



Industry
Canada

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Canada

Monthly Economic Indicators

March/April 2004

**Includes a special report on:
Household Financial Situation**







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/ra01894e.html>

Canada

MONTHLY ECONOMIC INDICATORS

March/April 2004

HIGHLIGHTS

-  **Real Gross Domestic Product (GDP) slipped 0.1% in January, after rising by a strong 0.5% in December.**
-  **Employment decreased 13,000 in March, and 20,000 since the beginning of 2004. However, all job losses have been part-time. The unemployment rate edged up to 7.5%.**
-  **Canada's trade surplus soared by \$0.6 billion in February. Both exports (7.0%) and imports (6.1%) rose sharply.**
-  **The Bank of Canada reduced its overnight rate by 0.25 percentage point to 2.0% on April 13 to support domestic demand.**
-  **Recent indicators point to continued strength in the United States (U.S.). Employment surged 308,000 in March, the largest gain in four years.**
-  **Long-term yields have edged higher in recent weeks, reflecting expectations that the Federal Reserve may raise interest rates earlier.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,025.4	-0.1	1.6	Jan
Goods	323.2	-0.4	1.6	Jan
Services	703.4	0.0	1.7	Jan
Composite Index	189.9	0.4	5.2	Feb
Employment (000's)	15,901	-0.1	1.3	Mar
Full-time	12,978	0.0	1.9	Mar
Part-time	2,923	-0.5	-1.2	Mar
Unemployment* (%)	7.5	7.4	7.4	Mar
Youth*	14.3	14.1	12.8	Mar
Adult*	6.2	6.1	6.4	Mar
CPI inflation*	0.7	0.7	4.3	Mar
Retail Sales (\$M)	26,362	1.6	1.2	Jan
Housing Starts (000's)**	247.0	14.2	11.4	Mar
Trade Balance* (\$M)	5,670	5,051	4,904	Feb
Exports	34,089	7.0	-2.2	Feb
Imports	28,419	6.1	-5.1	Feb
M&E	8,391	9.3	-0.7	Feb
			March	
	April 14***	2004	2003	
3-mth Corp. paper (%)*	2.07	2.10	3.28	
Long bond yield (%)*	4.68	4.33	5.13	
Canadian dollar (US¢)*	74.32	76.26	68.13	

*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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MONTHLY ECONOMIC INDICATORS

March/April 2004

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This release uses data available as of April 21, 2004. It has been prepared by Jenness Cawthray, Éric Chalifoux, Stéphane Crépeau, Anik Dufour, Kevin Koch, Joseph Macaluso, Arif Mahmud, Sue Moore, François Rimbaud and Marc Vachon of the Micro-Economic Analysis Directorate, under the direction of Hossein Rostami. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support.

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.

The MEI is published eight times a year as single-month issues for February, May, August and November, and as two-month issues for December/January, March/April, June/July and September/October. In the interim of MEI issues for December, March, June and September, please refer to our quarterly Micro-Economic Monitor (MEM) publication for an updated analysis of current economic conditions.

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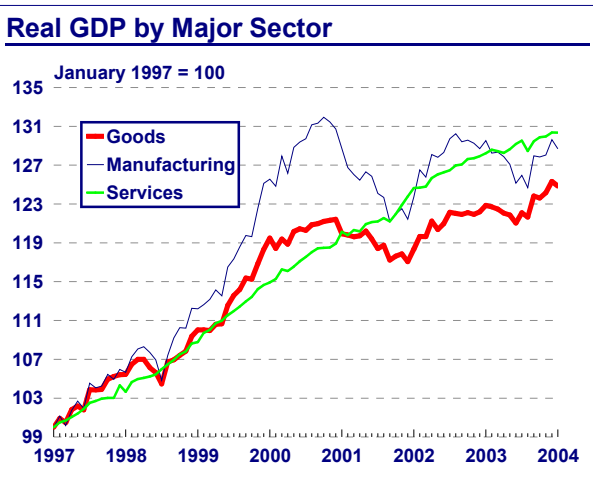
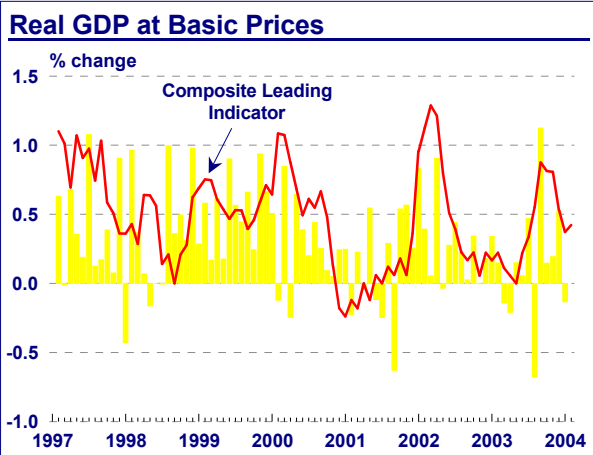
Real GDP by Industry

Economic growth paused in January...

- After rising by a strong 0.5% in December, output slipped 0.1% in January. This was the first decline since the drop of 0.7% in August caused by the power blackout. Weak North American auto sales in recent months weighed on a number of industries. Nonetheless, real GDP was up 0.3% from its fourth quarter level. Moreover, a number of economic indicators, including exports and shipments, point to a recovery in output in February.

...on declining consumer demand for cars and new housing

- Output in the goods sector declined 0.4% in January after rising 1.0% in December. Manufacturing output fell, ending two consecutive increases. Manufacturers of motor vehicles and parts, and their suppliers were adversely impacted by falling consumer demand. Declining demand also reduced residential construction. Colder than normal temperatures lowered oil & gas production, but helped utilities which posted the largest increase in output (4.1%).
- Output in the services sector was unchanged in January after rising by 0.3% in December. Activity in wholesale and transportation fell, adversely impacted by lower motor vehicle sales. Accommodation & food declined on falling foreign travel to Canada. Offsetting these losses were gains in the other service industries, notably retail trade and information & cultural services.



Real GDP at Basic Prices (1997 chained dollars)

January 2004	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	1,025,407	-1,368	-0.1	1.6
Business Sector	868,457	-1,624	-0.2	1.6
Goods-producing	323,231	-1,239	-0.4	1.6
Agri., Forest, Fish, Hunt*	23,953	-119	-0.5	5.2
Mining & Oil & Gas Extraction	37,283	-431	-1.1	3.9
Utilities	27,051	1,059	4.1	0.5
Construction	56,352	-229	-0.4	6.2
Manufacturing	177,629	-1,306	-0.7	-0.7
Services-producing	703,403	-56	-0.0	1.7
Wholesale Trade	62,456	-2,168	-3.4	-0.5
Retail Trade	56,160	553	1.0	1.2
Transportation & Warehousing	46,706	-391	-0.8	-0.1
Information & Cultural	41,983	447	1.1	-0.1
FIRE**	206,590	832	0.4	2.6
Professional***	45,121	215	0.5	2.2
Admin. & Waste Mgmt	22,490	30	0.1	2.0
Education	45,667	25	0.1	0.4
Health & Social	61,645	193	0.3	3.3
Arts, Entertain. & Recreation	9,326	21	0.2	3.0
Accommodation & Food	23,131	-33	-0.1	1.4
Other	24,443	25	0.1	1.6
Public Administration	58,497	53	0.1	2.0

*Agriculture, Forestry, Fishing & Hunting

**Finance, Insurance & Real Estate

***Professional, Scientific & Technical services

THE ECONOMY



Consumer Spending and Attitudes

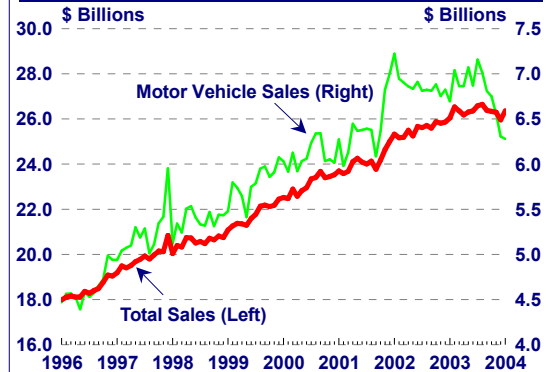
Spending stalled in the fourth quarter...

- Real consumption rose slightly in the fourth quarter, following a 4.6% increase in the third. This is the lowest quarterly increase since the fourth quarter of 1995.
- The slowdown was largely the result of lower expenditure on durable goods. New car sales dropped 29.0% and truck sales plummeted 50.2%, while spending on both non-durable goods and services increased. In the third quarter, all components of consumption had posted increases.

...but first quarter outlook appears brighter

- Retail sales bounced back sharply in January, rising 1.6%. Assuming sales then remain flat, this translates into 2.4% annualized growth in the first quarter compared to a 5.0% decrease in the fourth. Moreover, excluding motor & recreational vehicle dealers, sales rose 2.2%.
- Motor vehicle sales rose 1.3% in January and 7.7% in February, and are estimated to have risen 3% in March. Nonetheless, average sales are down 2.6% in the first quarter following a drop of 34.3% in the fourth.
- The index of consumer confidence recovered to 124.2 in March, reflecting improved sentiment regarding both the purchase of big-ticket items, as well as near-term financial prospects.

Total Retail and Motor Vehicle Sales



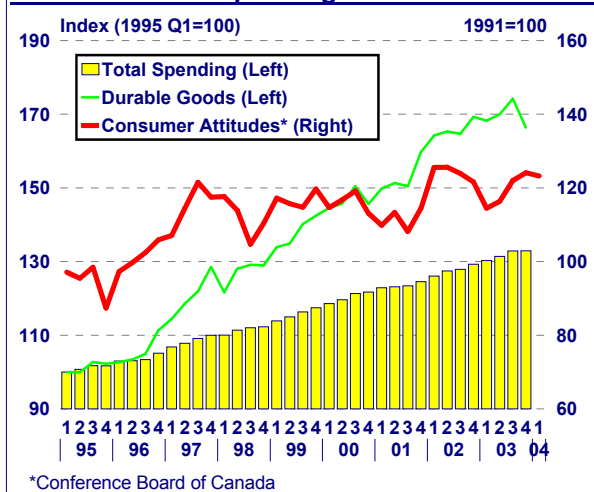
Retail Sales and Consumer Credit

January 2004	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	26,362	1.6	1.2
Food	5,971	1.2	3.5
Drug Stores	1,427	3.0	8.6
Clothing	1,397	1.7	1.7
Furniture	1,673	-1.2	8.2
Automotive	9,959	1.1	-4.4
General Merch. Stores	3,051	5.3	5.9
All other Stores	2,884	1.1	5.0
Total ex. motor vehicles	20,082	2.2	3.8
Consumer Credit	247	0.7	8.3

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	2002	2003	2003 Q3	2003 Q4
Real Consumption (97\$)	601,198	621,061	625,853	626,048
% change	3.4	3.3	4.6	0.1
Durable Goods	93,294	95,430	97,984	93,538
% change	8.5	2.3	10.4	-17.0
Semi-Durable Goods	54,341	56,158	56,478	56,354
% change	3.9	3.3	2.9	-0.9
Non-Durable Goods	136,534	139,498	139,294	140,133
% change	2.1	2.2	0.4	2.4
Services	317,885	330,860	333,310	336,582
% change	2.6	4.1	5.5	4.0
Disposable Income	698,479	717,818	719,636	721,544
% change	4.7	2.8	1.5	1.1
Saving Rate (%)	4.2	2.0	1.3	1.5
Debt-to-Income Ratio (%)	97.3	101.0	101.6	102.9

Real Consumer Spending and Attitudes





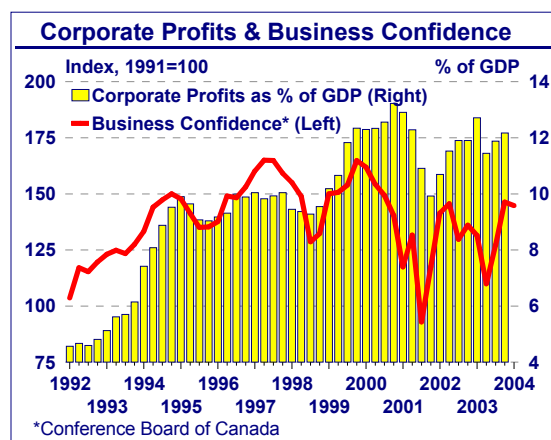
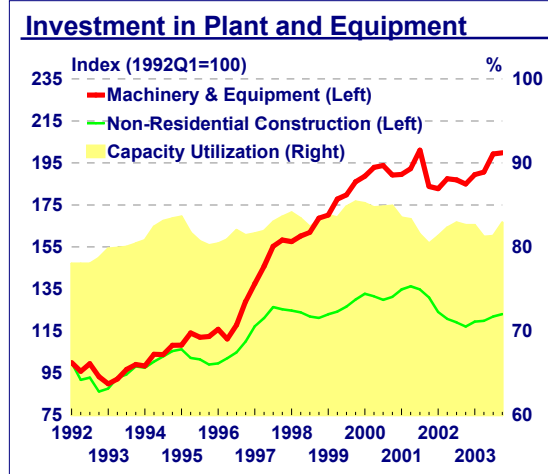
Business Investment

Business investment rose further in the fourth quarter...

- Following a surge of 15.0% (annualized) in the third quarter, business investment in plant and equipment rose 2.1% in the fourth. Non-residential construction rose 4.0% after an increase of 6.9% in the third quarter, and investment in machinery and equipment (M&E) posted a modest 1.1% increase after surging 19.2% the previous quarter.
- Higher profits and lower prices for imported M&E, due to the appreciation of the Canadian dollar, resulted in a 5.0% increase in M&E investment in 2003, following a 3.2% decrease in 2002.

...and business confidence holds strong

- The Business Confidence Index was 144.8 in the first quarter of 2004. The index has risen 35 points over the last three quarters. This rise reflects executives' optimism for the Canadian economy, the financial position of companies and their investment intentions.
- Imports of M&E rose 9.3% in February, the biggest gain in a decade. The average M&E imports for January and February are 1.5% above the fourth quarter average.



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	83,720	87,914	85,492	86,057	89,926	90,182
% change	-3.2	5.0	10.1	2.7	19.2	1.1
Non-residential Construction (1997\$)	43,044	43,341	42,759	42,910	43,632	44,064
% change	-10.4	0.7	8.2	1.4	6.9	4.0
Capacity Utilization (% , Non-farm goods)	82.3	82.0	82.6	81.2	81.3	82.9
Capacity Utilization (Mfg. sector)	83.3	82.9	83.5	82.1	81.9	84.0
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	146,312	168,345	175,252	160,704	166,008	171,416
% change	5.6	15.1	62.5	-29.3	13.9	13.7
Profits - Non-financial industries	113,379	127,002	137,188	119,748	123,992	127,080
% change	10.2	12.0	65.8	-41.9	14.9	10.3
Profits - Financial industries	32,934	41,343	38,064	40,956	42,016	44,336
% change	-7.8	25.5	51.3	34.0	10.8	24.0
Business Credit	887,953	903,434	898,970	901,062	904,209	909,497
% change	3.7	1.7	1.8	0.9	1.4	2.4

THE ECONOMY

Housing



Housing activity continued to grow in the fourth quarter...

- Real residential construction rose 9.3% (annual rate) in the fourth quarter, the sixth straight quarter of growth. For 2003 as a whole, real residential investment grew at a rate of 7.4%, a little more than half that of 2002 (14.1%).

...and remained strong in the first quarter of 2004

- Helped by strong gains in Ontario, Quebec, and Nova Scotia, housing starts rose sharply from 216,800 units in February to 247,000 units in March, the highest level since February 2003. On a quarterly basis, however, starts averaged 219,600 units in the first quarter, essentially unchanged from the previous quarter.
- Sales of existing homes surged 13.5% in March to 28,129 units, its second highest level on record with monthly sales reaching record levels in a number of markets, including Vancouver, Calgary and Toronto.
- Despite a 4.8% decrease in February, the average value of building permits for January and February was unchanged from its fourth quarter level.

Housing Activity



*Canada Mortgage and Housing Corporation

Monthly Housing Indicators

	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	20,328	-1.0%	9.1%
Building Permits, \$M (2)*	2,789	-4.8%	17.8%
Sales of Existing Homes (3)** (# of units)	28,129	3,345	4,679
Housing Starts, (3)*** (# of units, SAAR)	247,000	30,800	25,200
Newfoundland & Labrador	2,600	-2,200	1,000
Prince Edward Island	700	400	100
Nova Scotia	11,200	7,300	-9,700
New Brunswick	2,400	100	-1,100
Quebec	64,600	7,900	20,900
Ontario	91,100	16,000	12,100
Manitoba	4,000	-200	800
Saskatchewan	3,300	1,300	-500
Alberta	37,400	-2,000	-3,300
British Columbia	29,600	2,200	4,800

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

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

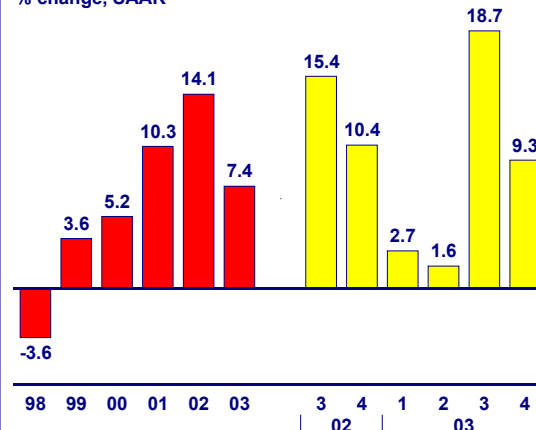
Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q3	2003 Q4
Residential Construction	57,854	62,130	63,158	64,585
% change	14.1	7.4	18.7	9.3
New Housing	28,782	30,653	30,763	32,212
% change	23.1	6.5	17.1	20.2
Alterations & Improvements	20,605	22,637	22,860	23,364
% change	5.0	9.9	5.8	9.1
Ownership & Transfer Costs	8,484	8,917	9,544	9,100
% change	9.5	5.1	56.6	-17.3

Growth in Real Residential Construction

% change, SAAR





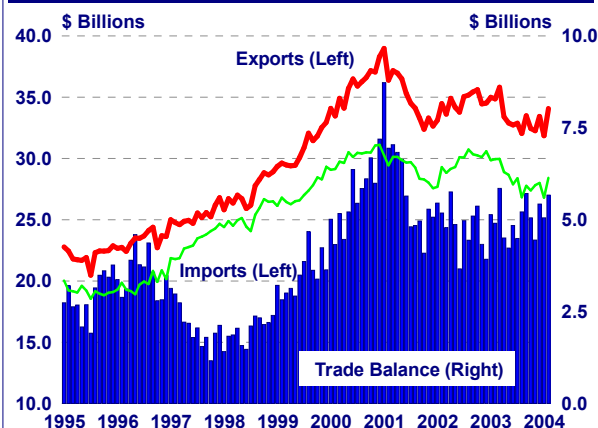
Merchandise trade rebounded in February...

- Exports rose 7.0% in February, after falling 4.7% in the previous month. Automotive products, forestry products and machinery & equipment led the increase. Exports to the U.S., Japan and the European Union posted gains. The volume of exports increased 4.8% while export prices were up 2.2%. However, on a year-over-year basis, prices were down by 6.9% while volumes were up 4.7%.
- Merchandise imports also increased (6.1%), following a decline of 4.3% in January. All principal commodity groupings posted gains with machinery & equipment leading the increase. Imports from all principal trading areas rose. Import volumes were up 4.4% and importers paid 1.7% more for their merchandise. Import prices declined by 9.7% year-over-year, however, the volume of imports increased 4.6%.

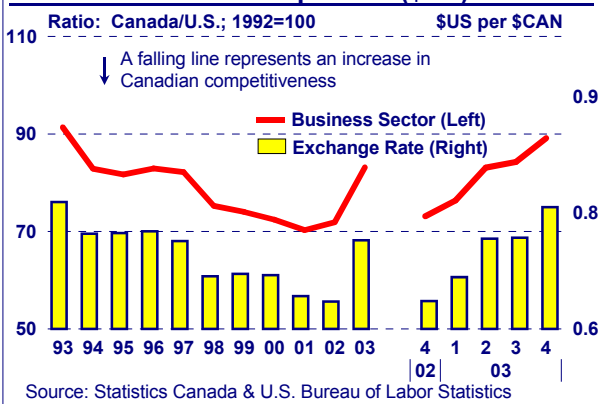
...and the trade surplus soared

- In February, the surplus with the U.S. increased by \$0.7 billion, while the deficit with other countries widened by \$0.1 billion. As a result, Canada's merchandise trade surplus surged by \$0.6 billion to \$5.7 billion.

Merchandise Trade Flows and Balance



Unit Labour Cost Comparison (\$US)



Merchandise Trade

February 2004	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	January 2004	February 2004	Jan.-Feb. 2003	Jan.-Feb. 2004	Jan. to Feb. 2004	Jan. to Feb. 2004	Jan.-Feb. 2003 to Jan.-Feb. 2004
Exports	31,848	34,089	69,845	65,937	2,241	7.0	-5.6
to United States	25,883	27,685	58,048	53,568	1,802	7.0	-7.7
Imports	26,797	28,419	59,803	55,216	1,622	6.1	-7.7
from United States	18,664	19,740	42,423	38,404	1,076	5.8	-9.5
Trade Balance	5,051	5,670	10,042	10,721	619		
with United States	7,219	7,945	15,625	15,164	726		
Exports by Commodity							
Agriculture/Fishing Products	2,366	2,450	4,961	4,816	84	3.6	-2.9
Energy Products	4,952	5,157	11,138	10,109	205	4.1	-9.2
Forestry Products	2,794	3,019	5,802	5,813	225	8.1	0.2
Industrial Goods & Materials	5,834	6,160	11,223	11,994	326	5.6	6.9
Machinery & Equipment	6,821	7,365	15,823	14,186	544	8.0	-10.3
Automotive Products	6,652	7,433	15,251	14,085	781	11.7	-7.6
Other Consumer Goods	1,342	1,443	2,945	2,785	101	7.5	-5.4
Imports by Commodity							
Agriculture/Fishing Products	1,672	1,766	3,696	3,438	94	5.6	-7.0
Energy Products	1,556	1,675	3,402	3,231	119	7.6	-5.0
Forestry Products	229	241	525	470	12	5.2	-10.5
Industrial Goods & Materials	5,307	5,576	11,707	10,883	269	5.1	-7.0
Machinery & Equipment	7,679	8,391	17,011	16,070	712	9.3	-5.5
Automotive Products	5,748	6,007	13,640	11,755	259	4.5	-13.8
Other Consumer Goods	3,705	3,753	7,850	7,458	48	1.3	-5.0



Employment and Unemployment

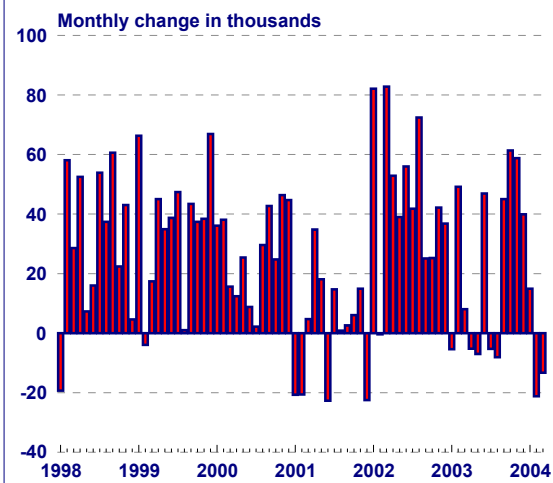
Employment declined in March...

- Employment edged down by 13,300 in March, but job losses continued to be in part-time positions as full-time jobs rose 2,900. So far this year, employment has declined 19,600, with full-time employment rising 61,100 and part-time employment dropping 80,500.
- In March, employment declined for both adults (-7,000) and youth (-6,300). The decline was more severe for those aged 55 and over (-22,700), following seven consecutive monthly increases.
- Public sector employment increased 6,500 in March while private sector employment fell 19,700, mostly in self-employment (-16,600).
- The participation and employment rates were down slightly to 67.4% and 62.4%, respectively. However, these are only 0.3 percentage point below the all-time highs posted in December 2003.

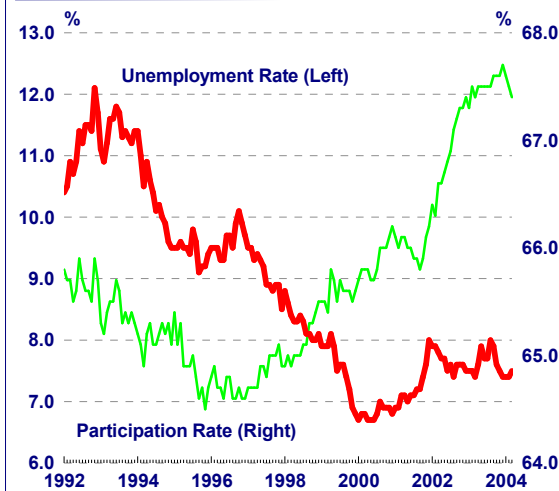
...and the unemployment rate edged up to 7.5%

- The unemployment rate increased to 7.5% in March after remaining at 7.4% for the past three months. The unemployment rate for adults edged up 0.1 percentage point to 6.2% while the youth unemployment rate rose 0.2 percentage point to 14.3%.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2003 March	2004 February	2004 March	last month	last year	year-to- date	last month	last year
Employment	15,694.3	15,914.4	15,901.1	-13.3	206.8	-19.6	-0.1	1.3
Full-time	12,735.5	12,975.4	12,978.3	2.9	242.8	61.1	0.0	1.9
Part-time	2,958.9	2,939.0	2,922.9	-16.1	-36.0	-80.5	-0.5	-1.2
Youth 15-24	2,422.9	2,389.3	2,383.0	-6.3	-39.9	-35.8	-0.3	-1.6
Adult 25+	13,271.5	13,525.1	13,518.1	-7.0	246.6	16.3	-0.1	1.9
Self-employed	2,392.1	2,428.2	2,411.6	-16.6	19.5	-25.8	-0.7	0.8
Unemployment	1,256.9	1,265.9	1,287.0	21.1	30.1	20.2	1.7	2.4
Unemployment Rate	7.4	7.4	7.5	0.1	0.1	0.1		
Youth 15-24	12.8	14.1	14.3	0.2	1.5	0.3		
Adult 25+	6.4	6.1	6.2	0.1	-0.2	0.1		
Labour Force	16,951.2	17,180.3	17,188.1	7.8	236.9	0.7	0.0	1.4
Participation Rate	67.4	67.5	67.4	-0.1	0.0	-0.3		
Employment Rate	62.4	62.5	62.4	-0.1	0.0	-0.3		



Industry Overview

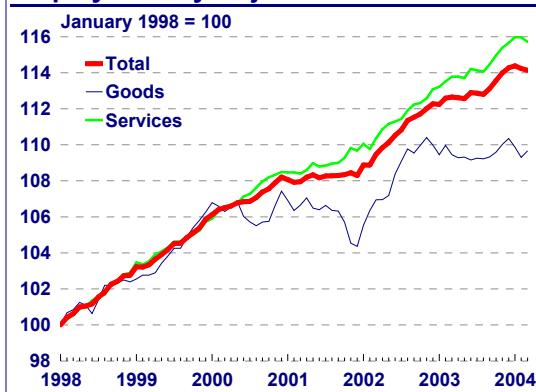
Employment increased in the Goods sector...

- Employment in the Goods sector edged up 13,300 in March, following a 20,800 decline in February. Manufacturing (7,100) and Utilities (6,600) posted the largest increases.
- On a year-over-year basis, the Goods sector gained 7,800 jobs, including a gain of 23,900 in Construction and a loss of 20,900 in Manufacturing. The March employment level in Manufacturing remains 78,400 below its recent peak in August 2002. This is in part due to the appreciation of the Canadian dollar.

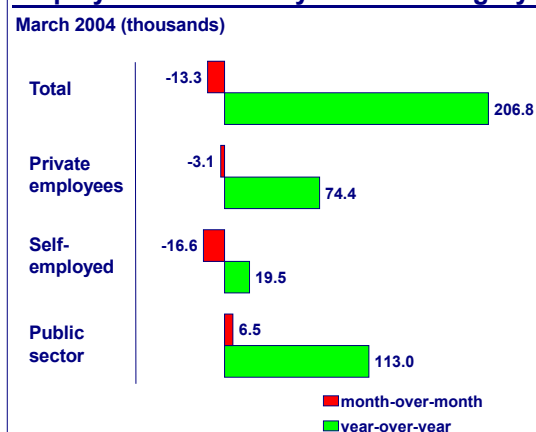
...but decreased in the Services sector

- Employment in Services declined 26,600 in March eradicating the gains recorded in January. As a result, Service employment has risen only 5,300 so far this year. On a year-over-year basis, the Services sector has gained 199,000 jobs.
- Finance, Insurance, Real Estate and Leasing (14,600), Health Care and Social Assistance (10,600) and Transport and Warehousing (5,000) were the only sectors to post significant gains.
- Business and Building (-19,700), Education Services (-19,100) and Information, Culture and Recreation (-13,600) posted the largest job losses.

Employment by Major Sector



Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2003 March	2004 February	2004 March	last month	last year	year-to- date	last month	last year
Goods-producing	3,982.6	3,977.1	3,990.4	13.3	7.8	-24.9	0.3	0.2
Agriculture	339.4	341.3	343.1	1.8	3.7	-3.4	0.5	1.1
Natural Resources*	290.9	295.6	293.3	-2.3	2.4	-2.7	-0.8	0.8
Utilities	131.5	123.7	130.3	6.6	-1.2	-0.4	5.3	-0.9
Construction	915.0	938.7	938.9	0.2	23.9	-18.2	0.0	2.6
Manufacturing	2,305.7	2,277.7	2,284.8	7.1	-20.9	-0.2	0.3	-0.9
Services-producing	11,711.7	11,937.3	11,910.7	-26.6	199.0	5.3	-0.2	1.7
Trade	2,443.6	2,493.3	2,491.9	-1.4	48.3	14.5	-0.1	2.0
Transportation*	765.3	805.5	810.5	5.0	45.2	28.3	0.6	5.9
FIRE*	927.4	948.9	963.5	14.6	36.1	6.8	1.5	3.9
Professional/Scientific	1,003.9	1,014.8	1,014.6	-0.2	10.7	30.1	-0.0	1.1
Business/Building	608.0	629.2	609.5	-19.7	1.5	-28.1	-3.1	0.2
Educational Services	1,051.9	1,077.4	1,058.3	-19.1	6.4	-2.8	-1.8	0.6
Health Care/Social Assistance	1,666.8	1,726.6	1,737.2	10.6	70.4	5.0	0.6	4.2
Information/Culture/Recreation	687.0	731.1	717.5	-13.6	30.5	0.5	-1.9	4.4
Accommodation & Food	1,042.8	1,013.7	1,011.9	-1.8	-30.9	-17.6	-0.2	-3.0
Other Services	720.3	680.6	678.9	-1.7	-41.4	-20.7	-0.2	-5.7
Public Administration	794.8	816.3	816.8	0.5	22.0	-10.8	0.1	2.8

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

LABOUR MARKET TRENDS



Provincial Overview

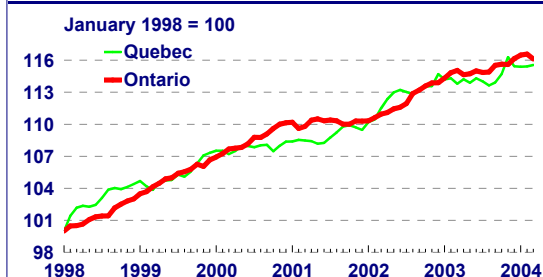
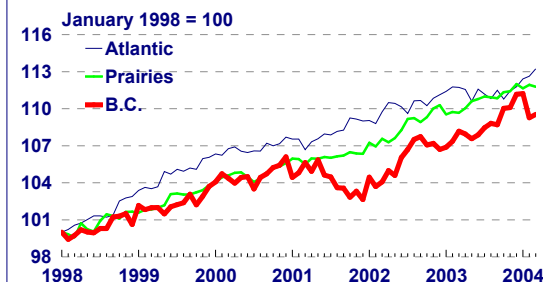
Job losses were concentrated in Ontario...

- Employment in Ontario fell 24,500 in March, essentially wiping out job gains in the first two months of the year. The job losses were mostly in Business, Building and Other Support Services. Meanwhile, Newfoundland and Labrador posted a two percent gain in employment (4,300), with the largest gains in Retail Sales and Construction. British Columbia (5,100) and Nova Scotia also posted significant gains. In Quebec, employment was little changed for the third consecutive month.
- On a year-over-year basis, all provinces have posted gains, notably Alberta (2.8%), Newfoundland and Labrador (2.2%), Prince Edward Island (2.1%) and Nova Scotia (1.9%).

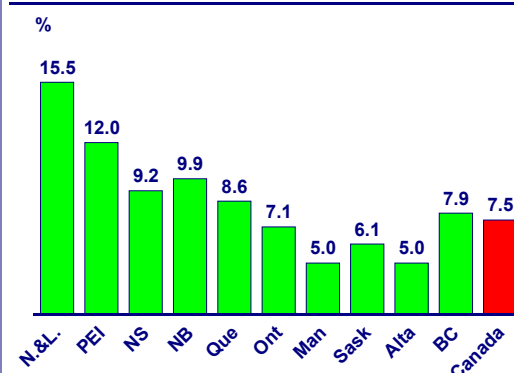
...and the unemployment rate varied in most provinces

- Newfoundland and Labrador posted the largest decline (1.0 percentage point to 15.5%). Nova Scotia, Quebec and Alberta registered small declines in their unemployment rates.
- Unemployment rates increased in Ontario, New Brunswick, Saskatchewan, Prince Edward Island and Manitoba.
- Since March 2003, the unemployment rate has gone down in most provinces, particularly in Newfoundland & Labrador, Prince Edward Island and Quebec, but has risen sharply in Ontario and Saskatchewan.

Regional employment patterns



Unemployment Rates -- March 2004



Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment Rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since	
	2004 March	(000's)	%	(000's)	%	2004 March	last month	last year
Canada	15,901.1	-13.3	-0.1	206.8	1.3	7.5	0.1	0.1
Newfoundland & Labrador	223.3	4.3	2.0	4.7	2.2	15.5	-1.0	-1.4
Prince Edward Island	68.8	-0.1	-0.1	1.4	2.1	12.0	0.3	-0.6
Nova Scotia	442.7	2.2	0.5	8.1	1.9	9.2	-0.2	-0.1
New Brunswick	350.2	-0.7	-0.2	0.2	0.1	9.9	0.4	0.0
Quebec	3,686.1	4.5	0.1	56.2	1.5	8.6	-0.2	-0.4
Ontario	6,283.8	-24.5	-0.4	57.8	0.9	7.1	0.5	0.5
Manitoba	571.7	-1.3	-0.2	4.5	0.8	5.0	0.2	0.1
Saskatchewan	487.5	-0.9	-0.2	0.4	0.1	6.1	0.4	0.4
Alberta	1,746.0	-1.7	-0.1	48.2	2.8	5.0	-0.2	-0.2
British Columbia	2,041.1	5.1	0.3	25.4	1.3	7.9	0.0	0.1

PRICES and FINANCIAL MARKETS



Consumer and Commodity Prices

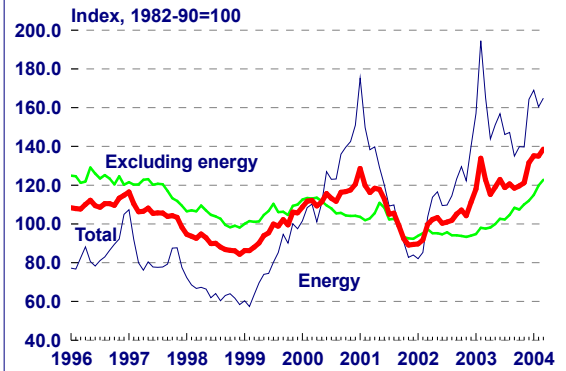
Inflation was 0.7% in March...

- On a year-over-year basis, the Consumer Price Index (CPI) rose 0.7% in March, the same increase as February. Higher cigarette prices (7.8%), tuition fees (8.1%), and homeowners' insurance (10.8%) were balanced by a decline in prices for gasoline (-4.2%) and fuel oil (-19.3%).
- On a month-to-month basis (seasonally adjusted), the CPI in March rose by 0.1%, the same as in February.
- The year-over-year increase in commodity prices rose to 13.0% in March after slowing in February. On a monthly basis, commodity prices rose 2.7% following a 0.1% decline in February. Excluding energy prices, commodity prices increased 2.8% following a 5.1% fall in February.

...and the "core" rate rose to 1.3%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, rose from 1.1% in February to 1.3% in March, below the midpoint of the 1%-3% official target range.

Commodity Prices (\$US basis)



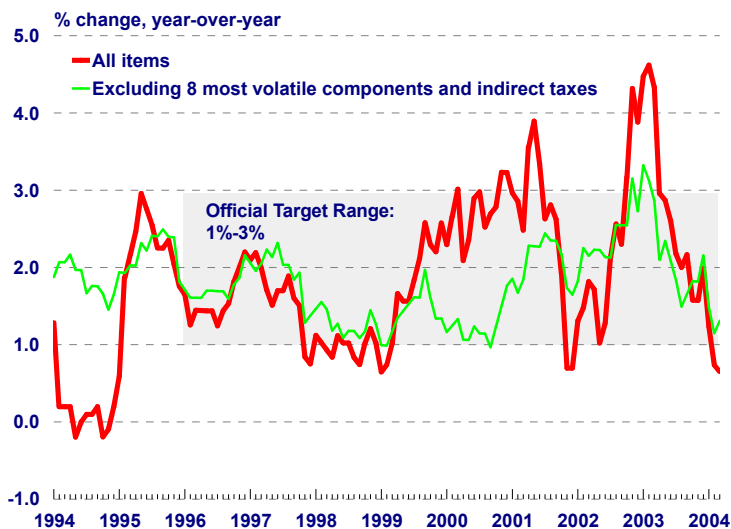
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	123.6	0.3	0.7
Food	123.6	0.2	1.0
Shelter	119.0	0.0	1.4
Household operations	115.3	0.1	0.7
Clothing & Footwear	105.3	1.3	-0.2
Transportation	142.8	0.6	-1.2
Health & Personal Care	118.3	0.5	1.9
Recreation, Educ. & Reading	127.3	0.6	0.5
Alcohol & Tobacco	141.3	0.1	5.6
Excl. 8 Most Volatile/Indirect Taxes	123.7	0.3	1.3
Energy	143.3	1.0	-4.1

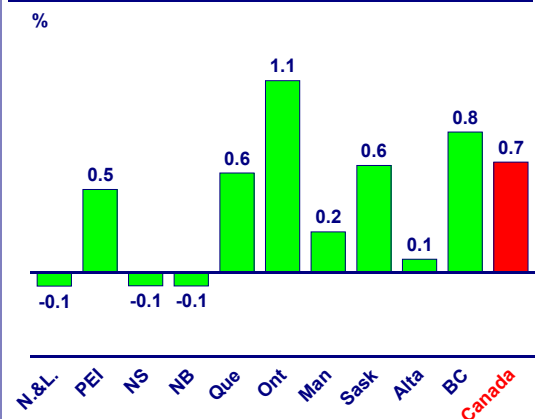
Commodity Prices

Index, 1982-90=100	138.6	2.7	13.0
Excluding Energy	122.8	2.5	25.8
Energy	164.9	2.8	-0.1

Consumer Price Index



Provincial CPI Inflation -- March 2004





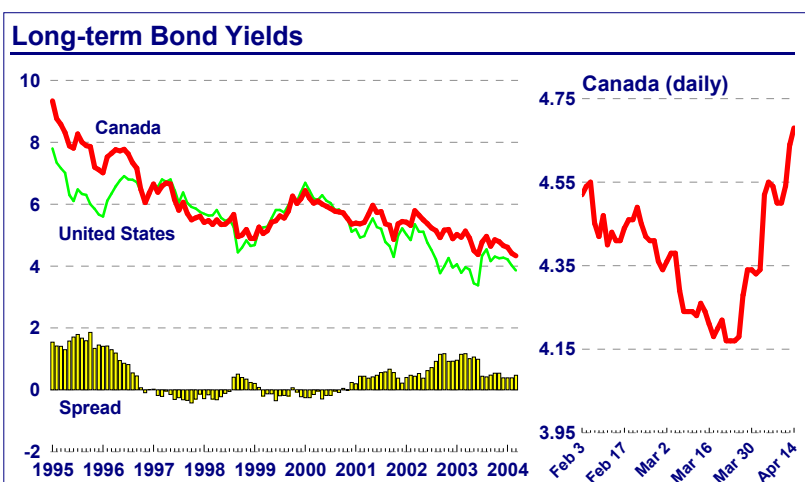
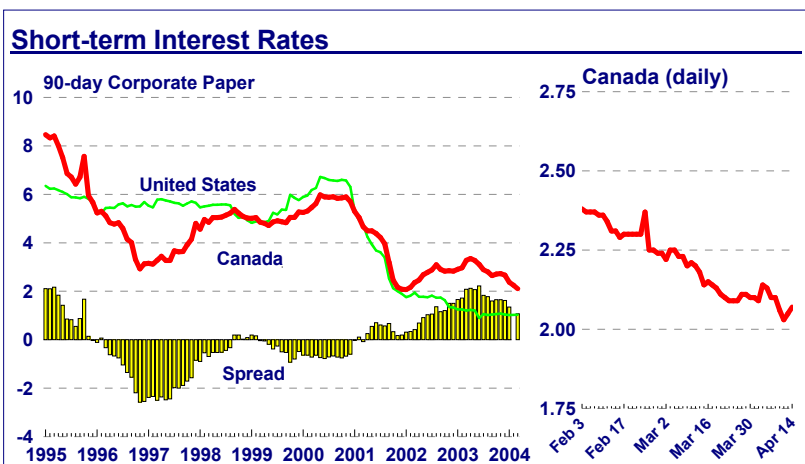
Short-term and Long-term Interest Rates

The Bank of Canada reduced its overnight rate to 2.0 percent

- The Bank of Canada cut its overnight rate by 25 basis points (bps) on April 13, bringing the total reduction since July to 125 bps. The Bank's view is that risks to growth appear balanced, and the economy will grow 2.75% in 2004 and 3.75% in 2005. On March 16, the U.S. Federal Reserve kept its federal funds rate unchanged at 1.0% and expected to continue exercising patience in its policy stance. The next policy decision is scheduled for May 4.
- The rate on 3-month corporate paper in Canada was 2.1% on April 14, down from 2.7% last December. With its U.S. counterpart steady near 1.1% on April 14, the rate differential narrowed further to 100 bps.

North American long-term rates have risen substantially

- Yields on long-term bonds have risen in recent weeks as a string of stronger than expected economic data, particularly in the U.S., has led to expectations that central banks will move sooner than previously anticipated. U.S. 10-year yields have risen about 70 bps since mid-March to 4.4%, while in Canada, yields have risen 40 bps to 4.6%.
- One-year mortgage rates rose to 4.45% on April 14, up from 4.3% in January. Five-year mortgage rates also rose to 5.95%, but remained below rates earlier in the year.



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
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
February	2.25	NA	4.41	0.39
March	2.10	1.07	4.33	0.47
Apr. 14*	2.07	1.00	4.68	0.28

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	Mortgage Rate 5 year
2002	2.75	4.50	4.90	6.70
2003	2.75	4.50	4.75	6.45
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
February	2.50	4.25	4.30	5.80
March	2.25	4.00	4.30	5.70
Apr. 14*	2.00	3.75	4.45	5.95

* Bank of Canada's Weekly Financial Statistics

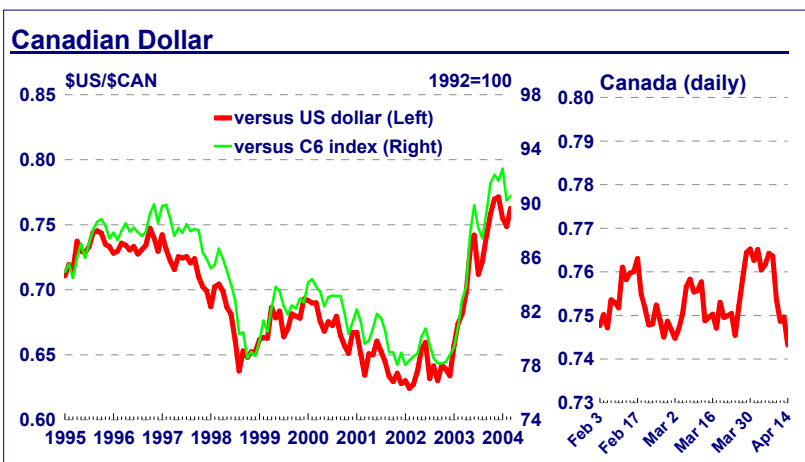


The Canadian dollar has trended down in recent weeks

- Evidence of a self-sustaining economic growth in the U.S. has helped the U.S. dollar recover against major currencies including the Canadian dollar. A further reduction in Canadian interest rates also contributed to recent downward pressure on the Canadian dollar. On April 20, the Canadian dollar closed at US¢73.7, down from a high of US¢78.7 on January 9, but still up about US¢10 cents (16%) since January 2003.
- The Canadian dollar traded steadily against the euro after regaining some strength in March, but depreciated about 3% against the Japanese yen since the start of the year.

North American stock markets lost some momentum

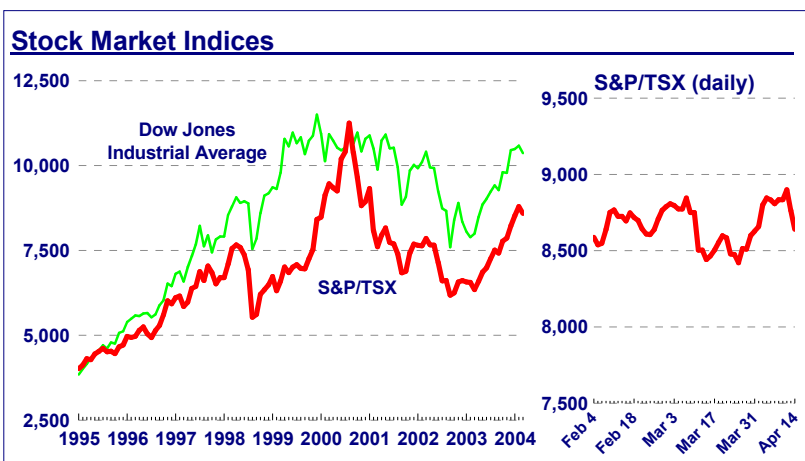
- Stock market indices have edged down in recent weeks, in part due to rising long-term interest rates. The S&P/TSX dropped 3.3% in about a week to close at 8,603 on April 20, but this was still higher compared to the start of the year. Information technology and telecommunication sub-indexes showed continued strength and gold rebounded after weakness in January.
- The Dow Jones closed at 10,315 on April 20, down 1.0% since the start of the year.



The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2002	0.6339	78.80	n/a	n/a
2003	0.7713	91.65	1.628	82.86
October	0.7584	91.48	n/a	n/a
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
February	0.7487	90.19	1.669	81.60
March	0.7626	90.55	1.615	79.53
Apr. 14	0.7432	*89.69	1.605	80.75

* Bank of Canada's Weekly Financial Statistics



Key Stock Market Indexes

	March Close	% change from	
		last month	last year
S&P/TSX	8,586	-2.3	35.4
Energy	166	-0.7	32.5
Metals & Mining	223	-3.4	80.0
Utilities	156	2.5	25.9
Materials	155	-0.2	40.6
Industrial	75	-4.2	36.9
Financial	142	0.7	33.8
Gold	230	8.8	42.7
Telecommunication	64	-6.7	30.6
Information Technology	32	-8.7	105.1
Consumer Discretionary	87	-3.2	32.8
Consumer Staples	176	-0.2	23.3
S&P 500	1,126.2	-1.6	32.8
Dow Jones	10,358	-2.1	29.6



U.S. Economic Trends

U.S. real GDP growth grew solidly in the fourth quarter...

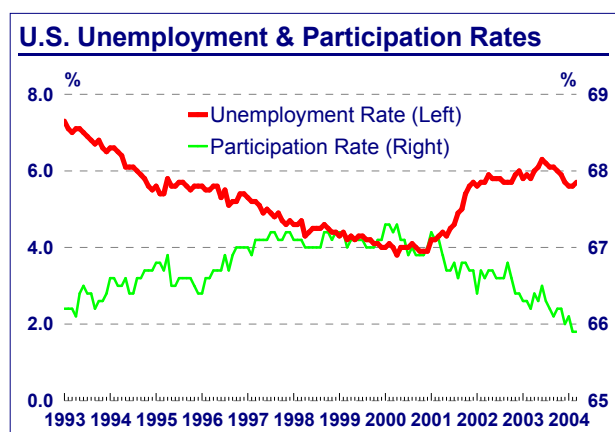
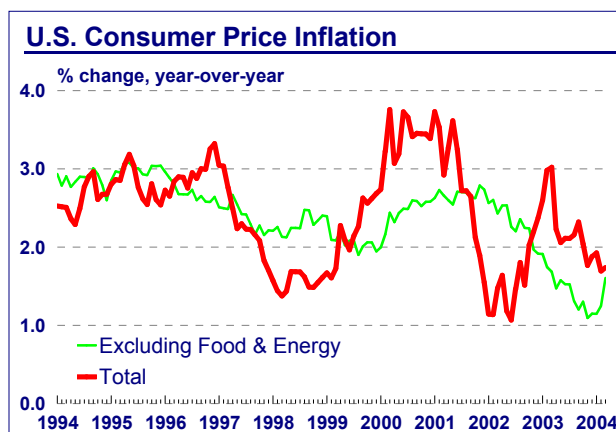
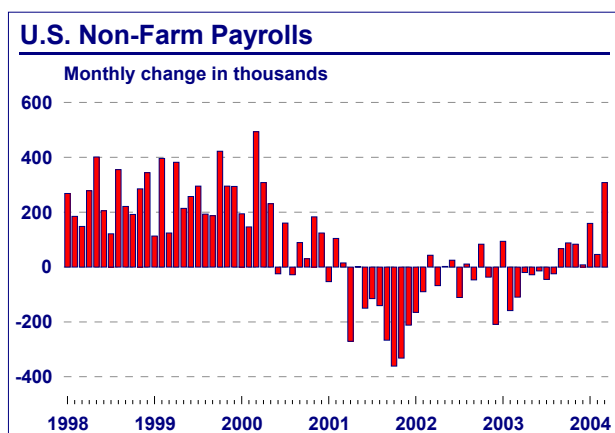
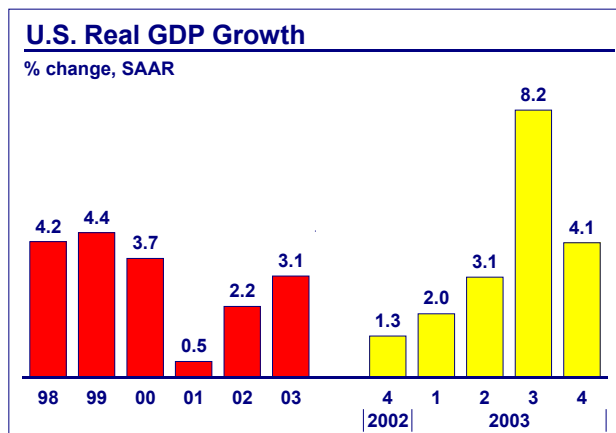
- Real GDP grew 4.1% (annual rate) in the fourth quarter of 2003, following a sharp 8.2% increase in the third quarter, the highest rate in 20 years. Growth in the fourth quarter was supported by consumer spending, business spending on capital goods and exports. For 2003, real GDP grew 3.1%, the strongest pace since 2000.

...and recent indicators point to continued strength in the first quarter of 2004

- Business activity increased in March according to the Institute of Supply Management (ISM) whose manufacturing index rose to 62.5. The ISM non-manufacturing index (mainly a measure of activity in services) also increased in March to 65.8 for the twelfth consecutive month. Industrial production rose 6.6% in the first quarter of 2004, after rising 5.6% in the previous quarter. Retail sales were up 9.5% in the first quarter of 2004 following a 4.5% increase in the previous quarter. However, the consumer sentiment index (University of Michigan) fell in February, March and early April to 93.2 from January's peak reading of 103.8.

Employment jumped in March

- Non-farm payroll employment rose by 308,000 in March (three times the expected level), reflecting employment gains in construction, retail trade, health care and social assistance. Since August 2003, payroll employment has grown by 759,000 jobs. The unemployment rate remained at 5.7% in March, below the recent high of 6.3% in June 2003.
- Following a strong 9.5% increase in the third quarter, non-farm business productivity rose 2.6% (annual rate) in the fourth quarter, as output grew by 4.1% and hours rose 1.5%. The increase in hours was the largest since the first quarter of 2000. The year-over-year change in total CPI and CPI excluding food and energy were 1.7% and 1.6%, respectively, in March.



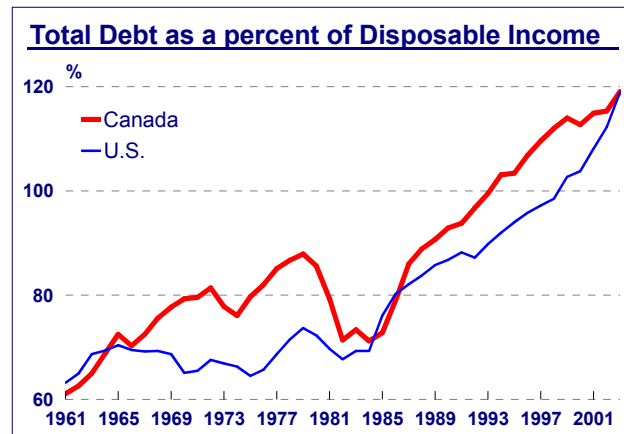
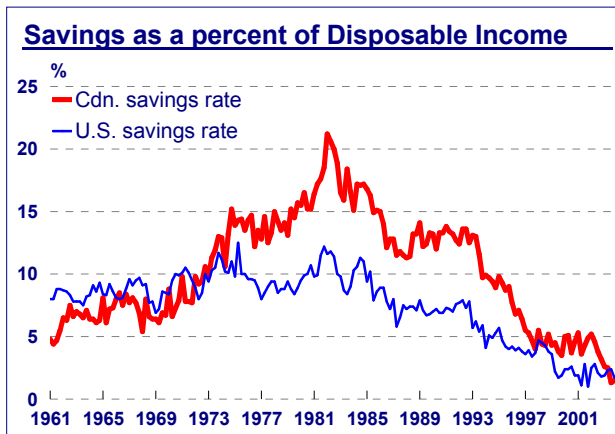
Source: U.S. Bureau of Economic Analysis & U.S. Bureau of Labor Statistics

SPECIAL REPORT

Household Financial Situation

The personal savings rate has declined sharply while personal debt has risen well above disposable income

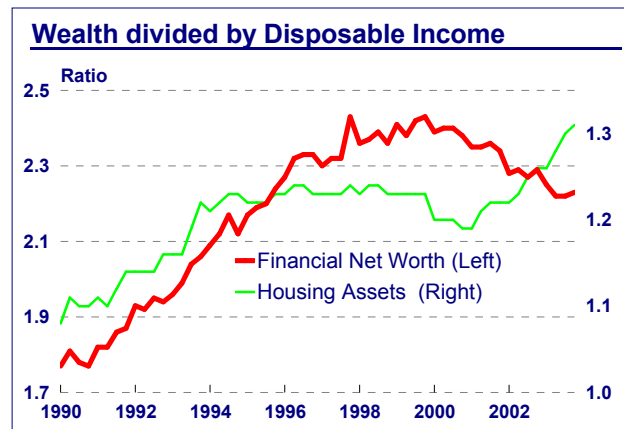
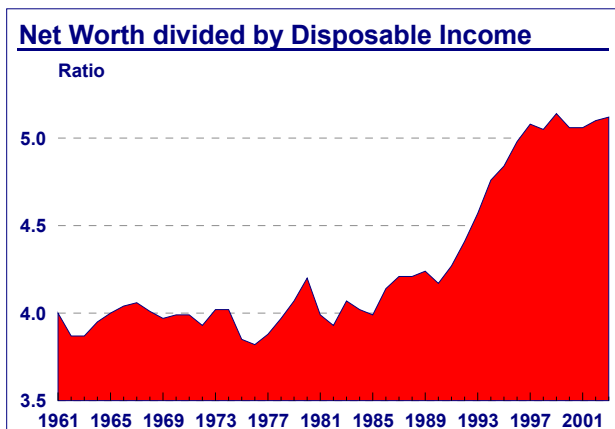
- The household savings rate was 1.5% in the fourth quarter of 2003, which was slightly higher than the rate in the third quarter (1.3%), but down from 4.2% in 2002 and below the 40-year average of about 10%. In the U.S., the personal savings rate has also declined sharply while household debt has risen. In the fourth quarter of 2003, the savings rate fell to 1.7% compared to a long-term average of 7.5%.
- Some analysts have raised concern about the sustainability of consumer-led growth in the face of a historically low savings rate and high debt levels. There is concern that rising interest rates would lead to higher debt service costs, and put downward pressure on equity and housing markets, thereby leading to a retrenchment by consumers.



Source: National Accounts and National Balance Sheets, Statistics Canada; U.S. Federal Reserve and Bureau of Economic Analysis

The rise in debt has reflected an accumulation of assets

- The decline in personal savings coincided with higher debt-to-income ratios during the 1990s as consumer credit and mortgages accumulated at a more rapid pace. Total debt as a percentage of disposable income rose steadily from about 72 percent in the mid-1980s to near 120 percent in 2003, mostly due to an increase in mortgage holdings. Consumers also increased their credit card use at the same time.
- While household debt increased, equity and housing assets accumulated at the same time and real personal disposable income also increased during the second half of the 1990s. This rise in both financial and non-financial assets led to an increase in household net worth such that in 2003, net worth was over five times greater than disposable income and above its long-run (42 year) average.



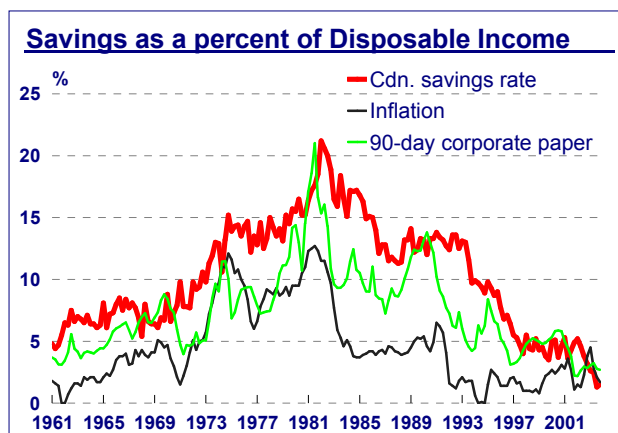
Source: National Accounts and National Balance Sheets, Statistics Canada

SPECIAL REPORT

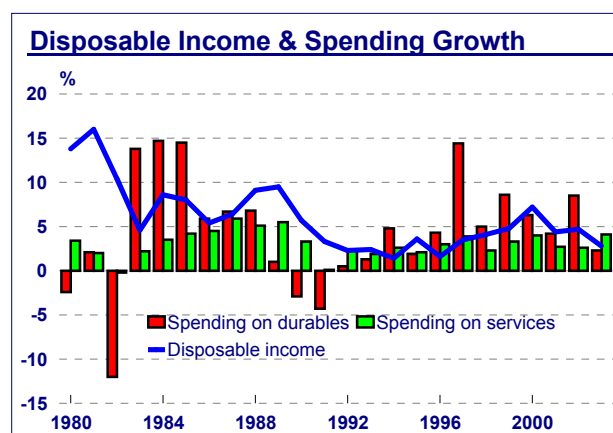
Household Financial Situation

The trend decline in savings is consistent with rising wealth and falling inflation and interest rates

- One reason the savings rate fell during the nineties was an improvement in household assets, which increased due to rising equity markets and housing prices. Higher equity prices and housing wealth led consumers to spend more of their income, thereby reducing their savings out of income. A recent study by the International Monetary Fund (IMF)* found that fiscal and monetary policies also appear to have had significant long-run effects on the savings rate. In recent years, low inflation and improved public finances (public sector moved to a saver from a borrower) helped dissuade private saving. Their results suggest that the savings rate should now be about 4.5%. As such, it is argued that the savings rate may rise from its current rate of below 2.0%.
- There are, however, measurement issues with the official savings rate. Accounting for other components of personal income and savings shows that the official savings rate may underestimate true saving in the economy. Measuring savings to include capital gains and purchases of consumer durables, which have grown in recent years, raises the savings rate closer to the historical average.



Source: National Accounts and National Balance Sheets, Statistics Canada



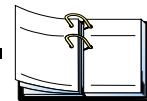
The household financial position appears solid enough to support consumer spending

- Over the past couple of years, consumer expenditures on durables, including cars and housing, have increased. This is much in-line with low interest rates, rising wealth and pent-up demand. The fact that consumers have lowered their savings rate and raised their debt levels should not be considered a significant risk to consumer spending given that household wealth has increased to over five times the level of debt, and interest costs constitute only 7.5% of disposable income, down from 8.5% in 2001.
- Most analysts expect consumer spending on big-ticket items to slow this year given the strong performance of these goods in recent years. As such, this slow-down in consumer spending would not be attributed to weakness in household balance sheets. Consensus Forecasts expects consumption expenditure to grow 2.7% in 2004 compared to 3.3% in 2003. Meanwhile, the savings rate is expected to remain about 2.0% in 2004, and then increase modestly in 2005 as interest rates also rise.
- This is not to rule out the vulnerability of consumers to unexpected shocks, including a sharp run-up in interest rates, especially long-term rates (i.e., on concerns about a large and growing U.S. fiscal deficit). Currently, most analysts expect an orderly and gradual rise in interest rates as a result of improving economic conditions and prospects which would include increases in disposable income, a key determinant of spending.
- Altogether, the financial position of households appears healthy and should support consumption.

* IMF Country Report for Canada (no. 04/60), March 2004.

COMING UP

Key Future Data Releases and Planned Events



CANADA

Labour Force Survey - April	May 7
Canadian International Merchandise Trade - March	May 12
Monthly Survey of Manufacturing - March	May 14
Consumer Price Index - April	May 20
Balance of International Payments - 1st Quarter 2004	May 28
Real GDP by Industry - March	May 31
National Economic and Financial Accounts - 1st Quarter 2004	May 31
Financial Statistics for Enterprises - 1st Quarter 2004	June 3
Key Policy Interest Rate Announcement	June 8

UNITED STATES

Federal Open Market Committee Meeting	May 4
The Employment Situation - April	May 7
International Trade in Goods and Services - March	May 12
Consumer Price Index - April	May 14
GDP - 1st Quarter 2004 (preliminary)	May 27

Note: The March/April 2004 MEI uses data available as of April 21, 2004