



Industry
Canada

Industrie
Canada

Monthly Economic Indicators

February 2003


The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html.


Canada


MONTHLY ECONOMIC INDICATORS

February 2003

HIGHLIGHTS


 ***In November, real Gross Domestic Product (GDP) growth moderated to 0.1%, largely resulting from slower growth in the services sector.***

 ***This and indicators such as exports and shipments point to a slowing of economic activity in the fourth quarter.***

 ***2 000 jobs were lost in January, but full-time employment increased. The unemployment rate fell to 7.4% with less people seeking jobs.***

 ***In the United States, real GDP growth slowed to 0.7% (annual rate) in the fourth quarter from 4.0% in the third. However, employment and industrial production recovered in January.***

 ***Monetary authorities in Canada and the United States kept policy interest rates unchanged.***

 ***The Canadian dollar made further gains against the greenback, reflecting Canada's healthy economic performance.***

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	984.4	0.1	3.7	Nov
Goods	306.2	0.1	4.4	Nov
Services	678.3	0.1	3.3	Nov
Composite Index	180.6	0.4	7.9	Dec
Employment (000's)	15,648	0.0	3.1	Jan
Full-time	12,708	0.3	2.6	Jan
Part-time	2,940	-1.2	5.0	Jan
Unemployment* (%)	7.4	7.5	7.9	Jan
Youth*	13.7	13.3	13.8	Jan
Adult*	6.2	6.4	6.7	Jan
CPI inflation*	3.9	4.3	0.7	Dec
Retail Sales (\$M)	25,868	0.2	3.7	Dec
Housing Starts (000's)	183.2	-8.7	-16.4	Jan
Trade Balance* (\$M)	4,079	4,349	4,480	Dec
Exports	34,527	-0.3	7.1	Dec
Imports	30,447	0.5	9.9	Dec
M&E	8,823	-3.5	1.7	Dec

	January		
	February 12	2003	2002
3-mth Corp. paper (%)*	2.86	2.91	2.07
Long bond yield (%)*	5.02	5.02	5.42
Canadian dollar (US¢)*	65.39	65.72	63.00

*Data in levels only – % change not reported

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THE ECONOMY



Real GDP by Industry

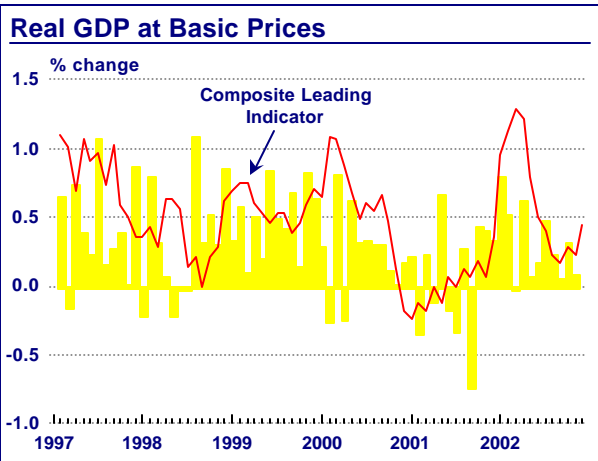
Output growth slowed in November...

- Following a 0.3% increase in October, real GDP at basic prices* rose 0.1% in November. The output of both goods and services grew at a similar pace in November. This data and other indicators suggest a fourth quarter real GDP rise of 2.0 to 2.5% (annual rate), following a growth of 3.1% in the third quarter.

...reflecting slower growth in the services sector

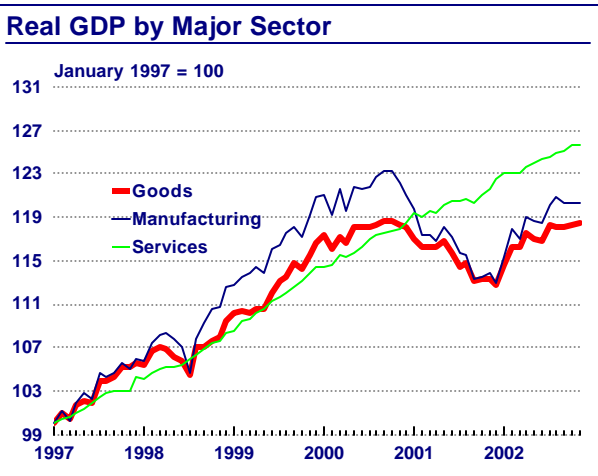
- A 1.1% decline in Retail Trade, caused mainly by a 3.5% drop in motor vehicle sales, led to growth in the services sector slowing from 0.4% in October to 0.1% in November. Other service-producing industries registered gains, with significant increases in Arts, Entertainment & Recreation (+0.9%) and the Information & Cultural industries (+0.6%).
- Goods production rose 0.1% in November, the same pace as in October. Manufacturing sector output rose slightly (+0.1%) as non-durable production gains were partly offset by lower durable goods production. Output in Construction increased 0.3%, but growth in residential construction moderated to 0.1%. Primary industries posted robust gains as mining output rose 0.9% due to greater exploration activity and output in Agriculture, Forestry, Fishing & Hunting increased by 0.8%. After rising 1.0% in October, Utilities output declined 1.7%, as electricity generation fell back to normal.

*Starting with July data, the Chain-Fisher formula is used to derive monthly GDP estimates. The change is applied from January 1997 and will be pushed back to January 1961 within a year.



Real GDP at Basic Prices (1997 chained dollars)

November 2002	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	984,354	755	0.1	3.7
Business Sector	834,611	424	0.1	3.9
Goods-producing	306,245	264	0.1	4.4
Agri., Forest, Fish, Hunt*	20,537	154	0.8	-3.4
Mining & Oil & Gas Extraction	37,374	336	0.9	1.9
Utilities	28,285	-487	-1.7	4.2
Construction	53,636	158	0.3	5.2
Manufacturing	165,901	105	0.1	5.7
Service-producing	678,347	490	0.1	3.3
Wholesale Trade	59,268	98	0.2	8.7
Retail Trade	53,864	-608	-1.1	1.9
Transportation & Warehousing	45,215	35	0.1	3.1
Information & Cultural	46,448	276	0.6	6.0
FIRE**	193,792	85	0.0	1.7
Professional***	45,787	106	0.2	3.8
Admin & Waste Mgmt	21,769	107	0.5	6.5
Education	44,311	25	0.1	1.4
Health & Social	57,735	113	0.2	3.6
Arts, Entertain. & Recreation	9,449	85	0.9	5.7
Accommodation & Food	23,494	15	0.1	4.7
Other	22,262	28	0.1	2.7
Public Administration	55,890	146	0.3	2.6



*Agriculture, forestry, fishing & hunting

**Finance, Insurance & Real Estate

***Professional, scientific & technical services

THE ECONOMY



Consumer Spending and Attitudes

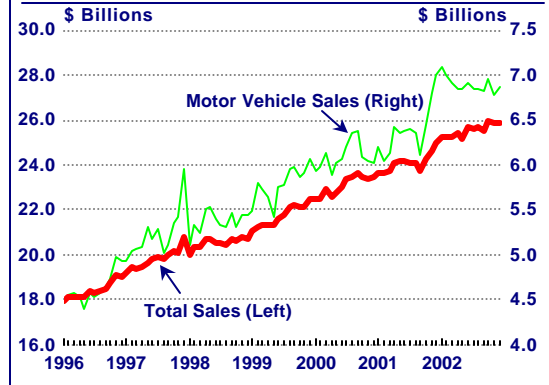
Consumer spending rebounded in the fourth quarter...

- Real consumer spending growth moderated to 0.5% in the third quarter from 4.2% in the second quarter, but available indicators point to stronger growth in the fourth quarter.
- Fuelled by dealers' incentives, motor vehicle sales rose 9.2% in December, which led to a 7.6% (annual rate) increase in the fourth quarter from the third quarter level. Meanwhile, real retail sales rose 2.6% in the fourth quarter compared to 1.0% in the third quarter. Moreover, employment was up 3.3% (annual rate) in the fourth quarter, a rate similar to previous quarters, which bodes well for robust personal income growth.

...but prospects are mixed for the first quarter of 2003

- A record 1.7 million vehicles were sold in 2002. However, January sales were down 17.1% from their December level.
- Employment dropped slightly in January, but the unemployment rate edged down to 7.4%.
- However, the Consumer Confidence Index recovered to 122.2 in January, following a 5.7 point drop from September to December.

Total Retail and Motor Vehicle Sales



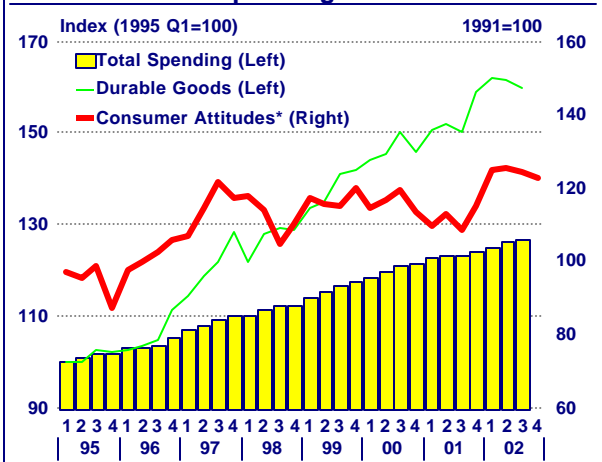
Retail Sales and Consumer Credit

December 2002	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	25,868	0.2	3.7
Food	5,708	0.5	5.4
Drug Stores	1,313	-0.3	5.1
Clothing	1,333	-1.8	-2.5
Furniture	1,601	2.8	7.6
Automotive	10,368	0.2	3.5
General Merch. Stores	2,821	-0.2	3.0
All other Stores	2,724	-0.6	1.9
Total ex. motor vehicles	18,999	-0.2	5.9
Consumer Credit	223	0.7	8.6

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	2000	2001	2002 Q2	2002 Q3
Real Consumption (97\$)	565,487	579,999	595,055	595,857
% change	3.7	2.6	4.2	0.5
Durable Goods	82,234	85,939	90,894	89,822
% change	6.1	4.5	-0.9	-4.6
Semi-Durable Goods	50,440	52,360	54,364	54,046
% change	4.5	3.8	0.9	-2.3
Non-Durable Goods	131,791	133,186	135,273	135,826
% change	2.2	1.1	3.1	1.6
Services	301,173	308,888	315,219	316,703
% change	3.7	2.6	6.7	1.9
Disposable Income	637,673	665,924	693,476	700,400
% change	6.9	4.4	4.5	4.1
Saving Rate (%)	4.8	4.6	4.7	4.7
Debt-to-Income Ratio (%)	94.4	95.2	96.1	96.5

Real Consumer Spending and Attitudes



*Conference Board of Canada

THE ECONOMY

Business Investment in Plant and Equipment

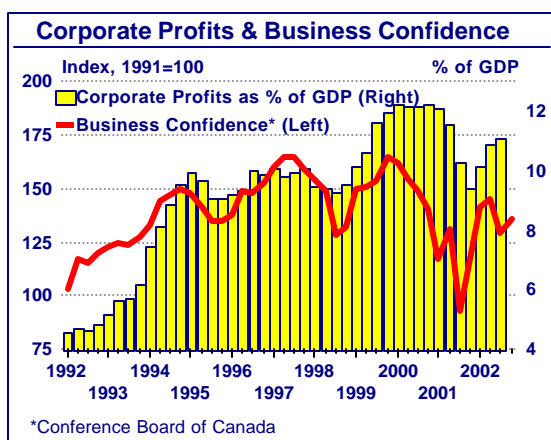
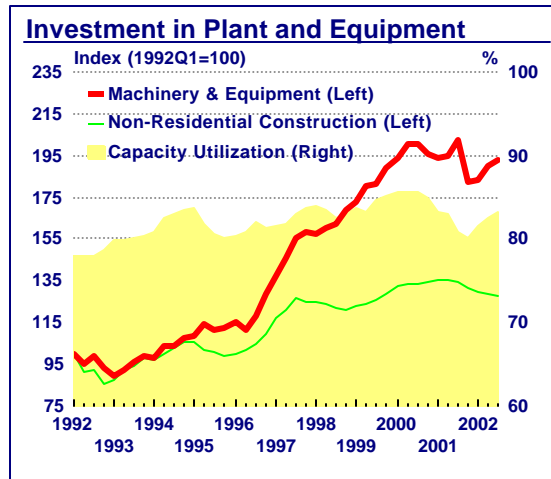


Investment in Machinery and Equipment slowed in the third quarter...

- Machinery and Equipment (M&E) investment increased 4.8% (annualized) in the third quarter of 2002, the third consecutive quarterly gain. This followed a jump of 16.7% in the previous quarter.

...and the picture for investment is mixed for the fourth quarter

- M&E shipments declined 8.9% (annualized) from their third quarter level during the October-November period.
- However, preliminary data suggest the value of investment in non-residential building construction rose for the first time in more than a year in the fourth quarter of 2002.
- The Conference Board's Index of Business Confidence recovered slightly in the fourth quarter of 2002 due to sustained optimism about corporate finances and economic improvement. However, economic uncertainty created by geopolitical tensions could delay future capital investment in the short term.



Business Investment and Corporate Finances						
\$ Millions, SAAR (unless otherwise noted)						
	2000	2001	2001 Q4	2002 Q1	2002 Q2	2002 Q3
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	89,094	87,145	82,118	82,495	85,745	86,751
% change	9.3	-2.2	-34.5	1.8	16.7	4.8
Non-residential Construction (1997\$)	47,762	48,126	47,230	46,299	46,081	45,819
% change	6.4	0.8	-7.5	-7.7	-1.9	-2.3
Capacity Utilization (% , Non-farm goods)	85.4	81.8	80.0	81.6	82.5	83.3
Capacity Utilization (Mfg. sector)	86.2	81.1	79.4	81.9	83.5	84.6
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	173,029	147,758	127,248	139,004	157,060	161,136
% change	28.5	-14.6	-36.8	42.4	63.0	10.8
Profits - Non-financial industries	136,086	113,095	97,968	107,656	124,056	128,604
% change	35.6	-16.9	-23.4	45.8	76.3	15.5
Profits - Financial industries	36,944	34,662	29,276	31,348	33,004	32,528
% change	7.9	-6.2	-64.7	31.5	22.9	-5.6
Business Credit	791,270	832,979	848,298	850,202	856,599	860,908
% change	6.9	5.3	4.8	0.9	3.0	2.0



Housing activity likely moderated in the fourth quarter...

- Real residential construction spending increased 15.9% (annual rate) in the third quarter. However, modest increases in October (0.2%) and November (0.1%) point to slower housing activity in the fourth quarter.

... but is expected to stay at healthy levels

- Marking a third consecutive monthly decrease, housing starts dropped to 183 200 in January and were 15.5% (annualized) below their fourth quarter level. Moreover, new housing prices were up 0.3% following increases of 0.5% in October and 0.6% in November.
- However, the value of building permits regained ground in December, increasing 4.6%, after declining in November, and sales of existing homes rose 4.8% in January following decreases of 4.9% in November and 3.6% in December.
- Attractive mortgage rates, income growth, and relatively high consumer confidence continue to underpin demand in the housing sector. The Canadian Home Builders Association projects 2003 housing starts will remain above long-term demographic requirements of 165 000 units.

Housing Activity



Monthly Housing Indicators

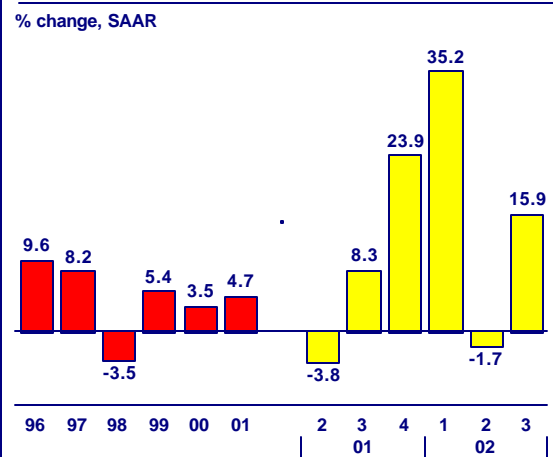
	Levels	Change since	
		Last month	Last year
Residential Construction (1) (\$97M, basic prices)	18,481	0.1%	17.4%
Building Permits, \$M (2)	2,474	4.6%	29.3%
Sales of Existing Homes (3) (# of units)	24,508	1,128	-3,697
Housing Starts, # of units (3) (SAAR)	183,200	-17,500	-35,900
Newfoundland & Labrador	1,500	-1,000	-300
Prince Edward Island	800	0	400
Nova Scotia	3,500	-3,600	-1,800
New Brunswick	3,200	-1,000	1,100
Quebec	44,800	1,500	100
Ontario	69,300	-5,300	-32,600
Manitoba	4,100	800	900
Saskatchewan	3,500	-600	900
Alberta	33,400	-4,000	-3,800
British Columbia	19,100	-4,300	-800

1 - November data; 2 - December data; 3 - January data
Sources: Statistics Canada; Canadian Real Estate Association; Canada Mortgage and Housing Corporation

Real Investment in Residential Structures

	\$97 Millions, SAAR (unless otherwise noted)			
	2000	2001	2002 Q2	2002 Q3
Construction by Business sector	45,796	47,967	53,996	56,024
% change	3.5	4.7	-1.7	15.9
New Housing	22,475	23,866	28,625	30,674
% change	0.7	6.2	10.7	31.9
Alterations & Improvements	16,521	16,529	17,036	17,308
% change	9.3	0.0	2.9	6.5
Ownership & Transfer Costs	7,050	7,754	8,500	8,216
% change	5.0	10.0	-33.7	-12.7
Residential Construction	46,043	48,201	54,253	56,273
% change	3.4	4.7	-1.1	15.7

Growth in Real Residential Construction





Trade and Competitiveness

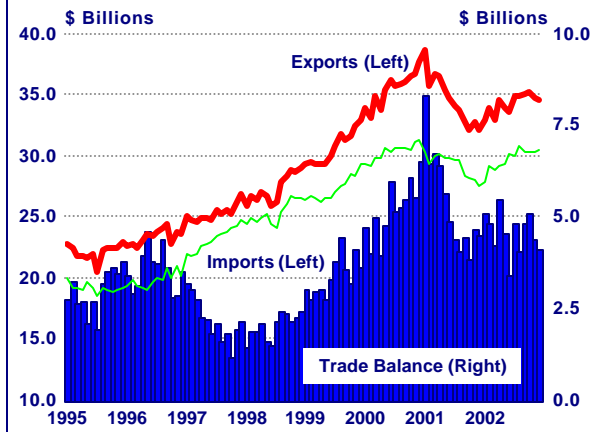
Exports fell in December

- Merchandise exports dropped 0.3% in December following a 1.3% decrease in November. Exports of Automotive products (-5.8%) and Machinery and Equipment (-2.5%) posted notable declines, partly due to softening U.S. demand.
- Total imports increased 0.5% in December as significant increases from Asia and the European Union more than offset lower U.S. imports (-3.6%). Imports of Automotive products (+7.0%) regained ground in December, as did Industrial Materials and goods (+2.7%). However, M&E imports declined 3.5%, suggesting weak investment in the fourth quarter.

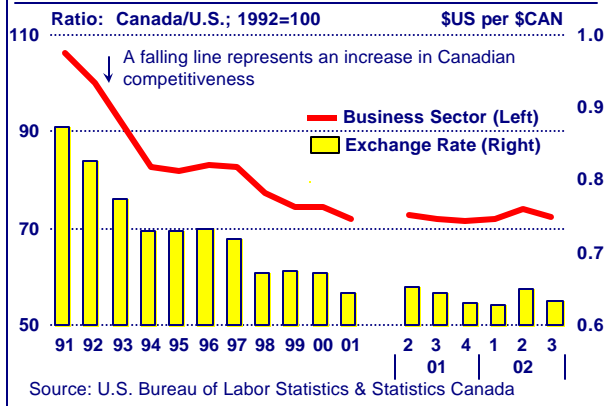
...leading to a lower trade surplus

- The merchandise trade surplus decreased \$270 million to \$4.1 billion in December, the lowest trade surplus since June 2002. Canada's trade surplus with the U.S. increased \$630 million to \$8.3 billion, while the trade deficit with all other trading partners increased \$900 million to \$4.3 billion.

Merchandise Trade Flows and Balance



Canada-United States Unit Labour Cost Ratios



Merchandise Trade

December 2002	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	November 2002	December 2002	Jan.-Dec. 2001	Jan.-Dec. 2002	Nov. to Dec. 2002	Nov. to Dec. 2002	Jan.-Dec. 2001 to Jan.-Dec. 2002
Exports	34,634	34,527	414,638	410,687	-107	-0.3	-1.0
to United States	29,448	29,288	350,907	348,384	-160	-0.5	-0.7
Imports	30,286	30,447	350,622	356,109	161	0.5	1.6
from United States	21,749	20,956	255,027	254,688	-793	-3.6	-0.1
Trade Balance	4,349	4,079	64,016	54,578	-270		
with United States	7,699	8,332	95,880	93,696	633		
Exports by Commodity							
Agriculture/Fishing Products	2,476	2,557	30,883	30,541	81	3.3	-1.1
Energy Products	5,083	5,186	54,744	50,421	103	2.0	-7.9
Forestry Products	2,979	3,066	39,307	36,650	87	2.9	-6.8
Industrial Goods & Materials	5,629	5,921	66,797	69,435	292	5.2	3.9
Machinery & Equipment	7,916	7,715	99,733	94,718	-201	-2.5	-5.0
Automotive Products	7,881	7,422	92,858	97,083	-459	-5.8	4.5
Other Consumer Goods	1,457	1,461	15,972	17,342	4	0.3	8.6
Imports by Commodity							
Agriculture/Fishing Products	1,823	1,832	20,357	21,778	9	0.5	7.0
Energy Products	1,536	1,470	17,752	16,458	-66	-4.3	-7.3
Forestry Products	264	259	2,886	3,134	-5	-1.9	8.6
Industrial Goods & Materials	5,695	5,848	68,456	68,828	153	2.7	0.5
Machinery & Equipment	9,147	8,823	112,422	105,784	-324	-3.5	-5.9
Automotive Products	6,763	7,239	72,546	81,445	476	7.0	12.3
Other Consumer Goods	4,014	3,984	42,926	46,416	-30	-0.7	8.1

LABOUR MARKET TRENDS



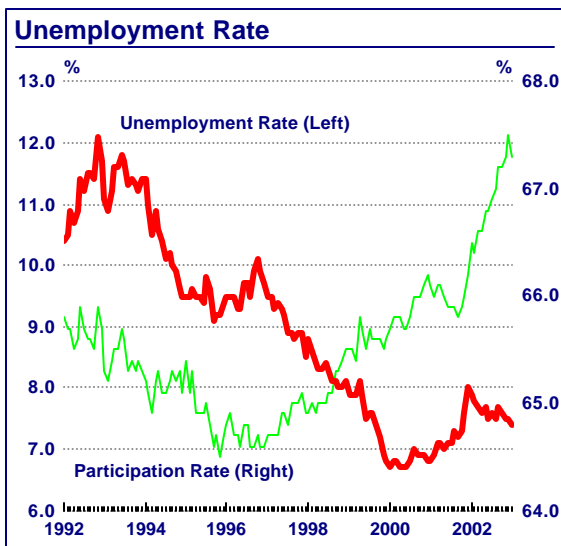
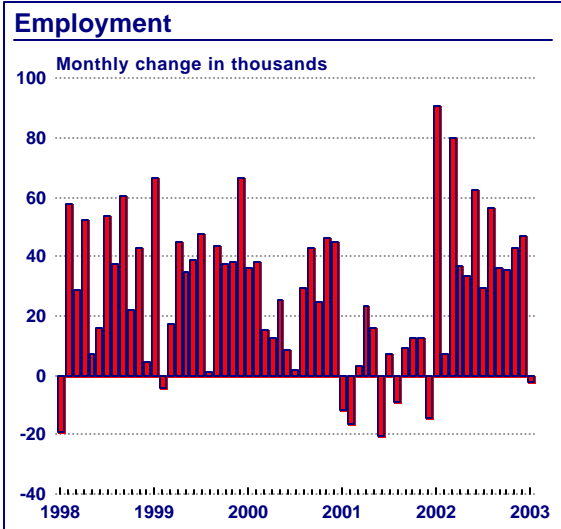
Employment and Unemployment

Job creation took a breather in January...

- Employment was almost unchanged in January (-2 000). This halted a string of 12 consecutive monthly increases that led to a 3.7% employment increase (+560 000) in 2002, the largest percentage increase since 1987.
- Although job creation paused in January, the labour market showed sources of strength as full-time employment increased 0.3% (+34 000). Those gains were offset by losses in part-time employment (-36 000), which nonetheless remained well above last year's level.
- Hours worked edged up 0.3% in January, slowing from advances of 1.2% in December and 2.2% in November.
- In the U.S., non-farm employment rose by 143 000, offsetting 156 000 job losses in December. This was the best performance since November 2000. The unemployment rate fell from 6.0% in December to 5.7%.

...but the unemployment rate fell slightly

- The unemployment rate dropped 0.1 percentage point to 7.4% in January, as the number of people looking for work edged down. Consequently, the participation rate fell to 67.3%, close to the record high of 67.5% reached in December.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2002 January	2002 December	2003 January	last month	last year	year-to-date	last month	last year
Employment	15,180.5	15,649.7	15,647.6	-2.1	467.1	-2.1	0.0	3.1
Full-time	12,380.1	12,673.4	12,707.8	34.4	327.7	34.4	0.3	2.6
Part-time	2,800.5	2,976.3	2,939.8	-36.5	139.3	-36.5	-1.2	5.0
Youth 15-24	2,333.2	2,404.5	2,392.2	-12.3	59.0	-12.3	-0.5	2.5
Adult 25+	12,847.3	13,245.2	13,255.4	10.2	408.1	10.2	0.1	3.2
Self-employed	2,288.3	2,378.5	2,365.7	-12.8	77.4	-12.8	-0.5	3.4
Unemployment	1,300.8	1,275.6	1,258.5	-17.1	-42.3	-17.1	-1.3	-3.3
Unemployment Rate	7.9	7.5	7.4	-0.1	-0.5	-0.1		
Youth 15-24	13.8	13.3	13.7	0.4	-0.1	0.4		
Adult 25+	6.7	6.4	6.2	-0.2	-0.5	-0.2		
Labour Force	16,481.3	16,925.3	16,906.1	-19.2	424.8	-19.2	-0.1	2.6
Participation Rate	66.5	67.5	67.3	-0.2	0.8	-0.2		
Employment Rate	61.2	62.4	62.3	-0.1	1.1	-0.1		

LABOUR MARKET TRENDS



Industry Overview

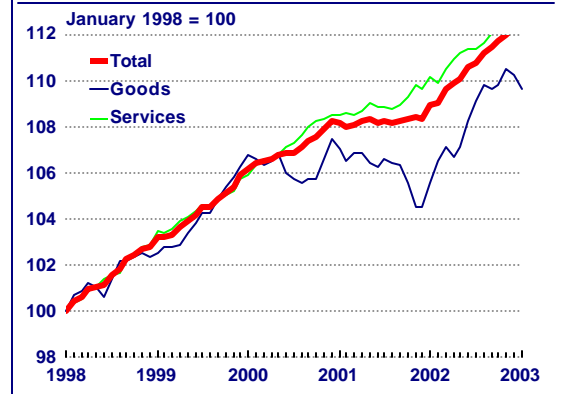
Goods-producing industries reported lower employment in January...

- Employment in Goods industries dropped 22 000 in January, with losses reported almost everywhere. Manufacturing reported its fourth decline in the last five months, partly as a result of losses in computer and electronic products.
- Employment in the Agricultural sector was down 1.2%, with losses concentrated in Saskatchewan. Employment in Utilities, which had risen substantially in the first half of 2002, plummeted 6.3% as six out of ten provinces reported losses.
- The Natural Resources sector created 8 000 new jobs, mostly in Forestry and Logging.

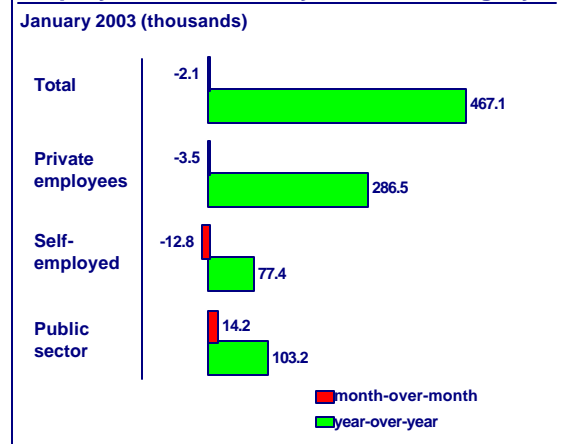
...while Services recorded gains

- Service-producing industries added 20 000 new jobs in January. Trade (+16 000) and FIRE* (+11 000) reported the largest increases.
- Declines in Professional, Scientific and Technical services (-21 000) and Accommodation and Food (-12 000) hindered employment growth.

Employment by Major Sector



Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2002 January	2002 December	2003 January	last month	last year	year-to- date	last month	last year
Goods-producing	3,842.2	4,010.0	3,988.0	-22.0	145.8	-22.0	-0.5	3.8
Agriculture	307.0	355.2	351.0	-4.2	44.0	-4.2	-1.2	14.3
Natural Resources*	286.4	270.3	278.0	7.7	-8.4	7.7	2.8	-2.9
Utilities	127.4	131.1	122.9	-8.2	-4.5	-8.2	-6.3	-3.5
Construction	868.1	911.3	908.5	-2.8	40.4	-2.8	-0.3	4.7
Manufacturing	2,253.3	2,342.2	2,327.6	-14.6	74.3	-14.6	-0.6	3.3
Services-producing	11,338.3	11,639.6	11,659.6	20.0	321.3	20.0	0.2	2.8
Trade	2,413.2	2,446.5	2,462.3	15.8	49.1	15.8	0.6	2.0
Transportation*	734.8	765.8	775.7	9.9	40.9	9.9	1.3	5.6
FIRE*	877.3	903.6	914.5	10.9	37.2	10.9	1.2	4.2
Professional/Scientific	973.2	1,020.8	999.5	-21.3	26.3	-21.3	-2.1	2.7
Management/Administrative	573.7	612.3	609.1	-3.2	35.4	-3.2	-0.5	6.2
Educational Services	997.7	1,050.2	1,055.4	5.2	57.7	5.2	0.5	5.8
Health Care/Social Assistance	1,572.7	1,654.8	1,653.5	-1.3	80.8	-1.3	-0.1	5.1
Information/Culture/Recreation	709.3	693.5	696.3	2.8	-13.0	2.8	0.4	-1.8
Accommodation & Food	1,009.0	1,016.2	1,003.8	-12.4	-5.2	-12.4	-1.2	-0.5
Other Services	694.1	695.1	703.1	8.0	9.0	8.0	1.2	1.3
Public Administration	783.4	781.0	786.4	5.4	3.0	5.4	0.7	0.4

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

LABOUR MARKET TRENDS



Provincial Overview

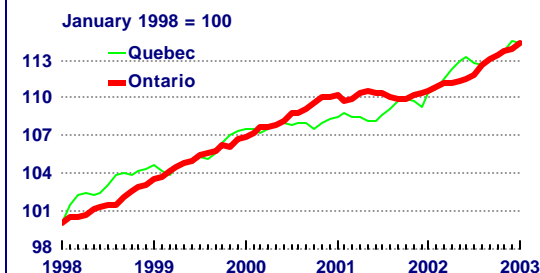
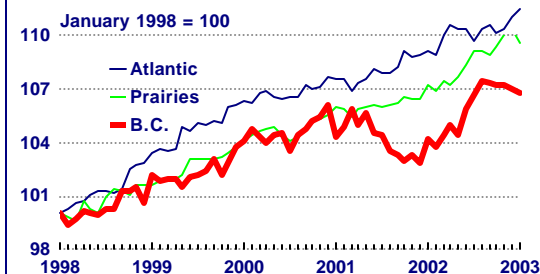
Job gains in Ontario, Newfoundland & Labrador and Nova Scotia offset losses elsewhere...

- Ontario created 26 000 jobs (+0.4%), most of them in Services. Employment was up 1.6% in Newfoundland & Labrador following a solid 2.1% advance in December. Nova Scotia also reported gains, although to a lesser extent.
- Employment fell in seven of the ten provinces. Job losses in health and social services lead to a 0.8% employment drop in Manitoba. In Quebec (-0.2%), gains in full-time employment were more than offset by losses in part-time jobs. Losses were widespread among several industries in Alberta.

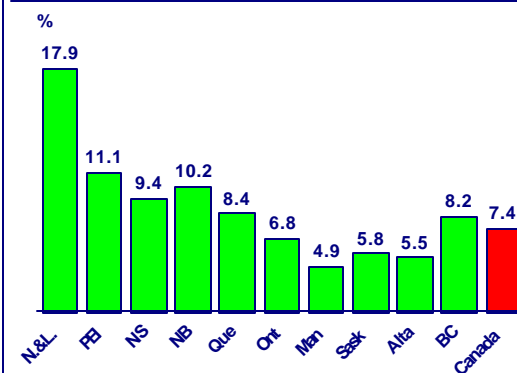
...and the unemployment rate fell in half of the provinces

- The unemployment rate fell 0.6 percentage point in Newfoundland & Labrador to 17.9%. New Brunswick's rate edged down to 10.2%. Nova Scotia's was unchanged at 9.4% while Prince Edward Island's edged up to 11.1%.
- Ontario's unemployment rate fell from 7.0% to 6.8% on the strength of job creation. Despite job losses, Quebec's unemployment rate dropped 0.1 percentage point to 8.4% as less people searched for work.
- Employment fell everywhere in Western Canada, but the unemployment rate rose only in Alberta (+0.6 percentage point to 5.5%) and Saskatchewan (+0.2 percentage point to 5.8%). Manitoba (4.9% and lowest in the country) reported no change while British Columbia's unemployment rate dropped to 8.2%.

Regional employment patterns

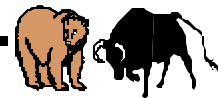


Unemployment Rates -- January 2003



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>	
	2003 January	(000's)	%	(000's)	%	2003 January	last month	last year
Canada	15,647.6	-2.1	0.0	467.1	3.1	7.4	-0.1	-0.5
Newfoundland & Labrador	217.0	3.5	1.6	3.8	1.8	17.9	-0.6	0.8
Prince Edward Island	67.6	-0.3	-0.4	1.9	2.9	11.1	0.2	-1.8
Nova Scotia	434.3	2.0	0.5	8.2	1.9	9.4	0.0	-0.4
New Brunswick	349.4	-0.6	-0.2	8.4	2.5	10.2	-0.1	-1.1
Quebec	3,646.8	-7.3	-0.2	126.8	3.6	8.4	-0.1	-0.6
Ontario	6,191.5	25.5	0.4	210.9	3.5	6.8	-0.2	-0.6
Manitoba	567.3	-4.8	-0.8	1.8	0.3	4.9	0.0	-0.2
Saskatchewan	488.2	-3.5	-0.7	17.1	3.6	5.8	0.2	-0.1
Alberta	1,695.4	-12.1	-0.7	40.4	2.4	5.5	0.6	0.7
British Columbia	1,990.3	-4.3	-0.2	47.9	2.5	8.2	-0.2	-0.6

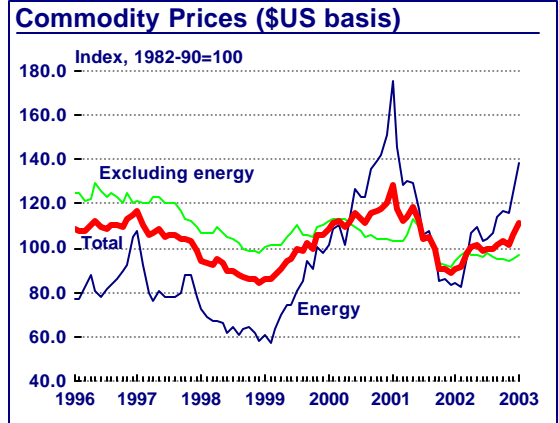
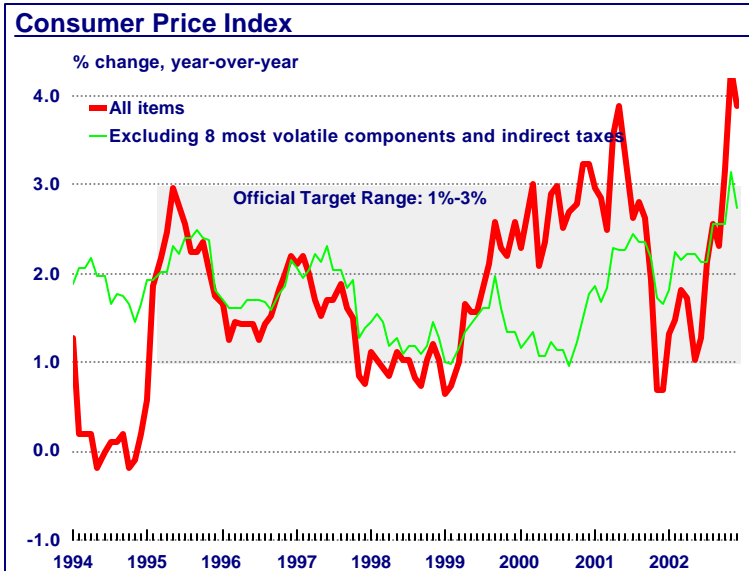


Inflation was 3.9% in December...

- On a year-over-year basis, the Consumer Price Index (CPI) was up 3.9% in December, down from 4.3% in November. A drop in electricity prices resulting from Ontario's electricity rate reduction was the main factor behind the easing. CPI inflation has been on the rise since July when it was 2.1%. The recent increase has been driven by private transportation cost inflation, which rose from 3.8% in July to 11.2% in December reflecting large increases in gasoline prices and insurance premiums.
- For year 2002, the average inflation was 2.2% compared to 2.6% in 2001. The main dampening factor in 2002 was the 18.1% drop in natural gas prices. Tax-induced cigarette price increases exerted upward pressure.
- On a year-over-year basis, commodity prices increased by 23.0% in January, up from 18.9% in December as a result of rising energy prices. On a monthly basis, both energy and non-energy price indices recorded larger increases, rising 11.1% and 1.8%, respectively.

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

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, was down from 3.1% in November to 2.7% in December, falling back within the 1%-3% official target range.



Consumer Prices

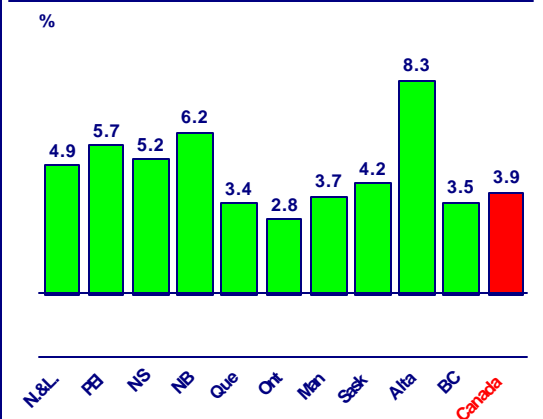
December 2002

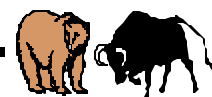
	Index (1992=100)	% Change since	
		last month	last year
All items CPI	120.4	-0.3	3.9
Food	121.2	0.7	2.2
Shelter	114.0	-1.5	1.2
Household operations	114.0	0.0	0.9
Clothing & Footwear	102.3	-2.8	-1.4
Transportation	140.1	0.6	11.2
Health & Personal Care	116.1	-0.1	1.4
Recreation, Educ. & Reading	126.0	-0.6	2.5
Alcohol & Tobacco	131.6	-0.2	17.6
Excl. 8 Most Volatile/Indirect Taxes	120.5	-0.5	2.7
Energy	127.6	-6.3	7.1

Commodity Prices (January 2003)

Index, 1982-90=100	111.4	5.6	23.0
Excluding Energy	96.9	1.8	3.0
Energy	138.5	11.1	65.1

Provincial CPI Inflation -- December 2002





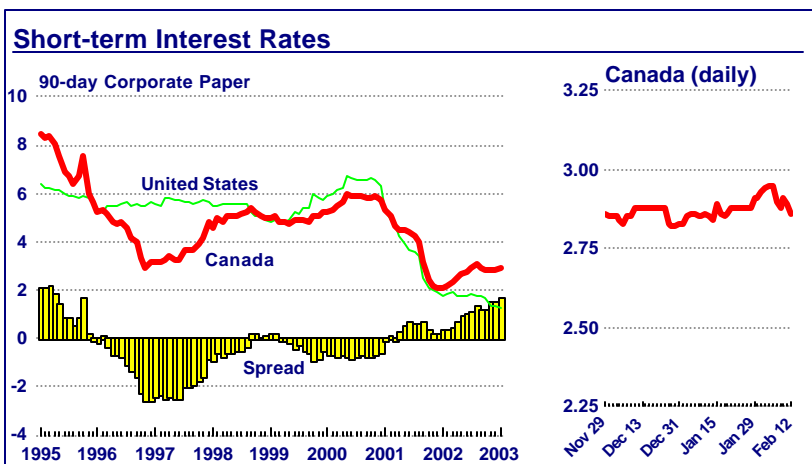
Short-term and Long-term Interest Rates

Policy interest rates kept low amid continued uncertainty

- The Bank of Canada left its overnight rate unchanged at 2.75% on January 21. However, the Bank indicated that interest rate increases would be required to bring inflation near its 2% target. It is widely expected that the rate will be raised, in light of good economic performance and a stimulative February budget. Slower economic growth in the U.S. and geopolitical tensions prompted the U.S. Federal Reserve to keep its federal funds rate unchanged at 1.25% on January 29.
- The 90-day corporate rate in Canada has hovered around 2.85% since last October, while it has fallen in the U.S. On February 12, the yield spread between the 90-day Canadian corporate paper and its U.S. counterpart was 160 basis points, the largest differential since 1995.

Not much movement in the bond market

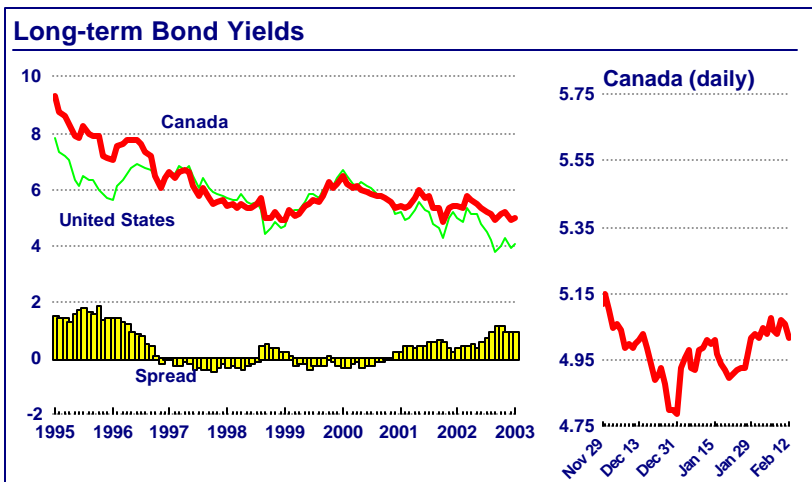
- Long-term interest rates have not had much direction since mid-January in Canada. Meanwhile, U.S. long yields fell slightly as investors remained worried by geopolitical tensions in the Middle-East and in North Korea. On February 12, the 10-year Canadian government bond rate stood at 5.02% and the 10-year U.S. treasury bond rate was 3.91%. While bond markets have benefited from a flight to quality (less risky assets), a rising supply of debt securities to fund increases in U.S. government deficit could push North American yields higher.
- Canadian 5-year mortgage rates increased recently to 6.60%, up from 6.45% in late January, while the 1-year rate has remained at 4.90% for the last three months.



Key Market Rates

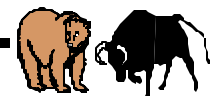
(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2001	2.08	0.19	5.44	0.22
2002	2.83	1.50	4.88	0.93
Aug 2002	3.09	1.36	5.14	0.92
Sep	2.90	1.16	4.92	1.15
Oct	2.83	1.20	5.16	1.17
Nov	2.85	1.50	5.18	0.92
Dec	2.83	1.50	4.88	0.93
Jan	2.91	1.66	5.02	0.96
Feb 12	2.86	1.60	5.02	1.09

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



Key Lending Rates

(end of period)	Overnight Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
2001	2.25	4.00	4.60	6.85
2002	2.75	4.50	4.90	6.70
Aug 2002	2.75	4.50	5.35	6.80
Sep	2.75	4.50	5.30	6.70
Oct	2.75	4.50	5.30	7.00
Nov	2.75	4.50	4.90	6.70
Dec	2.75	4.50	4.90	6.70
Jan	2.75	4.50	4.90	6.45
Feb 12	2.75	4.50	4.90	6.60

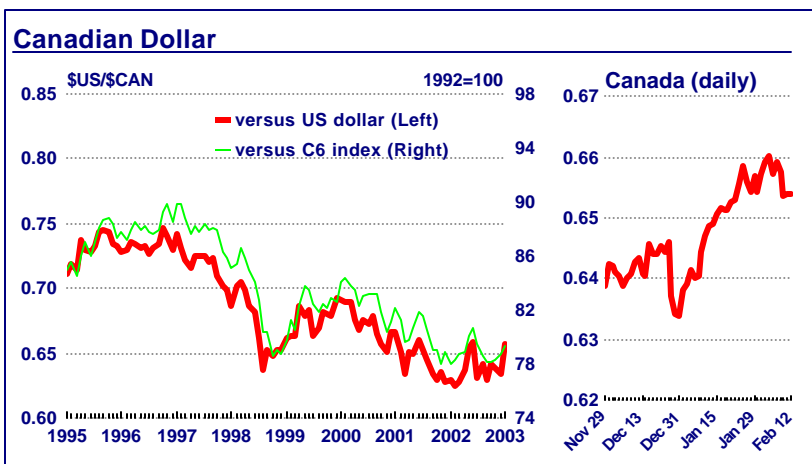


The Canadian dollar climbed further in February

- The Canadian dollar gained significantly, rising above the US¢66.0 mark in mid-February, and reaching its highest level since September 26, 2000 of US¢67.03 on February 24. Canada's good economic performance, higher interest rate spread against the U.S., and recovery in commodity prices have underpinned the loonie.
- Since early December, the U.S. dollar has lost ground against both the Euro and the Yen, while the Canadian dollar has depreciated against the Euro, but recorded little change against the Yen.

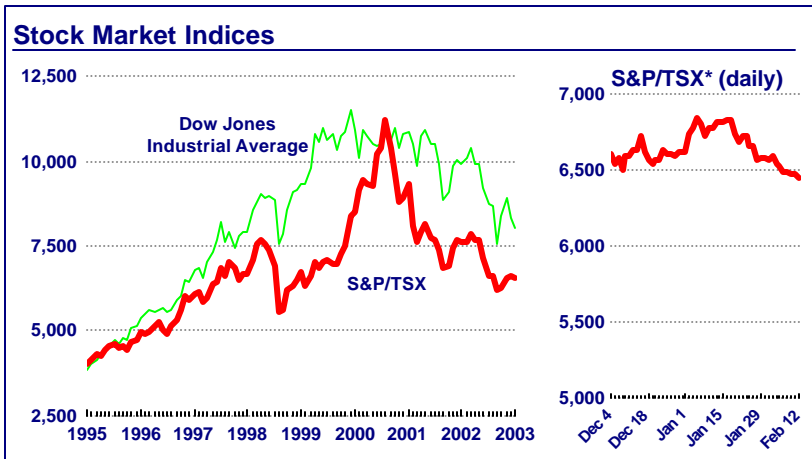
Geopolitical tensions continued to weigh on equity markets

- North American stock indices have been falling since mid-January as corporate earnings reports were not as good as expected. Moreover, the outlook for a pick-up in profits remained clouded by continued economic uncertainty caused by geopolitical tensions.
- The Dow Jones closed at 7858 on February 24, down 8.7% since the beginning of the year. Meanwhile, rising gold and oil stock prices have limited the loss in S&P/TSX to 1.7% so far this year.



The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2001	0.6278	78.95	1.387	80.76
2002	0.6339	78.80	1.483	78.20
Aug 2002	0.6415	78.54	1.533	75.88
Sep	0.6300	78.18	1.546	76.81
Oct	0.6421	78.17	1.548	78.53
Nov	0.6390	78.29	1.573	77.40
Dec	0.6339	78.80	1.588	78.20
Jan	0.6572	79.37	1.637	77.07
Feb 12	0.6539	80.05	1.639	79.32



Key Stock Market Indexes

	January Close	% change from	
		last month	last year
S&P/TSX	6,569	-0.7	-14.1
Oil & Gas	10,290	0.3	14.9
Metals & Minerals	3,814	-2.0	-13.6
Utilities	9,871	1.2	-14.8
Paper & Forest	4,866	-2.8	-8.1
Merchandising	6,324	-3.3	-5.0
Financial Services	10,211	-1.9	-5.7
Gold	6,294	-1.7	11.1
S&P 500	855.7	-2.7	-24.3
Dow Jones	8,054	-3.5	-18.8



U.S. Economic Trends

Real GDP growth slowed significantly in the fourth quarter

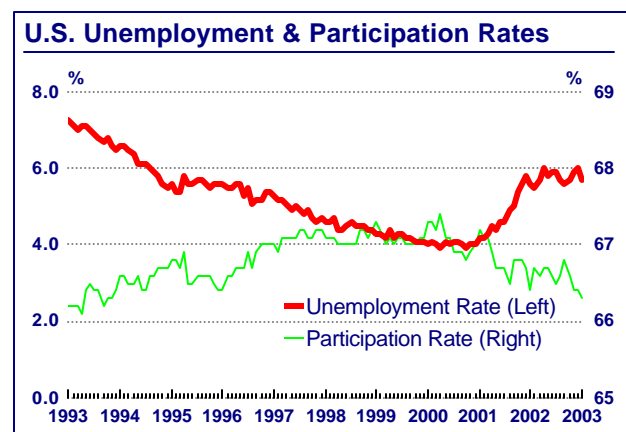
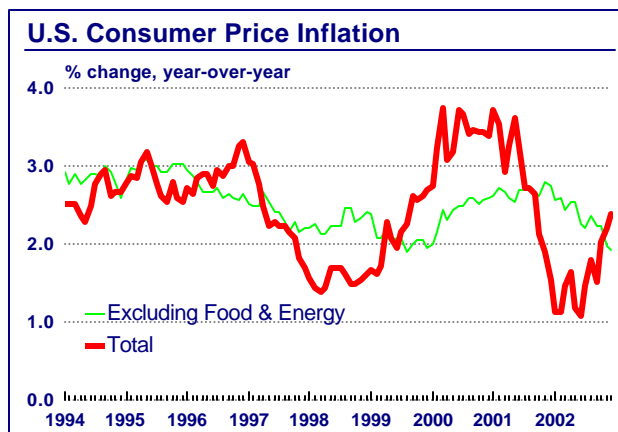
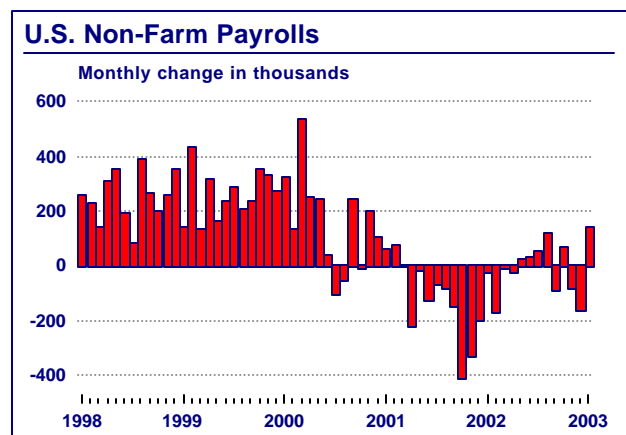
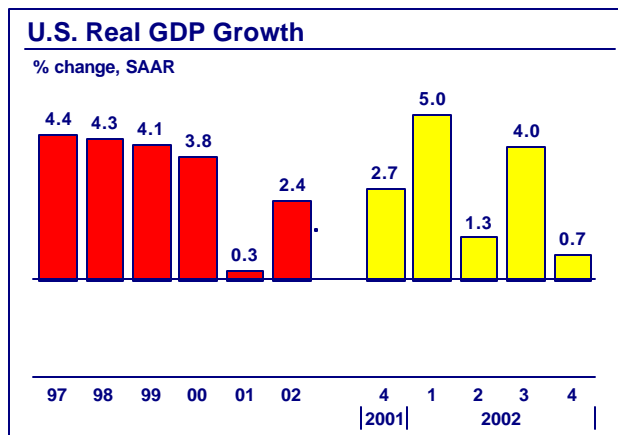
- Advanced estimates indicated that real GDP grew 0.7% (annualized) in the fourth quarter, down from 4.0% in the third. A significant reduction of real consumer spending growth (from 4.2% in the third quarter to 1.0%) accounted for the slowdown reflecting a drop in vehicle sales. Lower inventory accumulation combined with lower exports and rising imports also contributed to the slowdown. Meanwhile business investment rose 3.1%, the first increase since the third quarter of 2000.

...and recent indicators show a mixed picture

- The unevenness of the U.S. recovery might well continue in the first quarter. Retail sales fell 0.9% in January, after a gain of 2.0% in December, due largely to a 7.5% drop in vehicle sales. The Consumer Sentiment Index (University of Michigan) dropped to 79.2 in February, its lowest level in nine years. On the positive side, in January, housing starts grew further and industrial production increased 0.7%, the largest monthly increase in three years.

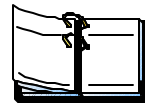
The labour market rebounded in January

- After it decreased 156 000 in December, non-farm employment rose 143 000 in January. Meanwhile manufacturing employment continued to fall albeit at a smaller rate (0.1%). The unemployment rate dropped from 6.0% in December to 5.7% in January.
- Productivity in the non-farm sector fell 0.2% (annual rate) in the fourth quarter following a rise of 5.1% in the third quarter. This reflected a bigger increase in hours (1.0%) than output (0.8%). On a year-over-year basis, higher energy prices continued to exert upward pressure on CPI inflation which increased from 2.4% in December to 2.6% in January. Core inflation remained at 1.9%.



COMING UP

Key Future Data Releases and Planned Events



CANADA

Canadian International Merchandise Trade - January	March 12
Key Policy Interest Rate Announcement	March 4
Monthly Survey of Manufacturing - January	March 18
Consumer Price Index - January	February 27
Real GDP by industry - December	February 28
Labour Force Survey - February	March 7
Financial Statistics for Enterprises - 4th Quarter	February 27
Balance of International Payments - 4th Quarter	February 28
National Economic and Financial Accounts - 4th Quarter	February 28

UNITED STATES

Consumer Price Index - February	March 21
International Trade in Goods and Services - January	March 12
Federal Open Market Committee Meeting	March 18
GDP - 4th Quarter 2002 (preliminary)	February 28
The Employment Situation - February	March 7

Note: The February 2003 MEI uses data available as of February 24, 2003