



Industry
Canada

Industrie
Canada

Monthly Economic Indicators

May 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


Canada


MONTHLY ECONOMIC INDICATORS


May 2004


HIGHLIGHTS

 **Real Gross Domestic Product (GDP) was unchanged in February, after declining 0.2% in January.**

 **Following two consecutive months of job losses, employment surged 50,000 in April, all in full-time. The unemployment rate edged down to 7.3%.**

 **Canada's trade surplus rose further to its highest level in three years in March, as exports (1.7%) grew at a faster pace than imports (0.9%).**

 **Higher gas and electricity prices pushed up inflation to 1.6% in April from 0.7% in March.**

 **In the United States (U.S.), real GDP growth maintained a robust pace (4.2%) in the first quarter, while more than 600,000 jobs were created in March and April.**

 **In financial markets, the Canadian dollar fell further, while rising long-term interest rates helped push stock prices down.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,024.9	0.0	1.6	Feb
Goods	321.6	-0.4	1.3	Feb
Services	704.7	0.2	1.7	Feb
Composite Index	192.0	0.7	6.3	Mar
Employment (000's)	15,951	0.3	1.7	Apr
Full-time	13,034	0.4	2.2	Apr
Part-time	2,917	-0.2	-0.7	Apr
Unemployment* (%)	7.3	7.5	7.6	Apr
Youth*	13.9	14.3	13.6	Apr
Adult*	6.0	6.2	6.4	Apr
CPI inflation*	1.6	0.7	3.0	Apr
Retail Sales (\$M)	27,025	2.3	1.9	Feb
Housing Starts (000's)**	241.6	-4.5	17.5	Apr
Trade Balance* (\$M)	6,207	5,889	5,851	Mar
Exports	34,871	1.7	-2.6	Mar
Imports	28,664	0.9	-4.3	Mar
M&E	8,301	-1.6	-2.6	Mar

		April	
		May 19***	2004
3-mth Corp. paper (%)*	2.08	2.05	3.35
Long bond yield (%)*	4.86	4.71	4.90
Canadian dollar (US¢)*	72.64	72.88	69.76

*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

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



Industry
Canada

Industrie
Canada

Canada 

MONTHLY ECONOMIC INDICATORS

May 2004

CONTENTS	Page
The Economy	
<i>Real GDP by Industry</i>	3
<i>Consumer Spending and Attitudes</i>	4
<i>Business Investment in Plant and Equipment</i>	5
<i>Housing</i>	6
<i>Trade and Competitiveness</i>	7
Labour Market Trends	
<i>Employment and Unemployment</i>	8
<i>Industry Overview</i>	9
<i>Provincial Overview</i>	10
Prices and Financial Markets	
<i>Consumer and Commodity Prices</i>	11
<i>Short-term and Long-term Interest Rates</i>	12
<i>Exchange Rates and Stock Prices</i>	13
The United States Economy	
<i>U.S. Economic Trends</i>	14
Coming Up...	
<i>Key Future Data Releases/Planned Events</i>	15

This issue uses data available as of May 20, 2004. It has been prepared by Jenness Cawthray, Éric Chalifoux, Stéphane Crépeau, 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.

Please address comments to Hossein Rostami at (613) 995-8452 or through the Internet at rostami.hossein@ic.gc.ca.



Real GDP by Industry

Economic growth paused in February...

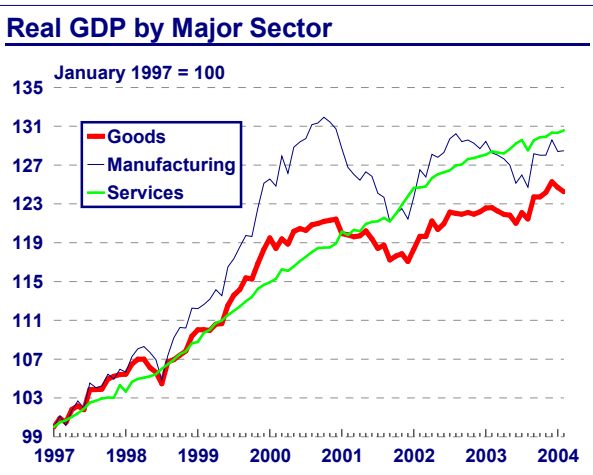
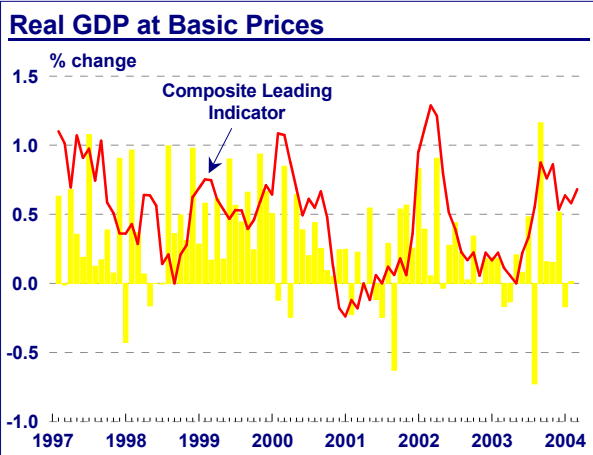
- After rising by a strong 0.5% in December, output slipped 0.2% in January and was unchanged in February. Increases in retail and real estate activity largely offset weaker output in utilities, wholesaling and transportation services. The average real GDP at basic prices for January and February is 1.4% (annualized) above the fourth quarter level. This suggests a moderation of growth from the fourth quarter when real GDP rose 3.9%.

...as output fell further in the goods sector

- Output in the goods sector declined 0.4% in February after a decrease of 0.5% in January. However, manufacturing output edged up in February, following a 0.9% decline in January, with strong increases in fabricated metals and machinery. Mining output also rose, due to sustained oil & gas extraction fuelled by higher oil prices. Meanwhile, warmer weather pushed utilities' production down 4.6%, following a sharp increase in January. Construction declined for a third consecutive month and agriculture, forestry, fishing and hunting output was down 0.6% after edging up 0.1% in January.

...offsetting gains in the service sector

- Output in the service sector edged up 0.2% in February on the strength of retail sales after a flat performance in January. Activity in retail trade advanced 2.3%, as auto dealers benefitted from new incentives. Meanwhile, real estate output advanced 1.9% on the strength of sales of existing houses in Quebec, Ontario and British Columbia. The largest losses were posted by transportation (0.8%), a second monthly drop after a strong fourth quarter, and wholesaling (0.4%).



Real GDP at Basic Prices (1997 chained dollars)

February 2004

	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	1,024,942	144	0.0	1.6
Business Sector	868,112	102	0.0	1.6
Goods-producing	321,639	-1,177	-0.4	1.3
Agri., Forest, Fish, Hunt*	23,963	-152	-0.6	3.6
Mining & Oil & Gas Extraction	37,442	138	0.4	5.7
Utilities	25,705	-1,234	-4.6	-5.2
Construction	55,985	-243	-0.4	2.8
Manufacturing	177,348	111	0.1	0.2
Services-producing	704,663	1,434	0.2	1.7
Wholesale Trade	62,160	-272	-0.4	-1.2
Retail Trade	57,595	1,320	2.3	2.5
Transportation & Warehousing	46,789	-395	-0.8	0.1
Information & Cultural	41,613	-53	-0.1	-1.5
FIRE**	207,283	641	0.3	3.1
Professional***	45,211	55	0.1	2.3
Admin. & Waste Mgmt	22,485	5	0.0	2.2
Education	45,749	103	0.2	0.6
Health & Social	61,336	-177	-0.3	2.5
Arts, Entertain. & Recreation	9,389	69	0.7	4.9
Accommodation & Food	22,893	55	0.2	0.1
Other	24,450	36	0.1	1.8
Public Administration	58,495	28	0.0	1.9

*Agriculture, Forestry, Fishing & Hunting

**Finance, Insurance & Real Estate

***Professional, Scientific & Technical services

THE ECONOMY



Consumer Spending and Attitudes

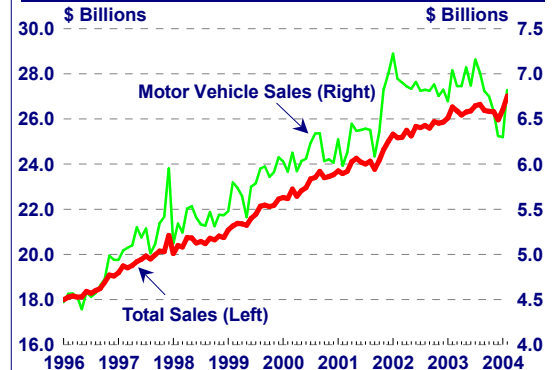
Consumer spending is poised to recover in the first quarter...

- Retail sales rose 2.4% in February after rising 1.7% in January. Assuming no growth in March, this translates into 9.7% growth in the first quarter. Excluding motor & recreational vehicle dealers, retail sales are on pace to reach 10.9% growth in the first quarter.
- The rebound appears broad-based as most components of retail sales have registered increases.

...and signs point to continued growth in the second quarter

- After following a downward trend in the second half of 2003, new motor vehicle sales have posted three consecutive increases from January to March and are estimated to have risen further in April (2.5%).
- The index of consumer confidence receded slightly (0.5 p.p.) to 123.7 in April. Nonetheless, the index remains close to 12% above its historical average and optimism regarding current household finances and future job prospects somewhat increased.

Total Retail and Motor Vehicle Sales



Retail Sales and Consumer Credit

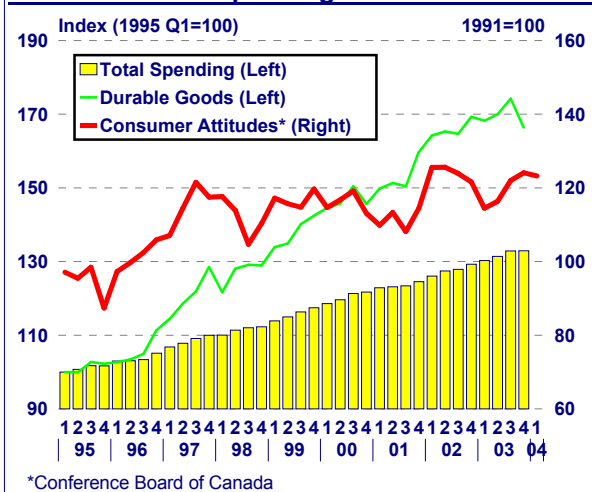
February 2004

	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	27,025	2.3	1.9
Food	6,005	0.5	3.9
Drug Stores	1,430	-0.7	8.7
Clothing	1,429	2.4	6.2
Furniture	1,698	1.6	9.9
Automotive	10,518	5.2	-3.6
General Merch. Stores	3,072	1.0	6.5
All other Stores	2,873	-0.4	4.3
Total ex. motor vehicles	20,204	0.5	3.7
Consumer Credit	251	0.6	8.4

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

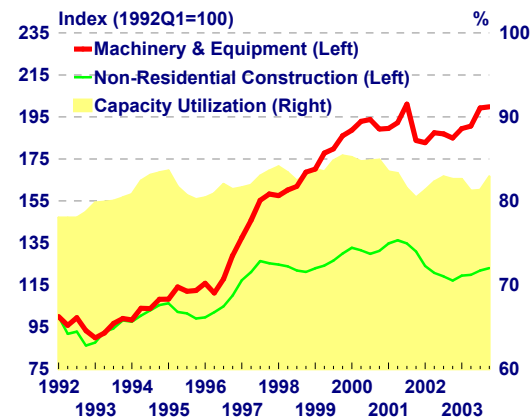
Business investment remains strong...

- Following four straight quarterly increases, business investment in machinery and equipment (M&E) is poised to rise in the first quarter.
 - Imports of M&E rose 11.6% (annual rate) in the first quarter.
 - However, shipments of M&E were still 3.4% (annual rate) lower in the first quarter than the previous quarter despite a monthly increase of 0.7% in March.
- Average real output of non-residential construction for January and February was 2.9% lower than its fourth quarter level. Assuming no change in March, a 4.2% drop in non-residential construction would be expected relative to the fourth quarter.

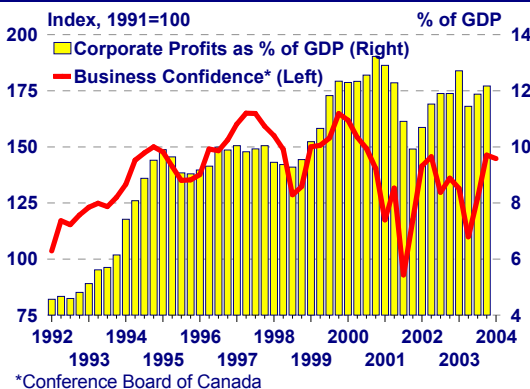
...and high business confidence bodes well for capital spending

- The Conference Board's Survey of Business Confidence for the first quarter of 2004 revealed that almost 87% of respondents felt that the present was not a bad time to invest. The number of respondents who felt that the present was a good time to invest stood at 55.3%, well above the 2003 average of 44.4%.
- This, together with rising corporate profits, points to improving conditions for business spending this year.

Investment in Plant and Equipment



Corporate Profits & Business Confidence



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	887,708	903,499	898,639	900,653	904,827	909,877
% change	3.7	1.8	1.6	0.9	1.9	2.3



Housing market activity remained robust in the first quarter...

- Housing starts in the first quarter averaged 226,000 (annualized), which was about the same as in the fourth quarter. Although quarterly growth was essentially flat, housing starts rose every month in the first quarter. This upward trend contrasted with residential construction output, which fell 1.0% in January and 0.3% in February. Assuming no growth in March, residential construction would be down 3.6% (annualized) in the first quarter compared to 15.3% growth in the fourth quarter.
- The value of building permits increased 4.5% in March, offsetting a decline in January and February, and rose 0.5% in the first quarter compared to the fourth quarter.

...and short-term prospects are good

- Housing starts in April retreated somewhat, but remained near historically high levels. The average house price rose 11.2% year-over-year in March and inventories of homes have been relatively tight. Demand for housing in the near-term should be supported by growth in full-time employment and low interest rates. However, most analysts expect rising prices and an up-turn in mortgage rates to lead to a moderation in demand later this year and in 2005.

Housing Activity



*Canada Mortgage and Housing Corporation

Monthly Housing Indicators

	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	20,203	-0.3%	4.0%
Building Permits, \$M (2)*	2,913	4.5%	19.2%
Sales of Existing Homes (2)** (# of units)	28,129	3,345	4,679
Housing Starts, (3)*** (# of units, SAAR)	241,600	-11,300	36,000
Newfoundland & Labrador	2,700	-200	-100
Prince Edward Island	700	-200	0
Nova Scotia	4,000	-6,600	600
New Brunswick	3,800	1,400	-2,200
Quebec	59,300	-8,500	15,500
Ontario	86,500	-6,200	9,600
Manitoba	4,500	400	1,100
Saskatchewan	4,400	1,000	-500
Alberta	31,800	-4,800	-6,100
British Columbia	43,900	12,400	18,100

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

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

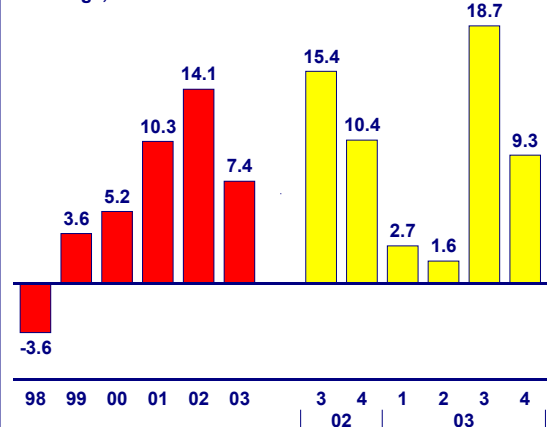
Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)

	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





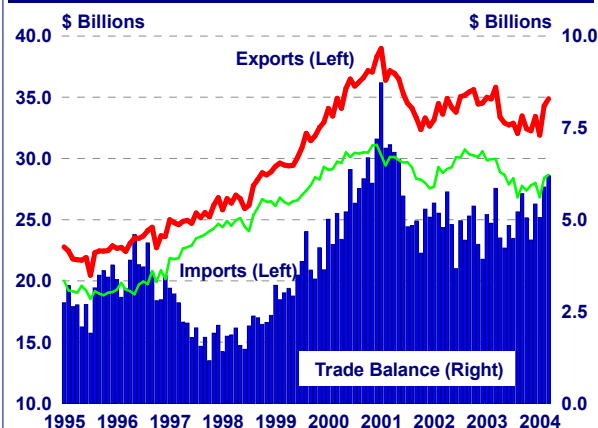
Merchandise trade continued to increase in March...

- Canadian exports rose 1.7% in March following a 7.5% increase in February. All major sectors posted an increase with the exception of Energy products. The increase was led by Forestry and Automotive products. The rise in demand for Forestry products came mainly from the U.S., reflecting continued robust housing activity. Exports to most destinations increased. Furthermore, export volumes rose 0.9%, while export prices were up 0.8%.
- Imports rose 0.9% after increasing 5.9% in the previous month. Energy and automotive products led the increase. Imports from the U.S. and the European Union rose. Moreover, the volume of imports increased 0.3% while import prices were up 0.6%.

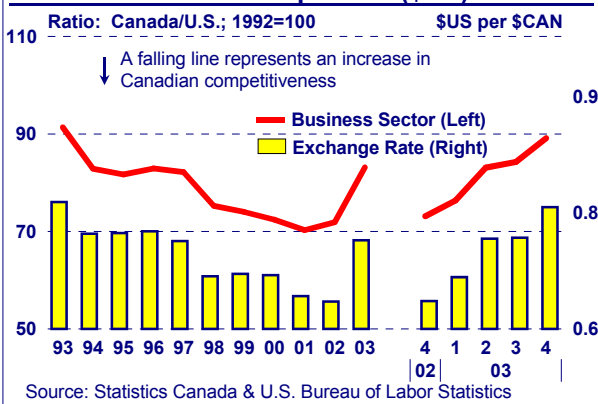
...and the trade surplus hit its highest level in three years

- The surplus rose further in March as exports grew at a faster pace than imports. Although the surplus with the U.S. remained unchanged, the deficit with other countries decreased by \$0.3 billion. As a result, the surplus stood at \$6.2 billion, its highest level since May 2001.

Merchandise Trade Flows and Balance



Unit Labour Cost Comparison (\$US)



Merchandise Trade

March 2004	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	February 2004	March 2004	Jan.-Mar. 2003	Jan.-Mar. 2004	Jan. to Mar. 2004	Jan. to Mar. 2004	Jan.-Mar. 2003 to Jan.-Mar. 2004	
Exports	34,304	34,871	105,656	101,077	567	1.7	-4.3	
to United States	27,888	28,130	87,896	81,995	242	0.9	-6.7	
Imports	28,415	28,664	89,763	83,920	249	0.9	-6.5	
from United States	19,785	20,029	63,105	58,540	244	1.2	-7.2	
Trade Balance	5,889	6,207	15,893	17,157	318			
with United States	8,103	8,101	24,791	23,455	-2			
Exports by Commodity								
Agriculture/Fishing Products	2,503	2,545	7,434	7,425	42	1.7	-0.1	
Energy Products	5,256	5,221	17,946	15,479	-35	-0.7	-13.7	
Forestry Products	3,060	3,186	8,639	9,049	126	4.1	4.7	
Industrial Goods & Materials	6,147	6,267	16,774	18,250	120	2.0	8.8	
Machinery & Equipment	7,451	7,548	23,486	21,846	97	1.3	-7.0	
Automotive Products	7,342	7,525	22,704	21,453	183	2.5	-5.5	
Other Consumer Goods	1,458	1,458	4,393	4,267	0	0.0	-2.9	
Imports by Commodity								
Agriculture/Fishing Products	1,765	1,782	5,541	5,221	17	1.0	-5.8	
Energy Products	1,651	1,715	5,519	4,919	64	3.9	-10.9	
Forestry Products	243	248	783	720	5	2.1	-8.0	
Industrial Goods & Materials	5,583	5,578	17,289	16,474	-5	-0.1	-4.7	
Machinery & Equipment	8,435	8,301	25,536	24,429	-134	-1.6	-4.3	
Automotive Products	6,045	6,258	20,392	18,080	213	3.5	-11.3	
Other Consumer Goods	3,766	3,777	11,761	11,252	11	0.3	-4.3	



Employment and Unemployment

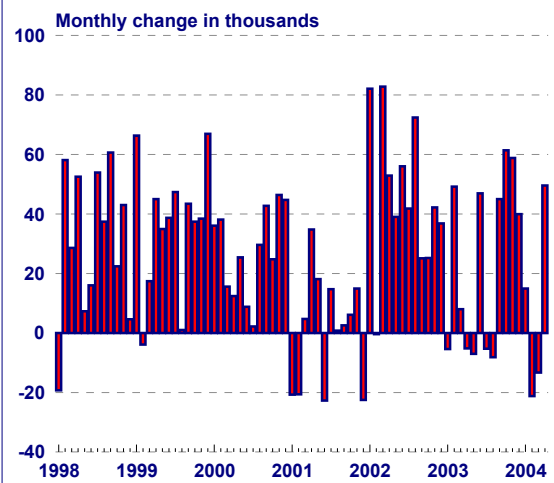
Employment surged in April...

- Employment surged 49,600 in April, more than offsetting declines over the previous two months. So far this year, employment has increased 30,000, with full-time employment rising 116,700 and part-time employment dropping 86,700.
- Employment increased for both adults (29,000) and youth (20,600). The increase for youth followed four consecutive monthly declines. Employment for those aged 55 and over edged up 18,400, the eighth monthly increase in the last nine months.
- Private sector employment posted an increase of 49,000, mostly in self-employed (34,700). Public sector employment increased only 500 in April.
- The participation rate remained at 67.4% while the employment rate was up slightly to 62.5%. These are close to the all-time highs posted in December 2003.

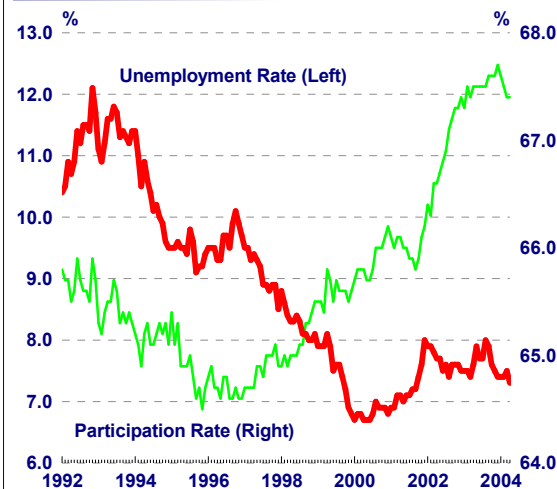
...and the unemployment rate edged down to 7.3%

- The unemployment rate decreased by 0.2 percentage point to 7.3% in April, the lowest rate since September 2001. The unemployment rate for adults edged down 0.2 percentage point to 6.0% and the youth unemployment rate declined 0.4 percentage point to 13.9%.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2003 April	2004 March	2004 April	last month	last year	year-to- date	last month	last year
Employment	15,689.1	15,901.1	15,950.7	49.6	261.6	30.0	0.3	1.7
Full-time	12,752.9	12,978.3	13,033.9	55.6	281.0	116.7	0.4	2.2
Part-time	2,936.3	2,922.9	2,916.7	-6.2	-19.6	-86.7	-0.2	-0.7
Youth 15-24	2,404.7	2,383.0	2,403.6	20.6	-1.1	-15.2	0.9	-0.0
Adult 25+	13,284.4	13,518.1	13,547.1	29.0	262.7	45.3	0.2	2.0
Self-employed	2,391.0	2,411.6	2,446.3	34.7	55.3	8.9	1.4	2.3
Unemployment	1,294.0	1,287.0	1,254.3	-32.7	-39.7	-12.5	-2.5	-3.1
Unemployment Rate	7.6	7.5	7.3	-0.2	-0.3	-0.1		
Youth 15-24	13.6	14.3	13.9	-0.4	0.3	-0.1		
Adult 25+	6.4	6.2	6.0	-0.2	-0.4	-0.1		
Labour Force	16,983.1	17,188.1	17,205.0	16.9	221.9	17.6	0.1	1.3
Participation Rate	67.5	67.4	67.4	0.0	-0.1	-0.3		
Employment Rate	62.3	62.4	62.5	0.1	0.2	-0.2		



Industry Overview

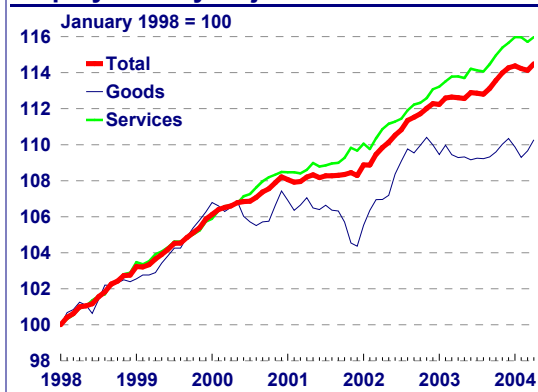
Employment increased in the Goods sector...

- Employment in the Goods sector edged up 22,000 in April, the second consecutive monthly increase. Construction (13,100) and Forestry, Fishing, Mining, and Oil and Gas (5,000) posted the largest increases.
- So far this year, the Goods sector has lost 2,900 jobs, including a gain of 3,400 in Manufacturing and a loss of 5,100 in Construction. April's employment level in Manufacturing remained 74,800 below its recent peak in August 2002.

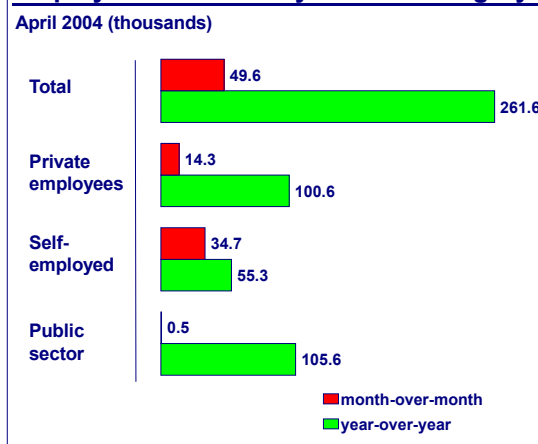
...and in the Services sector

- Employment in Services increased 27,600 in April, more than recouping job losses in March. Service employment has risen 32,900 so far this year. On a year-over-year basis, the Services sector has gained 225,700 jobs.
- Job gains were concentrated in Health Care and Social Assistance (18,700), Other Services (17,500), Finance, Insurance, Real Estate and Leasing (13,400) and Business, Building and Other Support Services (11,800).
- Trade (-21,000), Education Services (-13,400) and Professional, Scientific and Technical Services (-5,000) 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 April	2004 March	2004 April	last month	last year	year-to-date	last month	last year
Goods-producing	3,976.6	3,990.4	4,012.4	22.0	35.8	-2.9	0.6	0.9
Agriculture	337.5	343.1	343.7	0.6	6.2	-2.8	0.2	1.8
Natural Resources*	287.7	293.3	298.3	5.0	10.6	2.3	1.7	3.7
Utilities	132.4	130.3	130.0	-0.3	-2.4	-0.7	-0.2	-1.8
Construction	916.2	938.9	952.0	13.1	35.8	-5.1	1.4	3.9
Manufacturing	2,302.7	2,284.8	2,288.4	3.6	-14.3	3.4	0.2	-0.6
Services-producing	11,712.6	11,910.7	11,938.3	27.6	225.7	32.9	0.2	1.9
Trade	2,455.3	2,491.9	2,470.9	-21.0	15.6	-6.5	-0.8	0.6
Transportation*	762.1	810.5	809.3	-1.2	47.2	27.1	-0.1	6.2
FIRE*	943.8	963.5	976.9	13.4	33.1	20.2	1.4	3.5
Professional/Scientific	998.6	1,014.6	1,009.6	-5.0	11.0	25.1	-0.5	1.1
Business/Building	608.8	609.5	621.3	11.8	12.5	-16.3	1.9	2.1
Educational Services	1,051.8	1,058.3	1,044.9	-13.4	-6.9	-16.2	-1.3	-0.7
Health Care/Social Assistance	1,654.9	1,737.2	1,755.9	18.7	101.0	23.7	1.1	6.1
Information/Culture/Recreation	685.7	717.5	722.2	4.7	36.5	5.2	0.7	5.3
Accommodation & Food	1,025.1	1,011.9	1,017.6	5.7	-7.5	-11.9	0.6	-0.7
Other Services	720.0	678.9	696.4	17.5	-23.6	-3.2	2.6	-3.3
Public Administration	806.6	816.8	813.3	-3.5	6.7	-14.3	-0.4	0.8

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

LABOUR MARKET TRENDS



Provincial Overview

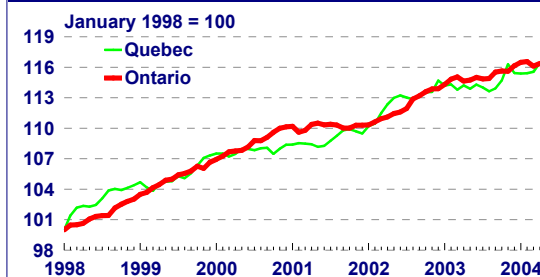
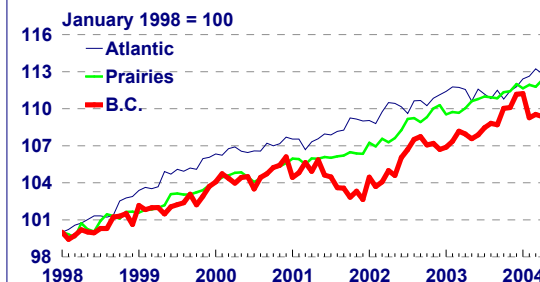
Job gains were concentrated in Quebec...

- Employment in Quebec increased 28,400 in April following little change in the previous three months. Employment in Ontario edged up 14,300 with the largest gains in Construction and Other Services, following 24,500 job losses in March.
- Saskatchewan (6,000), Alberta (5,100), Nova Scotia (2,800) and Manitoba (2,500) posted gains. Newfoundland and Labrador (-4,000) and British Columbia (-3,200) posted the largest losses.
- On a year-over-year basis, all provinces have posted gains, notably Alberta (2.8%), Quebec (2.0%), Nova Scotia (1.7%) and Ontario (1.5%).

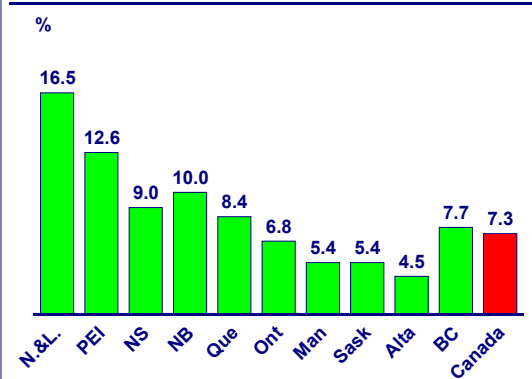
...and the unemployment rate declined in most provinces

- The unemployment rate fell in seven provinces, notably in Saskatchewan (0.7 percentage point to 5.4%), Alberta (0.5 percentage point to 4.5%) and Ontario (0.3 percentage point to 6.8%).
- The unemployment rate increased in Newfoundland and Labrador, Prince Edward Island, Manitoba and New Brunswick.
- Since April 2003, the unemployment rate has gone down in most provinces, particularly in Alberta and Quebec, but it has risen in Manitoba, Nova Scotia and Prince Edward Island.

Regional employment patterns



Unemployment Rates -- April 2004



Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment Rate (%)		
	<u>Levels</u>	<u>Change since last month</u>		<u>Change since last year</u>		<u>Levels</u>	<u>Change since</u>	
	2004 April	(000's)	%	(000's)	%	2004 April	last month	last year
Canada	15,950.7	49.6	0.3	261.6	1.7	7.3	-0.2	-0.3
Newfoundland & Labrador	219.3	-4.0	-1.8	1.6	0.7	16.5	1.0	-0.5
Prince Edward Island	67.9	-0.9	-1.3	0.1	0.1	12.6	0.6	0.2
Nova Scotia	445.5	2.8	0.6	7.3	1.7	9.0	-0.2	0.3
New Brunswick	348.6	-1.6	-0.5	3.3	1.0	10.0	0.1	-0.5
Quebec	3,714.5	28.4	0.8	71.4	2.0	8.4	-0.2	-0.7
Ontario	6,298.1	14.3	0.2	93.7	1.5	6.8	-0.3	-0.1
Manitoba	574.2	2.5	0.4	3.7	0.6	5.4	0.4	1.0
Saskatchewan	493.5	6.0	1.2	6.2	1.3	5.4	-0.7	0.0
Alberta	1,751.1	5.1	0.3	47.4	2.8	4.5	-0.5	-1.0
British Columbia	2,037.9	-3.2	-0.2	26.6	1.3	7.7	-0.2	-0.5



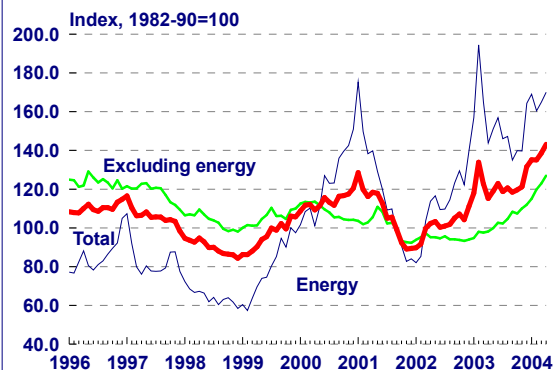
Inflation was 1.6% in April...

- On a year-over-year basis, the Consumer Price Index (CPI) rose 1.6% in April, following a 0.7% increase in March. The main factors pushing up the index were higher electricity rates (15.1%) and higher gasoline prices (6.9%). Excluding energy, inflation was 1.2% in April, the same as in March.
- All ten provinces posted higher inflation in April than in March led by Ontario (2.3%). Electricity rates escalated in Ontario in April 2004 compared to a legislated refund in April 2003.
- On a month-to-month basis (seasonally adjusted), the CPI in April rose by 0.2% compared to 0.1% in March.
- The year-over-year increase in commodity prices rose from 13.0% in March to 24.2% in April, the largest rise in 14 months. On a monthly basis, commodity prices rose 3.2% following a 2.6% increase in March. Excluding energy prices, commodity prices increased 3.1%, following a 2.5% increase in March.

...and the "core" rate rose to 1.8%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, rose from 1.3% in March to 1.8% in April, below the midpoint of the 1%-3% official target range.

Commodity Prices (\$US basis)



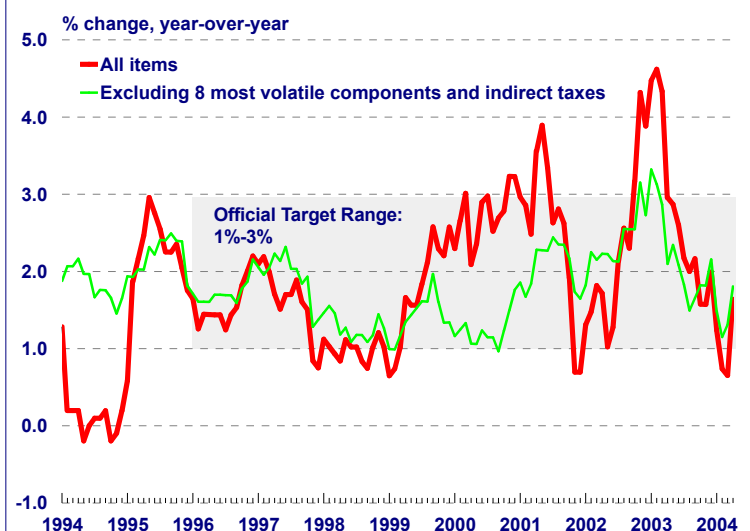
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	123.9	0.2	1.6
Food	123.4	-0.2	0.8
Shelter	119.6	0.5	2.7
Household operations	115.6	0.3	1.0
Clothing & Footwear	103.8	-1.4	0.0
Transportation	143.5	0.5	1.2
Health & Personal Care	119.0	0.6	1.9
Recreation, Educ. & Reading	127.1	-0.2	0.6
Alcohol & Tobacco	142.2	0.6	5.7
Excl. 8 Most Volatile/Indirect Taxes	123.9	0.2	1.8
Energy	146.2	2.0	6.4

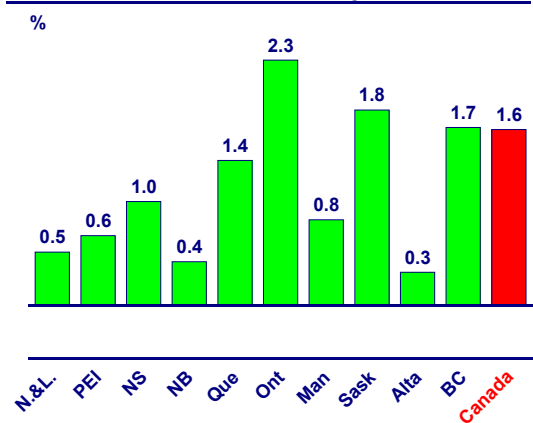
Commodity Prices

Index, 1982-90=100	143.1	3.2	24.2
Excluding Energy	127.0	3.3	29.3
Energy	170.0	3.1	18.2

Consumer Price Index



Provincial CPI Inflation -- April 2004





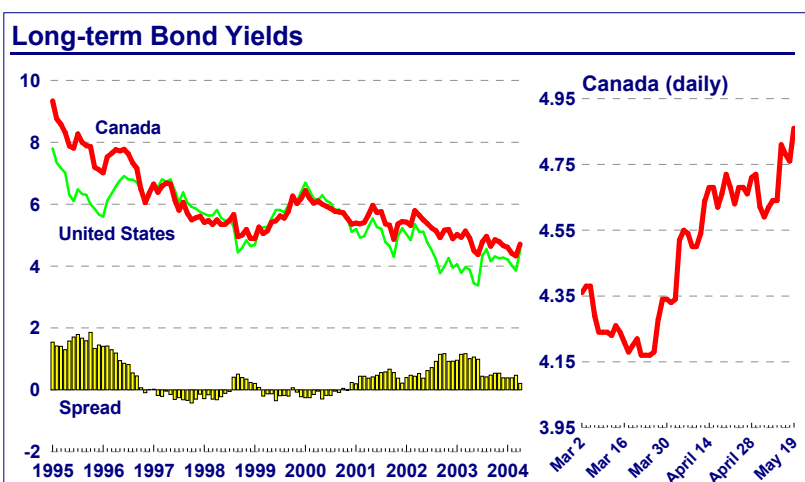
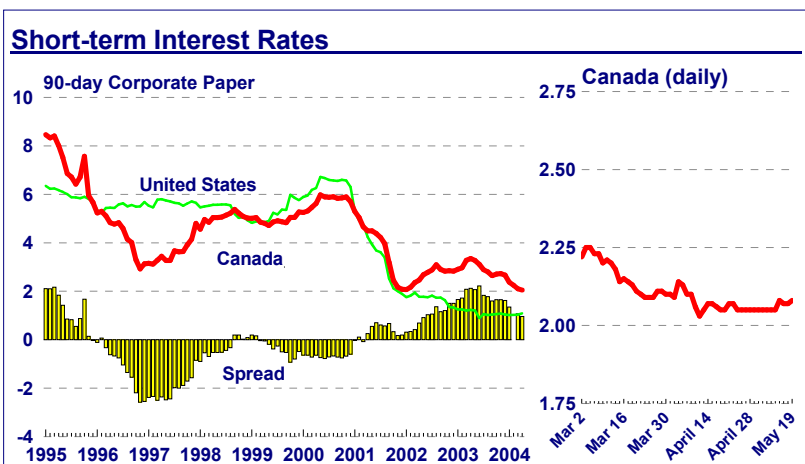
Short-term and Long-term Interest Rates

Monetary policy continues to support the economy

- The Bank of Canada lowered the overnight rate on April 13 by 25 basis points (bps) to 2.0%. Since last July, the Bank has reduced its policy rate by a total of 125 basis points (bps). The Bank expects that improving economic conditions in the period ahead will likely require less stimulative monetary policy. On May 4, the U.S. Federal Reserve kept its federal funds rate unchanged at 1.0%. At the same time, the Fed noted that it will likely begin a gradual increase in interest rates, which some analysts expect to begin later this year.
- The rate on 3-month corporate paper in Canada was 2.1% on May 19, down from 2.7% last December. With its U.S. counterpart closer to 1.2% on May 19, the rate differential was about 90 bps.

North American long-term rates trended up

- Yields on long-term bonds rose in the first half of April and again in May on evidence of sustained growth in the U.S. economy and improving employment conditions. This has led to expectations that the era of low interest rates is ending -- monetary authorities in the U.K. and Australia have already raised their policy rates. U.S. 10-year yields have risen about 90 bps since mid-March to 4.7% while in Canada, yields were 4.9%, approaching a high of 5.0% reached in September 2003.
- One-year mortgage rates were about 4.55% on May 19, up from 4.3% in March. Five-year mortgage rates edged up to 6.40%, 25 bps higher than one month ago.



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
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
April	2.05	0.96	4.71	0.21
May 19*	2.08	0.91	4.86	0.07

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
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
April	2.00	3.75	4.45	6.15
May 19*	2.00	3.75	4.55	6.40

* Bank of Canada's Weekly Financial Statistics

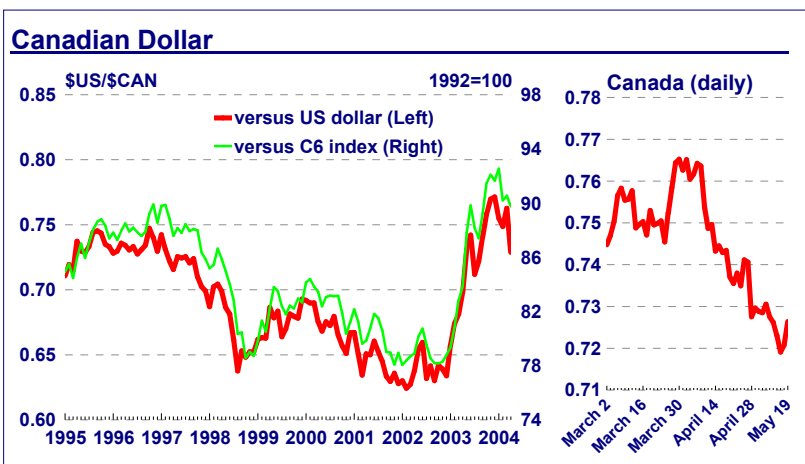


The Canadian dollar depreciated further in May

- The U.S. dollar continued to appreciate against major currencies, including the Canadian dollar. Robust growth so far this year in the U.S. and expectations of an interest rate increase helped support the U.S. dollar. As well, Canada-U.S. interest rate spreads have been shrinking, making Canadian-denominated securities less attractive to investors. The Canadian dollar has depreciated 6.4% since early April (US¢76.5) and 7.5% since its peak in early January (US¢78.5), closing at US¢72.6 on May 19. Nonetheless, it is still up nearly 14% since early 2003.
- Since April, the Canadian dollar has also depreciated 2.3% against the euro. In comparison, the Canadian dollar has gained some strength against the Japanese yen in recent weeks.

North American stock markets trended down

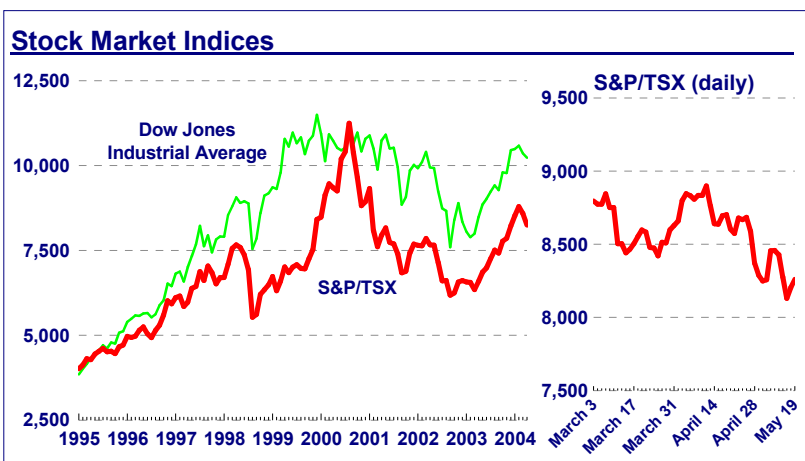
- Higher oil prices and expectations of higher interest rates have had a dampening effect on North American stock market indexes. The S&P/TSX closed at 8,197 on May 19, which was slightly below levels at the start of the year (8,294), and down 7.9% since its recent high in April. Metals & mining and gold sub-indexes dropped 12.4% and 18.8% in the month respectively, but all sub-indexes were still up compared to one year ago, especially information technology and metals & mining.
- The Dow Jones closed at 9,937 on May 19, down 5.2% compared to its recent high in late April.



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
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
April	0.7288	89.74	1.644	80.54
May 19	0.7264	*87.70	1.654	81.91

* Bank of Canada's Weekly Financial Statistics



Key Stock Market Indexes

	April Close	% change from	
		last month	last year
S&P/TSX	8,244	-4.0	25.2
Energy	165	-0.9	35.4
Metals & Mining	195	-12.4	63.6
Utilities	149	-4.1	15.7
Materials	139	-10.2	28.4
Industrial	75	0.1	25.5
Financial	139	-2.0	24.5
Gold	187	-18.8	20.2
Telecommunication	61	-3.6	15.6
Information Technology	29	-9.8	64.7
Consumer Discretionary	88	1.8	22.9
Consumer Staples	171	-3.1	16.0
S&P 500	1,107.3	-1.7	20.8
Dow Jones	10,226	-1.3	20.6



U.S. Economic Trends

The economy maintained a solid pace in the first quarter...

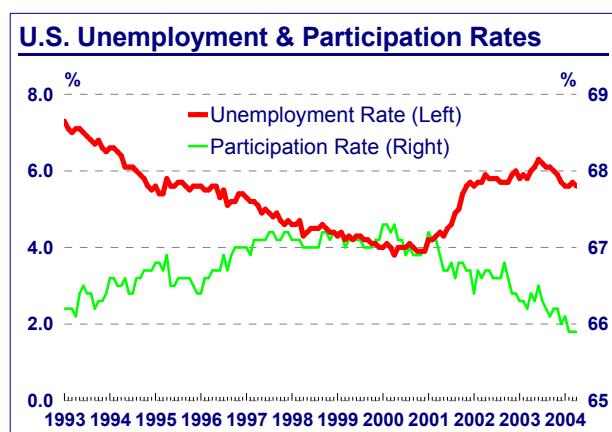
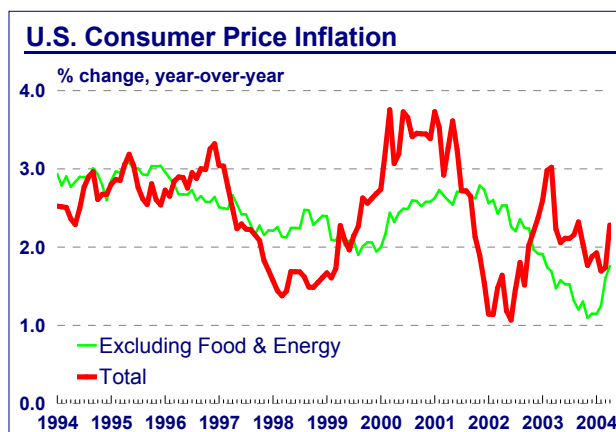
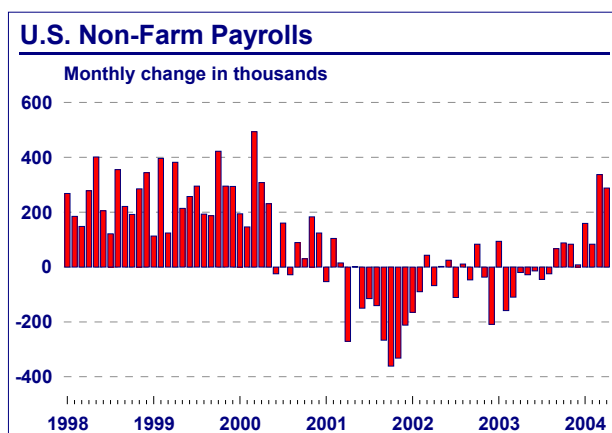
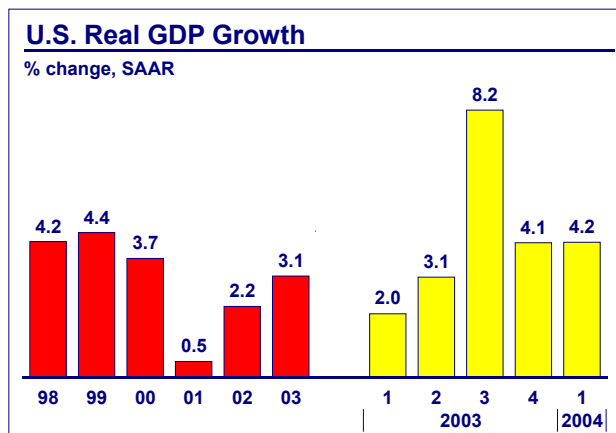
- Advance estimates of the national accounts indicate that real GDP increased 4.2% (annual rate) in the first quarter of 2004, following a 4.1% rise in the fourth quarter of 2003. Personal consumption, up 3.8%, accounted for almost two-thirds of the overall increase in GDP. The other major contributors to growth were business investment in equipment and software (11%) and defense spending (15.1%). Imports and non-residential construction were the main drag on growth.

...and recent indicators point to continued healthy growth

- Industrial production rose 0.8% in April, following a 1.5% increase in the first quarter. The Institute of Supply Management non-manufacturing index (mainly a measure of activity in services) increased for the thirteenth consecutive month to 68.4 in April. Despite retail sales retreating 0.5% in April due to weak clothing and motor vehicle sales, they were up 1.1% from the first quarter. The University of Michigan's consumer sentiment held steady at 94.2 in May after edging down slightly in April.

Employment grew strongly again in April

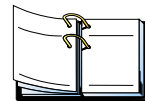
- Non-farm payroll employment increased by 288,000 in April, following an increase of 337,000 in March. This was the second healthy rise in employment and reflected gains in several service-providing industries, construction and manufacturing. The unemployment rate was essentially unchanged in April at 5.6%, below the recent high of 6.3% in June 2003.
- Non-farm business productivity rose 3.5% (annualized) in the first quarter as output increased by 4.9% and hours worked rose by 1.3%. This follows an increase of 2.5% in the fourth quarter. The year-over-year change in total CPI and CPI excluding food and energy was 2.3% and 1.8%, respectively, in April.



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

COMING UP

Key Future Data Releases and Planned Events



CANADA

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
Labour Force Survey - May	June 4
Key Policy Interest Rate Announcement	June 8
Canadian International Merchandise Trade - April	June 11
Monthly Survey of Manufacturing - April	June 15
Consumer Price Index - May	June 22

UNITED STATES

GDP - 1st Quarter 2004 (preliminary)	May 27
The Employment Situation - May	June 4
International Trade in Goods and Services - April	June 11
Consumer Price Index - May	June 15
Federal Open Market Committee Meeting	June 29/30

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