45,078	44,950	44,585
% change	0.8	-6.4	-12.9	-4.8	-1.1	-3.2
Capacity Utilization (% , Non-farm goods)	82.3	82.5	81.7	82.3	83.1	82.9
Capacity Utilization (Mfg. sector)	81.9	83.5	82.1	83.4	84.3	84.3
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	147,759	156,316	139,708	158,128	159,648	167,780
% change	-14.6	5.8	49.7	64.1	3.9	22.0
Profits - Non-financial industries	113,095	123,917	107,872	123,920	128,036	135,840
% change	-16.9	9.6	47.0	74.2	14.0	26.7
Profits - Financial industries	34,664	32,401	31,840	34,212	31,612	31,940
% change	-6.2	-6.5	59.3	33.3	-27.1	4.2
Business Credit	849,269	880,792	872,486	878,879	883,954	887,848
% change	5.5	3.7	3.6	3.0	2.3	1.8



The housing market cools off in the first quarter...

- After rising to a 16-month high of 254,900 starts in February, housing starts fell back for the second straight month in April reaching 207,800 units. Still, this represents a 12.3% year-over-year gain and is 25% higher than Canada's long-term sustainable trend of 165,900 units.
- Sales of existing homes declined 21.4% (annual rate) in the first quarter and average residential construction for January and February was 1.0% (annual rate) lower than its fourth quarter level.
- On the positive side, residential building permits for the first quarter were 2.9% higher than the fourth quarter.

...but fundamentals are still looking good

- Mortgage rates have risen since the beginning of the year and job creation has not been as strong so far this year compared to the same period in 2002. However, housing affordability is still at a high level as mortgage rates remain attractive by historical standards and continue to offset higher house prices stemming from a shortage of available units in many cities across the country.

Housing Activity



*Canada Mortgage and Housing Corporation

Monthly Housing Indicators

	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	18,888	3.0%	12.0%
Building Permits, \$M (2)*	2,374	3.1%	2.2%
Sales of Existing Homes (2)** (# of units)	21,810	-1,119	-3,158
Housing Starts, (3)*** (# of units, SAAR)	207,800	-12,600	22,700
Newfoundland & Labrador	2,300	800	-100
Prince Edward Island	400	-300	-300
Nova Scotia	4,000	-15,900	-500
New Brunswick	5,400	2,000	1,200
Quebec	42,800	-1,800	2,900
Ontario	76,700	-2,200	1,600
Manitoba	3,100	-200	0
Saskatchewan	4,800	1,000	2,100
Alberta	40,100	-200	3,000
British Columbia	28,100	4,100	12,700

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

Sources: *Statistics Canada; **Canadian Real Estate Association; ***Canada Mortgage and Housing Corporation

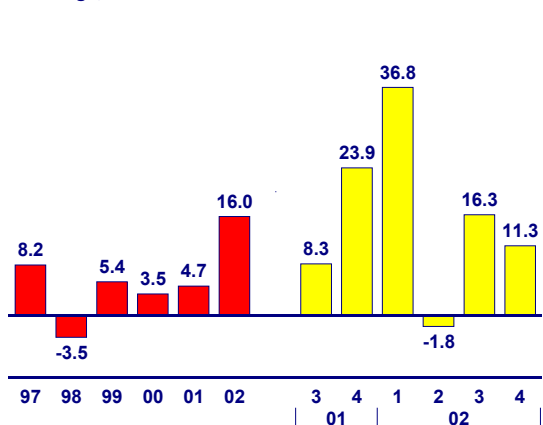
Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)

	2001	2002	2002 Q3	2002 Q4
Construction by Business sector	47,967	55,627	56,226	57,745
% change	4.7	16.0	16.3	11.3
New Housing	23,866	29,736	30,672	31,564
% change	6.2	24.6	30.4	12.2
Alterations & Improvements	16,529	17,380	17,520	17,900
% change	0.0	5.1	8.5	9.0
Ownership & Transfer Costs	7,754	8,632	8,216	8,400
% change	10.0	11.3	-10.5	9.3
Residential Construction	48,201	55,847	56,475	57,936
% change	4.7	15.9	16.1	10.8

Growth in Real Residential Construction

% change, SAAR





Trade and Competitiveness

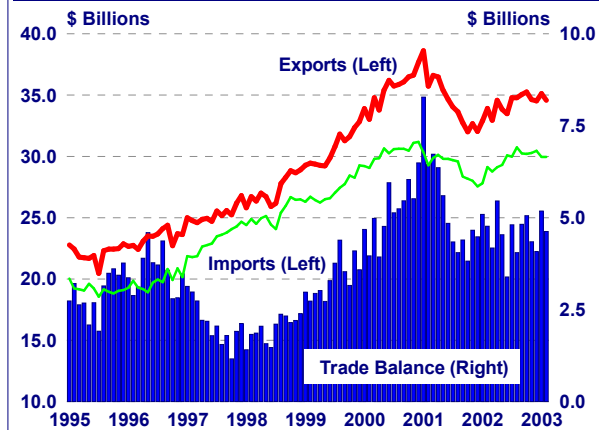
Exports fell, while imports were unchanged in February...

- Merchandise exports fell by 1.6% in February, following an increase of 1.7% in January, led by M&E (-7.7%), as lower U.S. demand for aircraft, engines and parts (-23.9%) drove the decline. Increases were posted in Other Consumer Goods, Energy and Automotive Products. Exports to the U.S., the European Union and to Other OECD Countries fell, while those to all other countries rose.
- Total imports were unchanged, as increases in Energy Products (+6.7%) and Automotive Products (+3.0%) offset decreases in all other categories. Imports from the U.S. were unchanged and a decrease in European Union (-4.6%) imports offset increases from other regions.

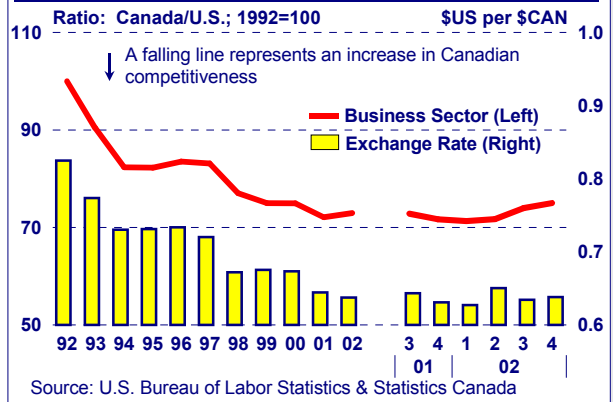
...leading to a decrease in the trade surplus

- The merchandise trade surplus fell by \$556 million to \$4.6 billion in February, following an increase of \$1.1 billion in January. The trade surplus with the U.S. fell by \$264 million to \$7.8 billion and the deficit with other countries widened from \$2.9 billion in January to \$3.2 billion in February.
- Sputtering U.S. growth and the rising dollar will likely limit the contribution of net exports to Canadian growth in upcoming months.

Merchandise Trade Flows and Balance



Canada-United States Unit Labour Cost Ratios



Merchandise Trade

February 2003	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	January 2003	February 2003	Jan.-Feb. 2002	Jan.-Feb. 2003	Jan. to Feb. 2003	Jan. to Feb. 2003	Jan.-Feb. 2002 to Jan.-Feb. 2003
Exports	35,131	34,582	66,807	69,713	-549	-1.6	4.3
to United States	29,325	29,061	56,331	58,386	-264	-0.9	3.6
Imports	29,951	29,956	56,948	59,907	5	0.0	5.2
from United States	21,261	21,261	41,340	42,522	0	0.0	2.9
Trade Balance	5,181	4,625	9,859	9,806	-556		
with United States	8,064	7,800	14,991	15,864	-264		
Exports by Commodity							
Agriculture/Fishing Products	2,486	2,468	5,243	4,954	-18	-0.7	-5.5
Energy Products	5,652	5,755	6,383	11,407	103	1.8	78.7
Forestry Products	2,910	2,877	6,241	5,787	-33	-1.1	-7.3
Industrial Goods & Materials	5,697	5,579	11,557	11,276	-118	-2.1	-2.4
Machinery & Equipment	8,127	7,503	16,376	15,630	-624	-7.7	-4.6
Automotive Products	7,552	7,679	15,689	15,231	127	1.7	-2.9
Other Consumer Goods	1,550	1,581	2,917	3,131	31	2.0	7.3
Imports by Commodity							
Agriculture/Fishing Products	1,866	1,850	3,587	3,716	-16	-0.9	3.6
Energy Products	1,560	1,664	2,297	3,224	104	6.7	40.4
Forestry Products	267	261	503	528	-6	-2.2	5.0
Industrial Goods & Materials	5,945	5,825	11,447	11,770	-120	-2.0	2.8
Machinery & Equipment	8,638	8,475	17,107	17,113	-163	-1.9	0.0
Automotive Products	6,712	6,912	12,501	13,624	200	3.0	9.0
Other Consumer Goods	3,967	3,936	7,426	7,903	-31	-0.8	6.4



Employment and Unemployment

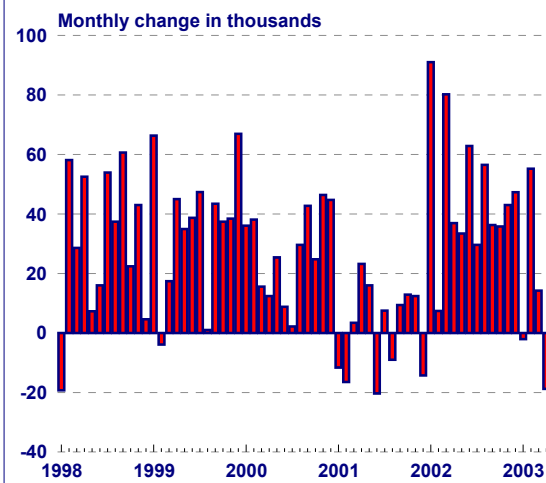
Employment decreased in April...

- Employment was down 19 000 in April. Job gains over the first four months of 2003 totalled 49 000 (+0.3%), much lower than the increase of 216 000 (+1.4%) recorded over the same period last year.
- All job losses occurred in part-time employment (-29 000). Meanwhile, full-time employment continued its upward trend (+11 000) and has accounted for all the employment gains so far this year (+95 000).
- In the U.S., non-farm employment decreased further (-48 000), the manufacturing sector accounting for the bulk of the reduction (-95 000). The unemployment rate increased by 0.2 percentage point to 6.0%.

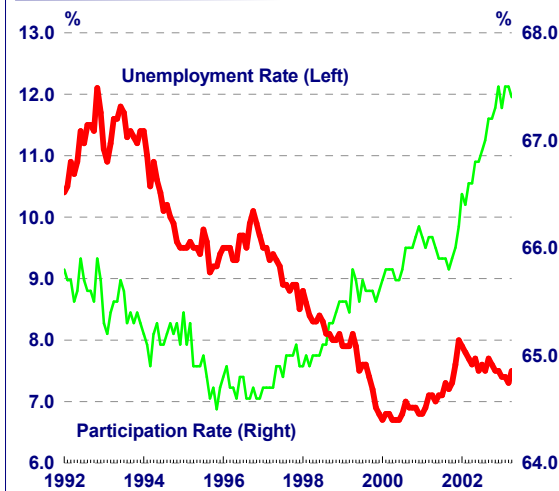
...lifting the unemployment rate

- The national unemployment rate edged up 0.2 percentage point to 7.5% in April, returning to its December 2002 level.
- Despite a small decrease in April, the employment rate (62.3%) and the participation rate (67.4%) remained near their historical highs, showing that the Canadian labour market remains healthy.
- A sharp employment drop (-20 000) pushed up the youth unemployment rate 0.7 percentage point to 13.4%. The unemployment rate among adults edged up 0.1 point to 6.4%.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2002 April	2003 March	2003 April	last month	last year	year-to- date	last month	last year
Employment	15,305.0	15,717.0	15,698.2	-18.8	393.2	48.5	-0.1	2.6
Full-time	12,473.4	12,758.0	12,768.7	10.7	295.3	95.3	0.1	2.4
Part-time	2,831.6	2,959.0	2,929.6	-29.4	98.0	-46.7	-1.0	3.5
Youth 15-24	2,354.0	2,429.3	2,409.3	-20.0	55.3	4.8	-0.8	2.3
Adult 25+	12,951.0	13,287.7	13,288.9	1.2	337.9	43.7	0.0	2.6
Self-employed	2,324.4	2,392.0	2,387.2	-4.8	62.8	8.7	-0.2	2.7
Unemployment	1,264.7	1,246.7	1,280.6	33.9	15.9	5.0	2.7	1.3
Unemployment Rate	7.6	7.3	7.5	0.2	-0.1	0.0		
Youth 15-24	13.4	12.7	13.4	0.7	0.0	0.1		
Adult 25+	6.5	6.3	6.4	0.1	-0.1	0.0		
Labour Force	16,569.7	16,963.7	16,978.8	15.1	409.1	53.5	0.1	2.5
Participation Rate	66.6	67.5	67.4	-0.1	0.8	-0.1		
Employment Rate	61.5	62.5	62.3	-0.2	0.8	-0.1		



Industry Overview

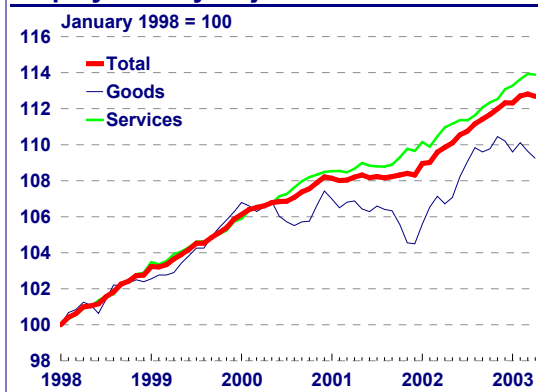
Employment in the Goods sector continued its downward trend...

- Employment in the Goods sector fell by 14 000 in April and is now at its lowest level since July 2002. In line with a sluggish U.S. economy, employment in the Manufacturing sector continued to weaken (-8 000). Manufacturing employment has declined 38 000 since the beginning of the year, with losses being concentrated in computer and electronic products.
- Employment declined by 3 000 in Natural Resources, following a gain of 11 000 in March. In Construction, employment edged down 2 000, but was still 50 000 (+5.7%) higher than a year ago. Employment declined for the fifth consecutive month in Agriculture (-2 000). Utilities was the sole sector to record employment gains in April (+900).

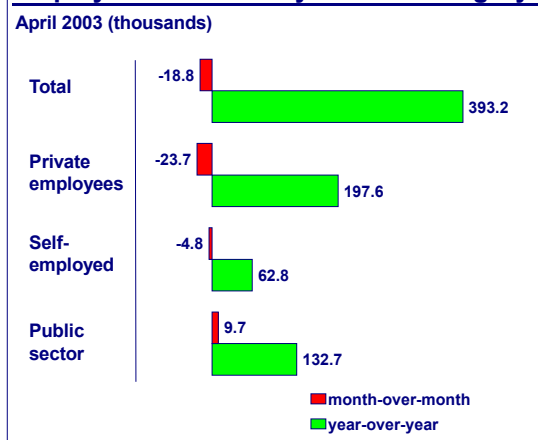
...while the impact of SARS took its toll on the Services sector

- Employment in Services fell by 5 000 in April. The largest losses were recorded in Accommodation & Food (-18 000) and Health Care & Social Assistance (-17 000) and were related to the outbreak of Severe Acute Respiratory Syndrome (SARS) in Toronto. Nonetheless, the Services sector as a whole has created 83 000 jobs since the beginning of the year.
- The highest gains were posted in Trade (+16 000), Public Administration (+16 000) and Finance, Insurance, Real Estate & Leasing (+15 000).

Employment by Major Sector



Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2002 April	2003 March	2003 April	last month	last year	year-to-date	last month	last year
Goods-producing	3,883.1	3,989.2	3,975.2	-14.0	92.1	-34.8	-0.4	2.4
Agriculture	317.0	340.1	337.9	-2.2	20.9	-17.3	-0.6	6.6
Natural Resources*	274.9	290.8	287.4	-3.4	12.5	17.1	-1.2	4.5
Utilities	126.8	131.5	132.4	0.9	5.6	1.3	0.7	4.4
Construction	864.0	915.2	913.5	-1.7	49.5	2.2	-0.2	5.7
Manufacturing	2,300.3	2,311.5	2,304.0	-7.5	3.7	-38.2	-0.3	0.2
Services-producing	11,421.9	11,727.8	11,723.0	-4.8	301.1	83.4	-0.0	2.6
Trade	2,458.1	2,447.0	2,462.8	15.8	4.7	16.3	0.6	0.2
Transportation*	743.8	766.3	761.7	-4.6	17.9	-4.1	-0.6	2.4
FIRE*	886.7	929.3	944.1	14.8	57.4	40.5	1.6	6.5
Professional/Scientific	975.3	1,006.3	999.6	-6.7	24.3	-21.2	-0.7	2.5
Management/Administrative	589.9	610.4	611.1	0.7	21.2	-1.2	0.1	3.6
Educational Services	996.8	1,054.3	1,053.0	-1.3	56.2	2.8	-0.1	5.6
Health Care/Social Assistance	1,583.6	1,669.8	1,652.8	-17.0	69.2	-2.0	-1.0	4.4
Information/Culture/Recreation	716.8	685.7	682.7	-3.0	-34.1	-10.8	-0.4	-4.8
Accommodation & Food	1,006.4	1,045.6	1,027.2	-18.4	20.8	11.0	-1.8	2.1
Other Services	695.2	723.1	722.4	-0.7	27.2	27.3	-0.1	3.9
Public Administration	769.2	790.1	805.6	15.5	36.4	24.6	2.0	4.7

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

LABOUR MARKET TRENDS



Provincial Overview

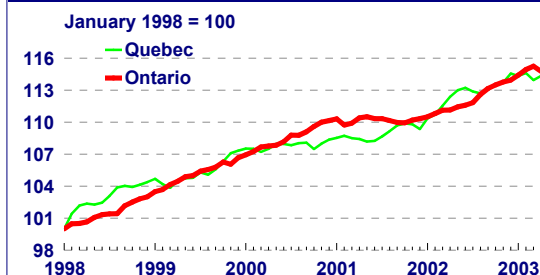
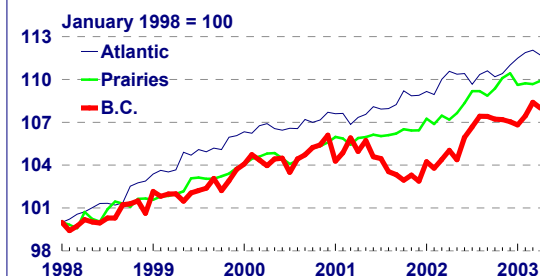
Job losses were concentrated in Ontario, British Columbia and New Brunswick...

- Employment declined by 27 000 (-0.4%) in Ontario as large losses were posted in Accommodation & Food (-12 000) and Health Care & Social Assistance (-14 000) due to the outbreak of SARS in Toronto. British Columbia's employment decreased by 7 000 (-0.4%), offsetting almost half the gains recorded in March. Employment fell by 5 000 (-1.5%) in New Brunswick and is now at about the same level as a year ago.
- In Quebec, employment rose by 12 000 (+0.3%), partly offsetting the decline recorded in March. About 3 000 jobs were created in Nova Scotia (+0.6%), Manitoba (+0.5%) and Alberta (+0.2%). There were little employment changes in other provinces.

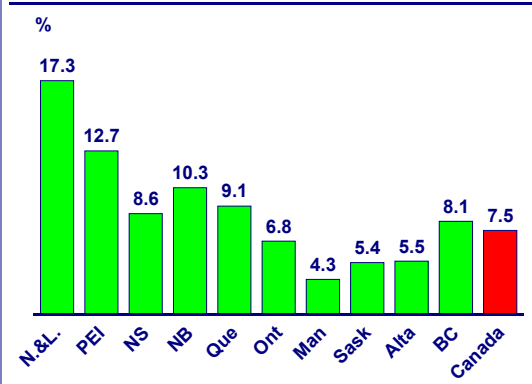
...and the unemployment rate rose in six of the ten provinces

- New Brunswick's employment losses pushed up its unemployment rate from 9.8% in March to 10.3% in April. At 8.6%, Nova Scotia's unemployment rate was at its lowest level since June 2000. The unemployment rate rose 0.2 percentage point to 17.3% in Newfoundland & Labrador.
- Despite employment gains, Quebec's unemployment rate increased to 9.1%, as more people sought jobs. Ontario's rate rose 0.3 percentage point to 6.8%.
- Manitoba's unemployment rate (the lowest in the country) dropped 0.5% to 4.3%. Alberta's unemployment rate rose to 5.5% as the labour force increased at a faster pace than employment. In contrast, less people were looking for a job in Saskatchewan, reducing the rate to 5.4%. British Columbia's unemployment rate rose by 0.4 point to 7.4%.

Regional employment patterns



Unemployment Rates -- April 2003



Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment Rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since	
	2003 April	(000's)	%	(000's)	%	2003 April	last month	last year
Canada	15,698.2	-18.8	-0.1	393.2	2.6	7.5	0.2	-0.1
Newfoundland & Labrador	217.8	-0.9	-0.4	0.4	0.2	17.3	0.2	1.8
Prince Edward Island	67.4	0.2	0.3	-0.7	-1.0	12.7	-0.1	1.4
Nova Scotia	439.0	2.7	0.6	11.6	2.7	8.6	-0.7	-1.2
New Brunswick	346.1	-5.3	-1.5	-0.5	-0.1	10.3	0.5	0.2
Quebec	3,646.8	12.3	0.3	62.2	1.7	9.1	0.2	0.5
Ontario	6,210.5	-26.5	-0.4	196.4	3.3	6.8	0.3	-0.3
Manitoba	570.3	3.1	0.5	7.2	1.3	4.3	-0.5	-1.1
Saskatchewan	487.3	-0.1	-0.0	13.3	2.8	5.4	-0.2	-0.5
Alberta	1,700.7	3.1	0.2	48.0	2.9	5.5	0.3	0.3
British Columbia	2,012.3	-7.4	-0.4	55.1	2.8	8.1	0.4	-0.6



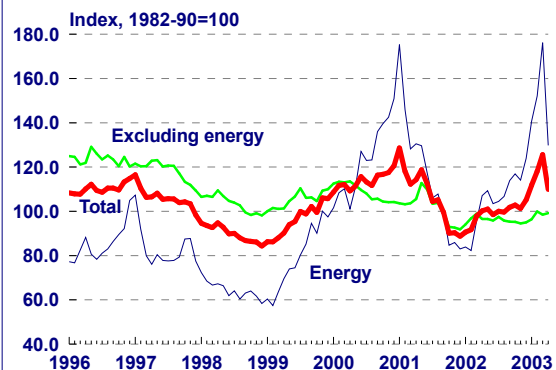
Inflation was 4.3% in March...

- The year-over-year increase in the Consumer Price Index (CPI) was 4.3% in March, down from 4.6% in February. This reflected in part a smaller increase in energy prices as electricity prices fell and gasoline prices posted a smaller increase than in February. Meanwhile, shelter cost inflation rose for the fourth consecutive month. Excluding the impact of energy prices, inflation fell from 3.4% to 3.2%, mainly as a result of a drop in the cost of travel services and a smaller increase in household furnishing prices.
- On a monthly basis, the CPI increased 0.4% after rising 0.7% in February. A smaller increase in transportation cost and a decline in recreation cost largely explained the change.
- In April, commodity prices fell 12.5% from the previous month due to a sharp drop in energy prices. This left prices up 9.7% on a year-over-year basis, the smallest increase in seven months.

...and the "core" rate was within the target range

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, was down from 3.1% in February to 2.9% in March, back within the 1%-3% official target range.

Commodity Prices (\$US basis)



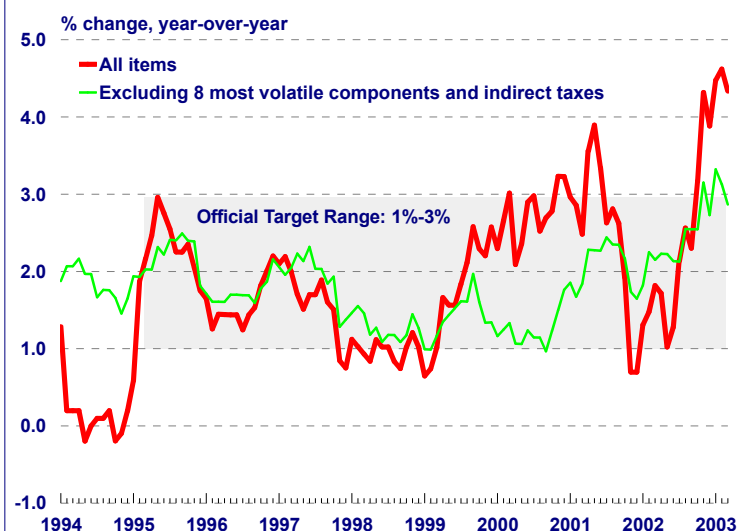
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	122.8	0.4	4.3
Food	122.4	0.2	1.7
Shelter	117.4	0.6	3.8
Household operations	114.5	0.0	0.7
Clothing & Footwear	105.5	1.6	-1.5
Transportation	144.6	0.3	10.8
Health & Personal Care	116.1	-0.3	1.4
Recreation, Educ. & Reading	126.7	-0.3	1.4
Alcohol & Tobacco	133.8	0.2	17.3
Excl. 8 Most Volatile/Indirect Taxes	122.1	0.2	2.9
Energy	149.5	2.0	17.5

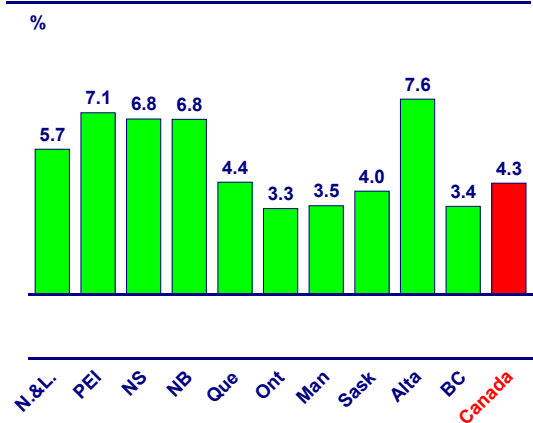
Commodity Prices (April 2003)

Index, 1982-90=100	109.9	-12.5	9.7
Excluding Energy	99.2	0.7	2.8
Energy	129.8	-26.3	21.2

Consumer Price Index



Provincial CPI Inflation -- March 2003





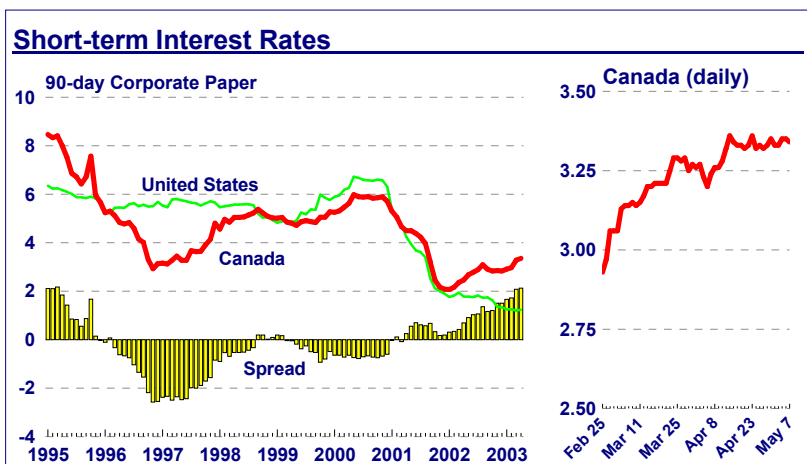
Short-term and Long-term Interest Rates

The Bank of Canada raised its policy rate, while the Fed did not move

- On April 15, the Bank of Canada increased its overnight rate by a quarter of a percent to 3.25%. Risks of rising inflation expectations overcame indications of economic weakness in the near-term. On May 6, the Federal Reserve (Fed) left the Fed Funds rate at 1.25% on the hope the signs of strengthening consumer and investor confidence would translate into stronger economic conditions in the U.S.
- Reflecting recent overnight rate increases, the 90-day corporate paper rate in Canada has risen by about 45 basis points (bps) since mid-February and reached 3.3% in early May. In the meantime, its U.S. counterpart eased by about 5 bps to 1.2%, bringing the Canada-U.S. rate spread to 214 bps on May 7, the highest since 1995.

Bond yields fell back amid weakness in the global economic outlook

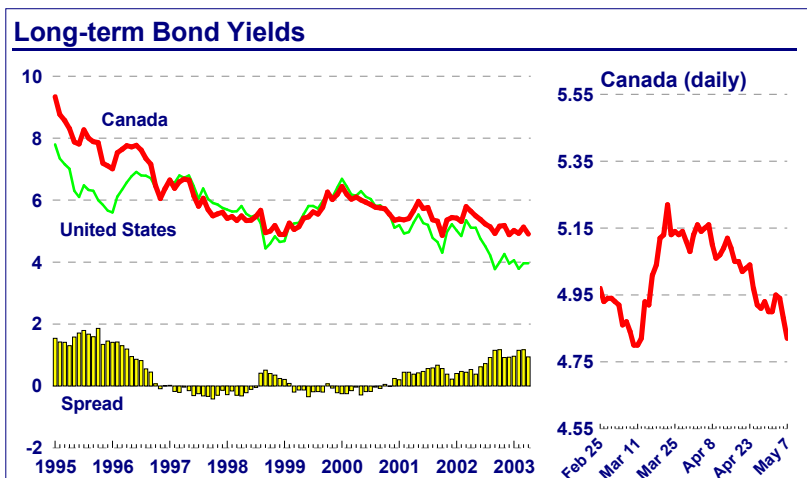
- Bond yields have displayed a lot of volatility in recent months. They fell ahead of the war in Iraq on safe-haven inflows, rose as the prospect of a quick resolution led to some outflows and fell back on renewed precautionary inflows amid global economic weakness. The Canadian 10-year yield fell to 4.8% during the initial price rally, recovered sharply to peak at 5.2% on March 21 and fell back to 4.8% in early May. Meanwhile, its U.S. counterpart hit a low of 3.6%, peaked at 4.1% and fell back to 3.7%.
- One-year mortgage rates were steady at 5.35% from mid-March to early May, while 5-year rates fell from 6.85% in early April to 6.50% in early May.



Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2001	2.08	0.19	5.44	0.22
2002	2.83	1.50	4.88	0.93
Nov	2.85	1.50	5.18	0.92
Dec	2.83	1.50	4.88	0.93
Jan 2003	2.91	1.66	5.02	0.96
Feb	2.97	1.72	4.93	1.15
Mar	3.28	2.08	5.13	1.17
Apr	3.35	2.12	4.90	0.94
May 7*	3.34	2.14	4.82	1.10

A positive spread indicates that Canadian rates are above their U.S. counterparts. * Bank of Canada's Weekly Financial Statistics



Key Lending Rates

(end of period)	Prime			
	Overnight Rate	Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
2001	2.25	4.00	4.60	6.85
2002	2.75	4.50	4.90	6.70
Nov	2.75	4.50	4.90	6.70
Dec	2.75	4.50	4.90	6.70
Jan 2003	2.75	4.50	4.90	6.45
Feb	2.75	4.50	4.90	6.60
Mar	3.00	4.75	5.35	6.85
Apr	3.25	5.00	5.35	6.65
May 7*	3.25	5.00	5.35	6.50

* Bank of Canada's Weekly Financial Statistics

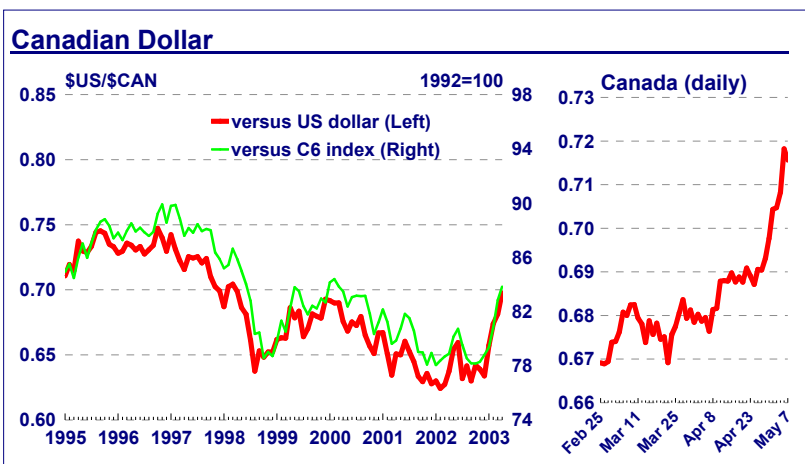


The Canadian dollar soared to its highest level in more than five years

- The Canadian dollar reached US¢71.8 on May 6, up 13% from the beginning of 2003 and 16% from its low of US¢62.0 in January 2002. This appreciation is reflective of more favourable economic conditions in Canada, higher non-energy commodity prices and a higher interest rate spread favouring Canadian assets. It is worth noting that a large current account deficit is now weighing heavily on the U.S. dollar and the absence of a pick up in economic activity could prolong the slide of the greenback.
- The U.S. dollar is down 25% from its peak of January 2002 against the Euro and 13% over the same period against the Yen. By comparison, the Canadian dollar has depreciated by about 14% against the Euro, but it has completely recovered vis-à-vis the Yen and is back to where it stood in early 2002.

North American stock markets rose back to their 2003 opening levels

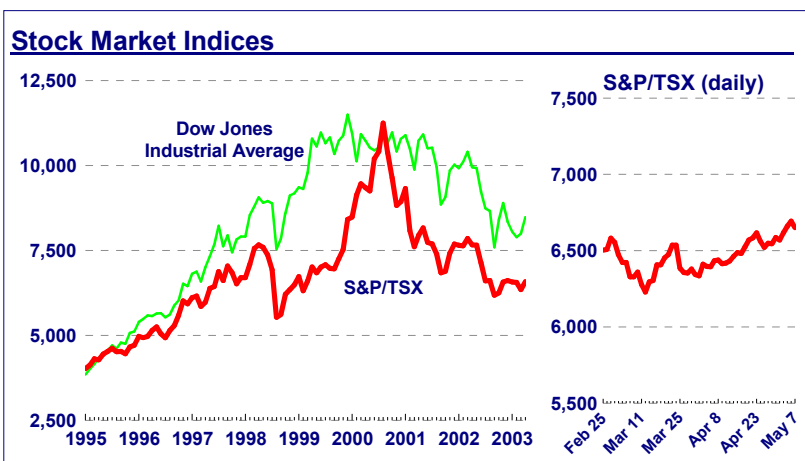
- North American equity markets recovered on increasing confidence of a quick resolution in Iraq and continued to recover on expectations of improvements in corporate profits.
- In mid-March, the S&P/TSX and the Dow Jones touched lows of 6229 and 7524, respectively. The benchmark indices recovered and respectively reached 6651 and 8561 on May 7, roughly where they stood at the beginning of this year.



The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2001	0.6278	78.95	1.387	80.76
2002	0.6339	78.80	1.483	78.20
Nov	0.6390	78.29	1.573	77.40
Dec	0.6339	78.80	1.588	78.20
Jan 2003	0.6572	79.37	1.637	77.07
Feb	0.6739	80.83	1.631	78.93
Mar	0.6813	82.83	1.594	80.40
Apr	0.6976	83.84	1.584	82.21
May 7*	0.7156	86.87	1.589	83.17

* Bank of Canada's Weekly Financial Statistics



Key Stock Market Indexes

	April Close	% change from	
		last month	last year
S&P/TSX	6,586	3.8	-14.1
Oil & Gas	9,907	-3.0	-5.8
Metals & Minerals	3,511	-1.0	-22.0
Utilities	9,999	7.2	1.2
Paper & Forest	4,320	-2.5	-24.0
Merchandising	6,457	5.2	-15.8
Financial Services	10,910	5.2	-5.0
Gold	5,146	-3.6	-20.9
S&P 500	916.9	8.1	-14.9
Dow Jones	8,480	6.1	-14.7



U.S. Economic Trends

Real GDP advanced slightly in the first quarter...

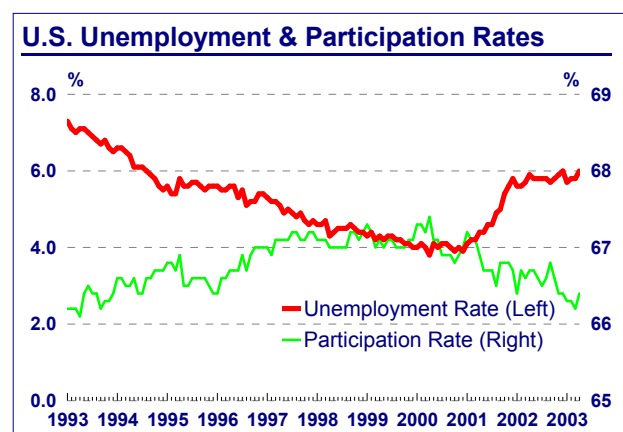
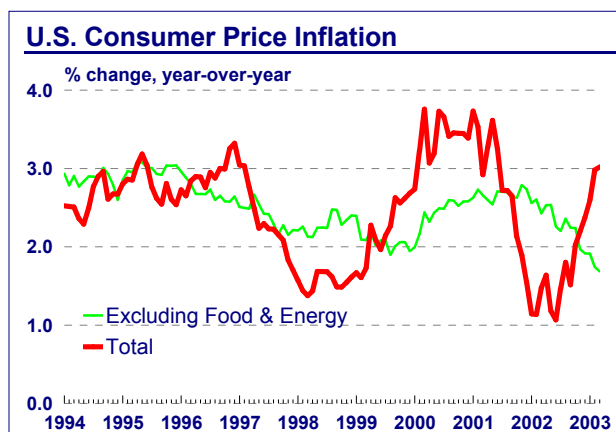
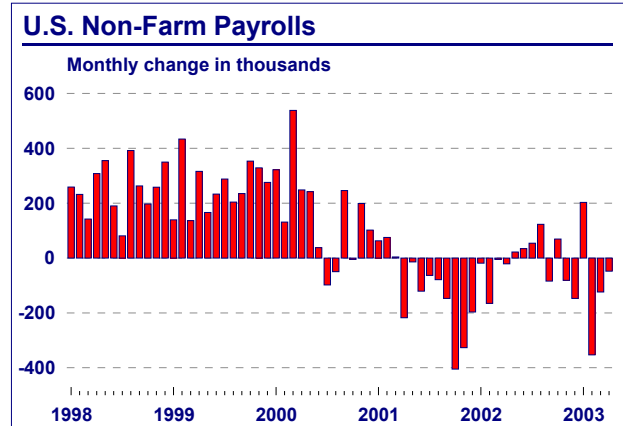
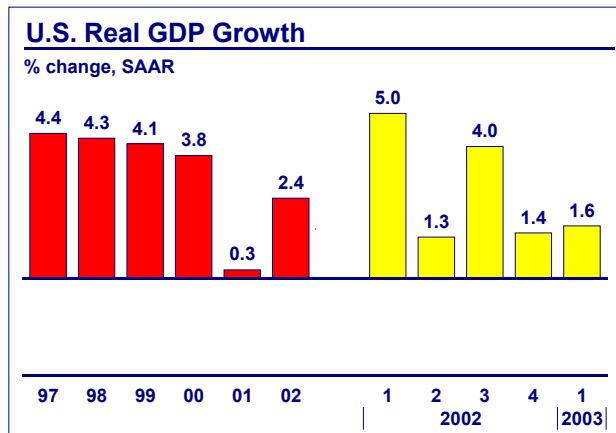
- Advance estimates showed real GDP grew 1.6% in the first quarter of 2003, up slightly from 1.4% growth in the fourth quarter of 2002. Several factors contributed to this small increase. Business investment declined 2.5% following four quarters of growth, and weaker-than-anticipated inventory accumulation reduced GDP growth by 0.5 percentage point. Despite a rebound in vehicle sales in March, consumer spending was 0.3 percentage point lower in the first quarter than in the previous quarter (1.7%). Exports declined (-3.2%), but this was offset by a larger decline in imports (-7.9%) resulting in a net boost to GDP growth.

...and the outlook is mixed for the near future

- A combination of upside and downside risks for sustaining growth over the next few quarters is at play. Business confidence, largely affected by geopolitical uncertainties in the first quarter, was slow to rebound. Moreover, the Institute of Supply Management manufacturing index fell further to 45.4 in April (an index value greater than 50 indicates an expanding sector). On the other hand, the Consumer Sentiment Index (University of Michigan) increased 8.4 points in April to 86.0, indicating that consumer confidence may have strengthened. Also, retail sales increased 1.4% in the first quarter, compared to a 0.2% increase in the fourth quarter, and housing starts recovered in March after declining in February.

The labour market remained weak in April

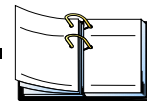
- Non-farm employment dropped 48 000 in April following shedding of 124 000 (downwardly revised) jobs in March. Manufacturing employment was hit hard (-95 000) while services remained essentially unchanged. The unemployment rate increased 0.2 percentage point to 6.0% in April.
- Productivity in the non-farm sector rose 1.6% (annual rate) in the first quarter following a rise of 0.8% in the fourth quarter. On a year-over-year basis, CPI inflation held steady in March at 3.0%, as high energy prices eased. Core inflation also remained unchanged in March at 1.7%.



Source: U.S. Bureau of Economic Analysis & U.S. Bureau of Labor Statistics

COMING UP

Key Future Data Releases and Planned Events



CANADA

Canadian International Merchandise Trade - April	June 13
Key Policy Interest Rate Announcement	June 3
Monthly Survey of Manufacturing - April	June 13
Consumer Price Index - May	June 20
Real GDP by industry - March	May 30
Labour Force Survey - May	June 6
Financial Statistics for Enterprises - 1st Quarter	June 11
Balance of International Payments - 1st Quarter	May 29
National Economic and Financial Accounts - 1st Quarter	May 30

UNITED STATES

Consumer Price Index - May	June 17
International Trade in Goods and Services - April	June 13
Federal Open Market Committee Meeting	June 24/25
GDP - 1st Quarter 2003 (preliminary)	May 29
The Employment Situation - May	June 6

Note: The May 2003 MEI uses data available as of May 9, 2003