



Industry
Canada

Industrie
Canada

Monthly Economic Indicators

December 2002 / January 2003


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


Canada


MONTHLY ECONOMIC INDICATORS

December 2002 / January 2003


HIGHLIGHTS

 ***In October, real Gross Domestic Product (GDP) rose by 0.3%, lifted by strong growth in the services sector as manufacturing output remained unchanged.***

 ***58 000 jobs were created in December, but the unemployment rate remained at 7.5%. This brought total job creation to 560 000 in 2002, the best performance on record.***

 ***However, other indicators were less robust, as reflected in declines in exports, retail sales and housing starts.***

 ***Consumer Price Index (CPI) inflation moderated to 3.9% in December from an 11-year high of 4.3% in November.***

 ***The Bank of Canada kept its overnight rate unchanged at 2.75% on January 21 and the U.S. Federal Reserve left its policy rate at 1.25% on January 10.***

 ***The Canadian dollar made strong gains in January rising over US¢65 for the first time since mid-July 2002.***

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	984.4	0.3	4.1	Oct
Goods	306.1	0.0	4.5	Oct
Services	678.5	0.5	3.9	Oct
Composite Index	179.4	0.1	7.6	Nov
Employment (000's)	15,650	0.4	3.7	Dec
Full-time	12,674	0.4	2.7	Dec
Part-time	2,976	0.4	8.1	Dec
Unemployment* (%)	7.5	7.5	8.0	Dec
Youth*	13.3	13.6	14.0	Dec
Adult*	6.4	6.3	6.9	Dec
CPI inflation*	3.9	4.3	0.7	Dec
Retail Sales (\$M)	25,827	-0.6	5.1	Nov
Housing Starts (000's)	198.5	-6.8	14.0	Dec
Trade Balance* (\$M)	4,106	4,856	4,413	Nov
Exports	34,299	-2.2	5.0	Nov
Imports	30,194	-0.1	7.8	Nov
M&E	9,110	4.0	6.5	Nov

	December		
	January 22	2002	2001
3-mth Corp. paper (%)*	2.88	2.83	2.08
Long bond yield (%)*	4.91	4.88	5.69
Canadian dollar (US¢)*	65.30	63.39	62.78

*Data in levels only – % change not reported

MONTHLY ECONOMIC INDICATORS

December 2002 / January 2003

CONTENTS

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

This report uses data available as of January 22, 2003. It has been prepared by Marianne Blais, Stéphane Crépeau, Anik Dufour, Kevin Koch, Joseph Macaluso, Arif Mahmud, Sue Moore, François Poitras and Patrick Taylor of the Micro-Economic Analysis Directorate, under the direction of Hossein Rostami and François Poitras. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support. 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 Hossein Rostami at 613-995-8452 or through the Internet at rostami.hossein@ic.gc.ca.

THE ECONOMY



Real GDP by Industry

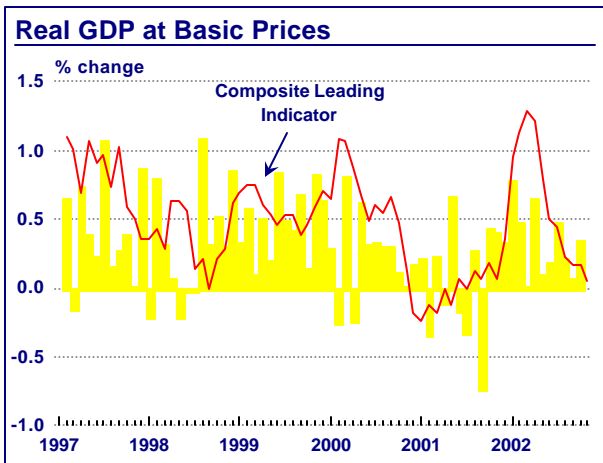
Output growth increased in October...

- Real GDP at basic prices* rose 0.3% in October, following 0.1% increase in September and 0.2% in August. With no growth in November and December, real GDP would be up 1.9% (annualized) from its level in the third quarter when growth moderated to 3.1% from 3.9% in the second. This, combined with recent indicators, suggests continued moderate growth in the fourth quarter.

...on the strength of higher consumer spending

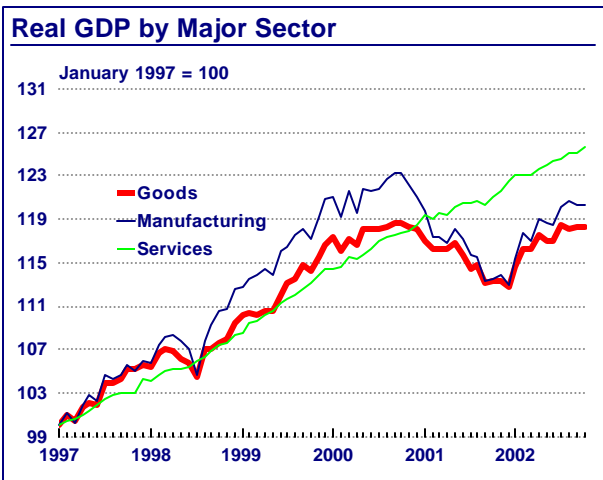
- Higher demand for cars, housing, clothing and travel activities boosted output in several sectors of the economy in October. Helped by a surge in retail trade output (+1.6%) and gains in wholesale trade (+1.0) and Arts, Entertainment & Recreation (+1.9%), service-producing industries output increased 0.5% following no growth in September.
- Goods production barely changed in October following a slight increase in September. Manufacturing output was unchanged in October as gains by durable goods producers were offset by declines of non-durables. In fact, manufacturing output has shown little growth during the August to October period. Output gains in Utilities and Construction sectors (including related industries) rose while output fell in the Mining sector.

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



Real GDP at Basic Prices (1997 chained dollars)

October 2002	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	984,393	3,375	0.3	4.1
Business Sector	835,138	3,158	0.4	4.5
Goods-producing	306,099	152	0.0	4.5
Agri., Forest, Fish, Hunt*	20,204	5	0.0	-5.9
Mining & Oil & Gas Extraction	37,019	-156	-0.4	0.6
Utilities	29,071	241	0.8	7.0
Construction	53,501	79	0.1	5.2
Manufacturing	165,792	-10	-0.0	6.0
Service-producing	678,534	3,240	0.5	3.9
Wholesale Trade	58,770	608	1.0	8.4
Retail Trade	54,622	860	1.6	5.6
Transportation & Warehousing	45,227	128	0.3	4.1
Information & Cultural	46,231	143	0.3	6.2
FIRE**	194,681	798	0.4	2.7
Professional***	45,747	107	0.2	3.6
Admin & Waste Mgmt	21,671	96	0.4	6.8
Education	44,305	-60	-0.1	1.3
Health & Social	57,516	139	0.2	3.2
Arts, Entertain. & Recreation	9,333	170	1.9	5.4
Accommodation & Food	23,503	93	0.4	5.4
Other	22,147	46	0.2	2.4
Public Administration	55,698	136	0.2	2.5



*Agriculture, forestry, fishing & hunting
 **Finance, Insurance & Real Estate
 ***Professional, scientific & technical services



Consumer Spending and Attitudes

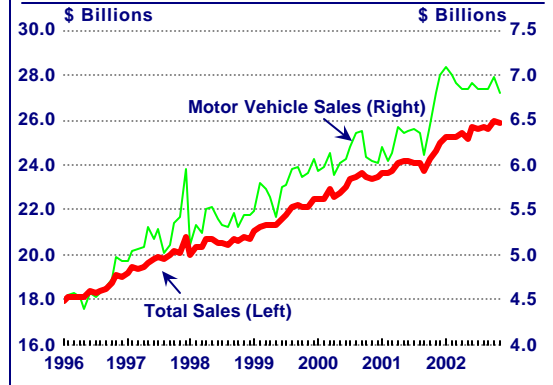
Consumer spending slowed in the third quarter...

- Following three straight quarters of strong growth, consumer spending increased a modest 0.5% (annual rate) in the third quarter.
- The slower growth was largely the result of a 4.8% decline in durable goods spending brought on by lower demand for motor vehicles. Car purchases remained at historically high levels, with preliminary data showing a record 1.7 million vehicles sold in 2002.
- Lower services spending growth also contributed to the moderation, decreasing from 6.7% in the second quarter to 1.9% in the third quarter.

...and indicators are for continued moderate growth in the fourth quarter

- For the October-November period, real retail sales were up 0.2% (annualized) from their third quarter level when they grew by 1.1%. New motor vehicle sales increased in December, which should help boost retail sales.
- Personal disposable income continued to grow at a healthy rate (4.1% in the third quarter compared to 4.5% in the second quarter) and the strong performance of the labour market bodes well for personal income growth in the fourth quarter.
- These indicators point to moderate spending growth in the fourth quarter.

Total Retail and Motor Vehicle Sales



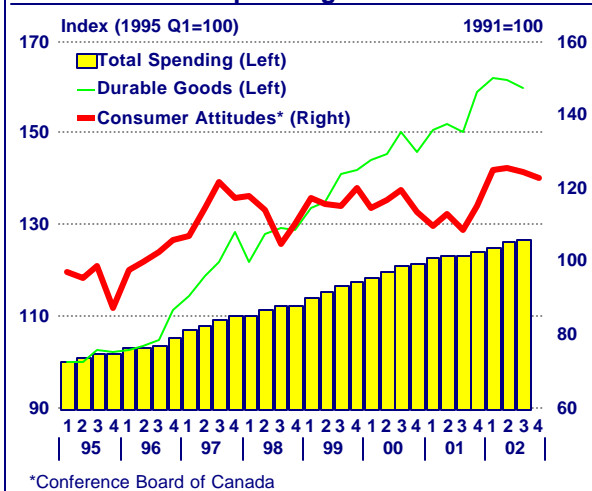
Retail Sales and Consumer Credit

	November 2002 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	25,827	-0.6	5.1
Food	5,657	-0.2	5.5
Drug Stores	1,312	0.2	6.2
Clothing	1,371	-1.0	1.8
Furniture	1,559	1.3	9.7
Automotive	10,337	-1.7	4.6
General Merch. Stores	2,830	-0.1	5.2
All other Stores	2,759	0.4	4.3
Total ex. motor vehicles	19,028	0.1	7.1
Consumer Credit	222	0.7	8.4

Real Consumer Spending and Household Finances

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

Real Consumer Spending and Attitudes



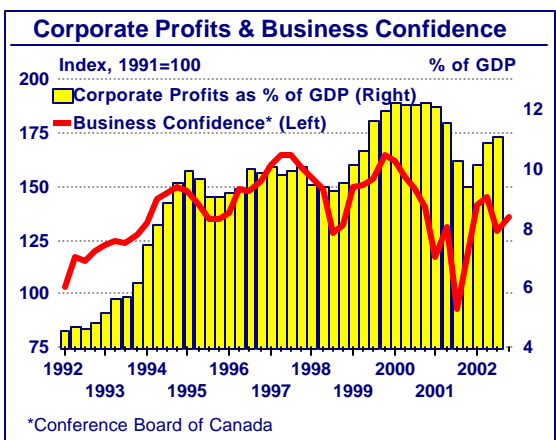
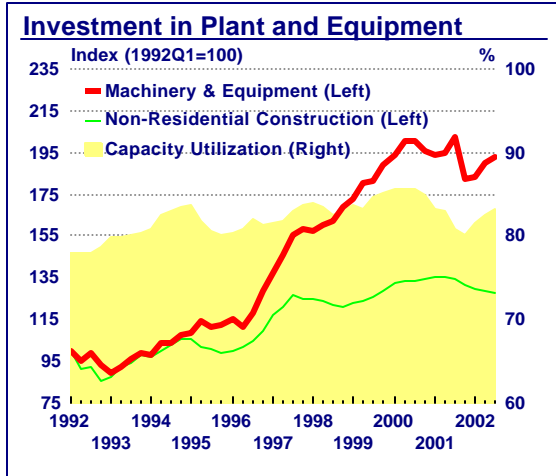


Investment in Machinery and Equipment rose further in the third quarter

- Real investment in Machinery and Equipment (M&E) rose by 4.8% (annual rate) in the third quarter following a jump of 16.7% in the previous quarter. Higher investment in Transportation Equipment (mostly cars and trucks) was partially offset by a reduction in Industrial Machinery investment.
- Non-residential construction fell 2.3% in the third quarter, the fifth consecutive quarterly decline.

Business confidence recovered somewhat in the fourth quarter

- Corporate profits continued to increase in the third quarter of 2002 albeit at a slower pace compared to the first half of 2002. Moreover, the capacity utilization rate rose to 83.3% in the third quarter. The Conference Board's Index of Business Confidence recovered partially in the fourth quarter of 2002 due to sustained optimism about corporate finances.
- While those factors bode well for continued recovery in business investment, increased economic uncertainty related to geopolitical tensions may lead to delay in capital spending.



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2000	2001	2001 Q4	2002 Q1	2002 Q2	2002 Q3
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	89,094	87,145	82,118	82,495	85,745	86,751
% change	9.3	-2.2	-34.5	1.8	16.7	4.8
Non-residential Construction (1997\$)	47,762	48,126	47,230	46,299	46,081	45,819
% change	6.4	0.8	-7.5	-7.7	-1.9	-2.3
Capacity Utilization (% , Non-farm goods)	85.4	81.8	80.0	81.6	82.5	83.3
Capacity Utilization (Mfg. sector)	86.2	81.1	79.4	81.9	83.5	84.6
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	173,029	147,758	127,248	139,004	157,060	161,136
% change	28.5	-14.6	-36.8	42.4	63.0	10.8
Profits - Non-financial industries	136,086	113,095	97,968	107,656	124,056	128,604
% change	35.6	-16.9	-23.4	45.8	76.3	15.5
Profits - Financial industries	36,944	34,662	29,276	31,348	33,004	32,528
% change	7.9	-6.2	-64.7	31.5	22.9	-5.6
Business Credit	791,270	832,928	848,223	850,055	856,452	860,677
% change	6.9	5.3	4.8	0.9	3.0	2.0



Housing activity picked up sharply in the third quarter...

- Real residential construction spending picked up again in the third quarter, increasing 15.9% (at annual rate), after a modest decline (-1.7%) in the second quarter.

...but moderated in the fourth quarter

- Real construction spending rose 0.4% in October and was up 10.5% (at annual rate) from its third quarter level. However, housing activity levelled off in the past couple of months as housing starts were down in November and December and the value of building permits decreased 7.8% in November.
- Despite declines in November and December, housing starts averaged nearly 210 000 in the fourth quarter, up 1.6% from the previous quarter. Moreover, home sales were down in November and December, but fourth quarter sales increased 2.1% from their third quarter level.
- Supported by attractive mortgage rates, employment and income growth as well as high consumer confidence, the housing sector should remain healthy in the near term.

Housing Activity



Monthly Housing Indicators

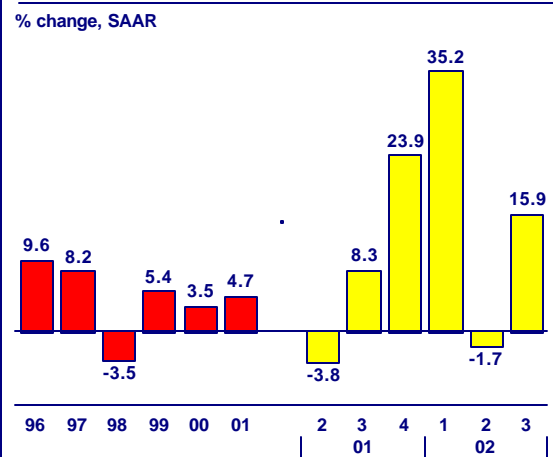
	Levels	Change since	
		Last month	Last year
Residential Construction (1) (\$97M, basic prices)	18,518	0.4%	19.3%
Building Permits, \$M (2)	2,397	-7.8%	21.1%
Sales of Existing Homes (3) (# of units)	23,078	-751	-3,445
Housing Starts, # of units (3)	198,500	-14,400	24,400
Newfoundland	1,600	0	-800
Prince Edward Island	900	300	0
Nova Scotia	7,200	2,100	1,700
New Brunswick	3,500	-1,600	-500
Quebec	42,200	-2,000	6,700
Ontario	73,600	-7,600	700
Manitoba	3,000	-400	300
Saskatchewan	3,900	1,100	1,500
Alberta	38,500	-3,200	6,800
British Columbia	24,200	-3,100	8,100

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

Real Investment in Residential Structures

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

Growth in Real Residential Construction





Trade and Competitiveness

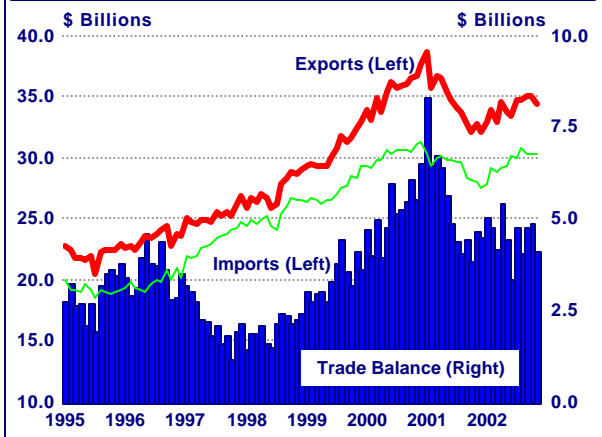
Exports decreased in November

- Following a small increase in October (0.2%), merchandise exports decreased 2.2% in November reflecting slower economic activity in the United States (US). Exports in Manufacturing registered notable decreases, including Industrial Goods and Materials (-3.9%), M&E (-2.7%) and Automotive products (-1.7%). Agricultural exports (-4.0%) were victim of poor conditions brought on by the drought.
- Despite a significant increase in M&E imports (+4.0%), total imports edged down (-0.1%) as imports of energy products decreased 4.9% and imports of automotive products fell 4.0% in line with lower motor vehicle sales.

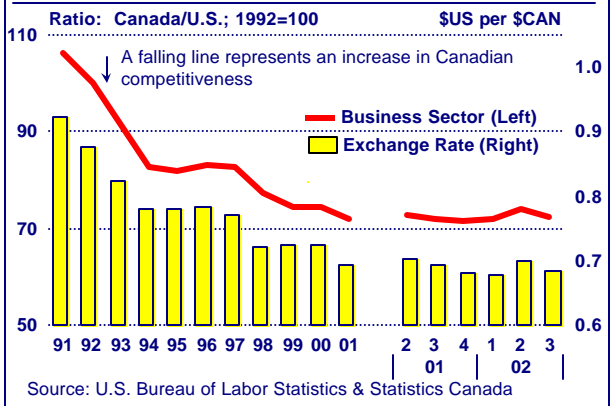
...leading to a lower trade surplus

- The merchandise trade surplus decreased nearly three-quarters of a billion dollars to reach \$4.1 billion in November. Canada's trade surplus with the US decreased \$490 million to \$7.7 billion and its trade deficit with all other trading partners increased \$260 million to \$3.6 billion.
- The decrease in the trade surplus during the October-November period suggests that net exports did not contribute to growth in the fourth quarter after accounting for nearly half of real GDP growth in the third quarter.

Merchandise Trade Flows and Balance



Canada-United States Unit Labour Cost Ratios



Merchandise Trade

November 2002	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	October 2002	November 2002	Jan.-Nov. 2001	Jan.-Nov. 2002	Oct. to Nov. 2002	Oct. to Nov. 2002	Jan.-Nov. 2001 to Jan.-Nov. 2002	
Exports	35,079	34,299	382,602	375,297	-780	-2.2	-1.9	
to United States	29,710	29,364	323,798	318,654	-346	-1.2	-1.6	
Imports	30,222	30,194	323,066	325,770	-28	-0.1	0.8	
from United States	21,555	21,699	235,031	233,933	144	0.7	-0.5	
Trade Balance	4,856	4,106	59,536	49,527	-750			
with United States	8,155	7,665	88,767	84,721	-490			
Exports by Commodity								
Agriculture/Fishing Products	2,508	2,408	28,255	27,882	-100	-4.0	-1.3	
Energy Products	4,904	4,882	51,845	44,745	-22	-0.4	-13.7	
Forestry Products	2,965	2,947	36,297	33,549	-18	-0.6	-7.6	
Industrial Goods & Materials	5,829	5,604	61,387	63,317	-225	-3.9	3.1	
Machinery & Equipment	8,056	7,837	91,870	86,795	-219	-2.7	-5.5	
Automotive Products	8,118	7,977	85,154	89,870	-141	-1.7	5.5	
Other Consumer Goods	1,470	1,443	14,603	15,840	-27	-1.8	8.5	
Imports by Commodity								
Agriculture/Fishing Products	1,827	1,832	18,660	19,999	5	0.3	7.2	
Energy Products	1,598	1,520	16,622	14,909	-78	-4.9	-10.3	
Forestry Products	275	268	2,657	2,892	-7	-2.5	8.8	
Industrial Goods & Materials	5,827	5,776	63,318	63,154	-51	-0.9	-0.3	
Machinery & Equipment	8,757	9,110	103,827	96,924	353	4.0	-6.6	
Automotive Products	6,888	6,614	66,469	74,070	-274	-4.0	11.4	
Other Consumer Goods	4,010	4,001	39,322	42,452	-9	-0.2	8.0	

LABOUR MARKET TRENDS

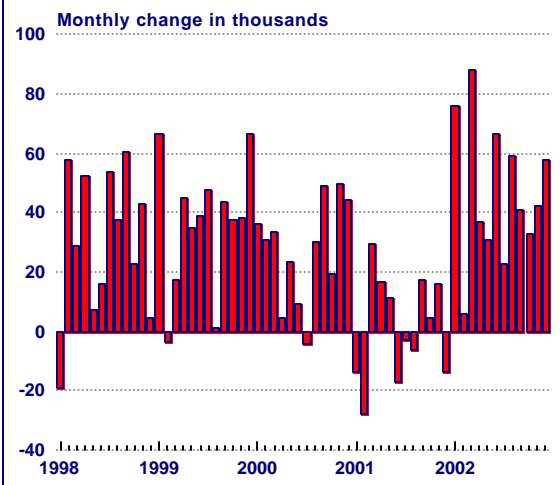


Employment and Unemployment

Canada's employment posted another gain in December...

- Employment increased by 58 000 in December, its twelfth consecutive monthly gain. December gains were mostly full-time jobs and split between youth and adult groups.
- Employment was up 3.7% (+560 000) in 2002, the largest percentage increase since 1987. This contrasts sharply with the situation in the United States, where non-farm employment was 0.1% lower in December than a year ago.
- Youth employment surged 4.5% in 2002, more than recouping losses recorded in 2001. Likewise, adult employment was up 3.6%, contrasting with a meagre 0.5% gain in 2001.

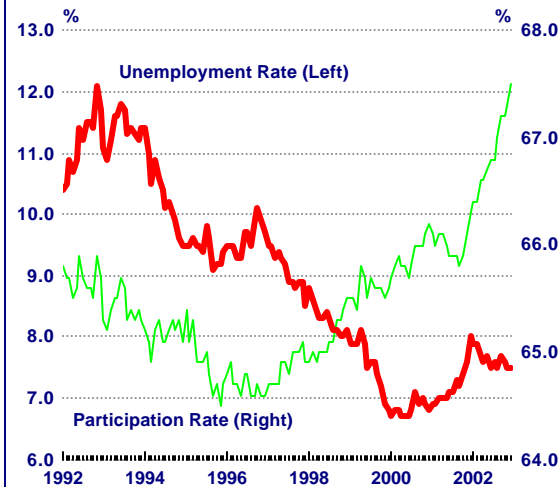
Employment



...and the employment rate rose to a record high

- Strong employment growth pushed the employment rate to an all-time high of 62.4% in December. The participation rate rose to 67.5%, equalling its record-high set in January 1990. Consequently, the unemployment rate remained at 7.5%. Nonetheless, it was down from a peak of 8.0% reached in December 2001.
- Employment rate and participation rate gaps between men and women have narrowed significantly over time. The employment rate among men dropped from 72.6% in 1976 to 67.8% in December 2002, while in contrast, the rate among women increased from 42.0% to 57.1% (a record high). The participation rate among men declined from 77.7% in 1976 to 73.7% in December 2002, while it rose for women from 45.7% to 61.4% (also a record high).

Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2001 December	2002 November	2002 December	last month	last year	year-to- date	last month	last year
Employment	15,090.2	15,591.8	15,649.8	58.0	559.6	559.6	0.4	3.7
Full-time	12,337.2	12,627.3	12,673.5	46.2	336.3	336.3	0.4	2.7
Part-time	2,753.0	2,964.5	2,976.3	11.8	223.3	223.3	0.4	8.1
Youth 15-24	2,300.3	2,398.1	2,404.5	6.4	104.2	104.2	0.3	4.5
Adult 25+	12,789.9	13,193.7	13,245.3	51.6	455.4	455.4	0.4	3.6
Self-employed	2,281.6	2,380.8	2,378.5	-2.3	96.9	96.9	-0.1	4.2
Unemployment	1,318.8	1,270.2	1,275.9	5.7	-42.9	-42.9	0.4	-3.3
Unemployment Rate	8.0	7.5	7.5	0.0	-0.5	-0.5		
Youth 15-24	14.0	13.6	13.3	-0.3	-0.7	-0.7		
Adult 25+	6.9	6.3	6.4	0.1	-0.5	-0.5		
Labour Force	16,409.0	16,862.1	16,925.7	63.6	516.7	516.7	0.4	3.1
Participation Rate	66.3	67.3	67.5	0.2	1.2	1.2		
Employment Rate	60.9	62.2	62.4	0.2	1.5	1.5		

LABOUR MARKET TRENDS



Industry Overview

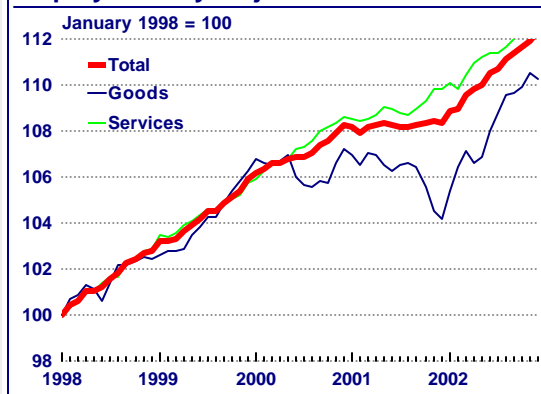
Employment in Goods industries fell in December...

- Employment in Goods-producing sectors fell by 9 000 in December. The bulk of the losses were in Manufacturing, largely as a result of layoffs in the automotive industry caused by lower U.S. demand. Employment was also down in the Agricultural sector. All other industries reported gains, with a notable increase in Construction, helped by the healthy housing market.
- Goods-producing employment soared 5.8% in 2002, its largest increase on record (data goes back to 1987). The Manufacturing and Construction industries accounted for the lion's share of the overall increase. Employment in the Agricultural sector rebounded following three consecutive yearly declines.

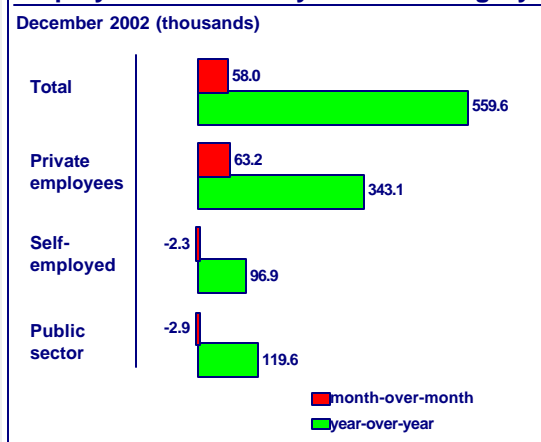
...while it surged in Services

- Services-producing industries added 70 000 new jobs in December with gains widespread among most sectors. Educational Services and Trade recorded the largest gains.
- In 2002, employment in the services industries increased by 3.0%, with sizeable gains in Health Care & Social Assistance, Education and Professional & Scientific services.
- Private employment was the engine of growth in December. Employment in both public and private sectors recorded solid gains in 2002. Self-employment edged down in December, but increased by 4.2% in 2002, ending a string of two yearly declines.

Employment by Major Sector



Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2001 December	2002 November	2002 December	last month	last year	year-to- date	last month	last year
Goods-producing	3,791.4	4,020.8	4,011.9	-8.9	220.5	220.5	-0.2	5.8
Agriculture	312.7	355.5	355.2	-0.3	42.5	42.5	-0.1	13.6
Natural Resources*	290.9	268.8	270.2	1.4	-20.7	-20.7	0.5	-7.1
Utilities	121.7	132.3	133.2	0.9	11.5	11.5	0.7	9.4
Construction	848.6	896.8	911.0	14.2	62.4	62.4	1.6	7.4
Manufacturing	2,217.4	2,367.5	2,342.2	-25.3	124.8	124.8	-1.1	5.6
Services-producing	11,298.8	11,571.0	11,637.9	66.9	339.1	339.1	0.6	3.0
Trade	2,432.5	2,426.9	2,446.2	19.3	13.7	13.7	0.8	0.6
Transportation*	745.7	772.0	765.7	-6.3	20.0	20.0	-0.8	2.7
FIRE*	872.8	900.1	903.5	3.4	30.7	30.7	0.4	3.5
Professional/Scientific	969.7	1,007.8	1,021.0	13.2	51.3	51.3	1.3	5.3
Management/Administrative	569.0	597.1	612.2	15.1	43.2	43.2	2.5	7.6
Educational Services	970.7	1,029.8	1,050.0	20.2	79.3	79.3	2.0	8.2
Health Care/Social Assistance	1,564.8	1,646.3	1,654.5	8.2	89.7	89.7	0.5	5.7
Information/Culture/Recreation	696.8	687.8	693.1	5.3	-3.7	-3.7	0.8	-0.5
Accommodation & Food	991.2	1,025.1	1,015.9	-9.2	24.7	24.7	-0.9	2.5
Other Services	698.2	692.6	694.9	2.3	-3.3	-3.3	0.3	-0.5
Public Administration	787.5	785.4	780.9	-4.5	-6.6	-6.6	-0.6	-0.8

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

LABOUR MARKET TRENDS



Provincial Overview

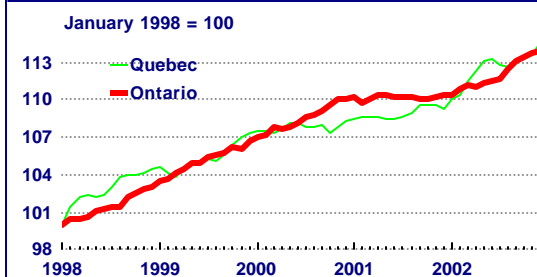
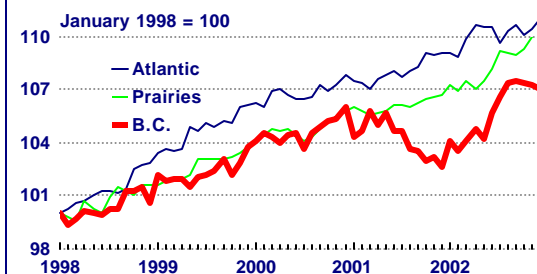
Employment gains were widespread across provinces

- Quebec (+31 000) reported the largest increase with gains in service industries and Agriculture. Employment growth in Ontario (+14 000) was hampered by losses in Manufacturing. Following three months of declines, employment increased 1.9% (+4 000) in Newfoundland & Labrador.
- All other provinces reported gains, with the exception of British Columbia (-3 000).

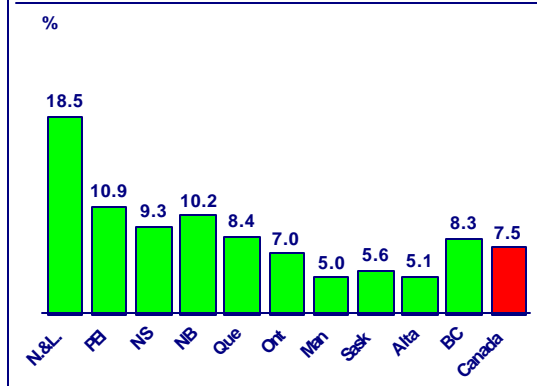
The unemployment rate fell in all provinces, except Ontario and Newfoundland & Labrador

- The unemployment rate was unchanged at 18.5% in Newfoundland & Labrador as strong employment growth was matched by an increase in the number of persons entering the workforce. The unemployment rate in Prince Edward Island was down to 10.9%, its lowest rate since mid-2001. Other Atlantic provinces also reported lower unemployment rates.
- Quebec's unemployment rate fell 0.2 percentage point to 8.4%. Ontario was the only province to report a higher unemployment rate (7.0%) in December.
- Manitoba's unemployment rate fell to 5.0% (the lowest in Canada) in December. The unemployment rate edged down to 5.5% in Saskatchewan, mostly as a result of a decline in the labour force. It also edged down in Alberta (to 5.1%) and British Columbia (to 8.3%).
- Relative to December 2001, the unemployment rate has declined substantially in B.C., Saskatchewan, Quebec, New Brunswick, Nova Scotia and PEI.

Regional employment patterns

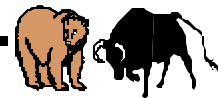


Unemployment Rates -- December 2002



Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment Rate (%)			
	Levels	Change since last month		Change since last year		Levels	Change since	
	2002 December	(000's)	%	(000's)	%	2002 December	last month	last year
Canada	15,649.8	58.0	0.4	559.6	3.7	7.5	0.0	-0.5
Newfoundland & Labrador	213.5	4.0	1.9	-0.7	-0.3	18.5	0.0	1.5
Prince Edward Island	67.9	0.2	0.3	1.6	2.4	10.9	-0.5	-1.6
Nova Scotia	432.3	0.7	0.2	4.8	1.1	9.3	-0.2	-0.8
New Brunswick	350.0	0.8	0.2	13.0	3.9	10.2	-0.1	-1.2
Quebec	3,654.2	30.5	0.8	167.8	4.8	8.4	-0.2	-1.3
Ontario	6,166.1	13.8	0.2	196.0	3.3	7.0	0.3	0.1
Manitoba	572.3	2.4	0.4	6.8	1.2	5.0	-0.4	0.4
Saskatchewan	491.8	0.1	0.0	25.6	5.5	5.6	-0.2	-0.6
Alberta	1,707.5	8.6	0.5	63.4	3.9	5.1	-0.2	0.0
British Columbia	1,994.2	-3.1	-0.2	81.2	4.2	8.3	-0.2	-1.4



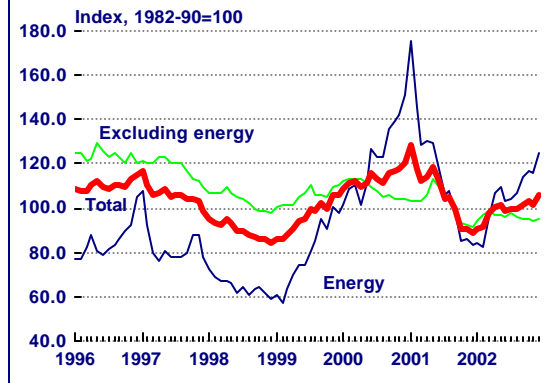
CPI Inflation moderated to 3.9% in December...

- On a year-over-year basis, CPI inflation was 3.9% in December, down from the a 11-year high of 4.3% in November. The change reflected the reduction in electricity rates in Ontario, as well as a much smaller rise of natural gas prices. Excluding energy prices, CPI inflation was 3.5%, unchanged from November.
- On a monthly basis, the CPI was down 0.3% in December after rising 0.2% in November. Energy prices declined 6.3% (due to the fall in electricity prices), the largest drop in 13 months. Excluding the energy component, the CPI rose 0.3%.
- On a year-over-year basis, commodity prices jumped 18.9% in December, up from 12.7% in November. Excluding the energy component, commodity prices rose 3.7%, up from 2.1% in November. Energy prices have been soaring from their lows of February 2002. Industrial prices increased (+1.9%) in December for the first time in several months.

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

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

Commodity Prices (\$US basis)



Consumer Prices

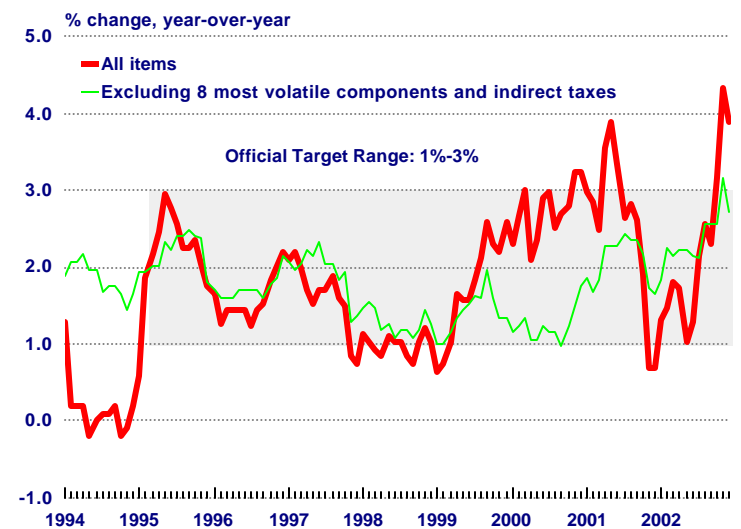
December 2002

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

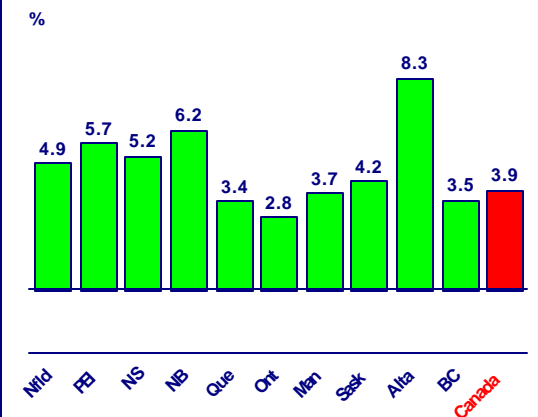
Commodity Prices (December 2002)

	Index, 1982-90=100	3.6	18.9
Index, 1982-90=100	105.5	3.6	18.9
Excluding Energy	95.2	0.7	3.7
Energy	124.7	8.0	50.2

Consumer Price Index



Provincial CPI Inflation -- December 2002



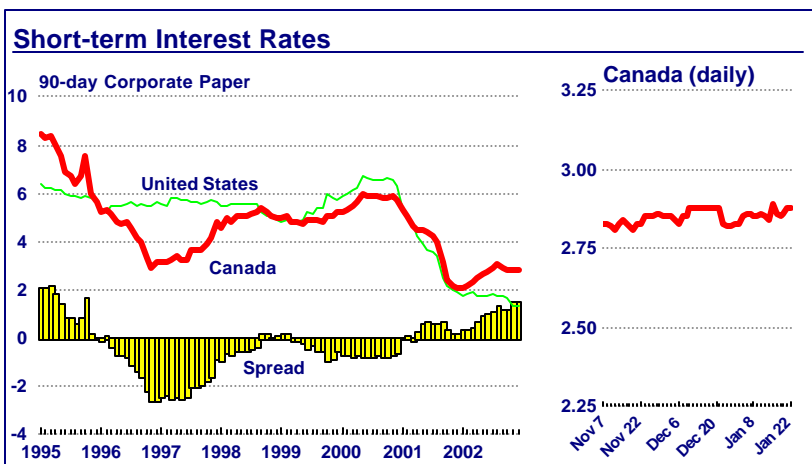


North American central banks kept rates steady

- The Bank of Canada left its overnight rate unchanged at 2.75% on January 21st amid continued geopolitical and economic uncertainty. However, it hinted at possible interest rate increases later this year by indicating that inflation had been higher than expected and the economy might be getting near its capacity. Meanwhile, the Federal Reserve kept its federal funds rate steady at 1.25% reflecting concerns over softening economic activity. In line with these developments, short-term rates remained fairly steady recently. On January 15, the yield spread on the 90-day corporate paper was 161 basis points, the highest since October 1995.

Bond prices declined after increasing on heightened uncertainty

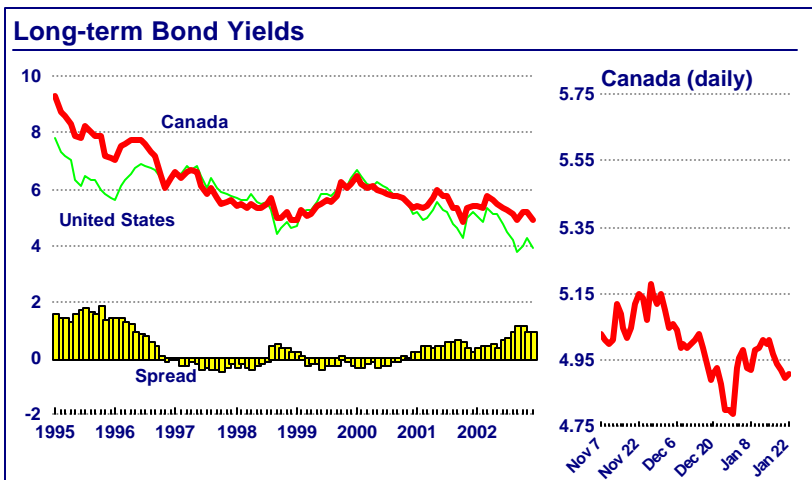
- Long-term interest rates declined throughout December 2002 as investors moved funds to safer assets due to rising tensions on the geopolitical front. More recently, long-term rates have moved higher as investors reacted to the tax plan proposed by the Bush Administration by switching funds to the equity market. On January 15, the 10-year Canadian government bond rate stood at 5.01% while the 10-year U.S. treasury bond rate was 4.10%.
- Canadian mortgage rates came down recently, with the 5-year rate standing at 6.45% on January 22, down 25 basis points from December.



Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2001	2.08	0.19	5.44	0.22
2002	2.83	1.50	4.88	0.93
July 2002	2.88	1.06	5.23	0.72
Aug	3.09	1.36	5.14	0.92
Sep	2.90	1.16	4.92	1.15
Oct	2.83	1.20	5.16	1.17
Nov	2.85	1.50	5.18	0.92
Dec	2.83	1.50	4.88	0.93
Jan 22	2.88	1.62	4.91	0.96

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

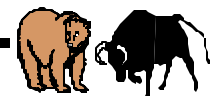


Key Lending Rates

(end of period)	Overnight Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
2001	2.25	4.00	4.60	6.85
2002	2.75	4.50	4.90	6.70
July 2002	2.75	4.50	5.35	7.05
Aug	2.75	4.50	5.35	6.80
Sep	2.75	4.50	5.30	6.70
Oct	2.75	4.50	5.30	7.00
Nov	2.75	4.50	4.90	6.70
Dec	2.75	4.50	4.90	6.70
Jan 22	2.75	4.50	4.90	6.45

PRICES and FINANCIAL MARKETS

Exchange Rates and Stock Prices

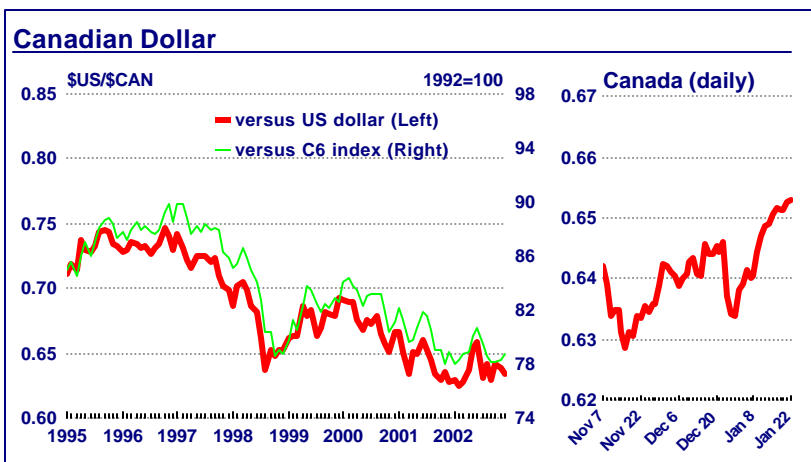


The Canadian dollar starts off 2003 on a strong note

- The Canadian dollar rallied in January, moving to over US\$65 for the first time since mid-July 2002. The loonie has been supported by Canada's better economic performance relative to the U.S., wide interest rate differentials and higher commodity prices.
- In December, the two North American currencies lost ground against the Euro and the Yen. But since the beginning of 2003, the Canadian dollar has recovered against both currencies.

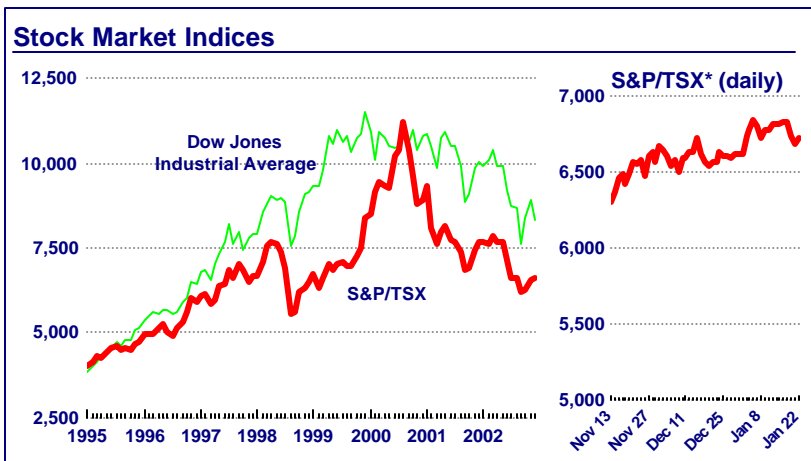
North American stock markets recorded another year of decline

- On average, the S&P/TSX retreated 9.9% in 2002, the second consecutive year-over-year decline. In the U.S., the Dow Jones and the S&P 500 stock indices dropped on average 9.5% and 16.6%, respectively, their third consecutive year of decline. In early 2003, however, the North American indices have been drifting higher, supported by expectations of stimulative fiscal policy measures in the United States aimed at boosting the fragile economy. The advance was moderated, however, by concern related to mounting geopolitical tensions in the international arena.



The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2001	0.6278	78.95	1.387	80.76
2002	0.6339	78.80	1.483	78.20
July 2002	0.6318	79.53	1.535	76.25
Aug	0.6415	78.54	1.533	75.88
Sep	0.6300	78.18	1.546	76.81
Oct	0.6421	78.17	1.548	78.53
Nov	0.6390	78.29	1.573	77.40
Dec	0.6339	78.80	1.588	78.20
Jan 22	0.6530	79.76	1.644	77.12



Key Stock Market Indexes

	December Close*	% change from	
		last month	last year
S&P/TSX	6,615	0.7	-14.0
Oil & Gas	9,486	-1.0	9.1
Metals & Minerals	3,975	9.1	-0.8
Utilities	9,676	4.7	-20.3
Paper & Forest	5,064	13.3	8.3
Merchandising	6,616	-1.4	5.7
Financial Services	10,355	8.8	-4.1
Goods	5,345	-1.6	10.9
S&P 500	879.8	-6.0	-23.4
Dow Jones	8,342	-6.2	-16.8

* The S&P/TSX sub-indexes reflect the most currently available November 2002 data. This table may be modified for future releases.



U.S. Economic Trends

Real GDP growth strengthened in the third quarter...

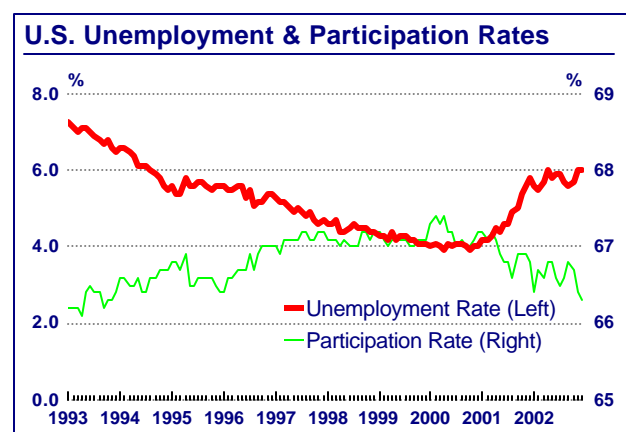
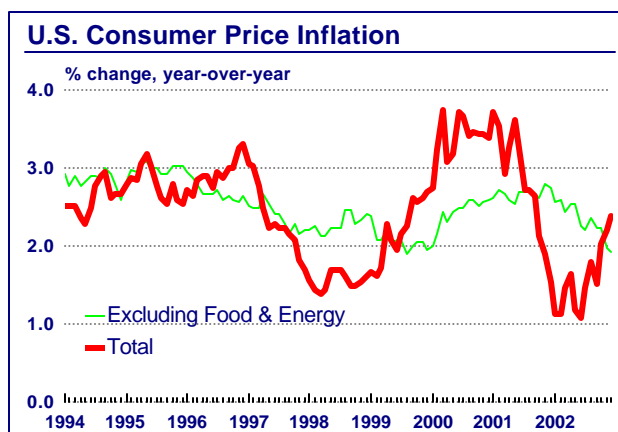
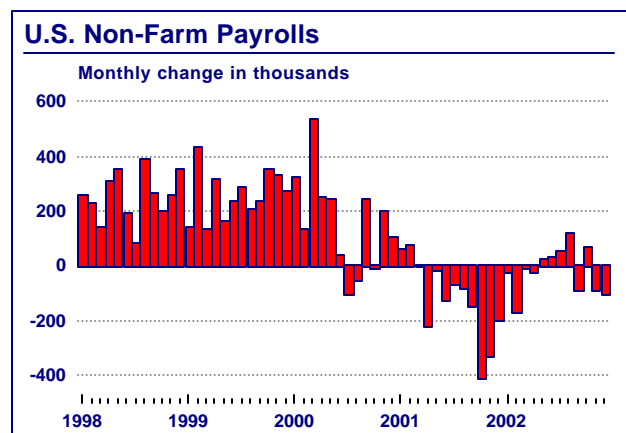
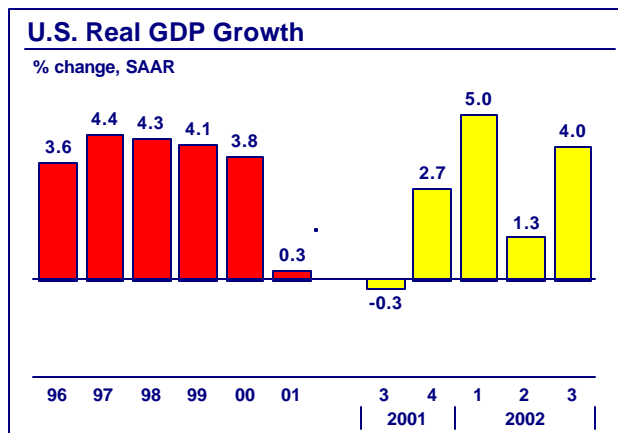
- Real GDP grew 4.0% (annualized) in the third quarter up from 1.3% in the second quarter. This growth was sustained mostly by consumer spending which increased 4.2%, compared to 1.8% in the second quarter. Net exports made a small contribution as export growth (+4.6%) surpassed import growth (+3.3%). Business investment continued to decline (-0.8%) but less than in previous quarters.

...but the U.S. economy had a lacklustre performance in the fourth quarter

- Retail sales rose by only 0.3% in the fourth quarter after rising 1.6% in the third quarter. This reflected a decline in car sales, which had risen in the previous two quarters. Economic weakness was also evident in the manufacturing sector where output fell by 2.5% (annual rate) in the fourth quarter. On the positive side, the Institute of Supply Management manufacturing index rose to 54.7 in December, the first time since August that the index has been above the 50 mark (a reading above/below 50 suggests that the sector is expanding/contracting).

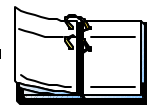
Labour market remained weak in December

- After decreasing by 88 000 in November, non-farm employment dropped 101 000 in December. The unemployment rate remained at 6.0% in December. Non-farm employment fell slightly from December 2001 to December 2002 with Manufacturing losing 592 000 jobs during that period.
- Productivity in the non-farm sector rose 5.1% (annual rate) in the third quarter from 1.7% in the second quarter. This reflected acceleration in output and further decline in hours worked. On a year-over-year basis, the CPI increased 2.4% in December, up from 2.2% in November. The Core CPI rose 1.9%, down from 2.0% in November.



COMING UP

Key Future Data Releases and Planned Events



CANADA

Canadian International Merchandise Trade - December	February 20
Key Policy Interest Rate Announcement	January 21
Monthly Survey of Manufacturing - November	January 22
Consumer Price Index - January	February 27
Real GDP by industry - November	January 31
Labour Force Survey - January	February 7
Financial Statistics for Enterprises - 4th Quarter	February 27
Balance of International Payments - 4th Quarter	February 28
National Economic and Financial Accounts - 4th Quarter	February 28

UNITED STATES

Consumer Price Index - January	February 21
International Trade in Goods and Services - December	February 20
Federal Open Market Committee Meeting	January 28/29
GDP - 4th Quarter (advance)	January 30
The Employment Situation - January	February 7

Note: The December 2002 / January 2003 MEI uses data available as of January 22, 2003