

MONTHLY ECONOMIC INDICATORS

March 1 1999

HIGHLIGHTS

-  **Output rises 4.6% (annual rate) in the fourth quarter, rebounding from slow growth in the middle of the year.**
-  **Falling exports contribute to a reduced trade surplus in December.**
-  **Employment edges up in February. A sharp increase in full-time positions is offset by fewer part-time jobs.**
-  **The unemployment rate holds firm at 7.8%, the lowest since June 1990.**
-  **The Canadian dollar falls back in February following a short-lived rally.**

Key Monthly Economic Indicators

		% Change since			
		last month	last year		
Real GDP (\$92 B)	727.5	0.4	2.1	Dec	
Goods	239.2	0.7	1.6	Dec	
Services	488.4	0.3	2.3	Dec	
Composite Index	209.2	0.4	3.6	Jan	
Employment (000's)	14664	0.1	3.4	Feb	
Full-time	11955	0.5	3.3	Feb	
Part-time	2709	-1.7	3.5	Feb	
Unemployment* (%)	7.8	7.8	8.6	Feb	
Youth*	14.2	13.9	15.5	Feb	
Adult*	6.6	6.7	7.4	Feb	
CPI inflation*	0.6	1.0	1.1	Jan	
Retail Sales (\$M)	20,768	-0.3	0.1	Dec	
Housing Starts (000's)	144.2	1.5	-5.9	Feb	
Trade Balance* (\$B)	1,550	1,762	1,563	Dec	
Exports	28,338	-0.7	6.9	Dec	
Imports	26,788	0.0	7.3	Dec	
M&E	9,042	3.6	12.0	Dec	
3-mth Corp. paper* (%)	5.10	5.01	4.96	Mar 10	
Long bond yield* (%)	5.42	5.23	5.78	Mar 10	
Canadian dollar* (US¢)	65.63	66.32	70.24	Mar 12	

*Data in levels only – % change not reported.

This issue's Special Report: Public and Private Investment Intentions

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.



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MONTHLY ECONOMIC INDICATORS

March 1999

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This report uses data available as of March 12, 1999. It has been prepared by Dave Dupuis, Joseph Macaluso and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Shane Williamson. The special report in this issue was prepared by Karen Smith 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 613-954-3494 or through the Internet at williamson.shane@ic.gc.ca.



Output surges in the fourth quarter...

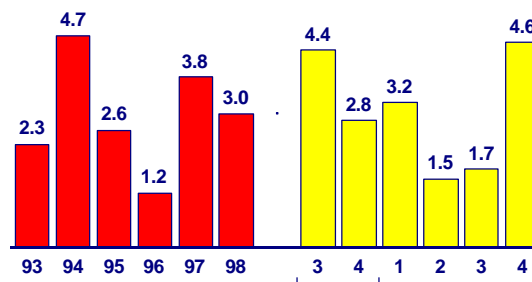
- Real GDP increased 4.6% (annual rate) in the fourth quarter of 1998, more than double the rate of growth in the previous two quarters.
- Final domestic demand advanced only 1.4% on the quarter. Consumer spending continued to rise, albeit at a modest pace, while the housing sector rebounded from losses in the first three quarters of the year.
- Investment in M&E remained strong, but Non-Residential Construction was down for the second straight quarter. Businesses added substantially to inventories, providing a major boost to output. Real net exports were up on the quarter.
- On an industry basis, the fourth-quarter acceleration in production was aided by strike-related rebounds in several key industries (particularly the Automotive sector).
- Growth in disposable income outpaced spending, leading to an upturn in the personal saving rate. However, rising debt levels raised the household debt-to-income ratio to a record 100.0% in the fourth quarter.

...ending the year on a positive note

- For 1998 as a whole, the economy expanded 3.0%, down from growth of 3.8% in 1997.
- The economy created 453,000 net new jobs in 1998, the best performance so far this decade. As a result, personal income grew a healthy 3.8%, the biggest increase since 1995. Still, consumer spending weakened over the course of the year, reflecting lower consumer confidence and the fragile state of household finances.
- Corporate profits declined roughly 5% on the year, hit hard by plunging commodity prices and weak overseas demand. Continued strong growth in business investment was therefore financed by increased corporate borrowing in 1998.

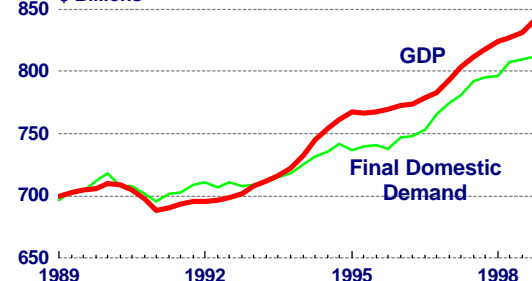
Growth in Real Gross Domestic Product

% change, SAAR



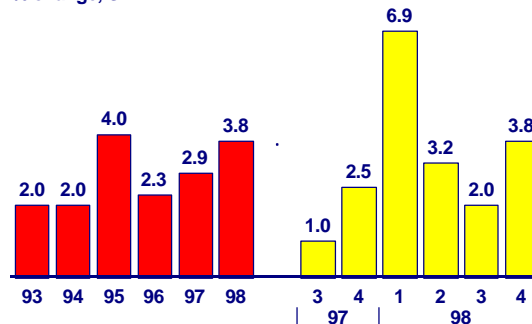
GDP and Final Domestic Demand

\$ Billions

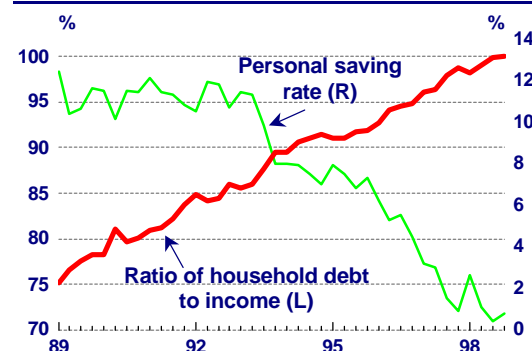


Growth in Personal Income

% change, SAAR



Personal Debt and Saving Rate



THE ECONOMY

Real GDP by Industry

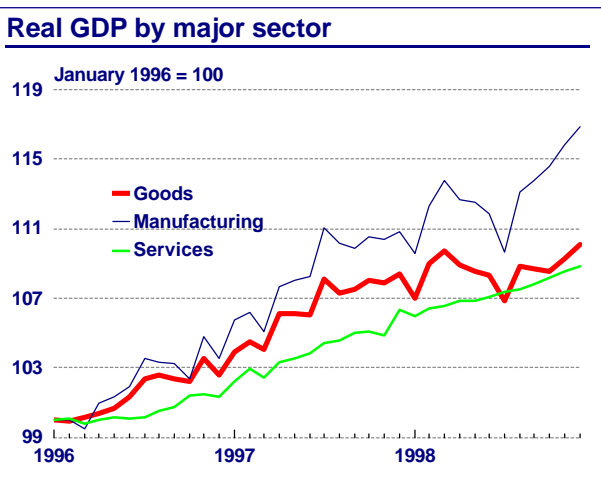
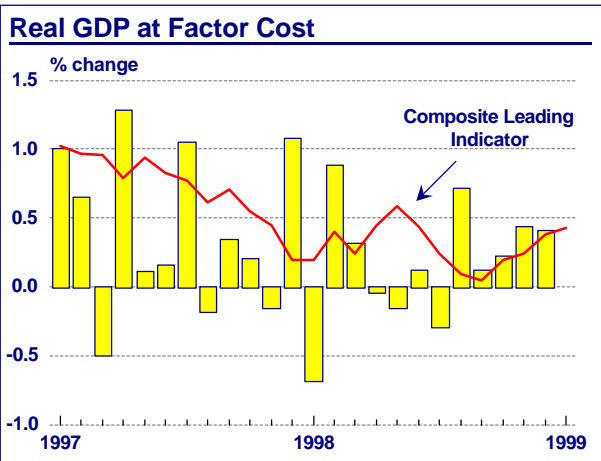


Output advances strongly in December for the second straight month...

- Real GDP increased 0.4% in December, building on a solid gain in the previous month. The economy's strength in the last two months of 1998 was partly due to strike-related rebounds in several industries.

...as industries geared toward the U.S. market perform particularly well

- Production in the Goods sector increased 0.7% in December. A broad-based gain in the Manufacturing sector, particularly those industries tied closely to the robust U.S. economy, accounted for nearly 40% of December's overall output gain. Construction activity also rose sharply in December, as housing continued to rebound from strike-related weakness in the summer. Mining posted its second consecutive increase, the result of new diamond extraction and oil & gas exploration. However, given substantial losses early in the year, output in this sector remains well below its year-ago level.
- The output of the Service-producing industries rose 0.3% in December. Strong auto exports contributed to a sharp rise in Wholesaling activity – the eleventh in the past twelve months – while Business Services were buoyed by efforts to overcome the Y2K computer problem. Retail Trade edged lower in December, and has shown no momentum since last Spring.



Real GDP at Factor Cost (1992 dollars)

December 1998	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	727,546	2,967	0.4	2.1
Business sector	601,531	2,956	0.5	2.5
Goods	239,185	1,673	0.7	1.6
Agriculture	11,891	39	0.3	-0.1
Fishing & Trapping	634	36	6.0	-6.8
Logging & Forestry	4,654	-78	-1.6	-4.3
Mining*	26,844	181	0.7	-7.3
Manufacturing	132,464	1,175	0.9	5.5
Construction	38,686	238	0.6	-0.7
Other Utilities	24,012	82	0.3	-2.0
Services	488,361	1,294	0.3	2.3
Transport & Storage	32,791	66	0.2	-0.2
Communications	25,146	76	0.3	8.9
Wholesale Trade	44,039	294	0.7	6.3
Retail Trade	45,001	-65	-0.1	0.6
Finance & Insurance	40,341	387	1.0	2.0
Real Estate & Ins. Agent	79,387	134	0.2	1.9
Business services	42,496	388	0.9	7.5
Government services	42,875	29	0.1	0.3
Education	40,046	-63	-0.2	-0.7
Health & Social Services	48,509	89	0.2	0.5
Accommodation & Food	18,906	-35	-0.2	2.0
Other	28,824	-6	-0.0	1.8

*Includes Quarrying and Crude Petroleum & Natural Gas

THE ECONOMY

Consumer Spending and Attitudes



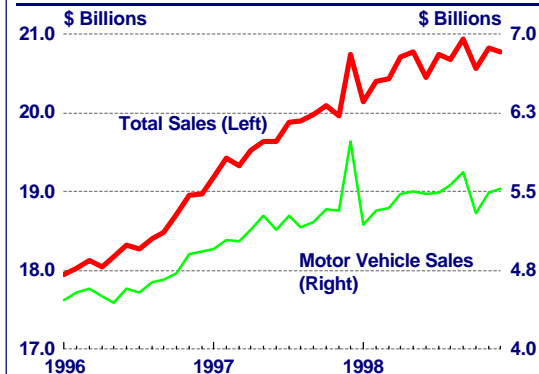
Consumer spending weakens further in the fourth quarter...

- Growth in real consumer spending slowed to 0.8% (annual rate) in the fourth quarter of 1998, continuing the deceleration witnessed in the previous quarter.
- Purchases of goods fell across all major categories – durables, semi-durables, and non-durables. Spending on services, buoyed by an increase in air travel following a strike in the previous period, was the sole bright spot in the quarter.

...despite a pickup in disposable income and increased consumer confidence

- Disposable income rose 3.5% (annual rate) in the fourth quarter, boosted by gains in unincorporated business income and the resolution of labour disputes in a number of industries.
- Given weak consumer spending but strong income gains, the saving rate increased to 0.8% in the quarter, still very low by historical standards. The high level of household debt (currently equal to income) may have contributed to faltering retail sales in the last half of 1998.
- After registering its largest decline this decade, consumer confidence rebounded partly in the fourth quarter, boosted by strong employment gains late in the year.

Total Retail and Motor Vehicle Sales



Retail Sales and Consumer Credit

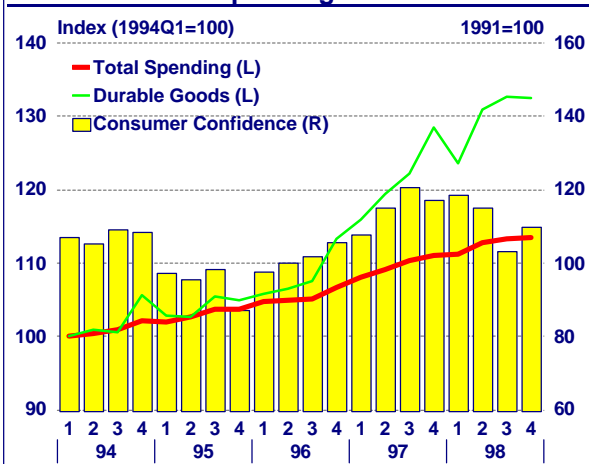
	\$ millions	% Change since	
		last month	last year
Total Retail Sales	20,768	-0.3	0.1
Food	4,853	-1.0	2.3
Drug Stores	1,072	-0.6	2.4
Clothing	1,144	-3.8	1.5
Furniture	1,092	1.3	7.4
Automotive	8,009	0.6	-4.9
General Merch. Stores	2,347	0.7	4.1
All other Stores	2,253	-1.6	5.0
Total ex. motor vehicles	15,235	-0.7	3.1
Consumer Credit	157,036	0.8	7.2

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	1997	1998	1998 Q3	1998 Q4
Real Consumption (92\$)	471,525	484,434	486,888	487,812
% change	4.1	2.7	1.5	0.8
Durable Goods	61,926	66,224	67,632	67,572
% change	12.2	6.9	5.5	-0.4
Semi-Durable Goods	44,485	46,661	46,784	46,676
% change	4.3	4.9	1.2	-0.9
Non-Durable Goods	118,644	120,250	121,020	120,700
% change	1.5	1.4	2.6	-1.1
Services	246,470	251,299	251,452	252,864
% change	3.4	2.0	0.0	2.3
Disposable Income	529,082	545,585	545,776	550,520
% change	1.9	3.1	1.1	3.5
Saving Rate (%)	2.2	1.2	0.4	0.8
Debt-to-Income Ratio (%)	97.3	99.3	99.9	100.0
Consumer Attitudes*	115.0	111.6	103.2	109.8

*Conference Board of Canada

Real Consumer Spending and Confidence



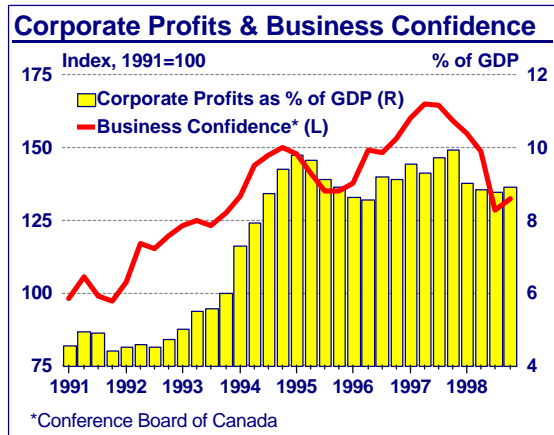
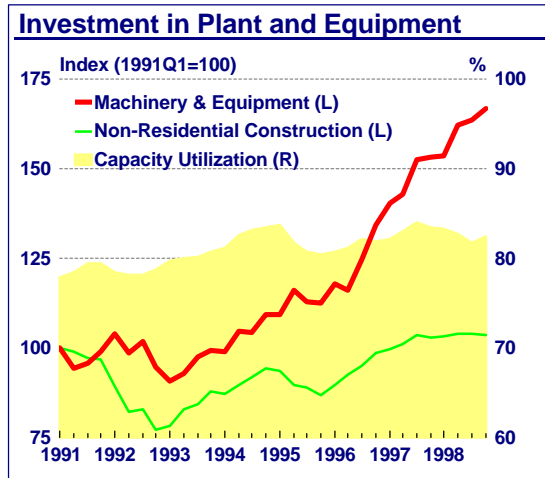


Investment gains some momentum in the fourth quarter...

- Investment in Machinery & Equipment (M&E) picked up considerably in the fourth quarter, fuelled by purchases of computers and other office equipment.
- However, real Non-Residential Construction was down in the fourth quarter, the second straight decline. Higher spending on building construction more than offset lower engineering construction.

...as business profits rebound and confidence edges up

- After falling sharply in the first half of the year, corporate profits rebounded strongly in the fourth quarter. Even so, operating profits fell 4.8% for 1998 as a whole. Weak commodity prices, in particular the collapse in the world price of oil, have been the primary factor affecting profits over the year.
- Business confidence has closely followed profit trends, edging higher in the fourth quarter after dropping in the previous three periods.
- Consistent with the weak profit picture and reduced business confidence, Statistics Canada's survey of investment intentions reports that capital spending on plant and equipment is expected to fall 0.6% in 1999 (current dollars).



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1997	1998	1998 Q1	1998 Q2	1998 Q3	1998 Q4
BUSINESS INVESTMENT						
Machinery & Equipment (1992\$)	57,057	62,631	59,556	62,892	63,420	64,656
% change	19.6	9.8	0.9	24.4	3.4	8.0
Non-residential Construction (1992\$)	36,433	37,109	36,988	37,236	37,152	37,060
% change	8.4	1.9	1.4	2.7	-0.9	-1.0
Capacity Utilization (% , Non-farm goods)	83.2	82.6	83.3	82.7	81.8	82.5
Capacity Utilization (Mfg. sector)	83.6	83.8	83.9	83.5	82.7	85.1
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	110,682	105,318	107,816	98,752	99,828	114,876
% change	15.2	-4.8	-25.4	-29.6	4.4	75.4
Profits - Non-financial industries	82,218	77,741	79,676	72,760	74,116	84,412
% change	14.4	-5.4	-21.9	-30.5	7.7	68.3
Profits - Financial industries	28,462	27,576	28,140	25,992	25,708	30,464
% change	17.6	-3.1	-34.3	-27.2	-4.3	97.2
Business Credit	621,420	682,926	663,186	676,193	692,331	699,997
% change	8.8	9.9	9.1	8.1	9.9	4.5
Index of Business Confidence*	162.3	141.2	155.0	148.9	128.6	132.3

*Conference Board of Canada

THE ECONOMY

Housing



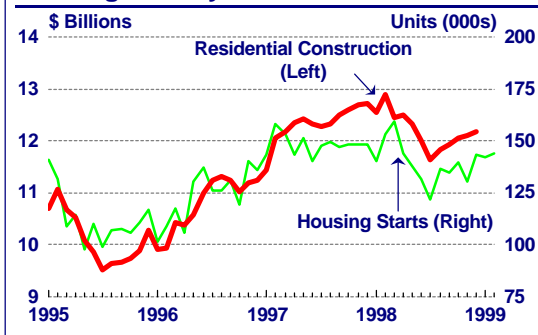
Spending on new housing rises in the fourth quarter...

- Investment in residential construction rose 2.4% (annual rate) in the final quarter of 1998, the first quarterly advance this year.
- Strong gains in new housing construction and renovation activity were partially offset by lower ownership and transfer costs, which stumbled after strong mid-year growth.

...and the outlook for 1999 is on balance positive

- Housing activity was down slightly overall in 1998, but there are some encouraging signs for the year ahead. Consumer confidence, though off its recent peak, is nonetheless strong, supported by higher income growth and solid employment gains in recent months. Mortgage rates also remain low.
- The Canadian Housing and Mortgage Corporation reports that housing starts increased 1.5% in February. However, a slight rise in mortgage rates pushed sales of existing homes down 6.9% in January, the biggest drop in over a year. The Canadian Real Estate Association expects this decline to be reversed in February.
- Statistics Canada's survey of investment intentions projects that spending on residential construction will increase 2.4% in 1999 (current dollars).

Housing Activity



Monthly Housing Indicators

	levels	Change since	
		last month	last year
Residential Construction (1) (\$92M, factor cost basis)	12,185	0.7%	-4.2%
Building Permits, \$M (2)	145,058	-7.5%	1.1%
Sales of Existing Homes (2) (# of units)	16,387	-1,114	
Housing Starts, # of units (3)	144,200	2,200	-9,000
Newfoundland	600	-100	300
Prince Edward Island	700	-500	600
Nova Scotia	4,200	1,500	200
New Brunswick	1,600	100	1,200
Quebec	21,100	-500	3,000
Ontario	60,200	5,900	6,600
Manitoba	1,400	-2,100	200
Saskatchewan	1,100	-600	-900
Alberta	20,600	-200	-5,200
British Columbia	11,800	-1,300	-13,300

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

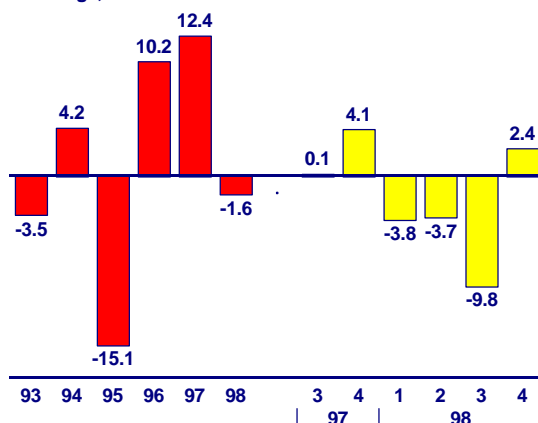
Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1997	1998	1998 Q3	1998 Q4
Residential Construction	42,385	41,703	41,012	41,256
% change	12.3	-1.6	-9.7	2.4
Construction by Business sector	42,229	41,547	40,856	41,100
% change	12.4	-1.6	-9.8	2.4
New Housing	21,383	20,656	19,716	20,368
% change	18.9	-3.4	-20.1	13.9
Alterations & Improvements	13,426	13,806	13,612	13,820
% change	8.1	2.8	-5.9	6.3
Ownership & Transfer Costs	7,576	7,241	7,684	7,068
% change	3.3	-4.4	16.0	-28.4

Growth in Real Residential Construction

% change, SAAR



THE ECONOMY

Trade and Competitiveness



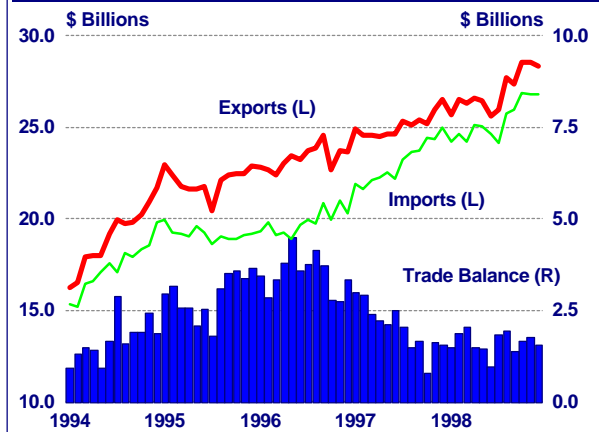
Exports decline slightly in December but imports hold firm...

- Exports decreased slightly in December. Shipments of Industrial Goods & Materials were down sharply due to sluggish ore exports, while sales of Energy Products also fell – in large part owing to a price-related decline in natural gas exports. Forestry Products rebounded in December on the strength of robust demand from the U.S. construction industry.
- Imports held steady in December, as higher M&E imports were offset by declines in most other major groups. Of note, imports of Automotive Products declined for the first time in four months.
- For the year as a whole, imports increased 9.8% in 1998, outpacing the rise in exports (+7.4%).

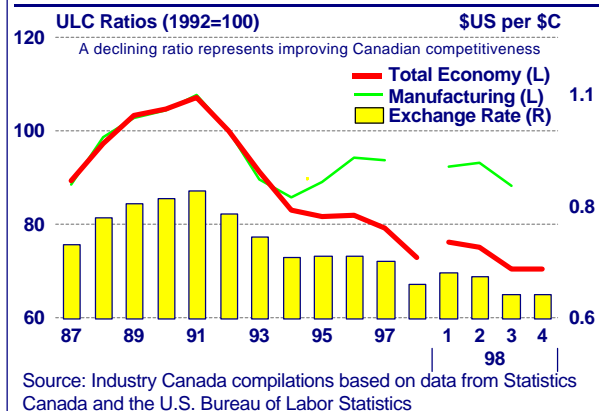
...leading to a decline in Canada's trade surplus

- Lower exports combined with steady imports to lower Canada's trade surplus to \$1.6 billion in December, down from \$1.8 billion in November.
- For 1998 as a whole, the trade balance fell \$5 billion to \$19 billion.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



Merchandise Trade

December 1998	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	1998 November	1998 December	1997 Jan-Dec	1998 Jan-Dec	Nov to Dec 1998	Nov to Dec 1998	Dec 97 to Dec 98
Exports	28,547	28,338	301,100	323,400	-209	-0.7	6.9
to United States	24,308	24,145	243,362	270,562	-163	-0.7	10.5
Imports	26,785	26,788	276,846	303,984	3	0.0	7.3
from United States	20,845	20,876	210,802	234,178	31	0.1	9.7
Trade Balance	1,762	1,550	24,254	19,416	-212		
with United States	3,463	3,269	32,560	36,384	-194		
Exports by Commodity							
Agriculture/Fishing Products	2,149	2,153	24,704	25,190	4	0.2	-1.9
Energy Products	1,734	1,615	26,819	23,388	-119	-6.9	-20.9
Forestry Products	3,042	3,100	34,887	35,465	58	1.9	6.8
Industrial Goods & Materials	4,721	4,611	55,602	57,356	-110	-2.3	-4.1
Machinery & Equipment	6,678	6,703	67,982	78,771	25	0.4	11.2
Automotive Products	8,027	7,984	70,057	79,246	-43	-0.5	19.3
Other Consumer Goods	1,107	1,095	10,649	12,484	-12	-1.1	17.5
Imports by Commodity							
Agriculture/Fishing Products	1,500	1,493	15,578	17,263	-7	-0.5	8.1
Energy Products	683	645	10,603	8,713	-38	-5.6	-34.8
Forestry Products	217	226	2,374	2,497	9	4.1	10.8
Industrial Goods & Materials	5,195	5,140	54,369	60,296	-55	-1.1	1.6
Machinery & Equipment	8,725	9,042	91,203	101,601	317	3.6	12.0
Automotive Products	6,308	6,167	60,630	66,753	-141	-2.2	14.0
Other Consumer Goods	3,133	3,140	29,591	34,553	7	0.2	15.8

LABOUR MARKET TRENDS



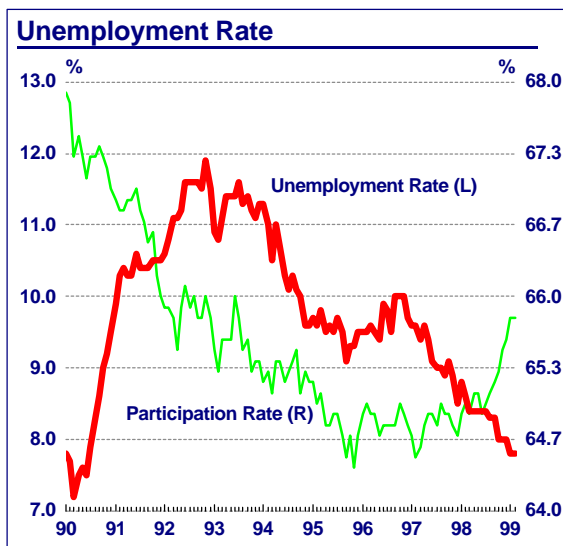
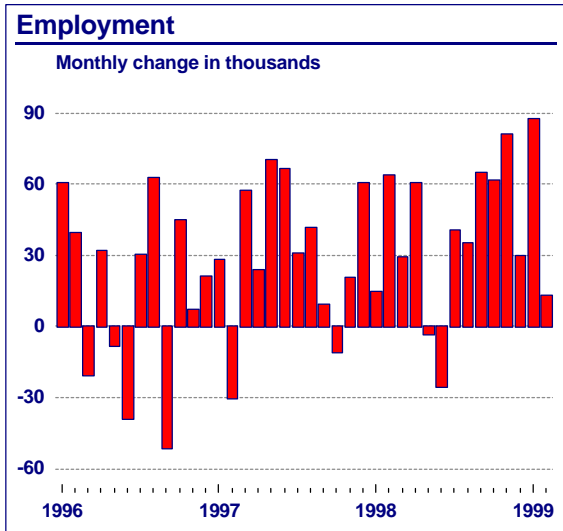
Employment and Unemployment

Employment edges higher in February...

- Employment increased by 13,000 in February, the smallest of eight consecutive monthly gains. This modest rise follows an exceptional 87,000 increase the previous month.
- Although aggregate employment figures were little changed, the February jobs report still reflects healthy conditions in the labour market. A solid 61,000 gain in full-time employment was partly offset by 48,000 fewer part-time positions.
- Adult employment posted another strong advance in February. However, youth employment fell 25,000, only the second drop in the past eight months. Even with this decline, youth employment is up sharply on a year-over-year basis.

...but the unemployment rate is unchanged at 7.8%

- February employment gains were offset by a similar increase in the labour force, leaving the unemployment rate unchanged at 7.8%.
- Job losses pushed the youth unemployment rate up 0.3 percentage points to 14.2% in February. The adult employment rate was 6.6%, unchanged from January but down 0.8 percentage points compared to a year ago.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1998 February	1999 January	1999 February	last month	last year	year-to-date	last month	last year
Employment	14,188.5	14,650.8	14,664.0	13.2	475.5	100.6	0.1	3.4
Full-time	11,572.2	11,894.2	11,955.2	61.0	383.0	145.5	0.5	3.3
Part-time	2,616.3	2,756.6	2,708.8	-47.8	92.5	-44.9	-1.7	3.5
Youth 15-24	2,052.6	2,225.0	2,199.9	-25.1	147.3	18.4	-1.1	7.2
Adult 25+	12,135.8	12,425.8	12,464.1	38.3	328.3	82.2	0.3	2.7
Self-employed	2,451.0	2,589.2	2,622.9	33.7	171.9	33.3	1.3	7.0
Unemployment	1,341.0	1,247.9	1,248.9	1.0	-92.1	-23.3	0.1	-6.9
Unemployment Rate	8.6	7.8	7.8	0.0	-0.8	-0.2		
Youth 15-24	15.5	13.9	14.2	0.3	-1.3	-0.2		
Adult 25+	7.4	6.7	6.6	-0.1	-0.8	-0.2		
Labour Force	15,529.5	15,898.7	15,912.8	14.1	383.3	77.2	0.1	2.5
Participation Rate	65.0	65.8	65.8	0.0	0.8	0.2		
Employment Rate	59.4	60.7	60.7	0.0	1.3	0.3		



Industry Overview

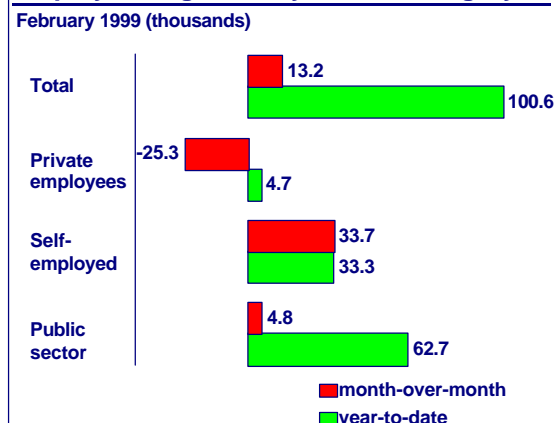
February job gains are led by the Goods-producing industries...

- Employment rose 22,000 in the Goods-producing industries in February, with modest gains in all major industry groups. Following an increase of 55,000 in the previous month, employment in Manufacturing advanced a further 5,000 in February. The Primary industries and Utilities posted small gains on the month, but employment in these industries remains down on a year-over-year basis.
- The number of jobs in Service-producing industries edged down 9,000 in February. The largest drop was in Educational Services, where employment returned to more normal levels following a major gain in January. Elsewhere in the Service sector, employment was little changed.

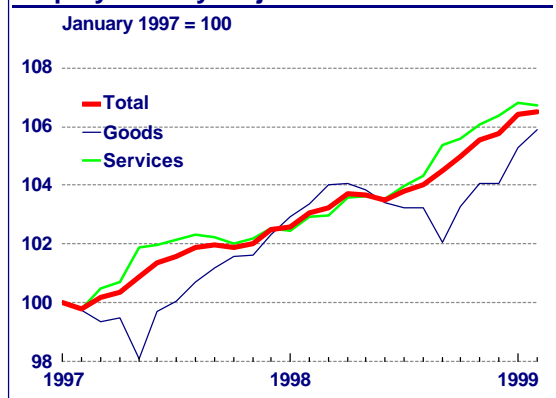
...and a strong rise in self-employment

- Self-employment increased by 34,000 in February, building on strong gains over the past year.
- The number of paid employees in the private sector fell 25,000 on the month, while employment in the public sector edged higher.

Employment growth by worker category



Employment by major sector



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1998 February	1999 January	1999 February	last month	last year	year-to-date	last month	last year
Goods-producing	3,737.3	3,806.5	3,828.9	22.4	91.6	66.7	0.6	2.5
Agriculture	418.5	406.7	408.3	1.6	-10.2	-3.9	0.4	-2.4
Other Primary*	307.2	276.7	283.8	7.1	-23.4	3.8	2.6	-7.6
Utilities	125.3	112.6	120.3	7.7	-5.0	5.1	6.8	-4.0
Construction	729.1	813.4	814.1	0.7	85.0	1.0	0.1	11.7
Manufacturing	2,157.1	2,197.1	2,202.4	5.3	45.3	60.7	0.2	2.1
Service-producing	10,451.1	10,844.2	10,835.0	-9.2	383.9	33.8	-0.1	3.7
Trade	2,129.6	2,274.2	2,278.4	4.2	148.8	37.3	0.2	7.0
Transportation	722.1	742.1	742.9	0.8	20.8	12.2	0.1	2.9
FIRE*	835.6	893.4	890.7	-2.7	55.1	-7.4	-0.3	6.6
Professional/Scientific	853.8	925.9	931.7	5.8	77.9	-4.9	0.6	9.1
Management/Administrative	478.9	501.3	505.8	4.5	26.9	18.7	0.9	5.6
Educational Services	934.7	976.5	950.4	-26.1	15.7	11.1	-2.7	1.7
Health Care/Social Assistance	1,416.0	1,436.0	1,440.9	4.9	24.9	-49.8	0.3	1.8
Information/Culture/Recreatio	631.1	647.2	641.8	-5.4	10.7	-1.5	-0.8	1.7
Accommodation & Food	937.8	929.2	927.2	-2.0	-10.6	-5.3	-0.2	-1.1
Other Services	719.8	748.7	749.5	0.8	29.7	17.6	0.1	4.1
Public Administration	791.8	769.6	775.6	6.0	-16.2	5.7	0.8	-2.0

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



Provincial Overview

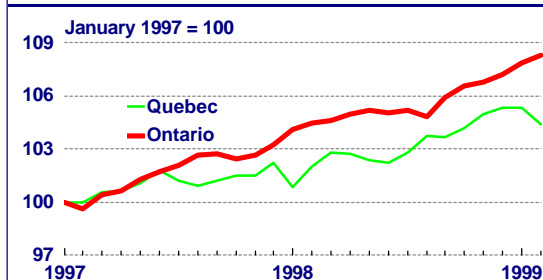
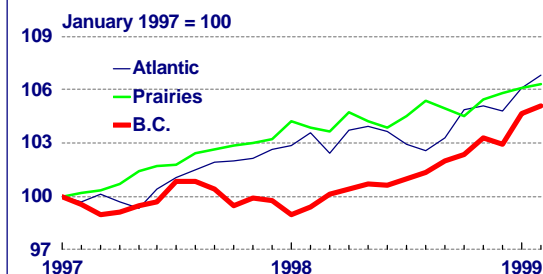
Ontario and B.C. lead February job gains...

- Employment was up in six of ten provinces in February, led by gains of 23,000 in Ontario and 8,000 in British Columbia. Alberta and Newfoundland also posted strong job growth on the month.
- There was a net loss of 30,000 jobs in Quebec, with weakness in the Trade and Public Administration industries. Employment also fell in Manitoba and New Brunswick, but was little changed elsewhere.

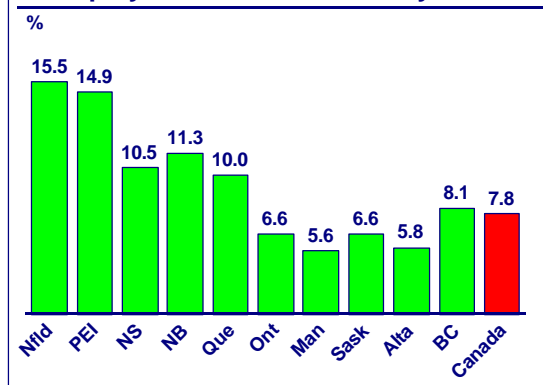
...but unemployment rates hold firm or drift higher in most provinces

- Newfoundland and Prince Edward Island were the only two provinces recording lower unemployment rates in February. Most notably, Newfoundland's unemployment rate dropped 2.1 percentage points to 15.5%, its lowest in eight years.
- In Nova Scotia, the unemployment rate jumped up 0.5 points to 10.5%, as a slight increase in employment was outpaced by a much larger rise in the labour force.
- Relatively stable labour market trends left unemployment rates unchanged or slightly higher in the other provinces.

Regional employment patterns



Unemployment Rates -- February 1999



Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since last month		
	1999 February	(000's)	%	(000's)	%		last month	last year	
Canada	14,664.0	13.2	0.1	475.5	3.4	7.8	0.0	-0.8	
Newfoundland	209.1	7.1	3.5	13.8	7.1	15.5	-2.1	-2.1	
P.E.I.	62.1	1.4	2.3	1.9	3.2	14.9	-1.5	1.3	
Nova Scotia	409.1	0.2	0.0	-0.3	-0.1	10.5	0.5	-0.1	
New Brunswick	336.2	-1.4	-0.4	15.7	4.9	11.3	0.0	-1.5	
Quebec	3,366.7	-29.7	-0.9	77.0	2.3	10.0	0.2	-0.7	
Ontario	5,767.0	22.8	0.4	203.4	3.7	6.6	0.0	-1.0	
Manitoba	551.9	-2.1	-0.4	10.5	1.9	5.6	0.0	-0.2	
Saskatchewan	477.8	0.0	0.0	-4.1	-0.9	6.6	0.1	1.0	
Alberta	1,550.5	7.0	0.5	52.5	3.5	5.8	0.1	0.4	
B.C.	1,933.7	8.0	0.4	105.1	5.7	8.1	0.0	-1.7	

PRICES and FINANCIAL MARKETS

Consumer and Commodity Prices



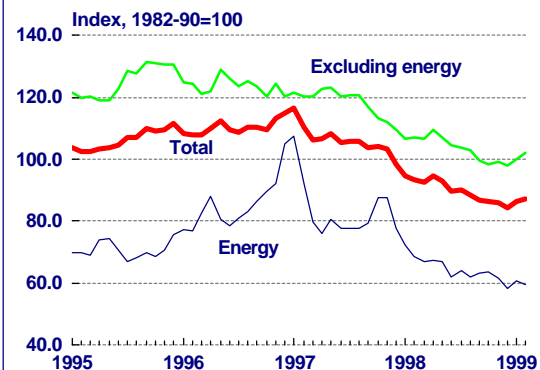
Inflation drops in January...

- After averaging 0.9% in 1998, the year-over-year rate of CPI inflation dropped down to 0.6% in January. The average price level in all four Atlantic provinces is down on an annual basis.
- Compared to last year, there were substantial price declines for telephone services, gasoline and other fuel oils. However, these were more than offset by higher prices for food, piped gas and cable TV. Rising tuition fees and property taxes also contributed to the year-over-year increase in the CPI.
- The "core" inflation rate – excluding the volatile food and energy components as well as the impact of indirect taxes – fell to 1.0% in January, the bottom end of the 1-3% target range set jointly by the Bank of Canada and the Department of Finance.

...but commodity prices may have bottomed out

- Commodity prices increased 3.6% overall in January and February, but remain sharply lower on a year-over-year basis.
- Industrial product prices declined 0.3% (year-over-year) in January. And, without the weak Canadian dollar – which puts upward pressure on prices quoted in U.S. dollars – producer prices would have fallen 2.0%.

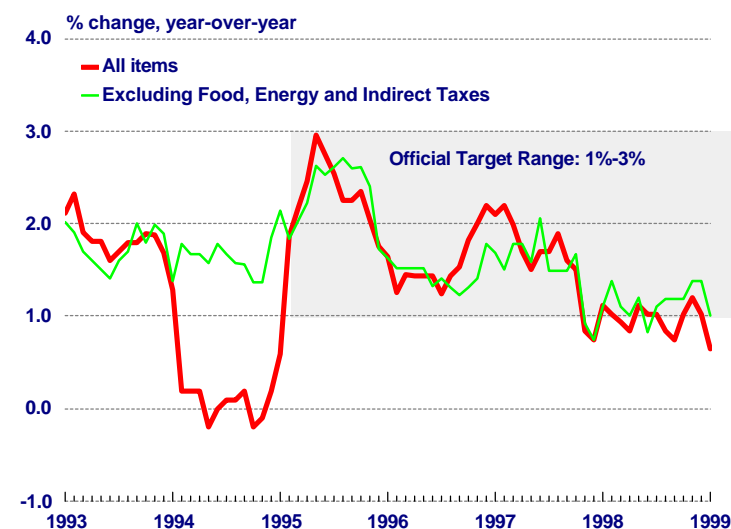
Commodity Prices (\$U.S. basis)



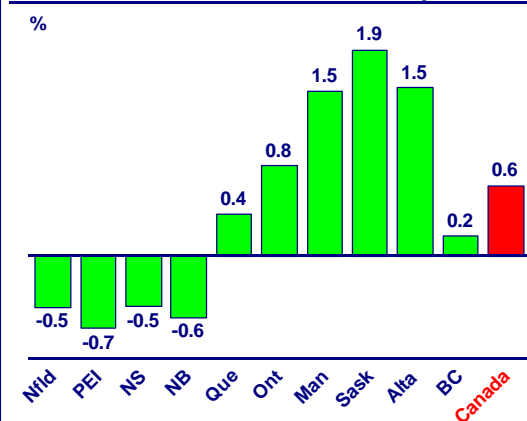
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
January 1999			
All items CPI	108.9	0.2	0.6
Food	111.1	1.3	1.3
Shelter	104.5	0.1	1.1
Household operations	107.9	0.1	-0.6
Clothing & Footwear	103.7	1.1	0.8
Transportation	120.2	-0.1	-0.9
Health & Personal Care	109.0	0.2	1.9
Recreation, Educ. & Reading	115.5	-0.9	1.3
Alcohol & Tobacco	93.7	0.3	3.5
Excl. Food/Energy/Indirect Taxes	110.5	0.0	1.0
Energy	103.1	0.2	-3.3
Commodity Prices (February)			
Index, 1982-90=100	87.2	1.0	-6.7
Excluding Energy	102.1	2.1	-4.6
Energy	59.3	-2.3	-13.3

Consumer Price Index



Provincial CPI Inflation -- January 1999



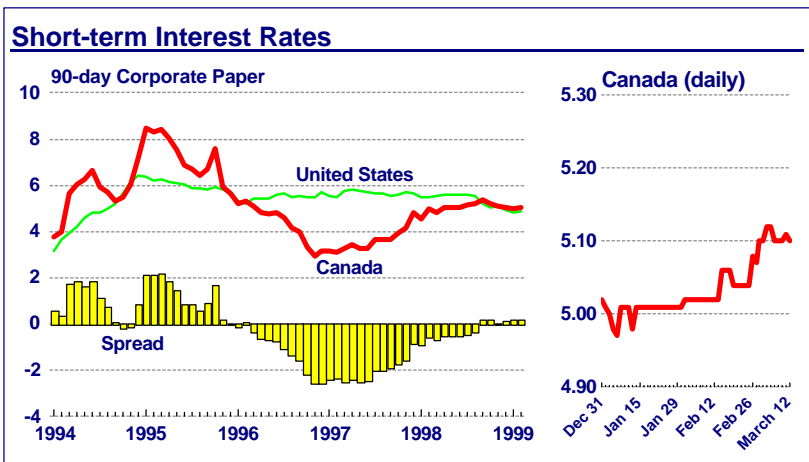


Bond yields rise in February...

- Long-term rates edged up at the end of February in response to a series of economic reports pointing to stronger-than-expected growth in North America. Canadian bond yields ended the month at 5.43% - up 20 basis points from January's close - and peaked on March 4 at 5.57%, the highest since early November.
 - As the bond market sell-off was more pronounced in the United States, Canadian long rates slipped below U.S. rates at the end of February (for the first time since July).
- The strong U.S. economy also ignited fears that the Federal Reserve would hike short-term interest rates, putting upward pressure on Canadian short rates.

...but reverse course in March, as inflationary fears subside

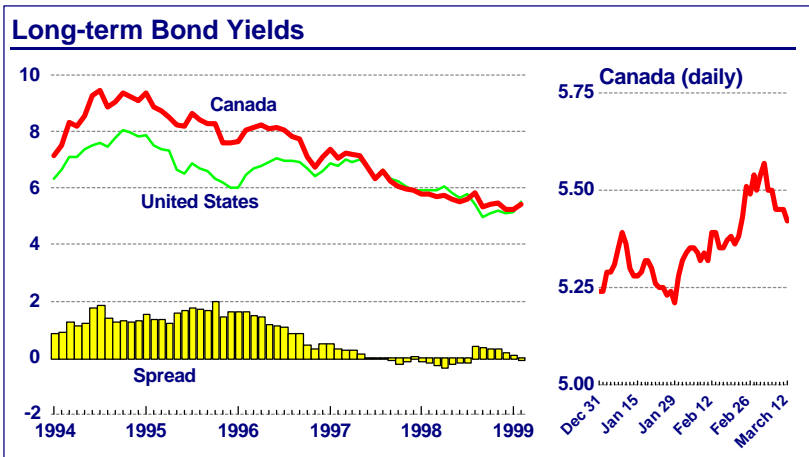
- Two key U.S. data releases early in March – a weak February jobs report and modest wage growth – soothed concern over inflationary pressures and eased fears of an U.S. rate hike. Bonds yields on both sides of the border fell back somewhat on the news.



Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1997	4.80	-0.85	5.95	0.02
1998	5.02	0.09	5.23	0.14
1998 Sept	5.38	0.19	5.32	0.34
1998 Oct	5.22	0.19	5.45	0.32
1998 Nov	5.09	0.02	5.47	0.28
1998 Dec	5.02	0.09	5.23	0.14
1999 Jan	5.01	0.19	5.23	0.09
1999 Feb	5.04	0.16	5.43	-0.08
March 12	5.10	0.22	5.45	-0.11

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
1997	4.50	6.00	6.65	7.05
1998	5.25	6.75	6.20	6.60
1998 Sept	5.75	7.25	6.75	7.15
1998 Oct	5.50	7.00	6.50	6.75
1998 Nov	5.25	6.75	6.40	7.15
1998 Dec	5.25	6.75	6.20	6.60
1999 Jan	5.25	6.75	6.40	6.90
1999 Feb	5.25	6.75	6.40	6.90
March 10	5.25	6.75	6.60	7.15

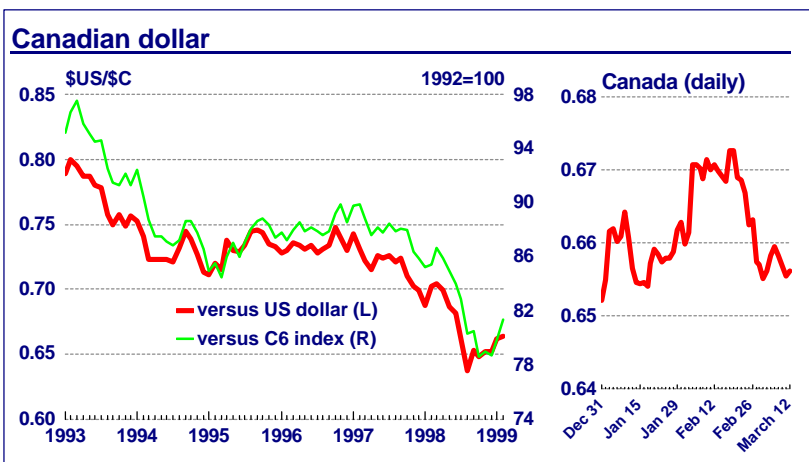


The stock market stages a mini rebound in March...

- Following a relatively calm January, the TSE 300 lost 6.2% of its value in February as fears of an interest rate hike by the Federal Reserve undermined stock prices on both sides of the border. However, the weaker-than-expected release on U.S. payrolls resulted in a significant rebound, gaining 2.3% on March 5 alone. As of March 12, the TSE was 3.9% higher than February's closing value.

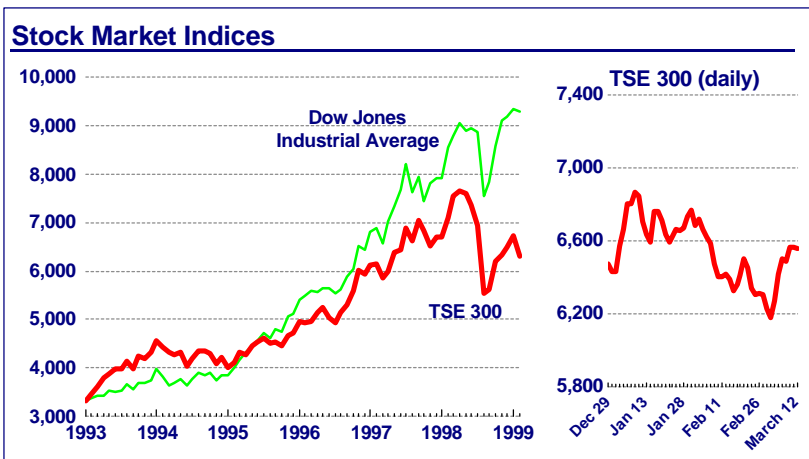
...while the Canadian dollar falls back after rallying above US67¢

- After hovering around US66¢ through much of January, the Canadian dollar surged early in February, breaking the US67¢ level for the first time since July and reaching a peak of US67.27¢ on February 19.
- Late in February, however, growing expectations of a U.S. rate hike put significant downward pressure on the currency. The dollar opened March down more than 1.5¢ from its February peak. Subsiding fears of an interest rate hike have since brought some relief to the exchange rate.



The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1997	0.6991	85.87	1.247	90.87
1998	0.6522	78.71	1.082	75.91
1998 Sept	0.6531	80.45	1.117	88.38
Oct	0.6481	78.57	1.060	78.10
Nov	0.6523	79.02	1.093	78.17
Dec	0.6522	78.71	1.082	75.91
1999 Jan	0.6618	79.83	1.110	74.58
Feb	0.6632	81.33	1.166	77.81
March 12	0.6563			



Key Stock Market Indexes

	February Close	% change from	
		last month	last year
TSE 300	6,313	-6.2	-11.0
Oil & Gas	4,047	-8.4	-38.1
Metals & Minerals	3,034	0.1	-24.1
Utilities	7,621	-6.9	12.2
Paper & Forest	3,496	-3.3	-21.8
Merchandising	5,312	-3.4	-9.4
Financial Services	8,044	-6.6	-11.5
Gold	5,326	-6.0	-17.8
Price-Earnings Ratio*	23.7	-2.6	-4.7
S&P 500	1,238	-3.2	18.0
Dow Jones	9,307	-0.6	8.9

*columns 2 & 3 reflect change in levels



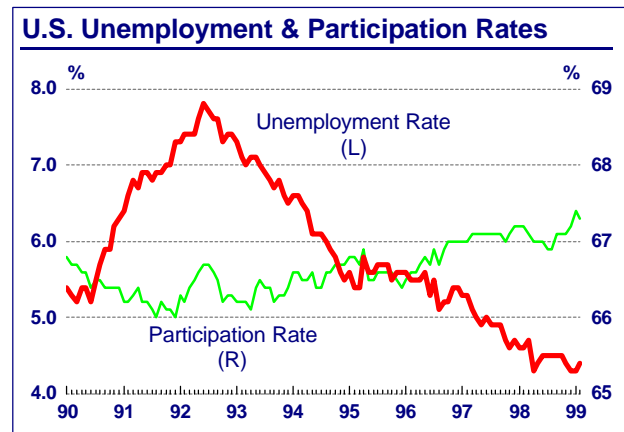
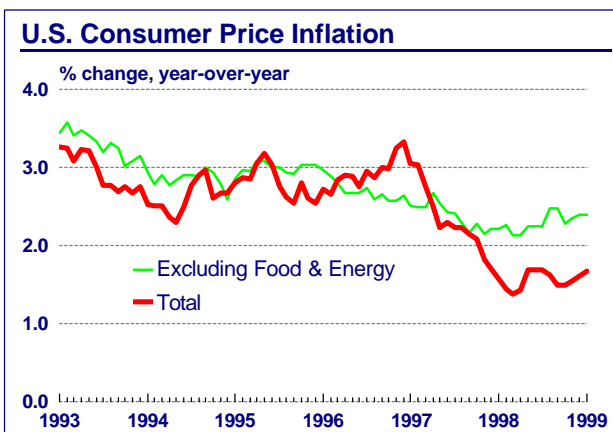
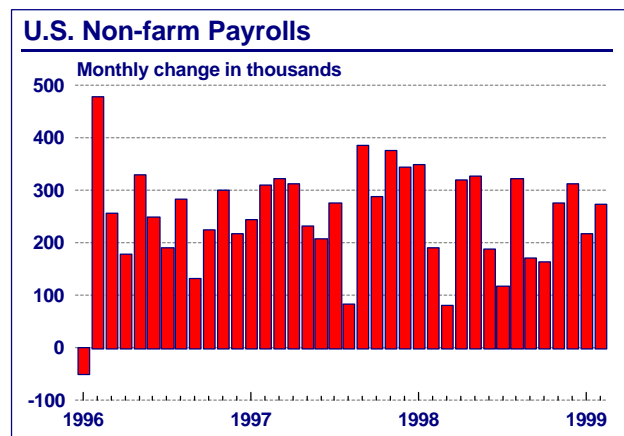
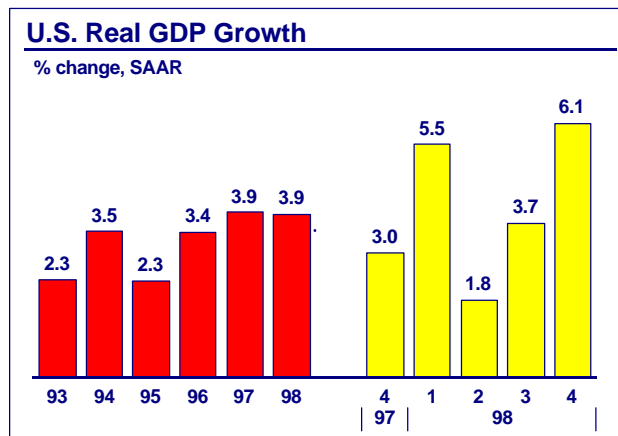
U.S. Economic Trends

The U.S. economy finishes 1998 stronger than expected...

- Preliminary estimates reveal that real U.S. GDP surged 6.1% in the fourth quarter of 1998, one-half percentage point higher than the advance estimate and the strongest quarterly growth rate this decade. A reduction in the reported trade deficit was the main source of upward revision. For the year as a whole, real GDP grew 3.9%, the same as in 1997 (and the highest growth rate since 1984).
- In addition, labour productivity in the business sector increased 4.8% (annual rate) in the final quarter of 1998, the fastest pace since 1992. For the year as a whole, productivity rose 2.4%, up significantly from 1.5% in 1997.

...but recent releases lower expectations of a rate hike

- U.S. payroll employment rose 275,000 in February, following the addition of 217,000 jobs in January. February's employment gains were weaker than expected, with 50,000 fewer jobs in the Manufacturing sector. And, the unemployment rate edged up 0.1 percentage points to 4.4%, though it remains very low in historical terms.
- Hourly wages rose 0.1% in February, considerably below expectations of a 0.3% rise. These modest wage gains, combined with the weaker-than-expected jobs report, have greatly eased fears that the Federal Reserve would raise interest rates to combat inflationary pressures. As a result, U.S. stock prices soared in the first two weeks of March, with the Dow Jones closing March 12 just over 100 points shy of the 10,000 mark.





Private and Public Investment Intentions

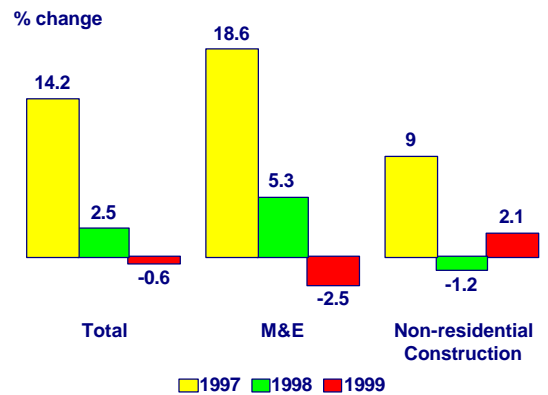
Capital spending is expected to fall slightly in 1999...

- According to Statistics Canada's twice-yearly survey of investment intentions, private and public capital spending on plant and equipment (P&E) is expected to edge down 0.6% in 1999 to \$122.3 billion.
 - If realized, this would represent the first drop in capital spending in five years. Over this period, investment in P&E has increased by an average 5.4% annually.
- Spending on Non-Residential Construction should increase 2.1% in 1999, following a slight drop in 1998.
- However, investment in Machinery & Equipment (M&E) is expected to fall 2.5% this year.

... as leasing companies reduce vehicle purchases and activity in the oil patch cools down

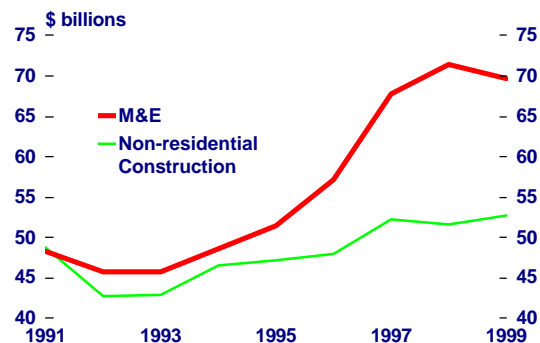
- Lower M&E investment can be largely explained by a drop in the number of motor vehicles that financing companies are expected to acquire for lease in 1999. In a reversal from recent years, automakers are expected to focus more on selling rather than leasing motor vehicles this year.
 - Excluding business and consumer financing industries, planned M&E investment would be flat on the year.
- Communications firms are expected to continue their strong investment in new technologies. However, sharply-lower oil prices have led to the second straight drop in capital spending plans in the crude oil and natural gas industry.
- Manufacturers' investment plans for 1999 are virtually unchanged from last year, following six consecutive yearly gains.
- Government investment is expected to rise for the second straight year, with higher spending at the municipal and federal levels.

Private and Public Investment Intentions (Plant and Equipment)



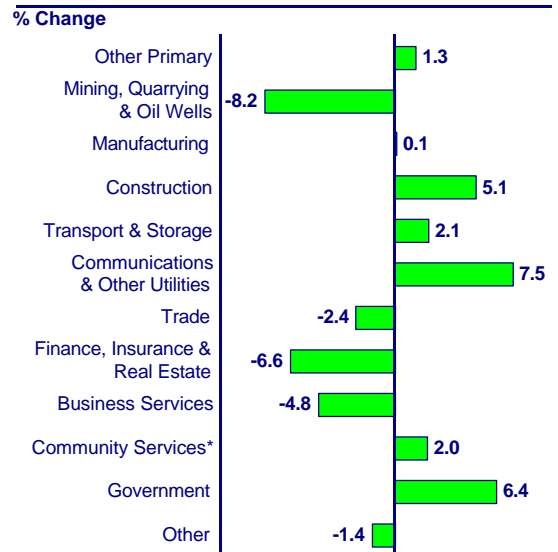
Source: Statistics Canada

Capital Investment Intentions



Source: Statistics Canada

1999 Investment Intentions by Industry (Plant & Equipment)



Source: Statistics Canada
* Educational and Health & Social Services



Private and Public Investment Intentions

Atlantic Canada will lead growth in private sector capital spending this year...

- For the second year in a row, the Atlantic provinces are expected to outpace all other regions in terms of private-sector investment growth in 1999.
- In New Brunswick, higher planned spending in Manufacturing, Transportation, and Communications & Other Utilities will spur the overall increase. Investment growth in Newfoundland stems primarily from the Mining, Quarrying & Oil Well industries.
- Private-sector investment in P&E will also rise in Quebec this year. All other provinces are expected to post declines.
- In the Western provinces, the investment slowdown will be concentrated in the resource-based industries, particularly Mining, Quarrying & Oil Wells.

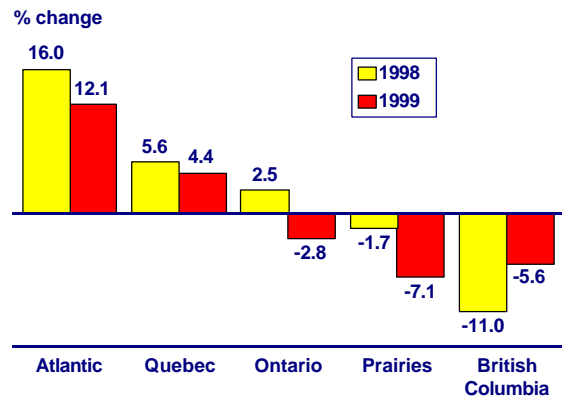
...but the housing market should be hottest in Ontario

- Investment in housing is expected to grow 2.4% in 1999, with especially strong growth in Ontario and Nova Scotia. Renovation activity accounts for nearly half of the total increase in planned spending this year.
- Only Alberta and B.C. anticipate lower activity in residential construction. For Alberta, this pause follows three years of very strong growth. The expected sharp decline in B.C., however, reflects generally weak economic conditions in this province.

Public sector investment will be up in most provinces

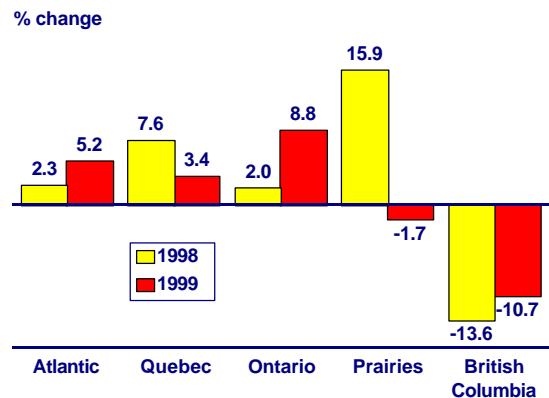
- At the national level, public investment is slated to rise for the second consecutive year.
- In addition to Government Services, investment in the Communications & Other Utilities and Transportation industries is expected to increase.
- Current spending plans point to higher public-sector investment in all regions save Quebec (which registered a very strong increase last year).

Private Sector Investment Intentions (P&E) Regional Breakdown



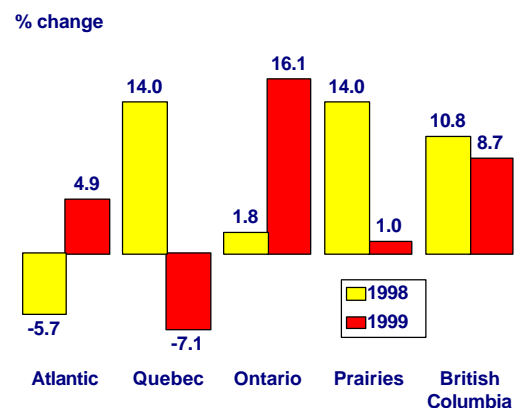
Source: Statistics Canada

Housing Investment Intentions Regional Breakdown

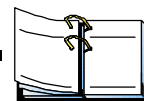


Source: Statistics Canada

Public Sector Investment Intentions Regional Breakdown



Source: Statistics Canada



CANADA

Survey of Manufacturing – January	March 16
International Trade – January	March 18
Consumer Price Index – February	March 19
GDP at factor cost – January	March 31
Labour Force Survey – March	April 9
Business Conditions Survey – April	May 4
Financial Statistics For Enterprises – 1st Quarter 1999	May 26
Capacity Utilization Rates – 1st Quarter 1999	June 7
National Economic & Financial Accounts – 1st Quarter 1999	June 10
Balance of International Payments – 1st Quarter 1999	June 10

UNITED STATES

Consumer Price Index – February	March 18
International Trade – January	March 18
Federal Open Market Committee meeting	March 30
GDP – 4th Quarter 1998, Final	March 31
Employment Situation – March	April 2

Note: the March MEI uses data available as of March 12, 1999

