MONTHLY ECONOMIC INDICATORS

March 2000

HIGHLIGHTS

- ***Real GDP advances 4.6% in the fourth quarter, boosting overall growth in 1999 to 4.2%.***
- ***Import growth outpaces export growth, leading to a lower trade surplus in December and for the fourth quarter as a whole.***
- ***Solid job gains hold Canada's unemployment rate steady at 6.8% in January, the lowest since 1976.***
- ***The prospect of higher U.S. interest rates puts downward pressure on the Canadian dollar.***
- ***Canadian stocks outperform their U.S. counterparts, as the TSE300 nears the 10,000 level.***

Key Monthly Economic Indicators

		% Change since last month	% Change since last year	
Real GDP ($92 B)	766.6	0.4	4.6	Dec.
Goods	258.2	0.7	6.6	Dec.
Services	508.5	0.3	3.7	Dec.
Composite Index	156.7	0.5	7.2	Jan.
Employment (000's)	14,828	0.2	3.0	Feb.
Full-time	12,157	0.3	3.8	Feb.
Part-time	2,670	-0.1	-0.3	Feb.
Unemployment* (%)	6.8	6.8	7.9	Feb.
Youth*	13.0	12.5	14.4	Feb.
Adult*	5.6	5.7	6.7	Feb.
CPI inflation*	2.3	2.6	0.6	Jan.
Retail Sales ($M)	22,528	2.0	8.8	Dec.
Housing Starts (000's)	168.0	11.9	15.9	Feb.
Trade Balance* ($M)	2,742	3,207	1,492	Dec.
Exports	31,893	1.4	12.9	Dec.
Imports	29,151	3.2	8.9	Dec.
M&E	9,462	2.3	4.9	Dec.
3-mth Corp. paper* (%)	5.36	5.25	5.04	Mar. 8
Long bond yield* (%)	5.80	6.27	5.43	Mar. 8
Canadian dollar* (US¢)	68.57	69.18	66.32	Mar. 10

*Data in levels only – % change not reported.

This issue's Special Report:
Innovative Activity in Canada by Technological Field

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.

Industry Canada Industrie Canada

Canada

MONTHLY ECONOMIC INDICATORS
March 2000

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This report uses data available as of March 10, 2000. It has been prepared by Marianne Blais, Julie Dubois, Joe Macaluso, Alison McDermott and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. The special report in this issue is based on a forthcoming study by M. Rafiquzzaman and Karen Smith. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at williamson.shane@ic.gc.ca.

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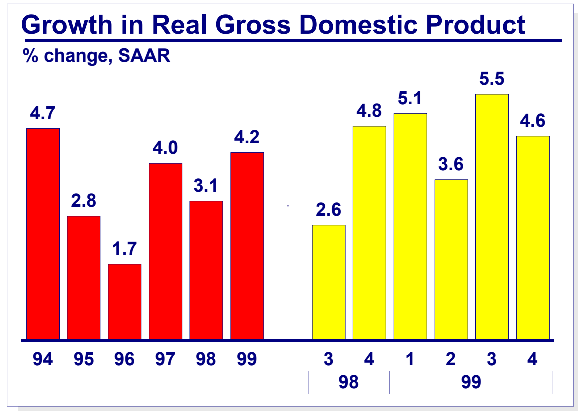
National Economic and Financial Accounts -- 4th Quarter, 1999

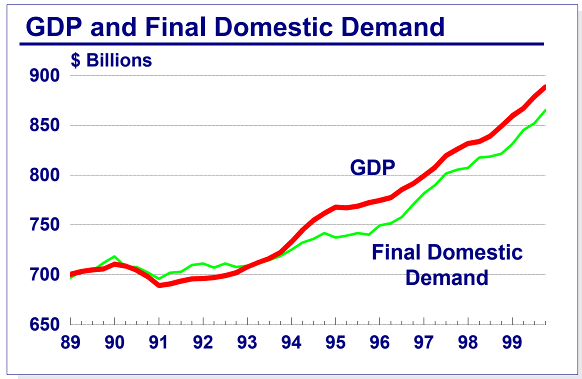
Stronger-than-expected growth in the fourth quarter...

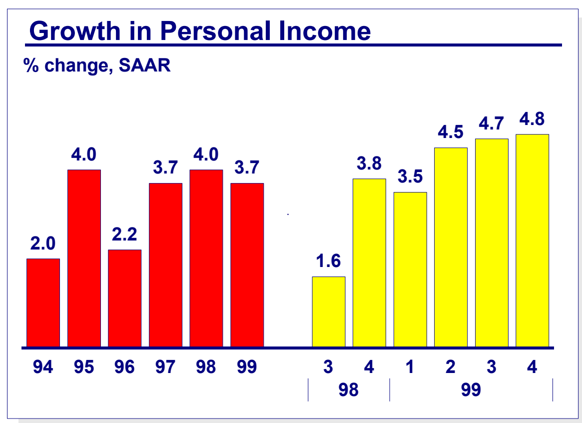
- Real GDP rose 4.6% (annual rate) in the fourth quarter of 1999, led by a pick-up in business investment and housing. This advance extends the consecutive string of quarterly gains to 18, the longest observed since the 1960's.
- Domestic demand was the main source of strength, with business investment in M&E and inventories and residential construction all rebounding from a weaker third quarter. Consumer spending posted its fourth consecutive period of solid growth, supported by high levels of consumer confidence.
- Reflecting recent employment gains, growth in personal incomes advanced strongly in the fourth quarter, keeping pace with spending and leaving the personal saving rate unchanged at 1.1%. The household debt-to-income ratio also held steady at 99.9%.
- Exports of goods and services once again grew solidly, but failed to keep pace with imports. As a result, Canada's real trade surplus declined in the fourth quarter.

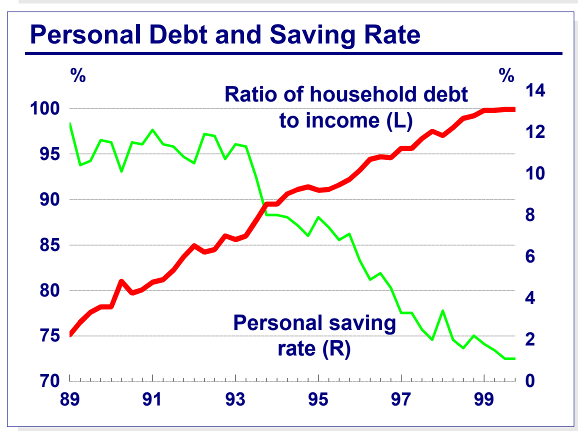
...boosts growth for the year to 4.2%

- For 1999 as a whole, the economy expanded by 4.2%, up from growth of 3.1% in 1998.
- Consumer spending strengthened over the course of the year, reflecting growing levels of consumer confidence and improving labour market conditions. Personal incomes were up 3.7% overall in 1999, boosted by a net job gain of 427,000.
- 1999 was also a banner year for corporate profits, which benefitted from firming commodity prices and strengthening international demand. Profits increased over 25% on the year, more than offsetting losses in 1998.









Real GDP by Industry

Growth in Real GDP picks up in December...

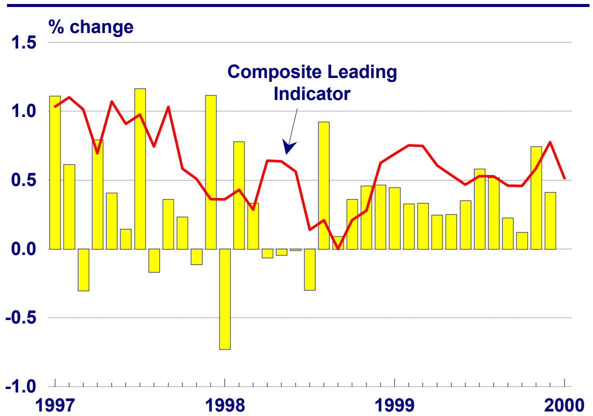
- Real GDP at factor cost advanced 0.4% in December, building on a sharp gain in the previous quarter. This advance represents the 17th consecutive monthly increase, surpassing the mark set in 1988.

...boosted by gains in the Goods-Producing and Services Sectors

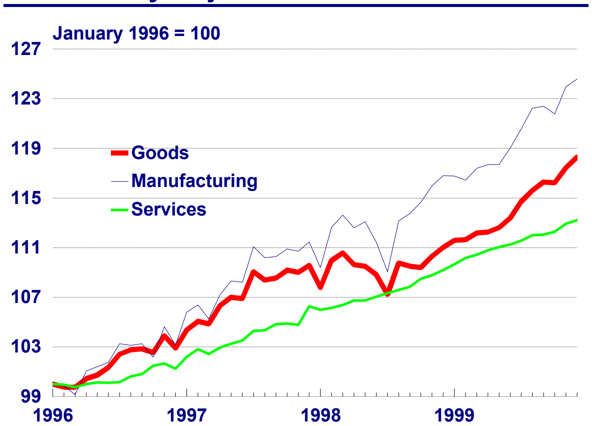
- Supported by gains across most major categories, Goods production increased 0.7% in December. Construction activity recorded its strongest monthly gain in almost three years, and a notable increase was also recorded in Logging & Forestry. A surge of activity in Manufacturing raised the annual level of production 6.7% above that in the previous year.

- Output in Services increased by 0.3% in December. This growth was led by Retail Trade, spurred by higher motor vehicle sales, but Finance & Insurance and Business Services also recorded strong performances. Services activity was somewhat dampened by sharp falls in air travel and hotel accommodations. Despite a drop in Wholesale Trade in December (due to lower sales of computers, software and other electronic machinery), this industry generally performed very well in 1999.

Real GDP at Factor Cost



Real GDP by major sector



Real GDP at Factor Cost (1992 dollars)

December 1999

	$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	**766,628**	**3,140**	**0.4**	**4.6**
Business sector	**636,921**	**2,980**	**0.5**	**5.5**
Goods	**258,161**	**1,858**	**0.7**	**6.6**
Agriculture	13,784	0	0.0	5.7
Fishing & Trapping	733	-60	-7.6	3.7
Logging & Forestry	4,786	107	2.3	9.4
Mining*	27,694	46	0.2	3.8
Manufacturing	142,044	710	0.5	6.7
Construction	43,612	792	1.8	8.9
Other Utilities	25,508	263	1.0	5.2
Services	**508,467**	**1,282**	**0.3**	**3.7**
Transport & Storage	35,906	-82	-0.2	5.1
Communications	27,369	91	0.3	9.5
Wholesale Trade	46,854	-360	-0.8	6.7
Retail Trade	47,783	773	1.6	5.9
Finance & Insurance	42,167	469	1.1	3.1
Real Estate & Ins. Agent	79,917	17	0.0	2.3
Business services	45,105	442	1.0	7.8
Government services	46,013	16	0.0	2.5
Education	40,590	22	0.1	0.2
Health & Social Services	46,990	60	0.1	-0.9
Accommodation & Food	19,794	-180	-0.9	2.8
Other	29,979	14	0.0	2.4

*Includes Quarrying and Crude Petroleum & Natural Gas

Consumer Spending and Attitudes

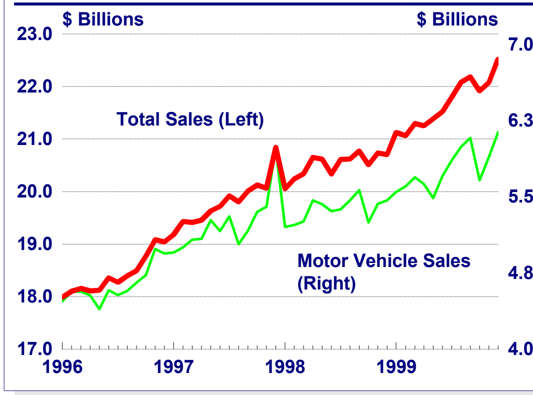
Consumer spending remains strong in the fourth quarter...

- Real consumption rose 3.8% (annual rate) in the fourth quarter, just slightly below the pace of the previous quarter. For the year as a whole, consumption grew 3.2%, up from 2.8% in 1998.
- Consumer spending was led once again by durable goods. Sales were also boosted by Y2K celebrations and possible stockpiling in anticipation of Y2K-related disruptions.

...and appears poised to continue growing

- The solid growth in consumer spending will likely be sustained in coming quarters, given the recent strength of the labour market, higher personal incomes, and a corresponding upswing in consumer confidence.
- Personal disposable income rose 5.1% (annual rate) in the fourth quarter, the strongest advance of the year. This gain left the debt-to-income ratio and personal saving rate unchanged at 99.9% and 1.1%, respectively.

Total Retail and Motor Vehicle Sales



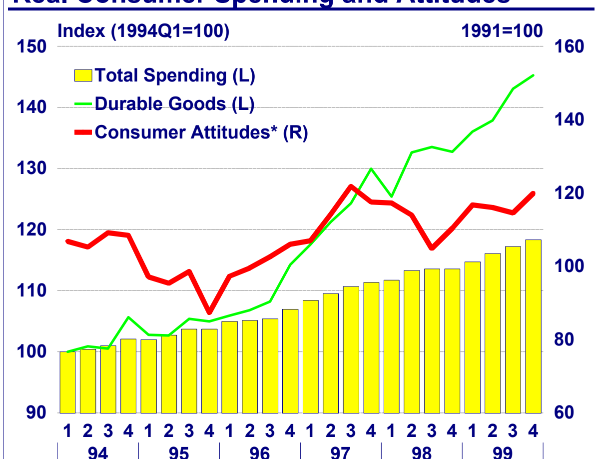
Retail Sales and Consumer Credit

December 1999	$ millions	% Change since last month	% Change since last year
Total Retail Sales (S.A.)	22,528	2.0	8.8
Food	5,081	2.1	5.5
Drug Stores	1,128	-1.1	5.4
Clothing	1,199	0.3	4.5
Furniture	1,191	1.0	9.3
Automotive	9,058	3.7	13.7
General Merch. Stores	2,473	1.5	4.4
All other Stores	2,398	-0.5	7.0
Total ex. motor vehicles	16,394	1.3	7.6
Consumer Credit (unadjusted)	170,585	0.7	8.0

Real Consumer Spending and Household Finances

$ Millions, SAAR (unless otherwise noted)	1998	1999	1999 Q3	1999 Q4
Real Consumption (92$)	485,906	501,227	503,948	508,636
% change	*2.8*	*3.2*	*3.9*	*3.8*
Durable Goods	66,801	71,628	72,896	74,036
% change	*6.3*	*7.2*	*15.9*	*6.4*
Semi-Durable Goods	46,526	47,806	48,212	48,056
% change	*4.9*	*2.8*	*4.5*	*-1.3*
Non-Durable Goods	119,521	121,761	121,860	122,900
% change	*1.0*	*1.9*	*1.5*	*3.5*
Services	253,058	260,032	260,980	263,644
% change	*2.3*	*2.8*	*1.9*	*4.1*
Disposable Income	552,778	572,101	575,448	582,692
% change	*3.4*	*3.5*	*4.9*	*5.1*
Saving Rate (%)	2.3	1.4	1.1	1.1
Debt-to-Income Ratio (%)	98.3	99.9	99.9	99.9

Real Consumer Spending and Attitudes



*Conference Board of Canada

Business Investment in Plant and Equipment

Business investment rebounds in the fourth quarter...

- Growth in business investment soared 17.9% (annual rate) in the fourth quarter, following a pause in the previous period. This advance was led primarily by a 29.1% surge in M&E spending, with notable investments in computers, transportation equipment and telecommunications equipment.

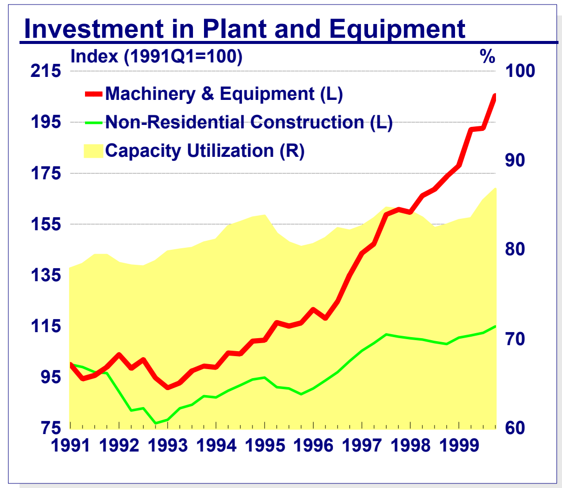
- Non-residential Construction also picked up, increasing 9.3% in the fourth quarter. Strong growth in engineering construction more than offset a slight decline in building construction.

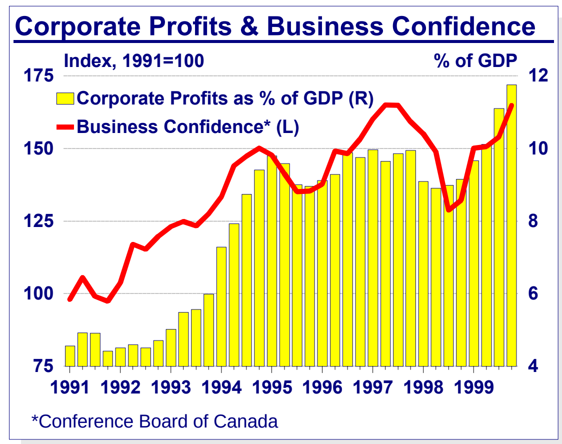
...and higher profits point to further gains

- Corporate operating profits rose an impressive 35.1% (annual rate) in the fourth quarter. Gains were led by non-financial industries, but financial industries also rebounded from a sharp drop in the third quarter.

- Capacity utilization increased by 3 percentage points to 86.8% in the fourth quarter, its highest rate since the 1987-88 economic expansion.

- Rising profits and capacity utilization have led to a sharp rise in business confidence and point to continued strong investment.





Business Investment and Corporate Finances

$ Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q1	1999 Q2	1999 Q3	1999 Q4
BUSINESS INVESTMENT						
Machinery & Equipment (1992$)	64,701	74,357	68,924	74,380	74,600	79,524
% change	*9.5*	*14.9*	*10.1*	*35.6*	*1.2*	*29.1*
Non-residential Construction (1992$)	39,110	40,217	39,572	39,896	40,248	41,152
% change	*0.1*	*2.8*	*9.4*	*3.3*	*3.6*	*9.3*
Capacity Utilization (%, Non-farm goods)	83.3	84.8	83.3	83.5	85.5	86.8
Capacity Utilization (Mfg. sector)	83.8	85.7	84.0	84.2	86.7	87.8
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	132,032.0	158,142.0	144,828.0	149,124.0	162,940.0	175,676.0
% change	*-9.6*	*19.8*	*20.7*	*12.4*	*42.5*	*35.1*
Profits - Non-financial industries	82,442.0	114,266.0	99,548.0	104,300.0	121,592.0	131,624.0
% change	*-9.2*	*38.6*	*45.8*	*20.5*	*84.7*	*37.3*
Profits - Financial industries	49,590.0	43,876.0	45,280.0	44,824.0	41,348.0	44,052.0
% change	*-10.1*	*-11.5*	*-18.0*	*-4.0*	*-27.6*	*28.8*
Business Credit	686,621.0	716,816.0	708,232.3	709,495.3	720,157.3	729,379.0
% change	9.9	4.4	3.3	0.7	6.1	5.2

THE ECONOMY

Housing

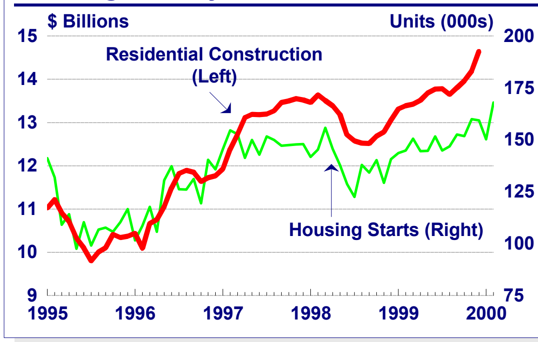
The housing market picks up in the fourth quarter...

- Business investment in residential construction grew a solid 8.1% (annual rate) in the fourth quarter, picking up from slower growth in the previous quarter.
- Spending on alterations and improvements experienced the greatest surge, but there was also a strong gain in new housing construction. Ownership and transfer costs were down sharply on the quarter.

...contributing to a positive outlook for 2000

- 1999 was a good year for the housing market, which firmly recovered from the slump experienced in 1998. The outlook for 2000 also appears bright, based on an upsurge in consumer confidence and early indicators of housing data. Though mortgage rates remain low by historical standards, the potential for higher rates in the future could have a dampening effect on housing demand.
- Sales of existing homes set a new record of 233,970 units in 1999. This momentum has been sustained early in the new year, with sales up 2% in January 2000.
- Housing starts rose to 168,000 units in February 2000, recovering from a drop in January, to reach their highest level since June 1994.

Housing Activity



Monthly Housing Indicators

	levels	Change since last month	Change since last year
Residential Construction (1) ($92M, factor cost basis)	14,644	3.1%	12.1%
Building Permits, $M (2)	1,799	-2.3%	25.1%
Sales of Existing Homes (2) (# of units)	18,682	388	
Housing Starts, # of units (3)	168,000	17,800	23,100
Newfoundland	2,200	1,000	1,400
Prince Edward Island	500	0	-200
Nova Scotia	3,600	-1,000	-600
New Brunswick	1,900	-2,600	300
Quebec	21,800	3,000	1,900
Ontario	80,000	15,600	19,600
Manitoba	800	-600	-500
Saskatchewan	1,500	-1,000	300
Alberta	18,800	-2,100	-2,000
British Columbia	14,800	5,500	3,400

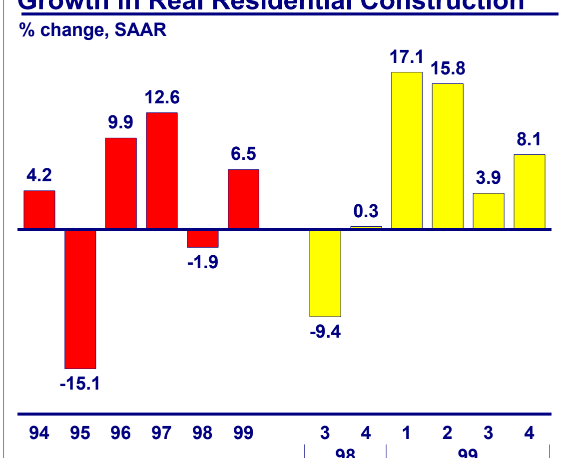
1 - December data; 2 - January data; 3 - February data.
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

Real Investment in Residential Structures

$92 Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q3	1999 Q4
Residential Construction	41,547	44,248	44,640	45,508
% change	*-1.9*	*6.5*	*3.9*	*8.0*
Construction by Business sector	41,422	44,116	44,508	45,384
% change	*-1.9*	*6.5*	*3.9*	*8.1*
New Housing	20,695	22,158	22,376	23,052
% change	*-3.5*	*7.1*	*8.7*	*12.6*
Alterations & Improvements	13,645	14,415	14,216	14,904
% change	*2.5*	*5.6*	*-4.9*	*20.8*
Ownership & Transfer Costs	7,207	7,316	8,048	7,552
% change	*-5.1*	*1.5*	*7.7*	*-22.5*

Growth in Real Residential Construction



Trade and Competitiveness

The strong economy feeds import demand in December...

- Growing domestic demand boosted import growth in December (3.2%), reversing a slight decline in the previous month. Increases were broad based, with notable advances in Industrial Products and M&E. Imports of Energy Products fell back slightly from a price-induced surge (18.9%) in November.

- Exports rose at a slower rate (1.4%), fuelled by higher sales of trucks, automobile, plastics and crude oil to the United States. Exports of Forestry Products to Asia were also higher. December's increase builds on a gain of 1.7% in November.

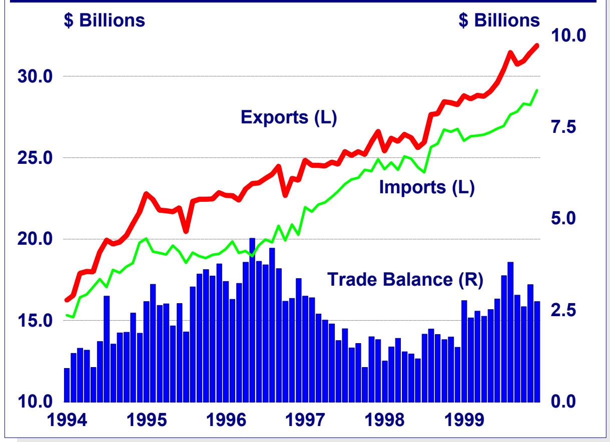
- December's performance rounded out a strong year for exports, which advanced 11.9% overall – almost twice as fast as imports – supported by sustained demand from the United States.

...leading to a lower trade surplus

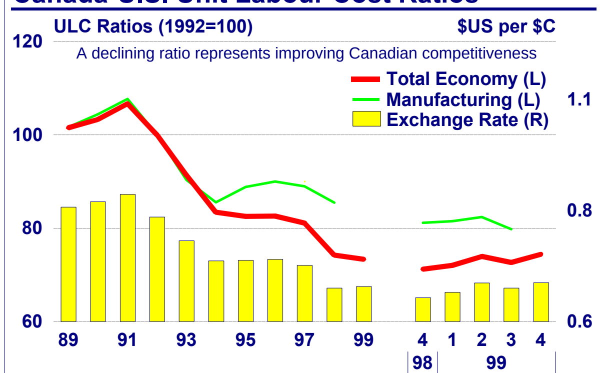
- The trade surplus declined to $2.7 billion in December as imports advanced at a faster pace than exports.

- Still, the merchandise trade surplus for 1999 reached $34 billion, its highest level since 1996, and the third highest on record.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



Source: Industry Canada compilations based on data from Statistics Canada and the U.S. Bureau of Labor Statistics

Merchandise Trade

December 1999	Levels ($ millions) November 1999	Levels ($ millions) December 1999	Year-to-date ($ millions) 1998 Jan-Dec	Year-to-date ($ millions) 1999 Jan-Dec	Change ($M) Nov to Dec 1999	% Change Nov to Dec 1999	% Change Dec 98 to Dec 99
Exports	**31,446**	**31,893**	**322,262**	**360,599**	**447**	**1.4**	**12.9**
to United States	26,940	27,287	269,496	309,665	347	1.3	13.3
Imports	**28,239**	**29,151**	**303,402**	**326,661**	**912**	**3.2**	**8.9**
from United States	21,140	21,877	233,635	249,174	737	3.5	4.8
Trade Balance	**3,207**	**2,742**	**18,860**	**33,938**	**-465**		
with United States	5,800	5,410	35,861	60,491	-390		
Exports by Commodity							
Agriculture/Fishing Products	2,173	2,202	25,142	25,613	29	1.3	4.3
Energy Products	2,930	3,030	23,902	30,310	100	3.4	75.1
Forestry Products	3,318	3,432	35,172	38,902	114	3.4	11.9
Industrial Goods & Materials	4,990	5,125	57,453	56,942	135	2.7	10.4
Machinery & Equipment	7,588	7,385	78,823	84,960	-203	-2.7	10.2
Automotive Products	8,096	8,286	77,417	96,143	190	2.3	5.7
Other Consumer Goods	1,129	1,153	12,426	13,591	24	2.1	7.2
Imports by Commodity							
Agriculture/Fishing Products	1,455	1,499	17,262	17,637	44	3.0	0.3
Energy Products	1,196	1,192	8,679	10,647	-4	-0.3	93.8
Forestry Products	237	237	2,499	2,741	0	0.0	5.3
Industrial Goods & Materials	5,447	5,720	60,286	62,142	273	5.0	11.7
Machinery & Equipment	9,250	9,462	101,303	108,231	212	2.3	4.9
Automotive Products	6,475	6,620	66,762	75,902	145	2.2	7.4
Other Consumer Goods	3,150	3,288	34,575	36,963	138	4.4	4.4

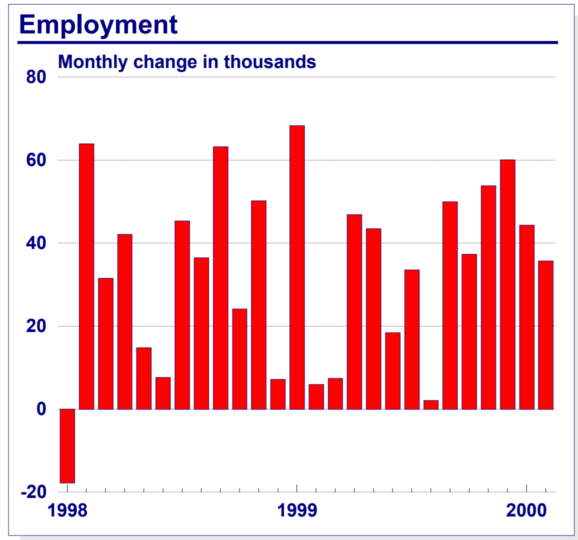
Employment and Unemployment

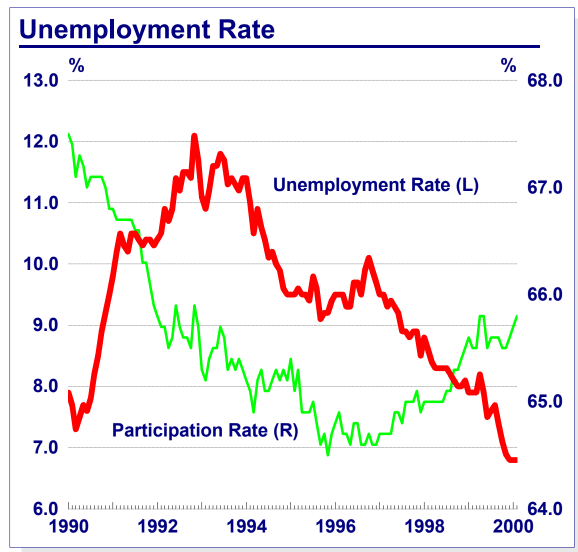
Employment growth remains strong in February...

- Employment increased by 36,000 in February of this year, building on solid gains in the previous five months.
- Continuing a trend established since the beginning of last year, all of February's job gains were in full-time employment. The number of part-time workers edged lower on the month.
- Though down slightly in February (-6,000), youth employment remains well above its year-ago level.

...as the unemployment rate remains unchanged at 6.8%

- For the second straight month, higher employment was matched by a similar rise in the labour force, leaving the national unemployment rate unchanged at 6.8%. The current unemployment rate is the lowest since April 1976.
- Employment gains lowered the adult unemployment rate by 0.1 percentage points to 5.6% in February. The unemployment rate for youth rose one-half percentage point to 13.0%, due to both modest job losses and an increase in the labour force.





Labour Force Trends

(in thousands)	Levels 1999 February	2000 January	2000 February	Change since last month	last year	year-to-date	% Change since last month	last year
Employment	14,394.5	14,791.8	14,827.5	35.7	433.0	80.0	0.2	3.0
Full-time	11,716.1	12,117.6	12,157.1	39.5	441.0	61.7	0.3	3.8
Part-time	2,678.4	2,674.2	2,670.4	-3.8	-8.0	18.3	-0.1	-0.3
Youth 15-24	2,177.4	2,265.8	2,259.5	-6.3	82.1	5.4	-0.3	3.8
Adult 25+	12,217.1	12,526.0	12,568.0	42.0	350.9	74.7	0.3	2.9
Self-employed	2,468.9	2,531.2	2,532.6	1.4	63.7	23.6	0.1	2.6
Unemployment	1,237.5	1,077.5	1,079.5	2.0	-158.0	4.6	0.2	-12.8
Unemployment Rate	7.9	6.8	6.8	0.0	-1.1	0.0		
Youth 15-24	14.4	12.5	13.0	0.5	-1.4	-0.1		
Adult 25+	6.7	5.7	5.6	-0.1	-1.1	0.0		
Labour Force	15,632.0	15,869.3	15,907.0	37.7	275.0	84.7	0.2	1.8
Participation Rate	65.5	65.7	65.8	0.1	0.3	0.2		
Employment Rate	60.3	61.3	61.4	0.1	1.1	0.2		

Industry Overview

The Services sector leads job growth in February...

- Employment increased by 39,000 in the Services sector in February of this year. Solid gains in Retail & Wholesale Trade and Accommodation & Food Services accounted for most of this gain. Notable losses were in Professional, Scientific & Technical Services, and Public Administration.

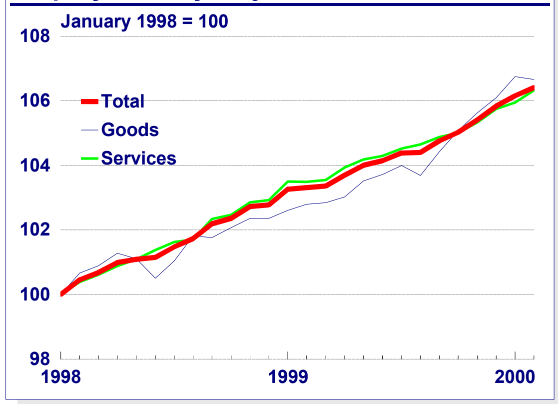
- Job growth in Goods-producing industries paused in February, following a period of very strong growth extending back to last August. Gains in Construction were offset by a decline in Manufacturing employment.

...with gains in both the private and public sector

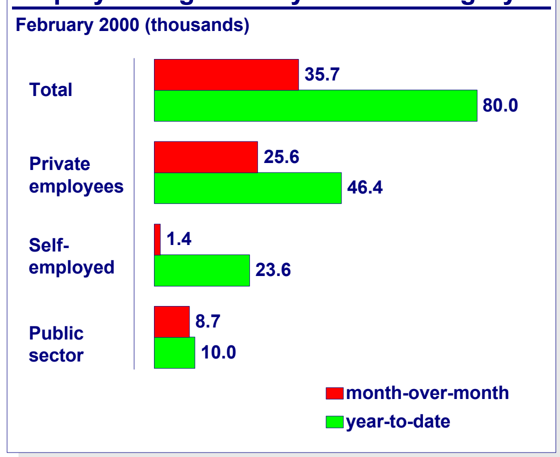
- The number of paid employees in the private sector was up 26,000 in February. Self-employment was little changed after rising strongly in the previous three months.

- Employment in the public sector increased by 9,000, bringing gains over the past six months to 66,000.

Employment by major sector



Employment growth by worker category



Industrial Employment Trends

(in thousands)	Levels 1999 February	2000 January	2000 February	Change since last month	last year	year-to-date	% Change since last month	last year
Goods-producing	3,745.3	3,889.2	3,886.1	-3.1	140.8	20.8	-0.1	3.8
Agriculture	422.0	401.1	400.2	-0.9	-21.8	1.1	-0.2	-5.2
Other Primary*	277.3	275.5	278.0	2.5	0.7	2.7	0.9	0.3
Utilities	114.8	116.0	116.9	0.9	2.1	1.5	0.8	1.8
Construction	765.9	815.0	825.6	10.6	59.7	18.2	1.3	7.8
Manufacturing	2,165.4	2,281.7	2,265.3	-16.4	99.9	-2.9	-0.7	4.6
Services-producing	10,649.2	10,902.6	10,941.4	38.8	292.2	59.2	0.4	2.7
Trade	2,233.5	2,263.1	2,292.4	29.3	58.9	20.7	1.3	2.6
Transportation	723.5	776.6	784.2	7.6	60.7	20.0	1.0	8.4
FIRE*	860.6	859.6	861.1	1.5	0.5	-4.2	0.2	0.1
Professional/Scientific	891.5	927.1	909.4	-17.7	17.9	-17.1	-1.9	2.0
Management/Administrative	485.7	512.5	512.7	0.2	27.0	-4.8	0.0	5.6
Educational Services	963.0	998.5	995.9	-2.6	32.9	-5.8	-0.3	3.4
Health Care/Social Assistance	1,427.7	1,511.0	1,518.4	7.4	90.7	46.5	0.5	6.4
Information/Culture/Recreation	627.1	628.4	635.3	6.9	8.2	-0.9	1.1	1.3
Accommodation & Food	919.7	951.7	965.8	14.1	46.1	15.2	1.5	5.0
Other Services	736.8	701.3	701.2	-0.1	-35.6	-7.7	-0.0	-4.8
Public Administration	780.0	772.8	765.2	-7.6	-14.8	-2.6	-1.0	-1.9

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

Provincial Overview

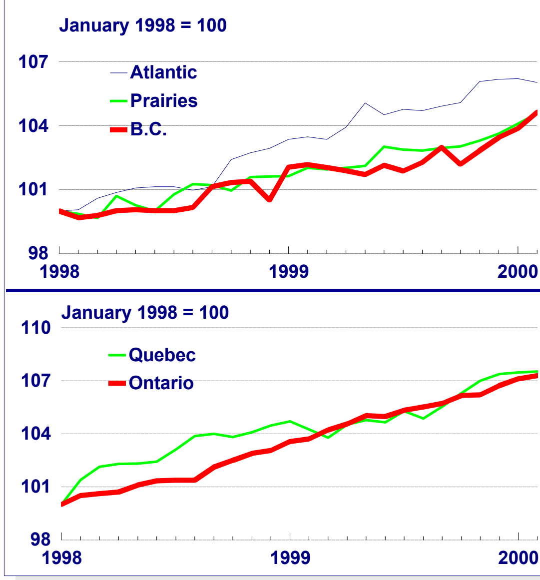
British Columbia and Alberta pace national job gains...

- Provincial job gains were led by British Columbia (15,000) and Alberta (10,000) in February of this year.
- Employment rose by 9,000 in Ontario, but was little changed in Quebec for the second straight month following a surge in job growth at the end of last summer.
- Most Atlantic provinces (all but Prince Edward Island) posted modest job losses on the month.

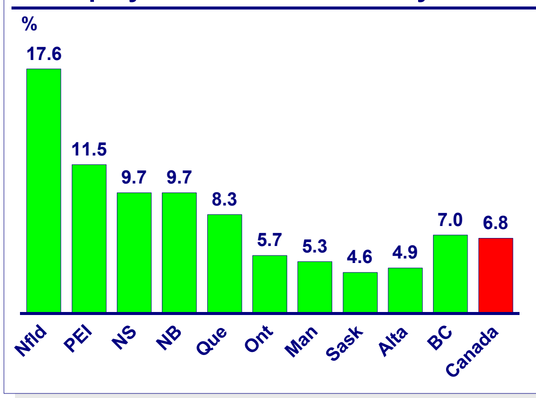
...but the biggest drops in unemployment rates are in PEI and Saskatchewan

- The unemployment rate fell one full percentage point to 11.5% in PEI, with modest job gains accompanied by a fall in the labour force. Higher employment and fewer job seekers also lowered Saskatchewan's rate by one-half point to 4.6%, the lowest in Canada.
- Solid job gains lowered unemployment rates by 0.3 percentage points in both Alberta (to 4.9%) and British Columbia (7.0%).
- After jumping up nearly 3 full percentage points in January, Newfoundland's unemployment rate rose a further 0.6 points in February to 17.6% – by far the highest provincial jobless rate in Canada.

Regional employment patterns



Unemployment Rates -- February 2000



Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since	
	2000 February	(000's)	%	(000's)	%		last month	last year
Canada	14,827.5	35.7	0.2	433.0	3.0	6.8	0.0	-1.1
Newfoundland	203.6	-0.5	-0.2	2.9	1.4	17.6	0.6	1.4
P.E.I.	64.8	0.4	0.6	4.3	7.1	11.5	-1.0	-3.8
Nova Scotia	417.0	-0.5	-0.1	14.7	3.7	9.7	0.0	-0.8
New Brunswick	331.3	-1.1	-0.3	2.5	0.8	9.7	0.3	-1.9
Quebec	3,430.6	1.9	0.1	104.9	3.2	8.3	0.1	-1.5
Ontario	5,804.2	8.9	0.2	193.4	3.4	5.7	0.0	-1.0
Manitoba	549.6	-0.3	-0.1	10.1	1.9	5.3	0.1	-0.2
Saskatchewan	490.2	2.0	0.4	13.1	2.7	4.6	-0.5	-2.1
Alberta	1,585.8	10.4	0.7	41.0	2.7	4.9	-0.3	-0.9
B.C.	1,950.4	14.5	0.7	46.1	2.4	7.0	-0.3	-1.3

PRICES and FINANCIAL MARKETS

Consumer and Commodity Prices

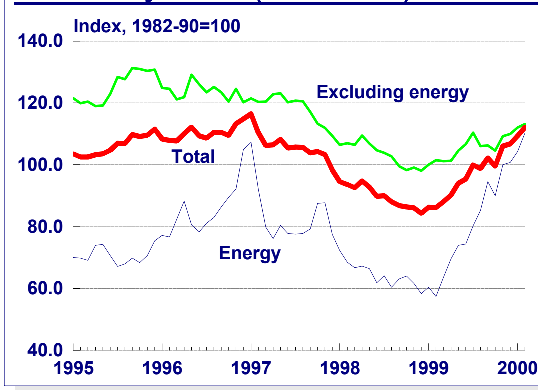
CPI inflation slows in January...

- Consumer prices were up 2.3% in January 2000 on a year-over-year basis, compared to 2.6% in the previous month. Energy costs were up 15.0% compared to last year.
- On a month-over-month basis, prices declined 0.1% in January. This was partly due to manufacturer rebates and dealer discounts for auto sales, but lower prices for air transportation and travel tours also contributed to the monthly drop. Prices for natural gas and fresh vegetables increased over the month.

...leaving the "core" inflation rate well within the official target range

- Excluding energy, food and indirect taxes, the "core" rate of inflation was 1.4% in January, remaining in the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- On a year-over-year basis, commodity prices were up a solid 30.2% in February, the biggest advance in two decades. Energy prices, which are now nearly double their level of a year ago, were the main contributors to this increase.

Commodity Prices ($U.S. basis)

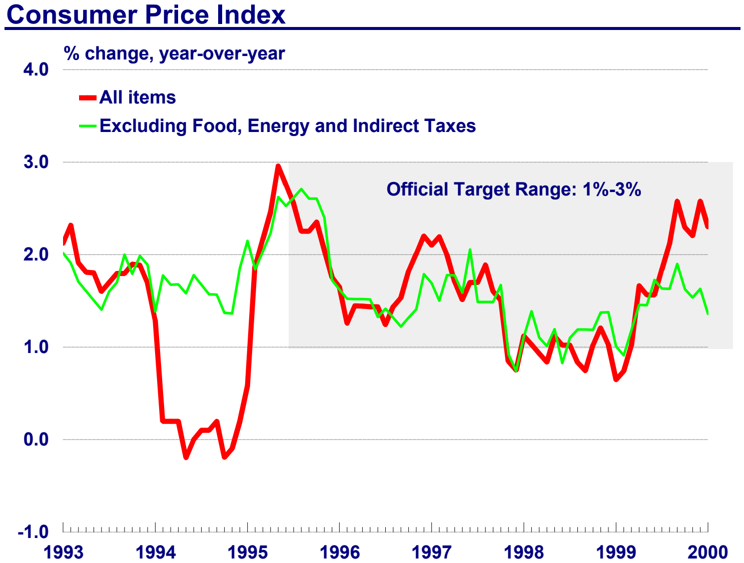


Consumer Prices

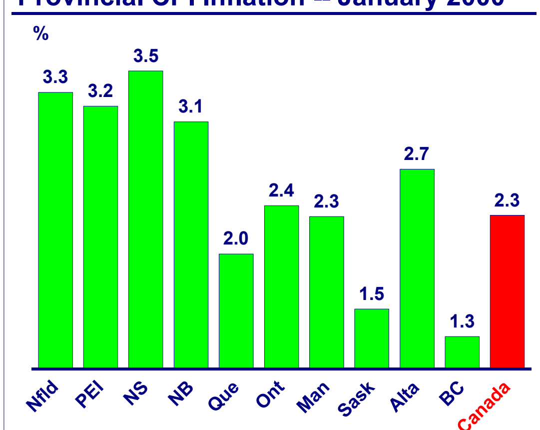
January 2000

	Index (1992=100)	% Change since last month	% Change since last year
All items CPI	111.4	-0.1	2.3
Food	110.8	-0.1	-0.3
Shelter	106.7	0.3	2.1
Household operations	108.7	-0.5	0.7
Clothing & Footwear	104.3	0.9	0.6
Transportation	127.3	-0.8	5.9
Health & Personal Care	111.0	0.2	1.8
Recreation, Educ. & Reading	118.5	-0.8	2.6
Alcohol & Tobacco	96.2	0.3	2.7
Excl. Food/Energy/Indirect Taxes	112.0	-0.3	1.4
Energy	118.6	0.2	15.0
Commodity Prices (February)			
Index, 1982-90=100	112.2	2.6	30.2
Excluding Energy	113.2	1.0	11.5
Energy	110.3	5.8	92.2

Consumer Price Index



Provincial CPI Inflation -- January 2000



Short-term and Long-term Interest Rates

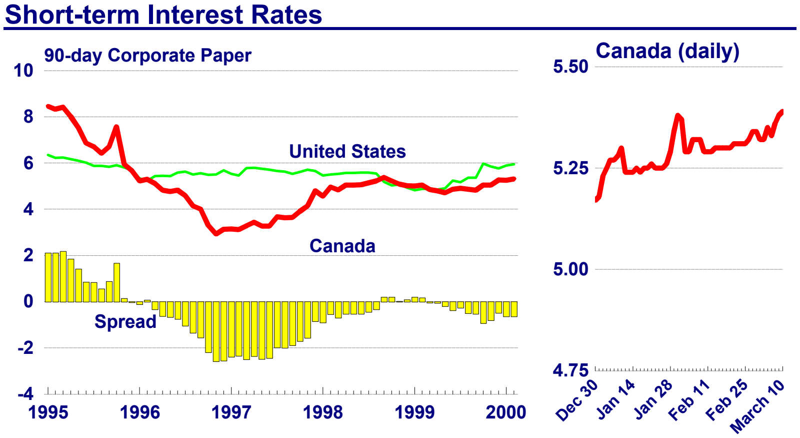
Short-term interest rates edge up in February...

- The Bank of Canada raised its trendsetting Bank Rate by 25 basis points to 5.25% on February 3, following a similar move by the U.S. Federal Reserve. This triggered a similar increase in the Chartered Banks' Prime Lending Rate to 6.75%.
- As the Bank of Canada's move was widely anticipated, market-determined short-term interest rates actually fell back with the announcement. However, growing sentiments that the stronger-than-expected economies in Canada and the U.S. will prompt authorities to tighten further pushed up rates later in the month.
- As of March 8, Canadian short-term interest rates were 62 basis points below comparable U.S. rates.

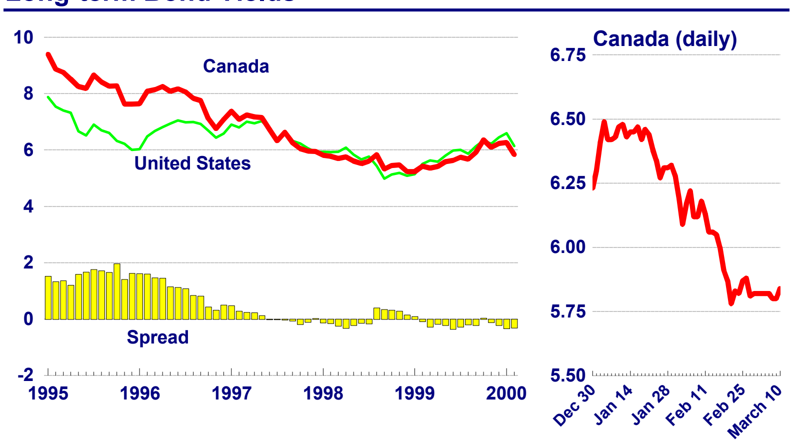
...while the long-term bond yield falls

- Long-term interest rates declined through much of February, ending the month more than 40 basis points below January's close. Given a similar decline in U.S. bond yields, Canadian long-term rates remained roughly 30 basis points below U.S. yields.
- North American bond yields have been trending down as markets anticipate that higher short-term interest rates will contain future inflation. Expectations that the supply of long-term bonds will fall as governments retire debt has also put downward pressure on bond yields, as have recent losses in U.S. equity markets which have prompted investors to opt for investments in relatively "safe" bonds.

Short-term Interest Rates



Long-term Bond Yields



Key Money Market Rates

(end of period)	90-day Corporate Paper	*spread against U.S.*	Long Bond Yield	*spread against U.S.*
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
Sept 1999	4.83	-0.53	5.91	-0.22
Oct	5.05	-0.93	6.36	0.03
Nov	5.05	-0.80	6.10	-0.12
Dec	5.27	-0.49	6.23	-0.22
Jan 2000	5.25	-0.64	6.27	-0.33
Feb	5.31	-0.64	5.83	-0.31
March 8	5.36	-0.62	5.80	-0.37

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

Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
Sept 1999	4.75	6.25	6.80	7.70
Oct	4.75	6.25	7.35	8.25
Nov	5.00	6.50	7.35	8.25
Dec	5.00	6.50	7.35	8.25
Jan 2000	5.00	6.50	7.60	8.55
Feb	5.25	6.75	7.60	8.55
March 8	5.25	6.75	7.60	8.35

Exchange Rates and Stock Prices

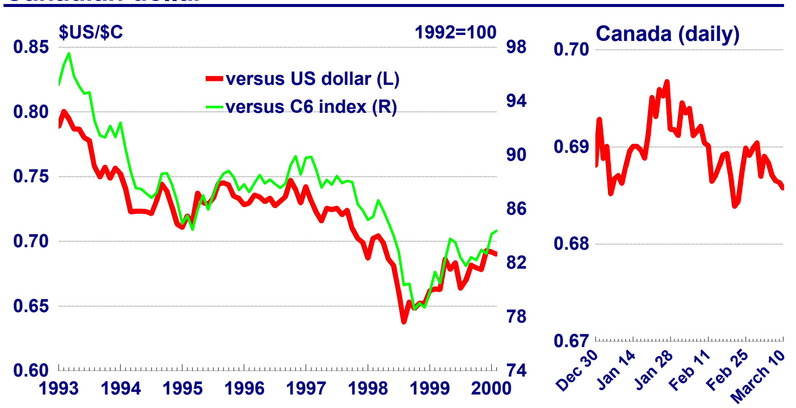
Canadian stock prices hit record highs...

- The TSE 300 index was up 7.6% in February, bringing total gains since November to just over 21%. This momentum was sustained early into March, with the index crossing the 9,500 mark for the first time ever on March 2, less than a month after reaching the 9,000 level.
- While Canadian stock prices posted solid gains, the major U.S. stock indexes have fallen over the past two months. The Dow Jones lost 7.4% of its value in February, while the more broad based S&P 500 dropped 2.0%. These losses reflected fears that the U.S. Federal Reserve might increase interest rates faster to head off inflation.
- The gap in performance between traditional "blue chip" and high-tech stocks has been very evident in recent months, particularly in the U.S. market. The Nasdaq, home to most U.S. high-tech heavyweights and start-ups, gained around 86% in 1999 and a further 19% by the end of February. In contrast, the more traditional Dow Jones average was down nearly 12% in the first two months of the year.

...but the dollar edges down

- The expectations that the Federal Reserve will announce further interest rate hikes to temper the U.S. economy weakened the Canadian dollar in February. The exchange rate dropped roughly a third of a cent to close at $US 0.6898 in February, and fell further in early March.

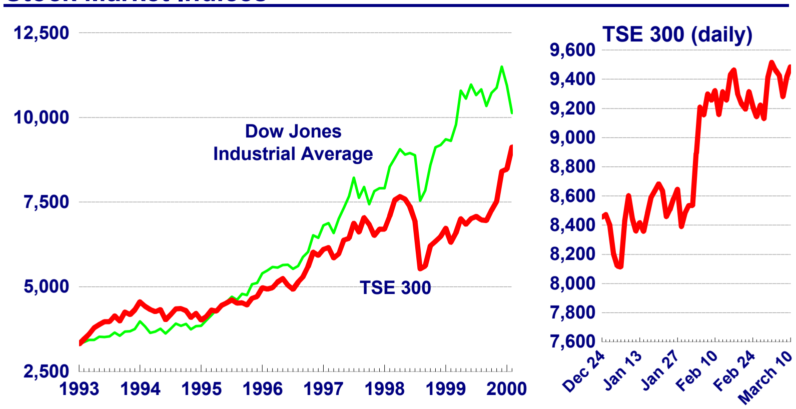
Canadian dollar



The Canadian Dollar

(close)	$US vs. $Cdn	index vs. C-6 (92=100)	DM vs. $Cdn	yen vs. $Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
Sept 1999	0.6815	82.43	1.261	72.34
Oct	0.6797	82.22	1.237	71.71
Nov	0.6782	82.96	1.291	71.29
Dec	0.6929	82.67	1.313	69.66
Jan 2000	0.6918	84.15	1.333	72.77
Feb	0.6898	84.39	1.370	75.43
March 10	0.6857			

Stock Market Indices



Key Stock Market Indexes

	February Close	% change from last month	% change from last year
TSE 300	**9,129**	**7.6**	**44.6**
Oil & Gas	5,497	-5.0	35.8
Metals & Minerals	3,490	-14.3	15.0
Utilities	14,853	7.5	94.9
Paper & Forest	5,161	-3.7	47.6
Merchandising	4,519	-2.4	-14.9
Financial Services	7,052	-0.4	-12.3
Golds	4,223	-2.6	-20.7
Price-Earnings Ratio*	32.3	-1.8	8.7
S&P 500	**1,366**	**-2.0**	**10.3**
Dow Jones	**10,128**	**-7.4**	**8.8**

*columns 2 & 3 reflect change in levels

U.S. Economic Trends

The US economy expands far beyond expectations...

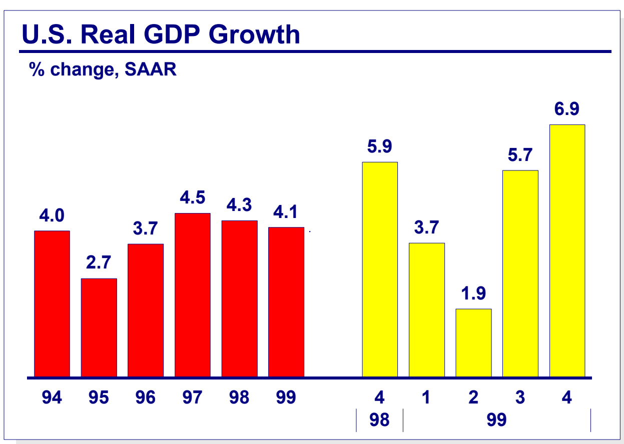
- Preliminary estimates indicate that the U.S. economy surged 6.9% (annual rate) in the final quarter of 1999, more than one percentage point higher than the advance estimate and the strongest quarterly growth rate in 3 1/2 years. Stronger consumer spending, inventory investment and exports were the main contributors to this strong performance.

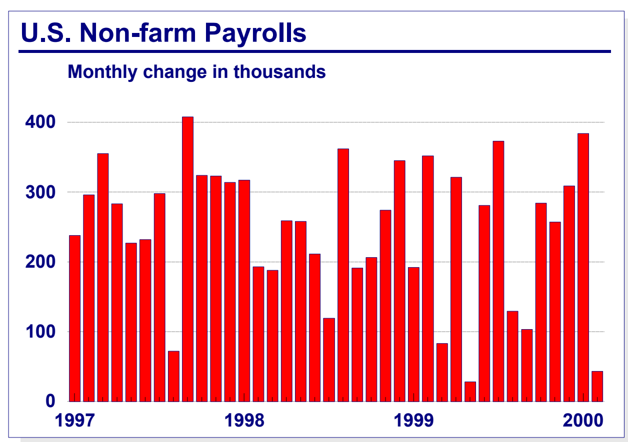
- After hitting a record high in November, the U.S. trade deficit narrowed to $25.5 billion in December, as exports grew at a faster pace (3.2%) than imports (1.0%). However, for 1999 as a whole, the deficit totaled a record $271.3 billion, up from $164.3 billion in 1998. This pushed up the U.S. current account deficit to an all-time high of $338.9 billion for the year.

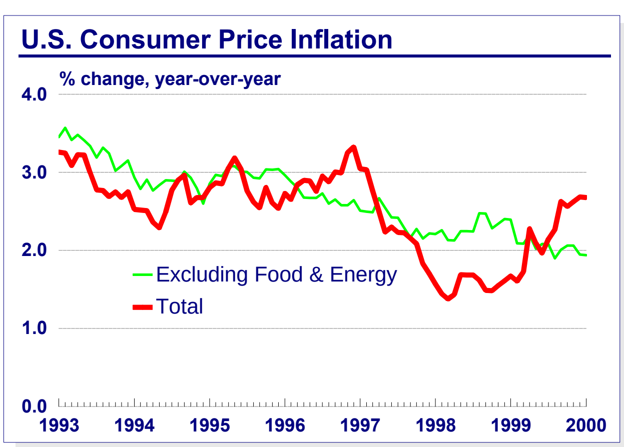
- Employment rose only 43,000 in February of this year, following a large increase in January (384,000) caused largely by seasonal factors. The unemployment rate edged up to 4.1% in February.

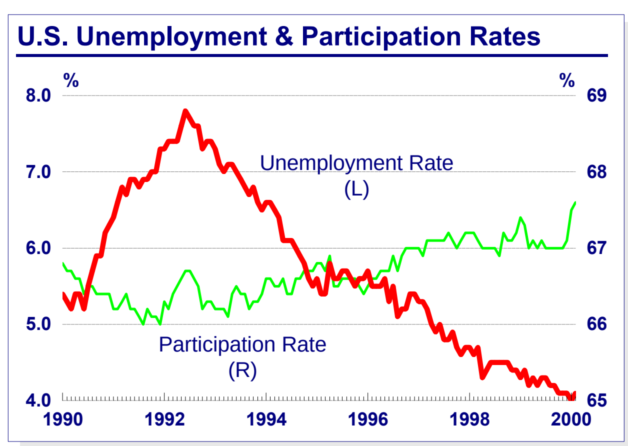
...raising fears of a possible rate hike by the Federal Reserve

- Productivity rose at a revised annual rate of 6.4% in the fourth quarter of 1999, the fastest rate in seven years, while both consumer price inflation (2.7%) and producer prices remained unchanged in January of this year. Still, analysts widely expect that the Federal Reserve will raise interest rates at its March 21 meeting to prevent the emergence of inflationary pressures.









Innovative Activity in Canada by Technological Field

Patent data point to increased innovative activity in Canada...

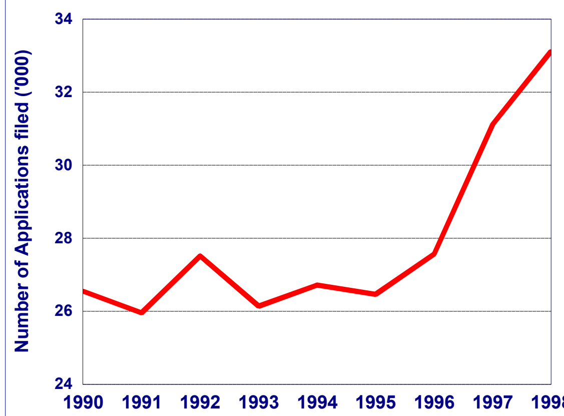
- Patenting activity increased 2.9% per year on average in the 1990s, with a particularly sharp rise in applications since 1995. Indeed, growth averaged 7.8% over the 1996-1998 period.

...led by the Biotechnology and Computer-related fields

- By major field, Mechanical/Civil patents accounted for the largest share of applications filed (25.6% in 1998).
- However, patent applications in the Biotechnology field increased at a faster pace – 12.2% per year in the 1990s. This fast growth nearly doubled the share of Biotechnology in total patent applications from 4.7% in 1990 to 9.0% in 1998.
- Computer-related patent applications also grew quickly (5.8% per year), boosting their share in total applications from 13.4% in 1990 to 16.4% in 1998.
- Organic Chemistry was the only major field in which patenting activity slowed in the 1990s.

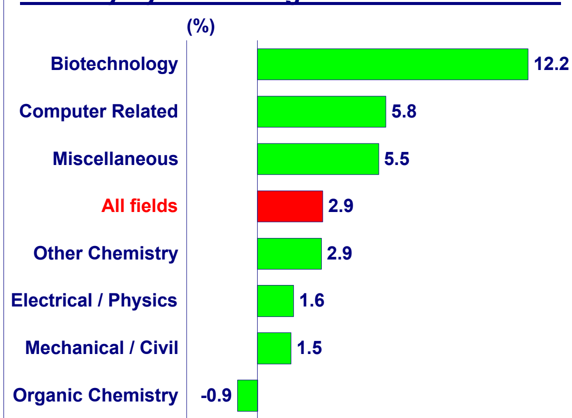
This special report in based on a forthcoming study by M. Rafiquzzaman and Karen Smith, "The Pattern of Technological Innovations in Canada in the 1990s: What do the Patent Data Say?"

Patenting Activity in Canada, 1990-1998



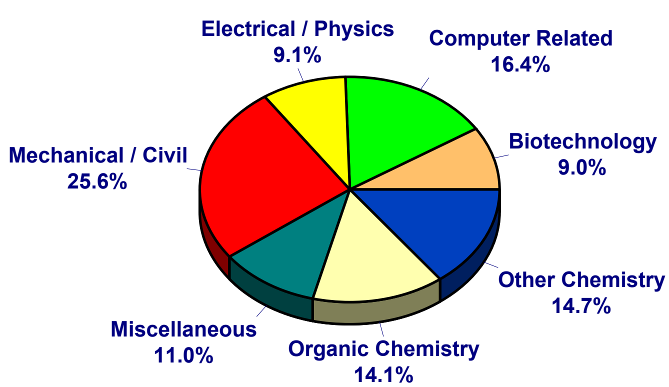
Source: Canadian Intellectual Property Office
Note: Total number of applications filed includes both domestic and foreign inventors.

Average Annual Growth in Patenting Activity by Technological Field: 1990-1998



Source: MEPA compilations based on Canadian Intellectual Property Office data.

Patenting Activity in Canada by Technological Field: 1998



Source: Canadian Intellectual Property Office
Note: Total number of applications filed includes both domestic and foreign inventors.

Share of Patent Applications by Technology Field, 1990 and 1998

Technological field	Share 1990	Share 1998	Change
Biotechnology	4.7	9.0	4.4
Computer Related	13.4	16.4	3.0
Electrical / Physics	10.1	9.1	-1.0
Mechanical / Civil	28.6	25.6	-3.0
Organic Chemistry	19.3	14.1	-5.2
Other Chemistry	14.8	14.7	-0.0
Miscellaneous	9.1	11.0	1.9

Source: MEPA compilations based on Canadian Intellectual Property Office data.

SPECIAL REPORT:

Innovative Activity in Canada by Technological Field

The increase in patenting activity is most evident among smaller entities...

- Large entities (firms with more than 50 employees, excluding universities) accounted for just over three-quarters of all patent applications in 1998.

- However, growth in applications was much faster for smaller entities. Patent applications increased 6.6% per year on average for small entities over the 1991-1998 period, compared to growth of 2.1% for their larger counterparts. This faster growth in patenting activity for smaller entities occurred across all major fields.

...who tend to concentrate their activity more heavily in the Mechanical/Civil engineering field

- In 1998, 38.1% of all patent applications from smaller entities were in the area of Mechanical/Civil Engineering. This compares to a share of 22.1% for larger entities. Growth in patent applications in this field was relatively slow in the 1990s.

- For both large and small entities, growth in patenting activity was fastest in Biotechnology.

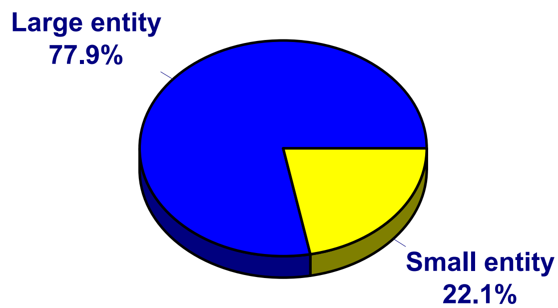
- Larger entities accounted for most patent applications in Organic Chemistry (94.2% in 1998). However, while their patenting activity in this area declined over the 1991-98 period, patent applications increased for smaller entities (admittedly from a much smaller base).

Share of Patent Applications, 1998

Technological field	Field		Entity Size		Total
	Large	Small	Large	Small	
Biotechnology	9.2	8.3	79.6	20.4	100.0
Computer Related	17.6	12.2	83.6	16.4	100.0
Electrical / Physics	9.7	6.9	83.2	16.8	100.0
Mechanical / Civil	22.1	38.1	67.1	32.9	100.0
Organic Chemistry	17.1	3.7	94.2	5.8	100.0
Other Chemistry	15.8	11.1	83.3	16.7	100.0
Miscellaneous	8.6	19.6	60.6	39.4	100.0
Total	100.0	100.0			

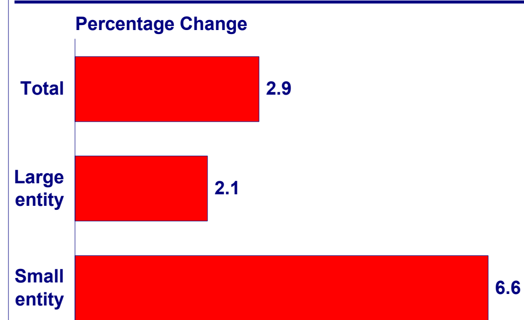
Source: MEPA compilations based on Canadian Intellectual Property Office data.

Share of Patent Applications by Entity Size, 1998



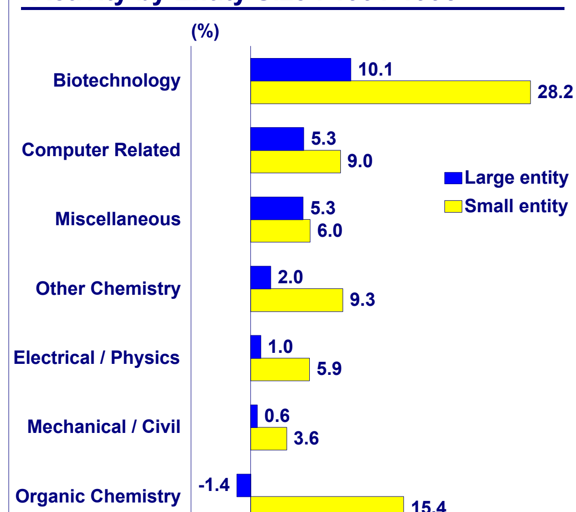
Source: Canadian Intellectual Property Office

Average Annual Growth in Patenting Activity: Large vs Small Entities (1991-1998)



Source: MEPA compilations based on Canadian Intellectual Property Office data.

Average Annual Growth in Patenting Activity by Entity Size : 1991-1998



Source: MEPA compilations based on Canadian Intellectual Property Office data.

Key Future Data Releases and Planned Events

CANADA

Consumer Price Index – February	March 15
Survey of Manufacturing – January	March 16
International Trade – January	March 21
GDP at factor cost – January	March 31
Labour Force Survey – March	April 7
Business Conditions Survey – April	May 2
National Economic & Financial Accounts – 1st Quarter 2000	May 31
Balance of International Payments – 1st Quarter 2000	May 31
Capacity Utilization Rates – 1st Quarter 2000	June 7
Financial Statistics For Enterprises – 1st Quarter 2000	June 9
Private and Public Investment Intentions – 2000 (revised)	July 19

UNITED STATES

Consumer Price Index – February	March 17
International Trade – January	March 21
Federal Open Market Committee meeting	March 21
GDP – 4th Quarter 1999, Final	March 30
Employment Situation – March	April 7

Note: the March MEI uses data available as of March 10, 2000