

# MONTHLY ECONOMIC INDICATORS

May 2000

## HIGHLIGHTS

-  **Though job growth stalls in April, the national unemployment rate holds steady at 6.8%.**
-  **Declining auto production leads to lower output in February, the first drop in nineteen months.**
-  **Canada's trade surplus edges down in February from a record high in the previous month.**
-  **Surging energy prices push up measured inflation, but have not yet spilled over into other areas of the economy.**
-  **Interest rates trend up in anticipation of a rate hike by the Bank of Canada.**

## Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	766.8	-0.4	3.8	Feb.
Goods	257.4	-1.1	5.6	Feb.
Services	509.4	0.0	3.0	Feb.
Composite Index	160.1	1.1	7.9	Mar.
Employment (000's)	14,863	0.0	2.9	Apr.
Full-time	12,161	-0.2	3.1	Apr.
Part-time	2,702	1.3	1.9	Apr.
Unemployment* (%)	6.8	6.8	8.2	Apr.
Youth*	12.9	13.0	15.3	Apr.
Adult*	5.6	5.6	6.7	Apr.
CPI inflation*	3.0	2.7	1.0	Mar.
Retail Sales (\$M)	22,273	-1.1	4.9	Feb.
Housing Starts (000's)	158.3	-5.4	9.5	Apr.
Trade Balance* (\$M)	3,962	4,503	2,295	Feb.
Exports	32,317	-2.6	12.9	Feb.
Imports	28,355	-1.2	7.7	Feb.
M&E	9,255	-3.3	2.2	Feb.
3-mth Corp. paper* (%)	5.71	5.46	4.80	May 3
Long bond yield* (%)	5.87	5.84	5.41	May 3
Canadian dollar* (US¢)	67.12	67.56	68.63	May 5

\*Data in levels only – % change not reported.

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](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).



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# MONTHLY ECONOMIC INDICATORS

## May 2000

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This report uses data available as of May 5, 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. 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](mailto:williamson.shane@ic.gc.ca).



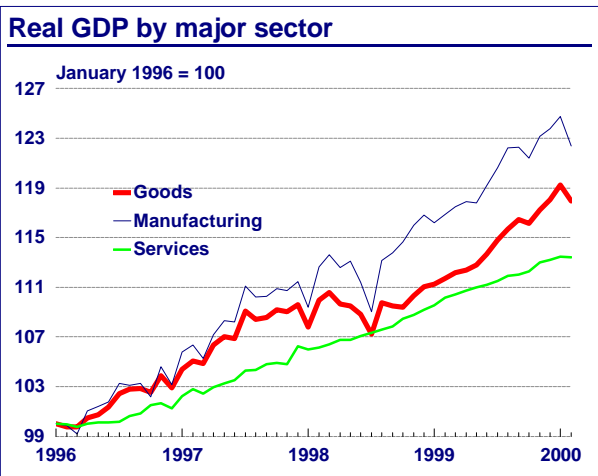
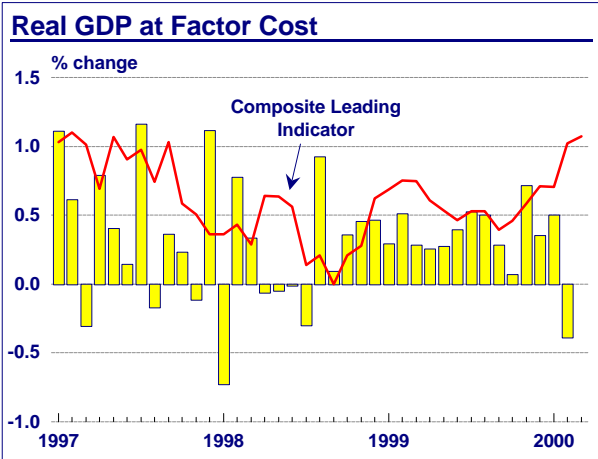
## Real GDP by Industry

### Economic activity slows in February...

- Real GDP at factor cost fell 0.4% in February, ending a record string of consecutive advances at 18 months. A broad-based decline in manufacturing output was the main factor behind the slowdown, which came on the heels of three months of strong growth.

### ...led by a drop in auto production

- Goods production fell 1.1% in February, with a decrease in Manufacturing output accounting for nearly all of the monthly shortfall. Lower auto production was chiefly responsible for this decline, although output in several other manufacturing categories also receded. Elsewhere in the goods sector, a decline in Construction activity was balanced by advances in Utilities output, which received a boost from colder-than-usual temperatures. Mining output advanced for the fourth consecutive month, on the strength of natural gas production and metal mining.
- Output in Services industries was little changed in February, as a surge in stock market-related activity in the financial sector helped offset declines in other sectors. Apart from the financial sector, Business Services recorded a sizeable advance, helped by strong gains at computer consulting and architectural, engineering and scientific firms. The largest setback occurred in Wholesale and Retail Trade, both held back by a slowdown in auto sales.



### Real GDP at Factor Cost (1992 dollars)

#### February 2000

	\$ millions	monthly change	% Change since last month	% Change since last year
<b>Total Economy</b>	<b>766,805</b>	<b>-2,975</b>	<b>-0.4</b>	<b>3.8</b>
<b>Business sector</b>	<b>637,164</b>	<b>-3,088</b>	<b>-0.5</b>	<b>4.5</b>
<b>Goods</b>	<b>257,409</b>	<b>-2,820</b>	<b>-1.1</b>	<b>5.6</b>
Agriculture	13,581	-44	-0.3	2.5
Fishing & Trapping	774	-18	-2.3	-3.7
Logging & Forestry	4,550	-146	-3.1	3.3
Mining*	28,262	95	0.3	6.8
Manufacturing	139,554	-2,704	-1.9	4.7
Construction	43,836	-327	-0.7	7.2
Other Utilities	26,852	324	1.2	8.7
<b>Services</b>	<b>509,396</b>	<b>-155</b>	<b>-0.0</b>	<b>3.0</b>
Transport & Storage	35,777	85	0.2	3.9
Communications	27,884	70	0.3	6.8
Wholesale Trade	45,970	-602	-1.3	1.5
Retail Trade	47,431	-766	-1.6	3.3
Finance & Insurance	43,298	604	1.4	7.4
Real Estate & Ins. Agent	80,311	107	0.1	2.2
Business services	45,612	301	0.7	8.0
Government services	46,016	110	0.2	2.2
Education	40,510	22	0.1	0.3
Health & Social Services	47,088	-78	-0.2	-0.4
Accommodation & Food	19,522	37	0.2	-0.8
Other	29,977	-45	-0.1	1.6

\*Includes Quarrying and Crude Petroleum & Natural Gas

# THE ECONOMY

## Consumer Spending and Attitudes



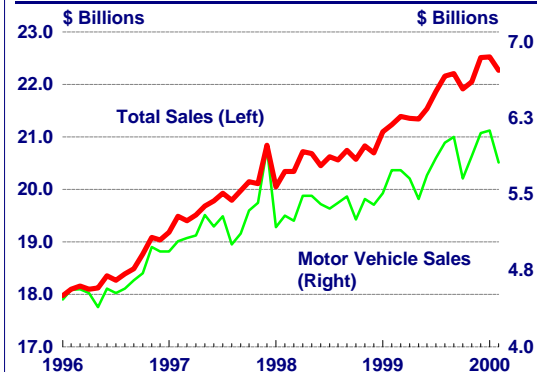
### Consumer spending remains strong in the fourth quarter...

- Real consumption rose 3.8% (annual rate) in the fourth quarter, just slightly below the previous quarter's pace.
- Gains in consumer spending were led once again by durable goods. Sales were also boosted by Y2K celebrations and possible stockpiling in anticipation of Y2K-related disruptions.

### ...but slows in the new year

- Retail sales declined by 1.1% in February after remaining unchanged from December to January. Sales were down in all trade groups but Food, which resumed an upward trend following the unusual Y2K-related sales patterns (high sales in December followed by a contraction in January).
- The automotive sector recorded the largest drop in retail sales. Other notable setbacks were in the general merchandise, furniture and clothing categories.
- Despite the second month of sluggish results, levels of consumer confidence remain high. Moreover, early indicators of auto sales for March are positive, and retail sales are generally trending higher, up 4.9% on a year-over-year basis in February.

### Total Retail and Motor Vehicle Sales



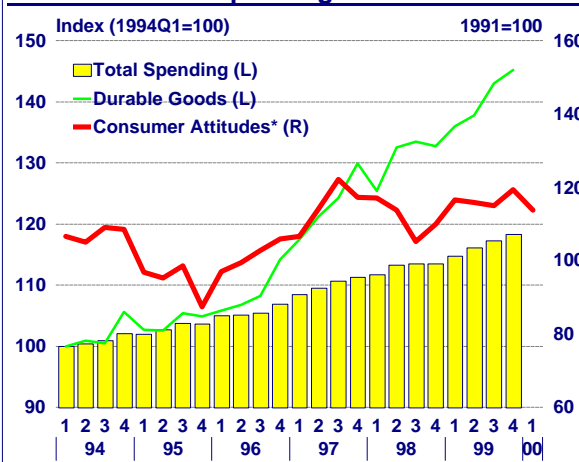
### Retail Sales and Consumer Credit

	\$ millions	% Change since	
		last month	last year
<b>Total Retail Sales (S.A.)</b>	22,273	-1.1	4.9
Food	4,949	1.8	2.2
Drug Stores	1,109	-1.1	-0.4
Clothing	1,220	-1.3	2.5
Furniture	1,207	-1.3	10.4
Automotive	8,853	-2.5	7.3
General Merch. Stores	2,550	-1.5	4.8
All other Stores	2,387	-1.2	3.4
Total ex. motor vehicles	16,455	0.4	6.2
<b>Consumer Credit (unadjusted)</b>	179,877	1.4	12.7

### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	1998	1999	1999 Q3	1999 Q4
<b>Real Consumption (92\$)</b>	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
<b>Disposable Income</b>	552,778	572,101	575,448	582,692
% change	3.4	3.5	4.9	5.1
<b>Saving Rate (%)</b>	2.3	1.4	1.1	1.1
<b>Debt-to-Income Ratio (%)</b>	98.3	99.9	99.9	99.9

### Real Consumer Spending and Attitudes



\*Conference Board of Canada



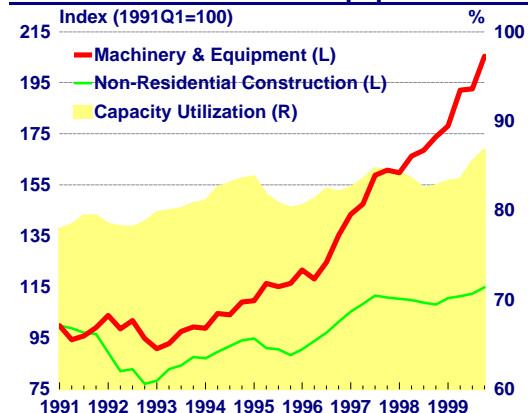
### Business investment rebounds in the fourth quarter...

- 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, rising 9.3% in the fourth quarter. Strong growth in engineering construction was partly offset by a slight decline in building construction.

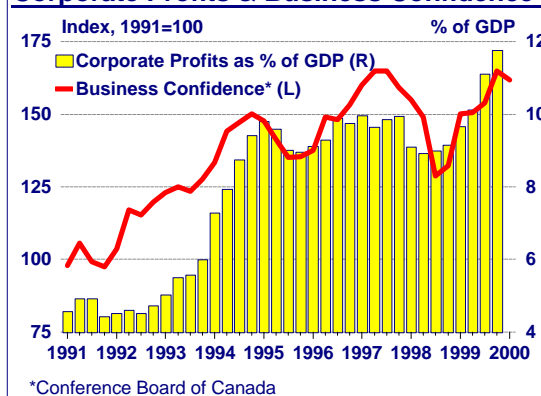
### ...and further gains appear likely

- Several key indicators point to a strong investment outlook for 2000. Corporate operating profits rebounded strongly in 1999, contributing to a steady rise in business confidence over the course of the year. And, capacity utilization is at its highest rate in over ten years.
- Available data for the first quarter are mainly positive. Non-residential Construction activity in January and February was 2.6% higher than the fourth quarter average. And while imports of M&E dropped in February, this follows healthy increases in the previous two months.

### Investment in Plant and Equipment



### Corporate Profits & Business Confidence



### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)						
	1998	1999	1999 Q1	1999 Q2	1999 Q3	1999 Q4
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1992\$)</b>	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
<b>Non-residential Construction (1992\$)</b>	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
<b>Capacity Utilization (% , Non-farm goods)</b>	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
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
<b>Corporate Operating Profits</b>	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
<b>Business Credit</b>	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



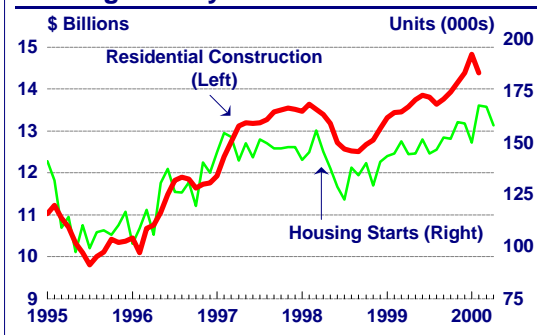
### The housing market picks up in the fourth quarter...

- Business investment in residential construction grew a strong 8.1% (annual rate) in the fourth quarter, more than twice as fast as in the previous quarter.
- Spending on alterations and improvements experienced the greatest surge, combining with strong gains in new housing construction to more than offset a decline in ownership and transfer costs.

### ...and holds its strength in 2000

- The outlook for the housing sector in 2000 remains bright, despite expectations of further mortgage rate hikes.
- Residential building permits rose 11.1% in March, rebounding from two straight monthly declines. In addition, despite a setback in February, the average level of activity in Residential Construction for January and February is 3.2% higher than in the fourth quarter.
- Sales of existing homes remain strong, having risen sharply in the first three months of the year. Housing starts fell back slightly in April after rising 4.8% in the first quarter of 2000.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	14,384	-3.0%	7.0%
<b>Building Permits, \$M (2)</b>	1,853	11.1%	10.9%
<b>Sales of Existing Homes (2)</b> (# of units)	21,018	1,189	
<b>Housing Starts, # of units (3)</b>	158,300	-9,000	13,700
Newfoundland	1,400	100	0
Prince Edward Island	200	-400	-100
Nova Scotia	3,000	-1,500	-900
New Brunswick	1,900	-200	400
Quebec	19,400	-2,400	-200
Ontario	70,500	-7,900	9,500
Manitoba	1,800	200	-800
Saskatchewan	1,600	-400	-700
Alberta	21,300	400	4,000
British Columbia	13,900	3,200	2,000

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

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

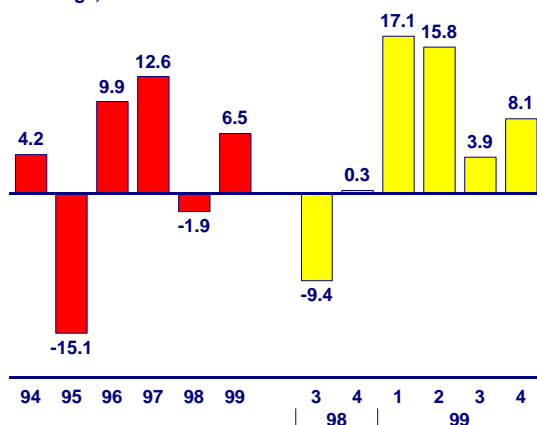
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q3	1999 Q4
<b>Residential Construction</b>	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

% change, SAAR





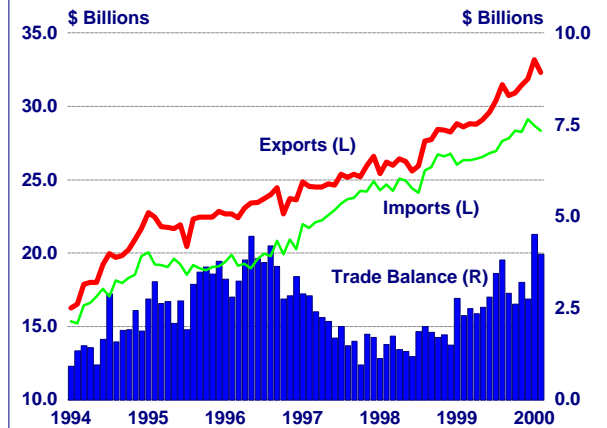
### Trade activity declines in February...

- Exports dropped 2.6% in February, partly offsetting a sharp gain in the previous month. Most of this fall can be traced to lower exports of Automotive Products, which fell by 14.1%. A slowdown in auto production was chiefly to blame, as U.S. demand for Canadian-made models remains strong. Rising crude oil prices drove up exports of Energy Products for the fourth straight month.
- Imports were down 1.2% in February, the second drop in as many months. Imports of M&E fell 3.3%, driven by lower imports of telephone and telecommunications equipment and compressors. Imports of Energy Products were boosted by higher oil prices and large volumes of kerosene imports.

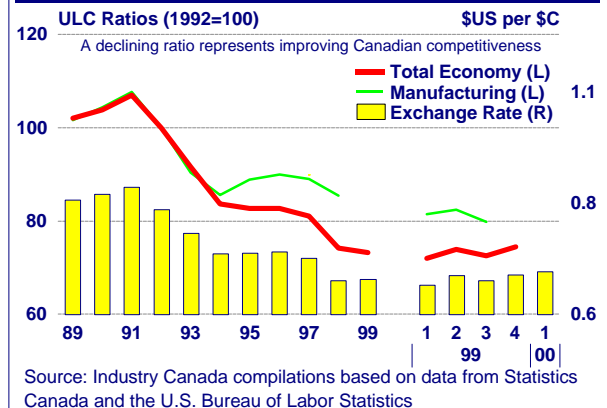
### ...but Canada's trade surplus remains high

- As the fall in exports exceeded the drop in imports, Canada's merchandise trade surplus fell to \$4.0 billion in February. Although down from January's record level of \$4.5 billion, this still remains the second highest surplus seen since 1996.

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



### Merchandise Trade

February 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	January 2000	February 2000	1999 Jan-Feb	2000 Jan-Feb	Jan to Feb 2000	Jan to Feb 2000	Feb 1999 to Feb 2000
<b>Exports</b>	<b>33,191</b>	<b>32,317</b>	<b>57,439</b>	<b>65,508</b>	<b>-874</b>	<b>-2.6</b>	<b>12.9</b>
to United States	28,504	27,471	48,919	55,975	-1,033	-3.6	13.0
<b>Imports</b>	<b>28,688</b>	<b>28,355</b>	<b>52,372</b>	<b>57,043</b>	<b>-333</b>	<b>-1.2</b>	<b>7.7</b>
from United States	21,568	21,291	40,531	42,859	-277	-1.3	5.6
<b>Trade Balance</b>	<b>4,503</b>	<b>3,962</b>	<b>5,067</b>	<b>8,465</b>	<b>-541</b>		
with United States	6,936	6,180	8,388	13,116	-756		
<b>Exports by Commodity</b>							
Agriculture/Fishing Products	2,201	2,139	4,224	4,340	-62	-2.8	0.7
Energy Products	3,311	3,761	3,593	7,072	450	13.6	111.4
Forestry Products	3,567	3,416	6,196	6,983	-151	-4.2	10.6
Industrial Goods & Materials	5,081	5,187	9,338	10,268	106	2.1	9.6
Machinery & Equipment	7,750	7,775	13,633	15,525	25	0.3	15.5
Automotive Products	8,878	7,626	15,898	16,504	-1,252	-14.1	-3.7
Other Consumer Goods	1,163	1,166	2,291	2,329	3	0.3	3.4
<b>Imports by Commodity</b>							
Agriculture/Fishing Products	1,518	1,487	2,902	3,005	-31	-2.0	4.1
Energy Products	1,182	1,332	1,252	2,514	150	12.7	105.9
Forestry Products	246	237	432	483	-9	-3.7	7.2
Industrial Goods & Materials	5,530	5,564	9,930	11,094	34	0.6	12.5
Machinery & Equipment	9,570	9,255	17,686	18,825	-315	-3.3	2.2
Automotive Products	6,410	6,336	12,205	12,746	-74	-1.2	4.9
Other Consumer Goods	3,187	3,099	5,991	6,286	-88	-2.8	2.7



# LABOUR MARKET TRENDS



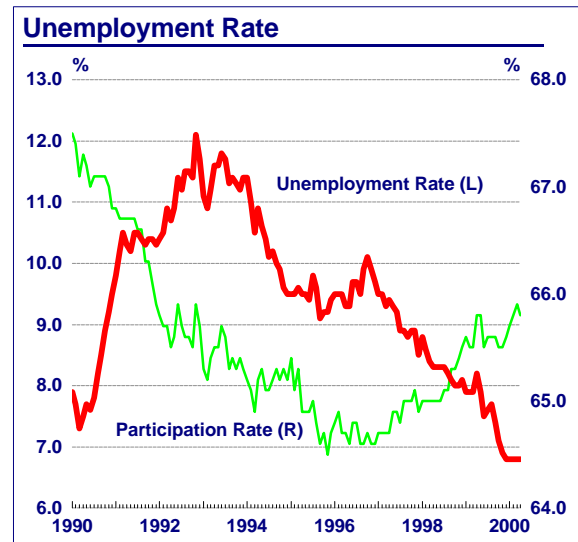
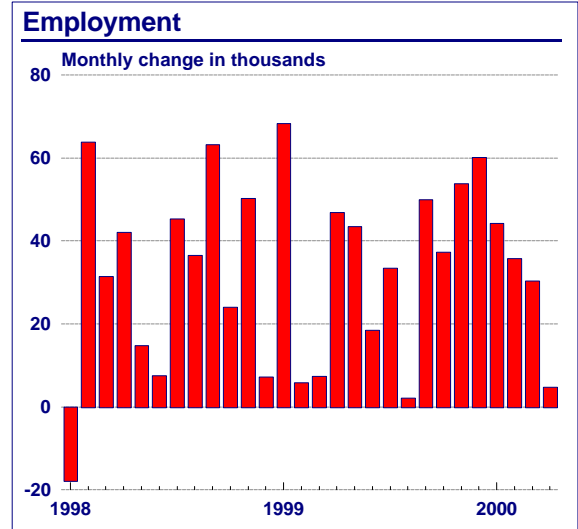
## Employment and Unemployment

### Employment growth slows in April...

- Employment edged up by only 5,000 in April, a considerable slowdown in job creation following average gains of 45,000 in the previous seven months.
- In a reversal of recent trends, all of April's job gains were in part-time employment (+34,000), with the number of full-time positions falling 29,000. Still, full-time employment has increased at a faster pace than part-time work over the past 12 months (3.1% versus 1.9%). Total hours worked is up 2.9% over this same period.

### ...but the unemployment rate holds steady at 6.8%

- Although employment growth stalled in April, a slight drop in the labour force helped keep Canada's unemployment rate unchanged at 6.8% for the fifth straight month. The national unemployment rate is the lowest since April 1976.
- The adult unemployment rate held steady at 5.6% in April. Modest job gains lowered the unemployment rate for youth by 0.1 percentage points to 12.9% on the month.



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 April	2000 March	2000 April	last month	last year	year-to-date	last month	last year
<b>Employment</b>	14,448.8	14,857.8	14,862.6	4.8	413.8	115.1	0.0	2.9
<b>Full-time</b>	11,796.9	12,189.8	12,160.9	-28.9	364.0	65.5	-0.2	3.1
<b>Part-time</b>	2,651.9	2,668.0	2,701.7	33.7	49.8	49.6	1.3	1.9
<b>Youth 15-24</b>	2,188.6	2,265.4	2,272.4	7.0	83.8	18.3	0.3	3.8
<b>Adult 25+</b>	12,260.2	12,592.5	12,590.2	-2.3	330.0	96.9	-0.0	2.7
<b>Self-employed</b>	2,471.0	2,505.3	2,408.1	-97.2	-62.9	-100.9	-3.9	-2.5
<b>Unemployment</b>	1,282.2	1,086.3	1,079.3	-7.0	-202.9	4.4	-0.6	-15.8
<b>Unemployment Rate</b>	8.2	6.8	6.8	0.0	-1.4	0.0		
<b>Youth 15-24</b>	15.3	13.0	12.9	-0.1	-2.4	-0.2		
<b>Adult 25+</b>	6.7	5.6	5.6	0.0	-1.1	0.0		
<b>Labour Force</b>	15,731.0	15,944.1	15,941.9	-2.2	210.9	119.6	-0.0	1.3
<b>Participation Rate</b>	65.8	65.9	65.8	-0.1	0.0	0.2		
<b>Employment Rate</b>	60.5	61.4	61.4	0.0	0.9	0.2		





## Industry Overview

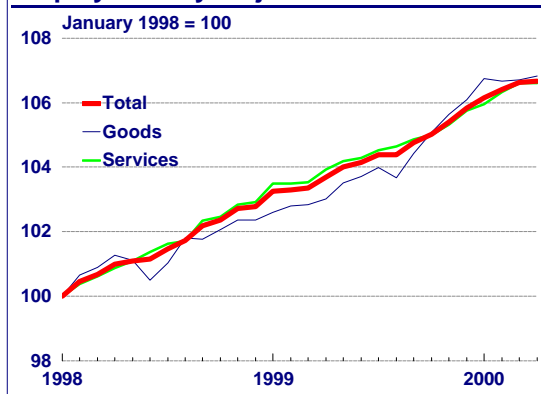
### Job growth is weak in both the Goods and Services sector...

- Employment edged up by 5,000 in the Goods sector in April. Modest gains in Manufacturing and Natural Resource-based industries were largely offset by losses in Agriculture and Construction.
- Employment was flat in the Services sector. Health Care & Social Assistance posted a notable advance, bringing gains over the past 12 months to 99,000 (one-third of these in hospitals). Although job losses were registered in Trade and Educational Services, employment in both these industries is up strongly on a year-over-year basis.

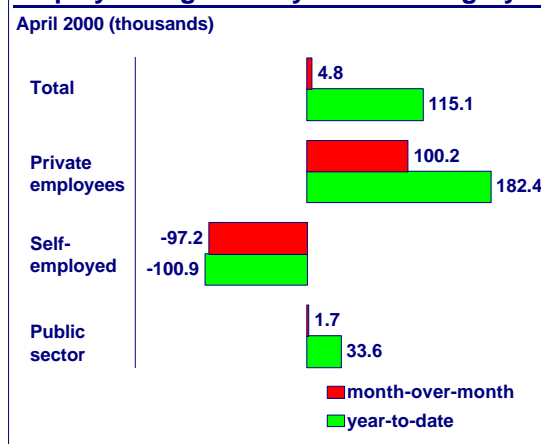
### ...as private employees post most of the gains

- The number of paid employees in the private sector rose 100,000 in April, while self-employment fell by 97,000.
- Statistics Canada has noted that the inclusion of a supplementary survey on self-employment in the April survey may have affected self-employment data, leaving the total employment picture unchanged.

### Employment by major sector



### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 April	2000 March	2000 April	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,753.4	3,887.4	3,892.1	4.7	138.7	26.8	0.1	3.7
Agriculture	417.6	397.8	385.7	-12.1	-31.9	-13.4	-3.0	-7.6
Other Primary*	266.9	277.1	284.6	7.5	17.7	9.3	2.7	6.6
Utilities	115.4	114.3	115.0	0.7	-0.4	-0.4	0.6	-0.3
Construction	769.6	824.3	820.5	-3.8	50.9	13.1	-0.5	6.6
Manufacturing	2,183.8	2,273.8	2,286.3	12.5	102.5	18.1	0.5	4.7
<b>Services-producing</b>	10,695.4	10,970.4	10,970.4	0.0	275.0	88.2	0.0	2.6
Trade	2,243.1	2,307.1	2,294.1	-13.0	51.0	22.4	-0.6	2.3
Transportation	735.0	782.0	784.9	2.9	49.9	20.7	0.4	6.8
FIRE*	857.7	863.7	860.4	-3.3	2.7	-4.9	-0.4	0.3
Professional/Scientific	903.1	912.9	916.2	3.3	13.1	-10.3	0.4	1.5
Management/Administrative	505.9	528.3	538.9	10.6	33.0	21.4	2.0	6.5
Educational Services	969.0	994.6	982.4	-12.2	13.4	-19.3	-1.2	1.4
Health Care/Social Assistance	1,429.6	1,517.7	1,528.9	11.2	99.3	57.0	0.7	6.9
Information/Culture/Recreation	622.4	638.1	637.3	-0.8	14.9	1.1	-0.1	2.4
Accommodation & Food	920.2	963.9	967.0	3.1	46.8	16.4	0.3	5.1
Other Services	730.1	690.4	682.9	-7.5	-47.2	-26.0	-1.1	-6.5
Public Administration	779.3	771.6	777.7	6.1	-1.6	9.9	0.8	-0.2

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



## Provincial Overview

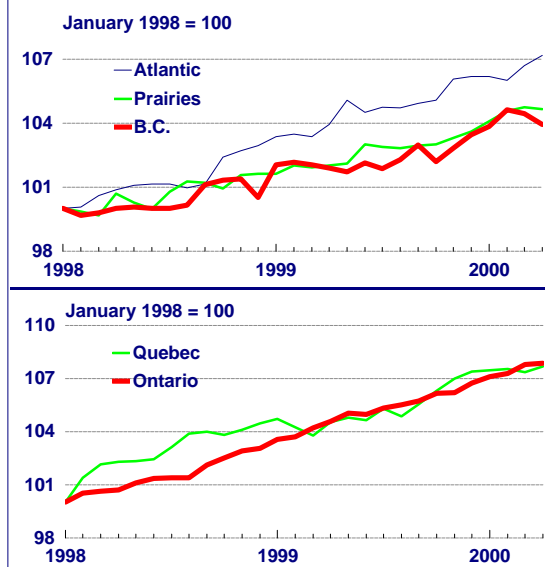
### Quebec and Manitoba lead April job gains...

- Seven of the ten provinces posted increases in employment in April, led by Quebec and Manitoba.
- Saskatchewan, Alberta and British Columbia were the only provinces in which employment fell on the month.

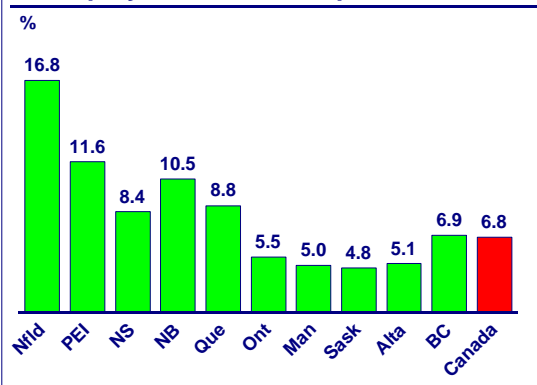
### ...but unemployment rates are little changed in most provinces

- The biggest drop in provincial unemployment rates was in Newfoundland. Job gains coupled with a declining labour force lowered this province's unemployment rate by 1.0 percentage points to 16.8%, still the highest in Canada.
- Job gains in Manitoba and Nova Scotia also led to sharp drops in these provinces' unemployment rates. The Nova Scotia unemployment rate (8.4%) is a 24-year low.
- In British Columbia, job losses were offset by an even bigger decline in the labour force, resulting in a slight drop in its unemployment rate.
- Job losses led to higher unemployment rates for Saskatchewan and Alberta. Unemployment rates rose in both Quebec and New Brunswick despite solid job gains, due to even bigger jumps in the number of job seekers.

### Regional employment patterns



### Unemployment Rates -- April 2000



### Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since last month	
	2000 April	(000's)	%	(000's)	%			last year
Canada	14,862.6	4.8	0.0	413.8	2.9	6.8	0.0	-1.4
Newfoundland	206.1	0.8	0.4	7.6	3.8	16.8	-1.0	-2.1
P.E.I.	65.7	0.2	0.3	4.7	7.7	11.6	0.0	-3.8
Nova Scotia	423.0	2.1	0.5	13.6	3.3	8.4	-0.5	-0.8
New Brunswick	333.1	1.7	0.5	5.4	1.6	10.5	0.1	-0.2
Quebec	3,435.1	9.9	0.3	100.5	3.0	8.8	0.2	-1.3
Ontario	5,834.6	2.3	0.0	177.6	3.1	5.5	-0.1	-1.5
Manitoba	555.9	5.3	1.0	15.4	2.8	5.0	-0.6	-0.8
Saskatchewan	488.0	-3.2	-0.7	10.6	2.2	4.8	0.2	-1.6
Alberta	1,583.6	-4.7	-0.3	40.1	2.6	5.1	0.1	-0.8
B.C.	1,937.5	-9.6	-0.5	38.3	2.0	6.9	-0.1	-1.9



## Consumer and Commodity Prices

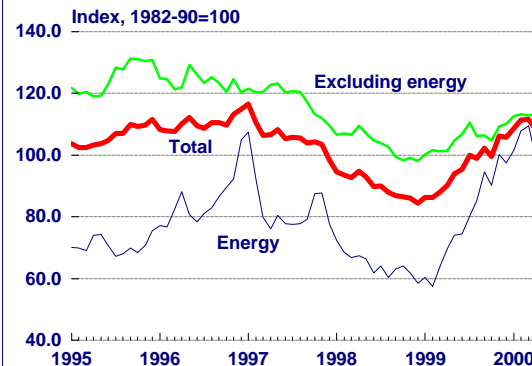
### Higher prices for energy boost inflation up in March...

- A solid 22.4% increase in energy prices drove up inflation to 3.0% in March, its largest year-over-year increase since December 1991.
- On a monthly basis, prices rose by 0.7%, also the biggest increase since 1991. This increase was driven largely by higher gasoline prices, but higher costs for women's clothing and travel tours also contributed. Lower prices for fuel oil – the first decrease in a year – and fresh fruits partly offset these increases.

### ...but the "core" rate remains within the official target range

- Higher energy prices have not spilled over into other areas of the economy. Excluding energy, food and indirect taxes, the "core" rate of inflation was 1.5% in March, within 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 rose 20.1% in April. This increase was driven by higher energy prices, which advanced 42.7%, but also higher prices for non-energy commodities.

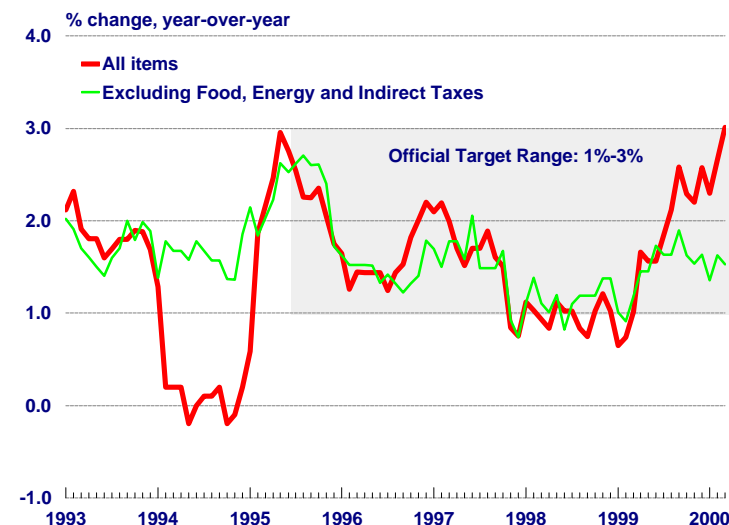
### Commodity Prices (\$U.S. basis)



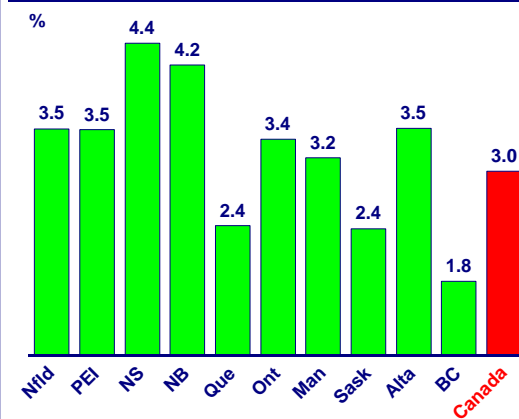
### Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
<b>March 2000</b>			
<b>All items CPI</b>	112.8	0.7	3.0
Food	111.1	0.5	0.4
Shelter	107.5	0.1	2.9
Household operations	109.7	0.4	0.9
Clothing & Footwear	106.5	1.1	0.3
Transportation	131.1	2.0	8.1
Health & Personal Care	111.0	-0.1	1.6
Recreation, Educ. & Reading	120.8	0.8	3.0
Alcohol & Tobacco	96.7	0.3	3.2
<b>Excl. Food/Energy/Indirect Taxes</b>	113.0	0.4	1.5
Energy	127.0	4.0	22.4
<b>Commodity Prices (April)</b>			
Index, 1982-90=100	108.3	-3.0	20.1
Excluding Energy	113.1	0.3	11.6
Energy	99.3	-9.3	42.7

### Consumer Price Index



### Provincial CPI Inflation -- March 2000



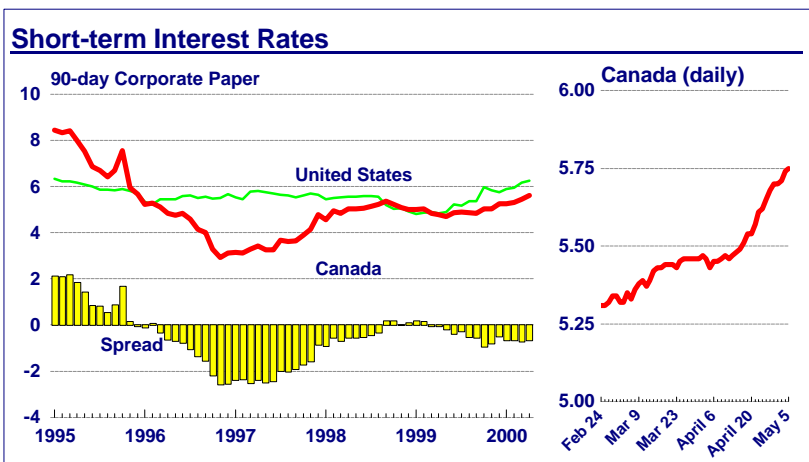


### Short term interest rates trend up in April...

- Short-term interest rates rose steadily throughout April on expectations that the Bank of Canada would raise rates in May. This expected move reflects the need to contain inflation within the 1%-3% official target band, and reflects pressure from an anticipated hike in U.S. interest rates.
- Short-term interest rates closed May 3 at 5.71%, up 25 basis points from March's close. As U.S. rates were also trending up over this period, Canadian short term interest rates are nearly 80 basis points below comparable U.S. rates.

### ...as do long-term bond yields

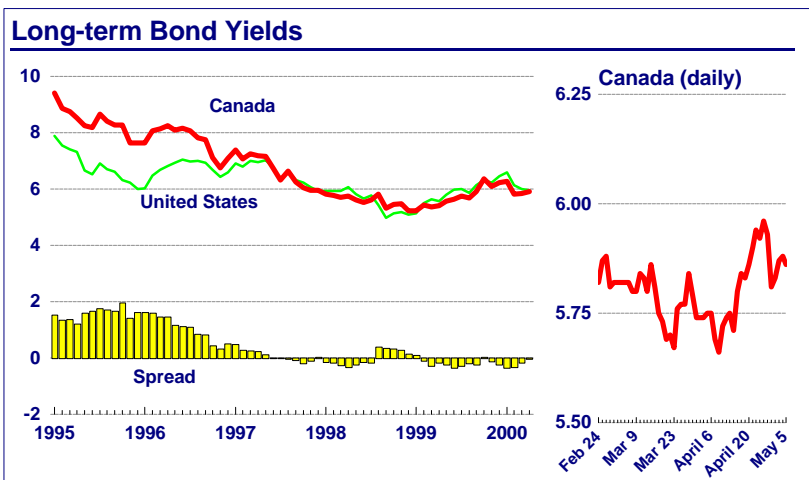
- Long-term bond yields closed out May 3 at 5.87%, only 3 basis points higher than at the end of March. However, this seemingly stable result masks strong volatility within April and early May. After falling to 5.66% on April 10, long rates subsequently jumped up to just under 6.0% near the end of April. Data releases showing that the U.S. economy remains very strong raised inflation fears and pushed up bond yields on both sides of the border.
- The gap between Canadian and U.S. long term interest rates narrowed to near zero at the end of April. However, falling Canadian bond yields early in May helped widen this gap to 24 basis points in Canada's favour by May 3.



### 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
Nov 1999	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	5.46	-0.72	5.84	-0.15
April	5.62	-0.64	5.92	-0.03
May 3	5.71	-0.79	5.87	-0.24

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
Nov 1999	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	5.50	7.00	7.70	8.35
April	5.50	7.00	7.70	8.35
May 3	5.50	7.00	7.90	8.55

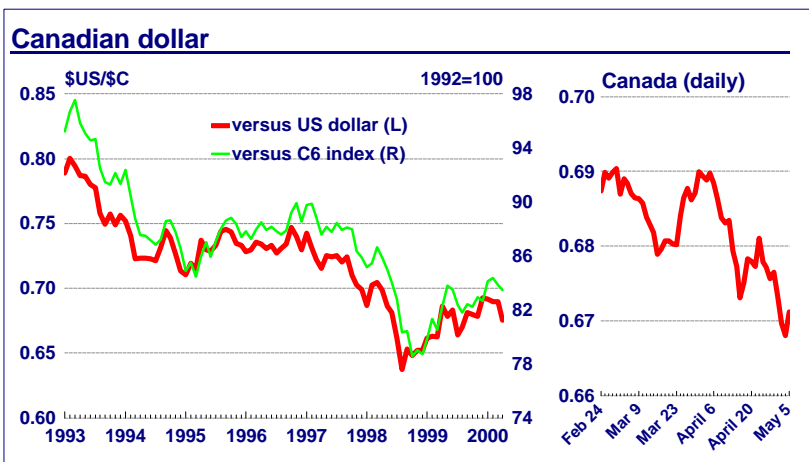


### Stock prices slip in April...

- After rising above 10,000 late in March, a strong sell off of technology stocks pulled the TSE 300 index below the 8,500 mark by April 14, its lowest level since the end of January. The index subsequently recouped some of its losses, closing the month at 9,348, off recent highs but nonetheless 33.3% above its year ago level.
- The technology-dominated U.S. Nasdaq index plummeted 7.1% on April 12 and 9.7% on April 14, two of the biggest single-day losses on record. In fact, the Nasdaq dropped more than 20% in that week alone, before recovering somewhat in the last two weeks of the month. The U.S. S&P 500 and Dow Jones Industrial Average posted smaller losses over the month, declining 3.1% and 1.7% respectively. Despite its large losses in April, the Nasdaq is up 51.4% on a year-over-year basis, a much better performance than more traditional indexes.

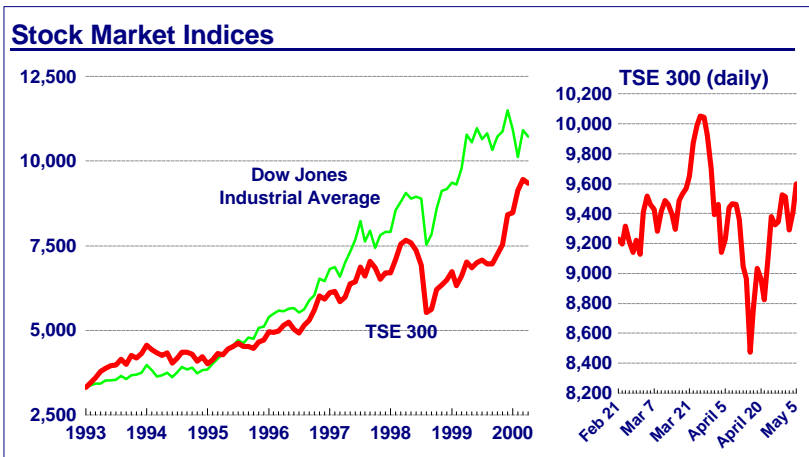
### ...and the dollar falls

- The dollar weakened throughout most of April, closing the month at \$US 0.6756. Ongoing fears that the Bank of Canada might not fully match an expected 50 basis points increase in U.S. interest rates continued to put downward pressure on the dollar early in May as it edged down below the \$US 0.67 mark for the first time since October.



### 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
Nov 1999	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	0.6899	83.84	1.388	72.77
April	0.6756	83.47	1.409	71.90
May 5	0.6712			



### Key Stock Market Indexes

	April Close	% change from	
		last month	last year
<b>TSE 300</b>	<b>9,348</b>	<b>-1.2</b>	<b>33.3</b>
Oil & Gas	6,623	6.5	12.7
Metals & Minerals	3,471	-2.1	-9.0
Utilities	15,693	-5.3	100.6
Paper & Forest	5,942	12.8	34.7
Merchandising	4,828	8.2	-12.1
Financial Services	7,749	2.4	-8.5
Gold	4,206	6.1	-28.9
Price-Earnings Ratio*	28.3	-4.7	-1.9
<b>S&amp;P 500</b>	<b>1,452</b>	<b>-3.1</b>	<b>8.8</b>
<b>Dow Jones</b>	<b>10,734</b>	<b>-1.7</b>	<b>-0.5</b>

\*columns 2 & 3 reflect change in levels



## U.S. Economic Trends

### The US economy continues to grow strongly in the first quarter...

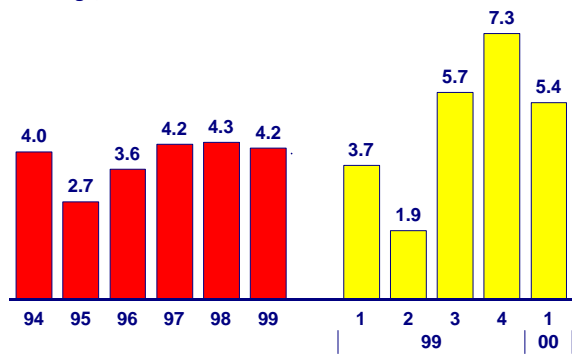
- Advance estimates indicate that real GDP increased a solid 5.4% (annual rate) in the first quarter of 2000, building on a sharp 7.3% gain in the previous period. Production was boosted by strong increases in consumer spending and non-residential fixed investment. Lower investment in inventories and a drop in exports moderated overall growth.
- The U.S. trade deficit soared to \$29.2 billion in February, the second straight monthly record. Rising imports (+1.5%), led by crude oil, fuelled the higher deficit, as exports decreased slightly (-0.2%).

### ...raising expectations of a rate hike

- U.S. employment rose 340,000 in April, the second major increase in as many months. April job gains were led by Retail Trade, Services and Government (once again due to the hiring of temporary census workers). The unemployment rate, which had held steady at 4.1% in February and March, fell to 3.9% in April. This is the first time the rate has been below 4% since January 1970.
- The employment cost index grew 1.4% in the first quarter, the biggest rise since 1989. Combined with the drop in unemployment and a sharp rise in consumer prices fuelled by higher energy prices, this has greatly increased expectations that the Federal Reserve will raise its key interest rate by as much as 50 points at its May 16 meeting.
- Still, productivity growth remains strong and will help moderate inflation. Labour productivity rose 2.4% (annual rate) in the first quarter of this year, following a 6.9% surge in the fourth quarter of 1999.

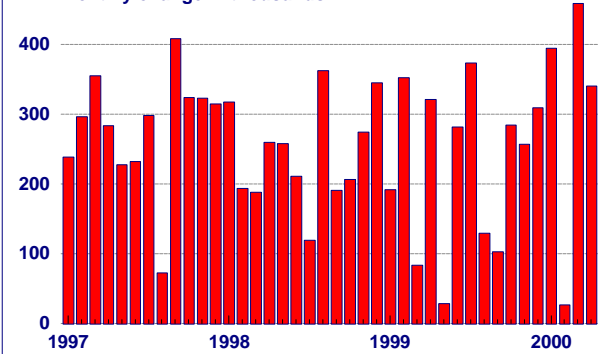
#### U.S. Real GDP Growth

% change, SAAR



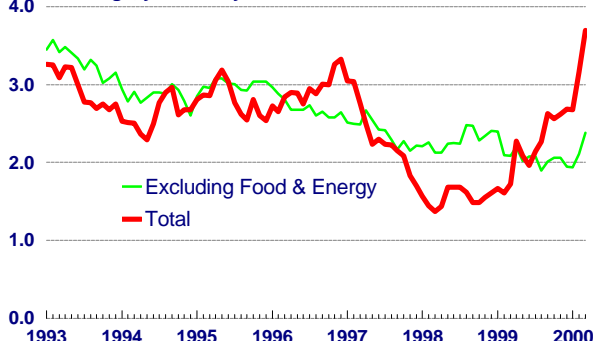
#### U.S. Non-farm Payrolls

Monthly change in thousands

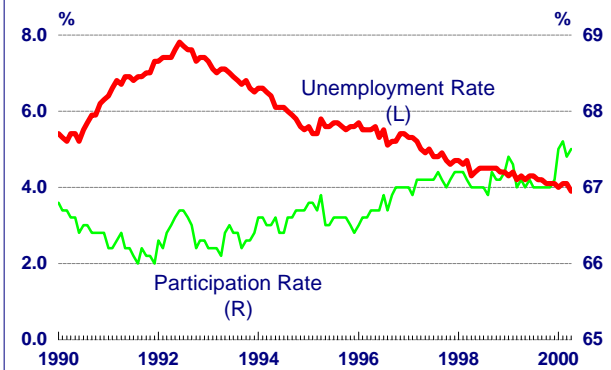


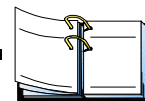
#### U.S. Consumer Price Inflation

% change, year-over-year



#### U.S. Unemployment & Participation Rates





#### CANADA

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#### UNITED STATES

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Employment Situation – May .....	June 2

Note: the May MEI uses data available as of May 5, 2000