



Industry
Canada

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Monthly Economic Indicators

February 2004

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/epic/internet/ineas-aes.nsf/en/h_ra01898e.html


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February 2004


HIGHLIGHTS

 **Real Gross Domestic Product (GDP) remained flat in November, after rising 0.1% in October.**

 **Employment rose 15,000 in January and 220,000 in the last five months. The unemployment rate was unchanged from December at 7.4%.**

 **Canada's trade surplus soared in December by \$1.0 billion. Exports rose more than imports despite the appreciation of the Canadian dollar.**

 **In the United States (U.S.), advance estimates showed that the economy grew 4.0% (annualized) in the fourth quarter after growing 8.2% in the third, but the recovery remains jobless so far.**

 **The Bank of Canada is widely expected to reduce interest rates further on March 2, in light of weaker-than-projected domestic demand and low inflation.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,018.2	0.0	1.5	Nov
Goods	318.9	0.0	1.0	Nov
Services	700.6	0.0	1.7	Nov
Composite Index	188.9	0.8	5.1	Dec
Employment (000's)	15,936	0.1	1.9	Jan
Full-time	12,964	0.4	2.1	Jan
Part-time	2,972	-1.1	1.0	Jan
Unemployment* (%)	7.4	7.4	7.5	Jan
Youth*	13.9	14.0	13.7	Jan
Adult*	6.1	6.1	6.3	Jan
CPI inflation*	1.2	2.0	4.5	Jan
Retail Sales (\$M)	26,305	-0.3	1.9	Nov
Housing Starts (000's)**	195.5	-10.9	4.2	Jan
Trade Balance* (\$M)	5,424	4,445	3,926	Dec
Exports	33,431	3.6	-3.1	Dec
Imports	28,007	0.7	-8.4	Dec
M&E	8,050	1.1	-8.4	Dec

		January	
		February 18***	2004
3-mth Corp. paper (%)*	2.30	2.37	2.91
Long bond yield (%)*	4.46	4.61	5.02
Canadian dollar (US¢)*	75.48	75.48	65.72

*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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Sources of information primarily include 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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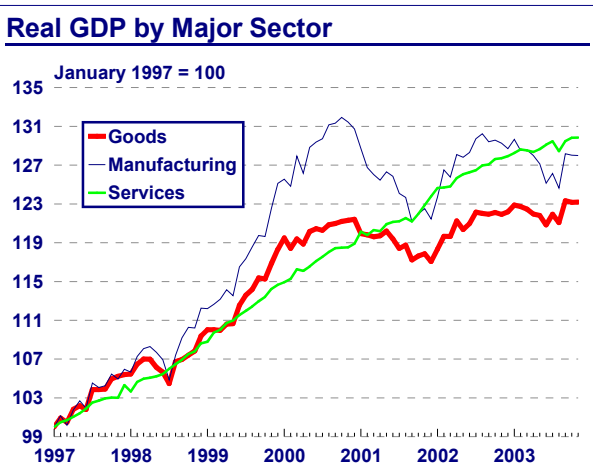
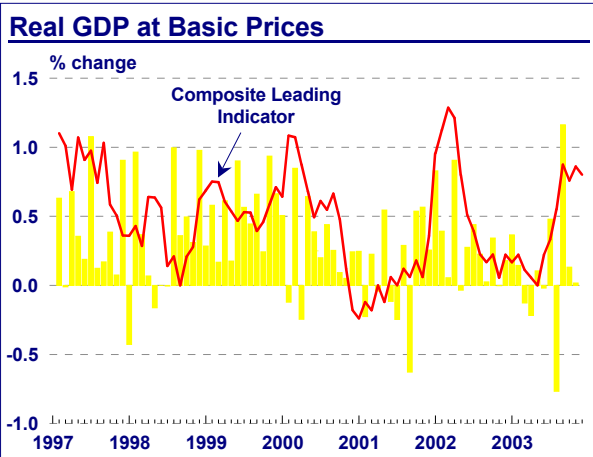
Real GDP by Industry

Economic activity remained subdued in November...

- Output was essentially unchanged in November, following a rise of 0.1% in October. Despite this weakness, real GDP (at basic prices) in October and November was up 2.6% (annually) from third-quarter levels, which had been depressed by the power blackout in August. This followed a rise of 1.5% in the third quarter. In the first 11 months of 2003, output was up 1.7% from its 2002 level.

...with growth stalling in both the goods and services sectors

- Output in the goods sector was unchanged in November following a decline of 0.1% in October. The appreciation of the Canadian dollar continued to take its toll on manufacturing, leaving output unchanged. Construction was up on increased activity in the residential sector. A sharp fall-back in diamond production lowered mining output, completely offsetting the rise in utilities induced by colder-than-normal temperatures. The latter factor also contributed to the largest rise in production in the energy sector - industries in oil & gas, utilities and transportation - (1.8%) since February 2001.
- Output in the services sector was unchanged in November after rising by 0.3% in October. The largest increases were in education and in transportation, as air travel increased. Lower motor vehicle sales caused retail output to fall while a reduction in long distance calls depressed information & cultural output. Finance, insurance & real estate also posted a decline as real estate brokers suffered from a drop in activity in the re-sale housing market.



Real GDP at Basic Prices (1997 chained dollars)

November 2003

	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	1,018,168	175	0.0	1.5
Business Sector	862,150	-463	-0.1	1.5
Goods-producing	318,924	91	0.0	1.0
Agri., Forest, Fish, Hunt*	23,287	-24	-0.1	6.6
Mining & Oil & Gas Extraction	36,908	-365	-1.0	4.5
Utilities	25,678	644	2.6	-3.3
Construction	55,291	143	0.3	4.2
Manufacturing	176,661	-59	-0.0	-1.0
Services-producing	700,649	81	0.0	1.7
Wholesale Trade	63,792	-235	-0.4	4.4
Retail Trade	56,197	-280	-0.5	2.1
Transportation & Warehousing	46,626	436	0.9	-0.1
Information & Cultural	41,240	-277	-0.7	-1.2
FIRE**	205,080	-112	-0.1	1.8
Professional***	44,902	19	0.0	2.3
Admin. & Waste Mgmt	22,452	69	0.3	2.5
Education	45,639	404	0.9	0.1
Health & Social	61,286	114	0.2	3.2
Arts, Entertain. & Recreation	9,159	-232	-2.5	2.3
Accommodation & Food	23,065	-12	-0.1	-1.0
Other	24,305	5	0.0	1.1
Public Administration	57,805	125	0.2	1.3

*Agriculture, Forestry, Fishing & Hunting

**Finance, Insurance & Real Estate

***Professional, Scientific & Technical services

THE ECONOMY



Consumer Spending and Attitudes

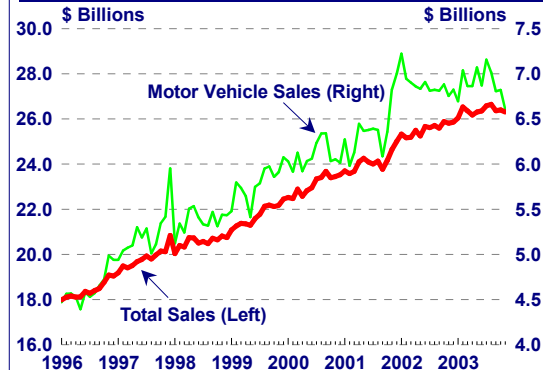
Consumer spending eased in the fourth quarter...

- Although consumer spending recorded its eighth straight quarter of growth of 5.1% (annual rate) gain in the third quarter, available indicators point to weaker fourth quarter growth.
- Despite dealers' incentives, motor vehicle sales fell 9.5% in December, the fifth consecutive monthly decline and lowest level in five years. Fourth quarter vehicle sales were off 10.4% from their third quarter level.
- Moreover, following five consecutive quarters of growth, including a 3.3% (annual rate) gain in the third quarter, average real retail sales for October and November were 2.1% (annual rate) lower than their third quarter level.

...but early indications for the first quarter of 2004 look promising

- Although the 1.6 million vehicles sold in 2003 marked the first annual decline in five years, it followed a record year. Moreover, preliminary figures indicate a 1.5% rise in the number of new motor vehicles sold in January.
- Employment rose for the fifth straight month in January, though the unemployment rate remained at 7.4%.
- The consumer confidence index surged to 125.2 in January, representing a 4.8 point rebound from its December level.

Total Retail and Motor Vehicle Sales



Retail Sales and Consumer Credit

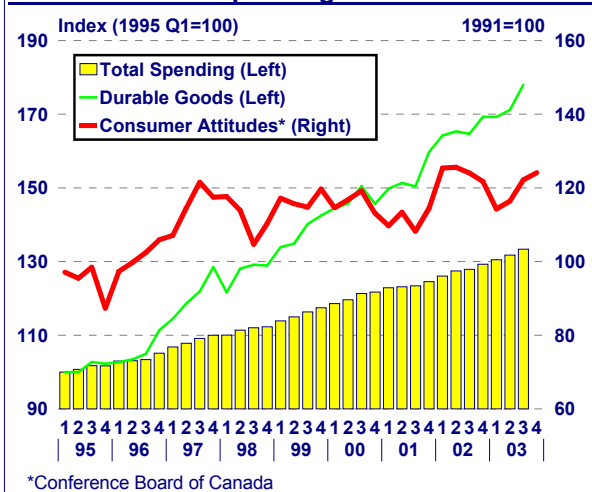
November 2003

	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	26,305	-0.3	1.9
Food	5,930	0.6	4.4
Drug Stores	1,377	-0.7	4.9
Clothing	1,391	1.2	2.7
Furniture	1,678	1.9	8.2
Automotive	10,135	-1.8	-1.9
General Merch. Stores	2,969	1.0	4.8
All other Stores	2,826	-0.2	2.7
Total ex. motor vehicles	19,699	0.6	3.4
Consumer Credit	244	0.9	8.2

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	2001	2002	2003 Q2	2003 Q3
Real Consumption (97\$)	581,590	601,198	620,377	628,090
% change	2.6	3.4	3.8	5.1
Durable Goods	85,958	93,294	96,246	100,098
% change	4.2	8.5	4.4	17.0
Semi-Durable Goods	52,310	54,341	55,954	56,436
% change	3.8	3.9	2.9	3.5
Non-Durable Goods	133,791	136,534	139,627	139,936
% change	1.2	2.1	-0.2	0.9
Services	309,887	317,885	329,518	333,009
% change	2.7	2.6	5.7	4.3
Disposable Income	667,376	698,479	716,984	722,500
% change	4.4	4.7	1.6	3.1
Saving Rate (%)	4.5	4.2	2.2	1.3
Debt-to-Income Ratio (%)	95.9	97.3	100.1	101.0

Real Consumer Spending and Attitudes



THE ECONOMY



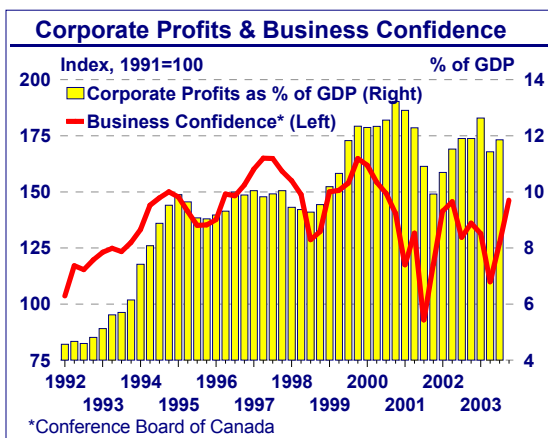
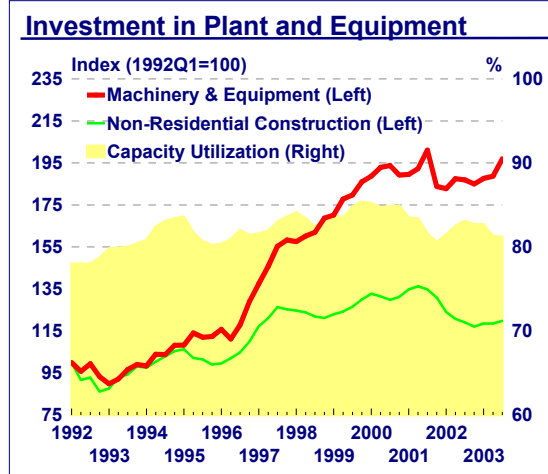
Business Investment

Business investment rose sharply in the third quarter...

- Bolstered by a non-financial corporate profits' recovery in the third quarter, real investment in plant & equipment rose at an annual rate of 13.2%, the fastest rate since the fourth quarter of 1999. This reflected a surge of 18.8% in machinery & equipment (M&E) and a rise of 4.4% in non-residential construction.

...and rising business confidence bodes well for sustained investment growth

- The Business Confidence Index rose by a startling 19.2 points in the fourth quarter of 2003, reaching the highest level in three years at 146.3. An increasing number of respondents felt their firm's finances would improve over the next six months and respondents displayed the strongest increase in three years in their willingness to undertake investment.
- Imports of M&E rose 1.1% in December, the second occurrence of back-to-back gains in 2003. Manufacturing shipments of M&E increased 1.1% in the fourth quarter, but fell 3.1% in December, moderating the optimism.



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2001	2002	2002 Q4	2003 Q1	2003 Q2	2003 Q3
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	86,494	83,720	83,453	84,655	85,145	88,892
% change	0.3	-3.2	-4.1	5.9	2.3	18.8
Non-residential Construction (1997\$)	48,047	43,044	41,920	42,451	42,441	42,905
% change	2.2	-10.4	-6.5	5.2	-0.1	4.4
Capacity Utilization (% Non-farm goods)	82.3	82.5	82.7	82.7	81.3	81.2
Capacity Utilization (Mfg. sector)	81.9	83.6	84.1	83.9	82.5	82.2
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	138,563	146,312	155,212	175,472	160,560	166,508
% change	-16.1	5.6	15.8	63.4	-29.9	15.7
Profits - Non-financial industries	102,845	113,379	120,892	137,392	119,728	124,820
% change	-19.0	10.2	10.2	66.8	-42.3	18.1
Profits - Financial industries	35,718	32,934	34,320	38,080	40,832	41,684
% change	-6.3	-7.8	38.4	51.6	32.2	8.6
Business Credit	856,063	887,383	894,184	898,210	900,033	903,189
% change	5.4	3.7	1.7	1.8	0.8	1.4



Housing activity is still going strong...

- Residential construction rose 1.0% in November following 0.9% growth in October. Assuming no growth in December, residential construction is on track to post 3.1% growth in the fourth quarter.
- Housing starts stood at 195,500 in January. This figure represents a 10.9% drop from its December level and follows a 4.9% drop in the fourth quarter.
- Reflecting continued optimism, residential building permits posted a 1.5% increase in the fourth quarter. This comes on the heels of a 11.4% increase in the third.
- Overall, 2003 was a good year. The value of building permits issued was 8.7% higher than in 2002. Housing starts increased 7.0% and residential construction increased 7.2% on a year-to-date basis.

...but could decelerate in 2004

- House prices have kept their momentum and rose 6.3% (year-over-year) in January. This is higher than their average increase for the past three years (5.0%) and five years (3.9%).
- Low interest rates continue to make home ownership attractive. Moreover, the good performance of the labour market in recent months bodes well for personal income growth. However, increases in prices as well as a reduction in pent-up demand for new units could slow housing activity.

Housing Activity



*Canada Mortgage and Housing Corporation

Monthly Housing Indicators

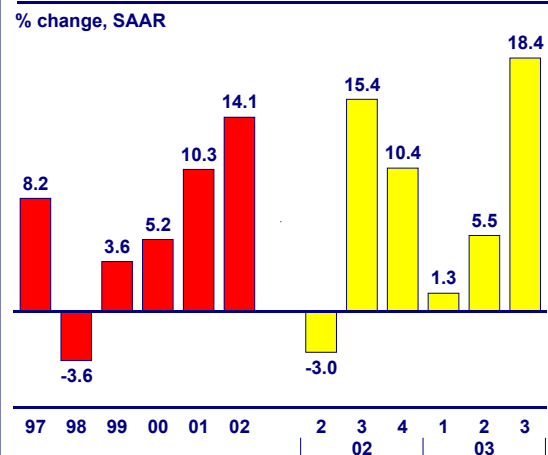
	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	20,447	1.0%	7.7%
Building Permits, \$M (2)*	2,953	6.6%	16.8%
Sales of Existing Homes (3)** (# of units)	24,046	-978	-1,407
Housing Starts, (3)*** (# of units, SAAR)	195,500	-23,900	7,900
Newfoundland & Labrador	2,600	0	1,300
Prince Edward Island	1,100	200	300
Nova Scotia	4,400	-2,300	1,000
New Brunswick	2,600	-1,900	-1,300
Quebec	47,200	-8,200	-1,000
Ontario	65,800	-16,000	-4,100
Manitoba	3,500	-500	-300
Saskatchewan	3,200	700	-500
Alberta	34,300	100	1,300
British Columbia	30,700	3,900	11,100

1 - November data; 2 - December data; 3 - January 2004 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	2003 Q2	2003 Q3
Residential Construction	50,705	57,854	60,877	63,501
% change	10.3	14.1	5.5	18.4
New Housing	23,374	28,782	29,880	30,946
% change	5.7	23.1	-2.2	15.1
Alterations & Improvements	19,629	20,605	22,480	22,852
% change	16.1	5.0	16.0	6.8
Ownership & Transfer Costs	7,748	8,484	8,628	9,684
% change	11.2	9.5	10.0	58.7

Growth in Real Residential Construction





Trade and Competitiveness

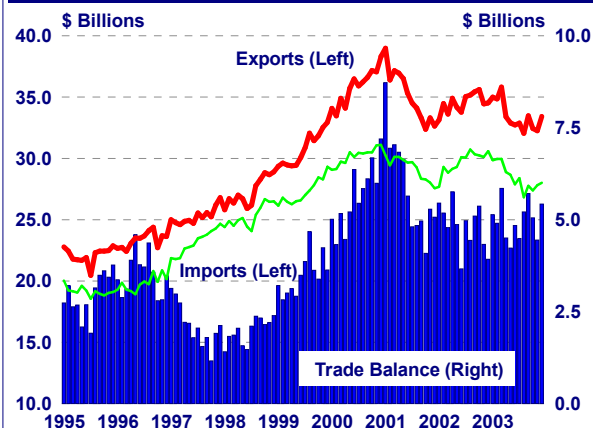
Exports increased more than imports in December...

- The value of exports rose 3.6% in December, after declining 0.5% in the previous month. Automotive products and industrial goods & materials posted the strongest gains. Exports rose in every major trading region except the European Union. Export volumes increased 2.9% while export prices edged up 0.7%. In 2003, merchandise exports declined 3.2% compared to the previous year.
- Imports increased 0.7%, following a 1.6% rise in November. Energy product imports soared 7.0%. Excluding the European Union, imports from all major trading partners posted gains. The volume of imports rose 0.6% and import prices were up 0.1%. Overall, imports fell 4.2% in 2003.

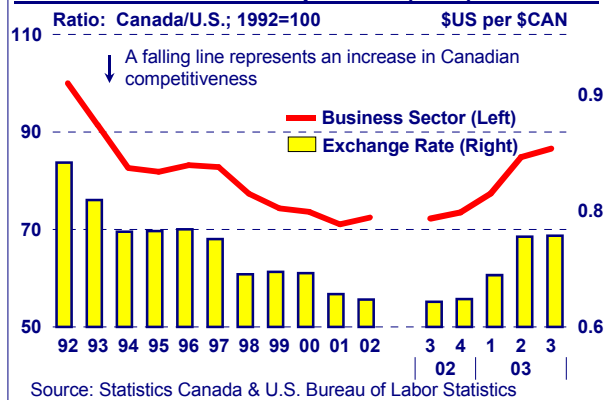
...resulting in a higher trade surplus

- The merchandise trade surplus soared \$1.0 billion to \$5.4 billion in December. The surplus with the U.S. increased \$0.5 billion, while the non-U.S. trade deficit declined \$0.5 billion. In 2003, Canada's trade surplus rose by \$2.0 billion to \$59.8 billion. Although the Canadian dollar appreciated strongly vis-à-vis the U.S. currency, the merchandise trade surplus with the U.S. was virtually unchanged in 2003.

Merchandise Trade Flows and Balance



Unit Labour Cost Comparison (\$US)



Merchandise Trade

December 2003	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	November 2003	December 2003	Jan.-Dec. 2002	Jan.-Dec. 2003	Nov. to Dec. 2003	Nov. to Dec. 2003	Jan.-Dec. 2002 to Jan.-Dec. 2003
Exports	32,257	33,431	414,305	401,187	1,174	3.6	-3.2
to United States	26,490	27,058	346,992	331,064	568	2.1	-4.6
Imports	27,812	28,007	356,458	341,382	195	0.7	-4.2
from United States	19,391	19,504	254,929	239,200	113	0.6	-6.2
Trade Balance	4,445	5,424	57,847	59,805	979		
with United States	7,099	7,554	92,063	91,864	455		
Exports by Commodity							
Agriculture/Fishing Products	2,521	2,526	30,917	29,321	5	0.2	-5.2
Energy Products	4,687	4,742	49,542	61,271	55	1.2	23.7
Forestry Products	2,962	2,893	37,198	34,503	-69	-2.3	-7.2
Industrial Goods & Materials	5,613	5,997	70,232	66,588	384	6.8	-5.2
Machinery & Equipment	7,001	7,213	97,302	89,240	212	3.0	-8.3
Automotive Products	6,945	7,503	97,030	87,942	558	8.0	-9.4
Other Consumer Goods	1,407	1,426	17,670	17,124	19	1.4	-3.1
Imports by Commodity							
Agriculture/Fishing Products	1,729	1,752	21,783	21,521	23	1.3	-1.2
Energy Products	1,596	1,708	16,527	19,554	112	7.0	18.3
Forestry Products	244	240	3,137	3,021	-4	-1.6	-3.7
Industrial Goods & Materials	5,270	5,368	68,874	65,116	98	1.9	-5.5
Machinery & Equipment	7,964	8,050	105,866	98,196	86	1.1	-7.2
Automotive Products	6,156	6,217	81,450	76,356	61	1.0	-6.3
Other Consumer Goods	3,903	3,764	46,420	46,198	-139	-3.6	-0.5



Employment and Unemployment

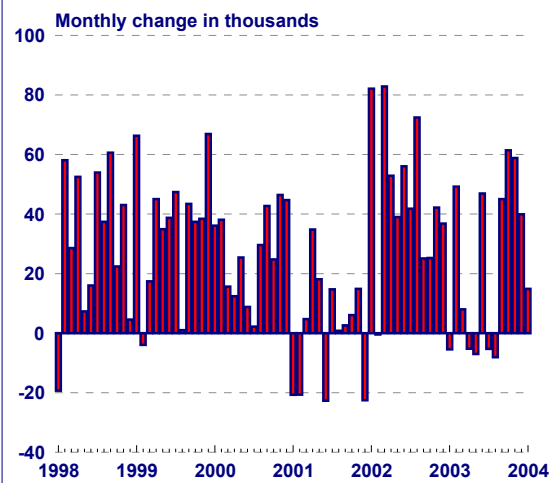
Employment increased further in January...

- Employment went up by 14,900 in January, bringing job gains over the past five months to 220,000. Full-time employment was up 46,800 while part-time employment dropped 31,900. Since January 2003, nearly all employment gains have been in full-time positions (268,800).
- Employment increased for adults (16,200), but declined (-1,300) for youth. On a year-over-year basis, adult employment rose by 276,200 while youth only gained 22,200 jobs.
- The participation rate and employment rate were down slightly to 67.6% and 62.6%, respectively. These levels remain close to December's levels, the highest recorded since the inception of the Labour Force Survey in 1976.
- The participation rate of adults aged 55 and over has increased steadily since mid-2001, reaching levels above 30% since September 2003, the highest participation rate since 1980.

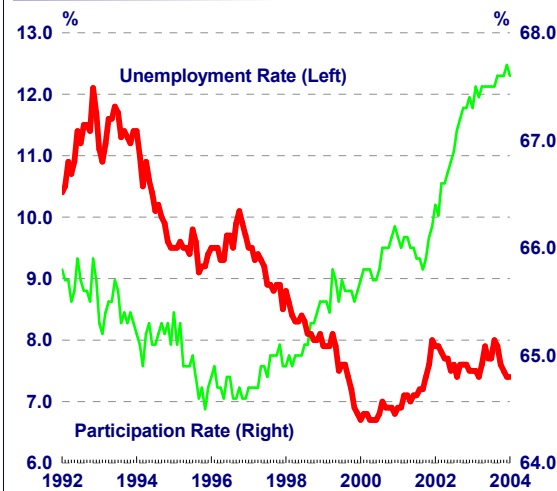
...but the unemployment rate remained at 7.4%

- The unemployment rate was unchanged (7.4%) in January, as the increase in employment was offset by an increase in the labour force. The unemployment rate for adults stayed at 6.1% while the youth unemployment rate edged down 0.1 percentage point to 13.9%.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2003 January	2003 December	2004 January	last month	last year	year-to- date	last month	last year
Employment	15,637.1	15,920.7	15,935.6	14.9	298.5	14.9	0.1	1.9
Full-time	12,695.2	12,917.2	12,964.0	46.8	268.8	46.8	0.4	2.1
Part-time	2,942.0	3,003.4	2,971.5	-31.9	29.5	-31.9	-1.1	1.0
Youth 15-24	2,395.3	2,418.8	2,417.5	-1.3	22.2	-1.3	-0.1	0.9
Adult 25+	13,241.8	13,501.8	13,518.0	16.2	276.2	16.2	0.1	2.1
Self-employed	2,371.7	2,437.4	2,448.9	11.5	77.2	11.5	0.5	3.3
Unemployment	1,263.2	1,266.8	1,266.9	0.1	3.7	0.1	0.0	0.3
Unemployment Rate	7.5	7.4	7.4	0.0	-0.1	0.0		
Youth 15-24	13.7	14.0	13.9	-0.1	0.2	-0.1		
Adult 25+	6.3	6.1	6.1	0.0	-0.2	0.0		
Labour Force	16,900.3	17,187.4	17,202.4	15.0	302.1	15.0	0.1	1.8
Participation Rate	67.3	67.7	67.6	-0.1	0.3	-0.1		
Employment Rate	62.3	62.7	62.6	-0.1	0.3	-0.1		

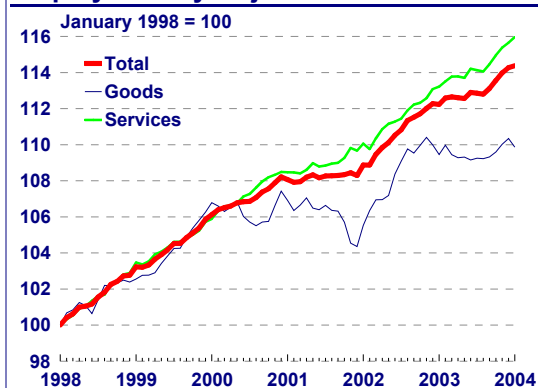


Industry Overview

Employment decreased in the Goods sector...

- Employment in the Goods sector edged down 17,400 in January, following four consecutive monthly increases. Construction (-11,000) and Agriculture (-6,500) posted the largest declines.
- Manufacturing gained 4,800 jobs in January following a decline of 1,900 in December. On a year-over-year basis, manufacturing employment declined 36,000, due in part to a stronger Canadian dollar. Over the last year, manufacturing job losses have been concentrated in computer and electronic products and electrical equipment and appliance manufacturing.

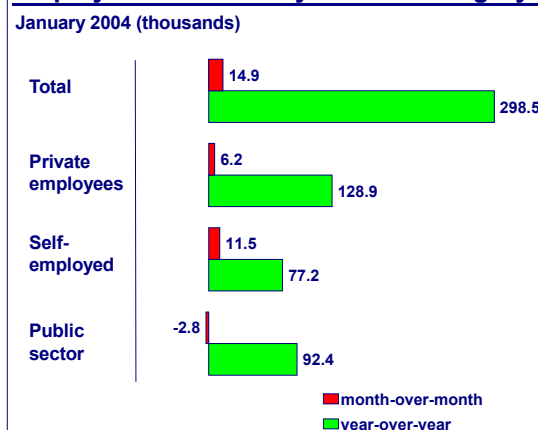
Employment by Major Sector



...but increased in the Services sector

- Employment in Services increased by 32,200 in January, the fifth consecutive monthly increase. On a year-over-year basis, the Services sector has gained 283,300 jobs, a 2.4% increase.
- The largest gains in January were in Health Care (25,300), Professional and Scientific (19,000) and Information, Culture and Recreation (10,900).
- Accommodation and Food, Public Administration, Other Services, Business and Building and Education Services posted job losses.

Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2003 January	2003 December	2004 January	last month	last year	year-to- date	last month	last year
Goods-producing	3,982.8	4,015.3	3,997.9	-17.4	15.1	-17.4	-0.4	0.4
Agriculture	348.3	346.5	340.0	-6.5	-8.3	-6.5	-1.9	-2.4
Natural Resources*	279.0	296.0	292.8	-3.2	13.8	-3.2	-1.1	4.9
Utilities	122.9	130.7	129.2	-1.5	6.3	-1.5	-1.1	5.1
Construction	906.9	957.1	946.1	-11.0	39.2	-11.0	-1.1	4.3
Manufacturing	2,325.8	2,285.0	2,289.8	4.8	-36.0	4.8	0.2	-1.5
Services-producing	11,654.3	11,905.4	11,937.6	32.2	283.3	32.2	0.3	2.4
Trade	2,459.2	2,477.4	2,483.8	6.4	24.6	6.4	0.3	1.0
Transportation*	773.2	782.2	789.8	7.6	16.6	7.6	1.0	2.1
FIRE*	916.5	956.7	959.6	2.9	43.1	2.9	0.3	4.7
Professional/Scientific	999.8	984.5	1,003.5	19.0	3.7	19.0	1.9	0.4
Business/Building	606.7	637.6	633.5	-4.1	26.8	-4.1	-0.6	4.4
Educational Services	1,055.3	1,061.1	1,057.5	-3.6	2.2	-3.6	-0.3	0.2
Health Care/Social Assistance	1,653.0	1,732.2	1,757.5	25.3	104.5	25.3	1.5	6.3
Information/Culture/Recreation	695.7	717.0	727.9	10.9	32.2	10.9	1.5	4.6
Accommodation & Food	1,000.5	1,029.5	1,012.2	-17.3	11.7	-17.3	-1.7	1.2
Other Services	705.6	699.6	692.9	-6.7	-12.7	-6.7	-1.0	-1.8
Public Administration	788.7	827.6	819.5	-8.1	30.8	-8.1	-1.0	3.9

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

LABOUR MARKET TRENDS



Provincial Overview

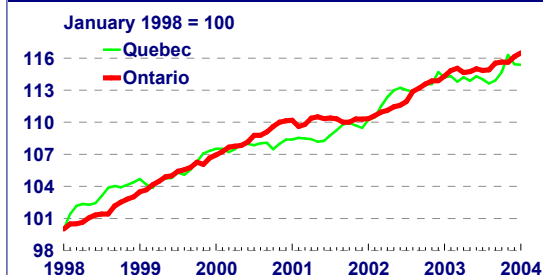
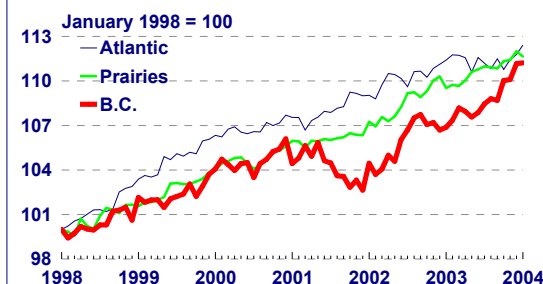
Job gains were concentrated in Ontario, Newfoundland and Labrador and New Brunswick...

- Ontario (18,000), Newfoundland and Labrador (4,500) and New Brunswick (3,600) posted the strongest job gains in January. The bulk of the increase in Ontario was in Professional, Scientific and Technical Services, Health Care and Social Assistance and Trade. The largest gains in Newfoundland and Labrador were posted in Food Processing Manufacturing while gains were spread across a number of industries in New Brunswick. Alberta experienced the largest decline (-8,200), all in goods-producing industries.
- On a year-over-year basis, all provinces, except Saskatchewan (-0.1%), have posted gains, notably British Columbia (4.1%), Alberta (2.9%) and Prince Edward Island (2.5%).

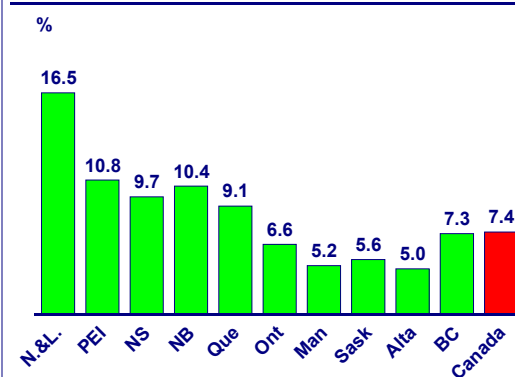
...and the unemployment rate varied in most provinces

- Unemployment rates increased in most provinces in January, notably in Prince Edward Island, Nova Scotia and British Columbia. The unemployment rate edged up in New Brunswick due to a labour force increase.
- Newfoundland and Labrador posted the largest decline (1.5 percentage point to 16.5%). Other provinces registered small changes in their unemployment rates.
- Since January 2003, the unemployment rate has gone down in most provinces, particularly in Newfoundland & Labrador, British Columbia, Alberta and Prince Edward Island, but has risen sharply in Quebec.

Regional employment patterns



Unemployment Rates -- January 2004



Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment Rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since	
	2004 January	(000's)	%	(000's)	%	2004 January	last month	last year
Canada	15,935.6	14.9	0.1	298.5	1.9	7.4	0.0	-0.1
Newfoundland & Labrador	220.1	4.5	2.1	2.5	1.1	16.5	-1.5	-1.2
Prince Edward Island	69.3	-0.9	-1.3	1.7	2.5	10.8	0.7	-0.5
Nova Scotia	438.1	-1.1	-0.3	4.4	1.0	9.7	0.7	0.4
New Brunswick	349.7	3.6	1.0	1.1	0.3	10.4	0.5	0.1
Quebec	3,680.4	-1.5	-0.0	37.6	1.0	9.1	-0.3	0.6
Ontario	6,303.8	18.0	0.3	117.1	1.9	6.6	-0.1	-0.2
Manitoba	571.1	0.5	0.1	4.6	0.8	5.2	0.2	0.3
Saskatchewan	487.4	-1.0	-0.2	-0.3	-0.1	5.6	-0.1	-0.1
Alberta	1,743.3	-8.2	-0.5	48.8	2.9	5.0	0.2	-0.5
British Columbia	2,072.4	1.0	0.0	80.9	4.1	7.3	0.5	-1.0



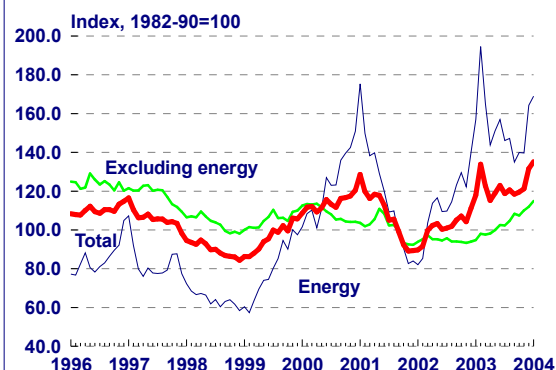
Inflation eased to 1.2% in January...

- On a year-over-year basis, the Consumer Price Index (CPI) rose 1.2% in January, down from a rise of 2.0% in December. Energy prices were the main factor responsible for the fall in inflation. The CPI surged one year ago in January as Ontario's electricity index returned to normal levels after a rebate was paid to consumers in December 2002. This surge was not matched by an equivalent increase this year. Excluding energy, the CPI rose 1.5% compared to a rise of 1.7% in December.
- On a monthly basis (seasonally adjusted), the CPI rose 0.1% in January following an increase of 0.4% in December. Higher prices for transportation (1.0%) and alcohol and tobacco products (0.6%) contributed to the increase, while lower prices for food (-0.3%) and shelter (-0.2%) exerted some downward pressure.
- In January, the year-over-year increase in commodity prices moderated to 14.6% from 18.4% in December. On a monthly basis, commodity prices rose 2.7% following a 8.6% jump in December. Excluding energy prices, commodity prices increased 2.6% following a 1.7% rise in December.

...and the "core" rate fell to 1.5%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, fell from 2.2% in December to 1.5% in January, well below the midpoint of the 1%-3% official target range.

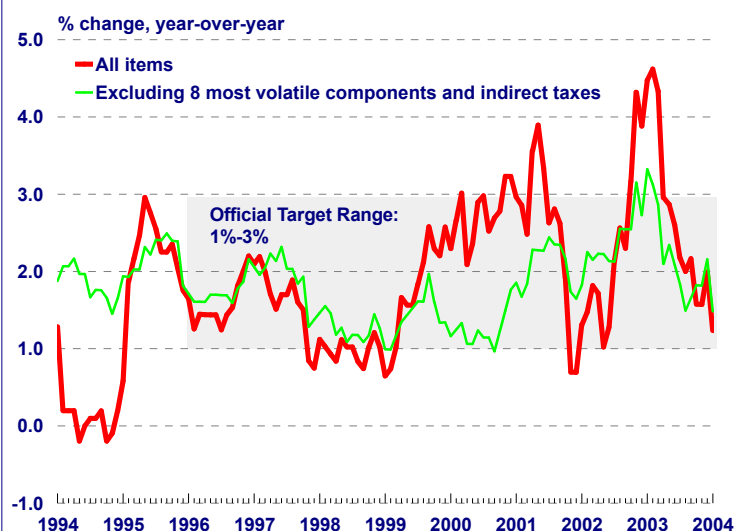
Commodity Prices (\$US basis)



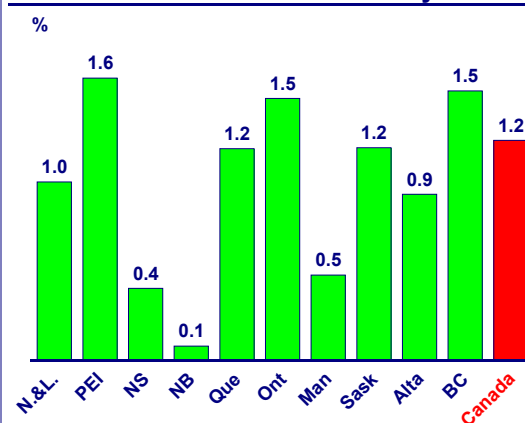
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	122.9	0.1	1.2
Food	123.7	0.2	1.1
Shelter	118.7	-0.1	2.2
Household operations	114.9	0.0	0.9
Clothing & Footwear	102.3	-0.2	0.7
Transportation	142.2	1.0	0.2
Health & Personal Care	117.7	0.1	1.4
Recreation, Educ. & Reading	125.3	-0.9	-0.1
Alcohol & Tobacco	140.8	0.5	6.7
Excl. 8 Most Volatile/Indirect Taxes	123.1	0.0	1.5
Energy	138.9	2.0	-1.1
Commodity Prices			
Index, 1982-90=100	135.2	2.7	14.6
Excluding Energy	114.9	2.6	21.2
Energy	169.0	2.9	7.6

Consumer Price Index



Provincial CPI Inflation -- January 2004





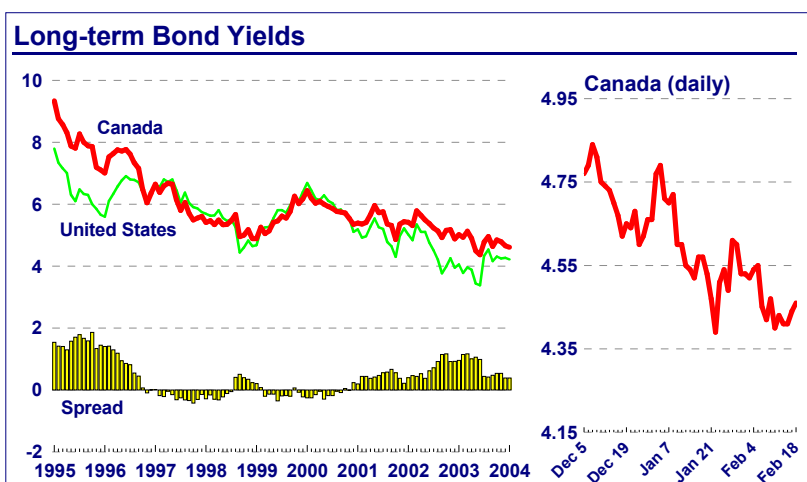
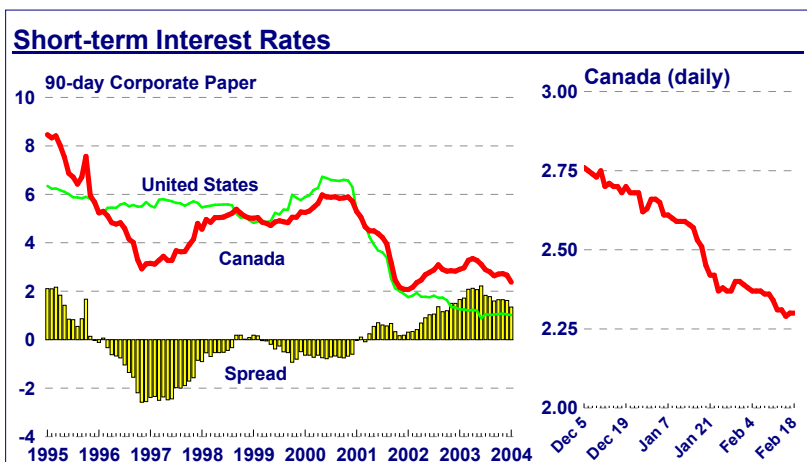
Short-term and Long-term Interest Rates

North American central banks keep interest rates low

- Since last July, the Bank of Canada has cut its overnight rate by a total of 75 basis points (bps) to help support economic activity following a series of adverse shocks, such as the August blackout in Ontario, BSE scare, an inventory correction and the sharp appreciation of the dollar. The Bank of Canada is expected to cut rates further on March 2 as recent domestic demand indicators were on the soft side. On January 28, the U.S. Federal Reserve kept its federal funds rate unchanged at 1.0% and continued to perceive risks to growth to be evenly balanced. The next policy decision is scheduled for March 16.
- The rate on 3-month corporate paper in Canada was 2.3% on February 18, down from 2.7% last December. Its U.S. counterpart remained steady at 1.0% on February 18, leading to a narrowing of the interest rate differential by 35 bps to 127 bps since December.

North American bond yields trended down in recent months

- Long-term yields continued to move downward reflecting expectations that Canada's central bank will keep interest rates low. Long-term yields exhibited some volatility after the Federal Open Market Committee meeting on January 28 when the Federal Reserve seemed to indicate that short-term interest rates may have to be raised sooner than expected. Yields on ten-year government bonds have fallen by about 33 bps in Canada and 20 bps in the U.S. since November, to 4.5% in Canada and 4.1% in the U.S.
- One-year mortgage rates were at 4.3% on February 18, down from 4.75% in December of 2003. Five-year mortgage rates have also continued to fall to 5.8% on February 18, from 6.45% in December.



Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2002	2.83	1.50	4.88	0.93
2003	2.66	1.62	4.66	0.39
August	2.80	1.78	4.96	0.42
September	2.64	1.60	4.64	0.48
October	2.71	1.65	4.85	0.54
November	2.73	1.65	4.79	0.54
December	2.66	1.62	4.66	0.39
January	2.37	1.35	4.61	0.39
Feb. 18*	2.30	1.27	4.46	0.41

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)	Overnight Rate	Prime Lending Rate	Mortgage Rate	
			1 year	5 year
2002	2.75	4.50	4.90	6.70
2003	2.75	4.50	4.75	6.45
August	3.00	4.75	4.55	6.35
September	2.75	4.50	4.55	6.30
October	2.75	4.50	4.55	6.40
November	2.75	4.50	4.75	6.50
December	2.75	4.50	4.75	6.45
January	2.50	4.25	4.30	6.05
Feb. 18*	2.50	4.25	4.30	5.80

* Bank of Canada's Weekly Financial Statistics

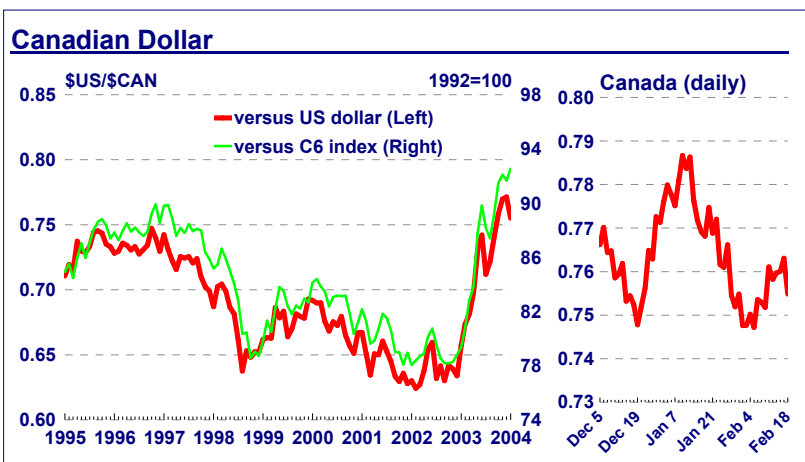


The Canadian dollar falls somewhat in February

- After hitting a ten-year high of US¢78.8 in early January, the Canadian dollar fell sharply and has been trading at around US¢75 in recent weeks. This recent slide reflects the view that the Bank will likely reduce interest rates further to help accelerate the pace of economic growth, while interest rates in the U.S. are expected to remain steady. On February 19, the dollar closed at US¢75.16. Since the start of 2003, the Canadian dollar has risen by about US12 cents (19%).
- Since the start of this year, the Canadian loonie has lost some ground against other major currencies, depreciating 3% against the Japanese yen and the euro.

North American stock indices continue to rise

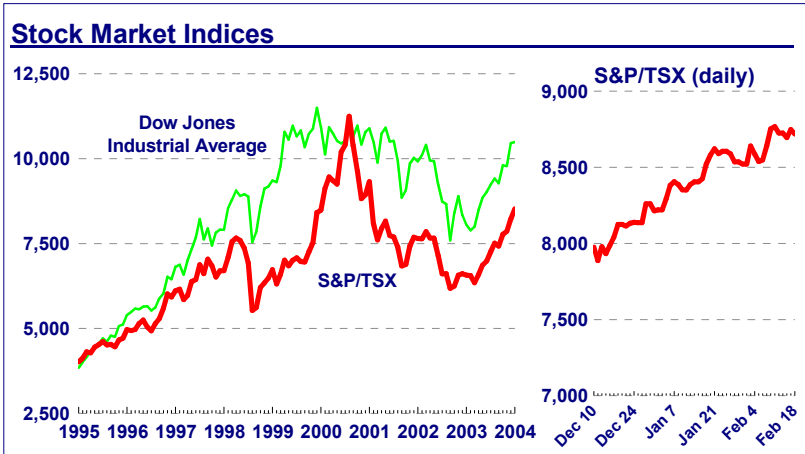
- Stock markets continued to gain strength into 2004 on optimism about a sustained recovery in corporate profits and some good news in the technology sector. The S&P/TSX closed at 8,699 on February 19, up 6% so far this year and up 53% from the low of October 9, 2002, but still down 24% from its peak on September 1, 2000. Information technology and telecommunication sub-indexes are the main drivers pushing up the index.
- The Dow Jones closed at 10,664 on February 19, up 2% since the start of the year and up 46% from the low of October 2002, but still down 9% from its peak on January 14, 2000.



The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2002	0.6339	78.80	1.483	78.20
2003	0.7713	91.65	1.583	82.08
August	0.7217	87.40	1.556	84.95
September	0.7408	89.23	1.536	84.18
October	0.7584	91.48	1.549	82.83
November	0.7698	92.09	1.558	84.38
December	0.7713	91.65	1.628	82.86
January	0.7548	92.54	1.652	79.83
Feb. 18	0.7548	*90.81	1.678	80.66

* Bank of Canada's Weekly Financial Statistics



Key Stock Market Indexes

	January Close	% change from	
		last month	last year
S&P/TSX	8,521	3.7	29.7
Energy	154	-0.8	22.2
Metals & Mining	214	-6.9	60.2
Utilities	150	-2.3	16.3
Materials	146	-7.1	19.1
Industrial	77	0.2	25.7
Financial	139	4.8	32.7
Gold	203	-10.8	4.0
Telecommunication	69	8.3	37.8
Information Technology	34	34.1	102.1
Consumer Discretionary	89	2.6	24.8
Consumer Staples	173	-2.1	17.9
S&P 500	1,131.1	1.7	32.2
Dow Jones	10,488	0.3	30.2



U.S. Economic Trends

The U.S. economy maintained a healthy pace in the fourth quarter...

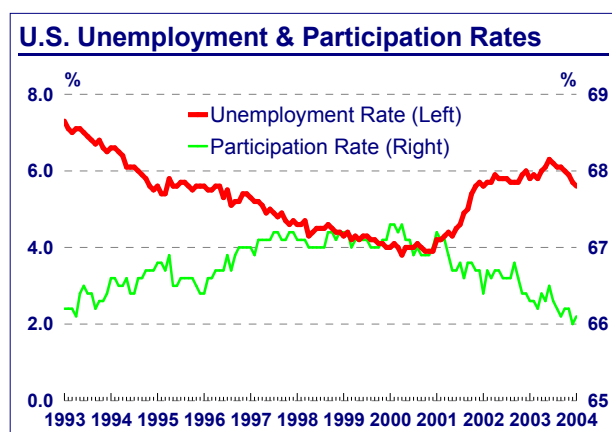
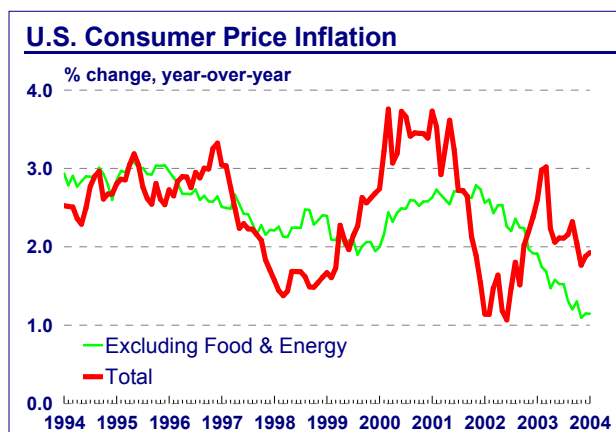
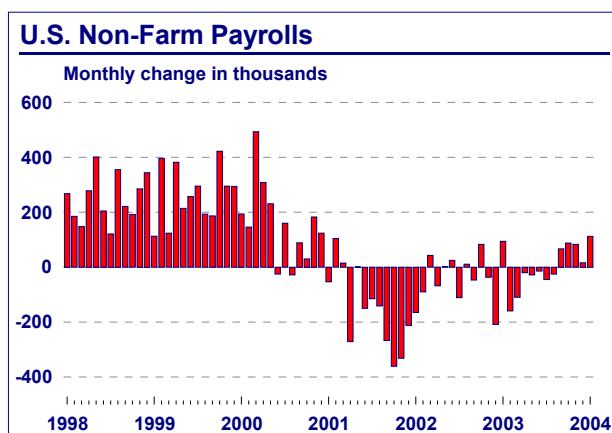
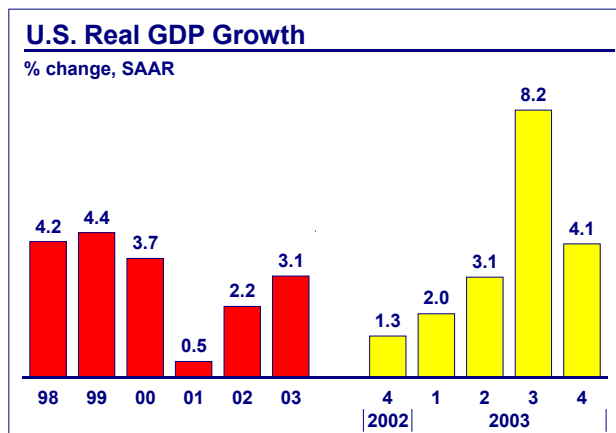
- Real GDP is estimated to have grown at 4.0% (annual rate) in the fourth quarter of 2003, after soaring by 8.2% in the third quarter, the highest rate in 20 years. The moderation at year-end was driven by a reduction in spending on consumer durables (motor vehicles and household equipment). Exports accelerated further, reducing the trade deficit. Inventories contributed to the growth for the first time in more than one year.

...and this trend seems to have persisted in early 2004

- In January, manufacturing activity continued to improve, as the Institute of Supply Management index (ISM) rose for the fourth straight month to 63.6 on better production, orders, and employment conditions. The ISM non-manufacturing index (mainly a measure of activity in services) increased for the 10th month in a row to 65.7, its highest level since the survey was launched in July 1997. Measures on consumer sentiment and car sales showed continued strength in December and January.

Employment increased in January

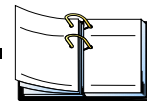
- Nonfarm employment increased by 112,000 in January bringing total gains since August to 366,000. Manufacturing losses continued, albeit at a slower pace, with employment falling by 11,000. Job gains were recorded in durable goods industries, however, including in fabricated metal products and communications equipment. The unemployment rate edged down to 5.6% from 5.7% in December and a recent high of 6.3% in June 2003.
- Nonfarm business productivity rose by 2.7% (annual rate) in the fourth quarter following a surge of 9.5% in the third quarter. This reflected a moderation in output growth and an acceleration in hours worked. The year-over-year change in total CPI and CPI excluding food and energy were 1.9% and 1.1%, respectively, in January.



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 - January	March 10
Labour Force Survey - February	March 12
Monthly Survey of Manufacturing - January	March 16
Consumer Price Index - February	March 18
Real GDP by Industry - January	March 31
Key Policy Interest Rate Announcement	April 13
Balance of International Payments - 1st Quarter 2004	May 28
National Economic and Financial Accounts - 1st Quarter 2004	May 31
Financial Statistics for Enterprises - 1st Quarter 2004	June 3

UNITED STATES

The Employment Situation - February	March 5
International Trade in Goods and Services - January	March 10
Federal Open Market Committee Meeting	March 16
Consumer Price Index - February	March 17
GDP - 4th Quarter 2003 (final)	March 25

Note: The February 2004 MEI uses data available as of February 20, 2004