

Conference Board of Canada
Provincial Forecast, Summer 2002

July 22, 2002



Provincial Outlook Summer 2002



Economic Forecast



Provincial Outlook: Economic Forecast
Summer 2002

About The Conference Board of Canada

The Conference Board of Canada is the foremost independent, not-for-profit applied research organization in Canada. We help build leadership capacity for a better Canada by creating and sharing insights on economic trends, public policy issues, and organizational performance. We forge relationships and deliver knowledge through our learning events, networks, research products, and customized information services. Our members include a broad range of Canadian organizations from the public and private sectors. The Conference Board of Canada was formed in 1954, and is affiliated with The Conference Board, Inc. that serves some 3,000 companies in 67 nations.

The executive summary of this publication is available through the Internet: www.conferenceboard.ca/weblinx

For more information about the forecast, please contact our Information Specialists at (613) 526-3254

E-mail: economics@conferenceboard.ca



Contents

Executive Summary —Clear Path Ahead	1
Synopsis — La conjoncture est au beau fixe	4
Newfoundland and Labrador —Oil and Projects Drive the Economy	9
Prince Edward Island —Potatoes are Back	12
Nova Scotia —Economy in High Gear	15
New Brunswick —Service Sector Progressing Strongly	18
Quebec —A Flourishing Economy	21
Québec —Une économie florissante	24
Ontario —Taking Off	27
Manitoba —Agriculture Spurs Growth	30
Saskatchewan —The Economy Marches Forward	33
Alberta —Energy Keeps Outlook Bright	36
British Columbia —Better Days Ahead	39

Highlights

- Record oil production and megaprojects to catapult growth in Newfoundland and Labrador.
- Feverish labour and housing markets bolster Quebec's economy.
- A recovery in the manufacturing sector stimulates Ontario.
- A bounce-back in agriculture pushes growth in Manitoba and Saskatchewan.
- Outlook improving for British Columbia, but full recovery is not yet in the cards.
- Construction projects to boost growth in New Brunswick and Nova Scotia in 2003.

EXECUTIVE SUMMARY

Clear Path Ahead

HIGHLIGHTS

- Record oil production and megaprojects to catapult growth in Newfoundland and Labrador.
- Feverish labour and housing markets bolster Quebec's economy.
- A recovery in the manufacturing sector stimulates Ontario.
- A bounce-back in agriculture pushes growth in Manitoba and Saskatchewan.
- Outlook improving for British Columbia, but full recovery is not yet in the cards.
- Construction projects to boost growth in New Brunswick and Nova Scotia in 2003.

The Canadian economy roared away in the first half of the year, with impressive results on many fronts: A surge in labour markets and stalwart housing demand bolstered consumption activity, while firmer U.S demand brought the export sector back to life. The considerable inventory liquidation at the end of last year stimulated industrial production. Overall, real gross domestic product (GDP) rose by 1.5 per cent in the first quarter of the year.

The Canadian economy is expected to continue on this positive path over the near term. Although production accelerated in the first quarter, the gains were still not sufficient to meet sturdy demand. With the stock-to-sales ratio below normal levels, production should continue to increase for the remainder of this year. Higher production will be required to restore a normal economy-wide accumulation of inventory. This is projected to add substantially to GDP growth over the forecast horizon.

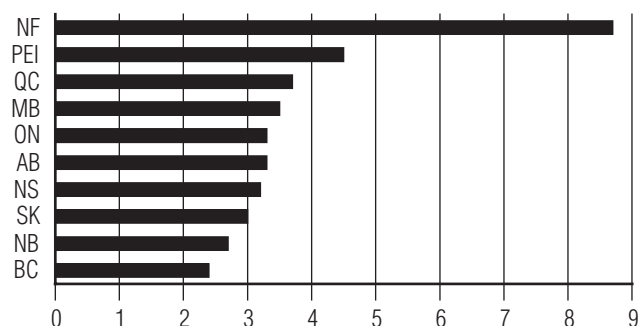
The employment boom carried into the second quarter with the creation of 133,000 new jobs. The sizzling residential market did not run out of breath, and housing starts averaged more than 200,000 units in May and June. Strong demand in April also pushed manufacturing shipments up by 5 per cent. The Conference Board expects real GDP in Canada to edge up by 1.3 per cent in the second quarter of this year.

Though labour markets are projected to settle down in the months to come, the income gains generated by the jobs already created will continue to spur consumer demand this

year. Low financing costs and steadily rising consumer sentiment will also buoy retail activity. Rising interest rates are projected to stimulate last-minute purchases of items that are sensitive to interest rates. The export sector is expected to perform well over the remainder of the forecast horizon. Rising U.S growth will lead to broadly based increases in exports. Low interest rates, a reduced pace of inventory liquidation and fiscal stimulus will propel U.S. real GDP by 2.5 per cent in 2002 and 3.7 per cent in 2003. Real GDP in Canada is expected to grow by 3.6 per cent in 2002 and 3.9 per cent in 2003.

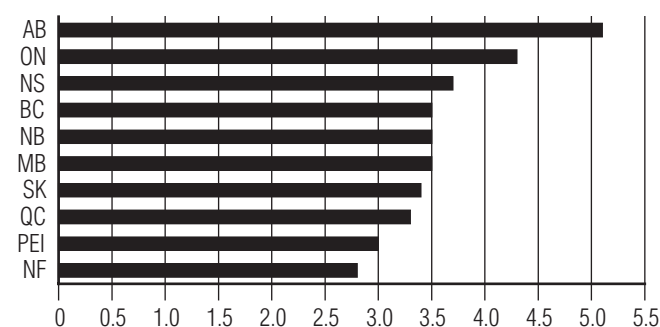
All provinces will bounce back strongly, with the majority recording growth of near or above 3 per cent over the forecast period. Central Canada will perform relatively well over the next two years, with the region's export-oriented manufacturing sectors regaining lost ground. The year is shaping up to be a good one for the Ontario economy. Employment has been steadily rising in the last six months and is making a strong comeback in the manufacturing sector. The housing market also remains quite buoyant. Following a marginal gain of 0.9 per cent in 2001, real GDP at basic prices for Ontario is expected to grow by 3.3 per cent in 2002 and by a further 4.3 per cent in 2003 (see Charts 1 and 2). Quebec has benefited from impressive results in many sectors since the start of the year. With a red-hot housing market, numerous non-residential construction projects and a recovering manufacturing sector, real GDP should grow by a strong 3.7 per cent in 2002 before moderating to 3.3 per cent in 2003.

Chart 1
Real GDP by Province at Basic Prices, 2002
(1997 \$, percentage change)



Sources: Statistics Canada; The Conference Board of Canada.

Chart 2
Real GDP by Province at Basic Prices, 2003
(1997 \$, percentage change)



Sources: Statistics Canada; The Conference Board of Canada.

Surprisingly strong oil production and the start-up of two significant construction projects should help Newfoundland and Labrador attain the highest provincial growth rate in 2002, 8.7 per cent. A deceleration in oil production will limit the province's bottom line to 2.8 per cent in 2003.

Despite drought conditions, the Saskatchewan economy has shown remarkable resilience so far this year. The agriculture industry will recover from a barren 2001 but is expected to remain below the five-year average over the forecast period. The construction industry will post solid growth this year, and a rebound in the drilling sector will bolster the economy next year. Total real GDP in the province will grow by 3 per cent this year and by 3.4 per cent in 2003.

Double-digit gains in agriculture will spur growth in Manitoba this year. A return to a normal crop year after horrid growing conditions in 2001, combined with sustained strength in the livestock sector, will lead to a return to normal levels in the province's diversified agriculture industry. Stronger employment growth and provincial fiscal relief will stimulate retail activity. Total real GDP in the province is forecast to grow by 3.5 per cent on average over the next two years.

Better agricultural prospects and strengthening manufacturing activity will improve real GDP growth considerably in Prince Edward Island this year, while several major construction projects in the energy sector are expected to bolster New Brunswick and Nova Scotia.

With more moderate drilling activity and sluggish agricultural prospects, real GDP in Alberta will advance by 3.3 per cent in 2002. Again leading the country, the province will surge ahead by 5.1 per cent in 2003. Rising oil and natural gas prices will propel growth in the mining sector, while sturdy

interprovincial migration and favourable labour conditions sustain solid gains in the service sector.

The British Columbia economy can look forward to better days. The goods-producing industries are expected to bounce back slowly this year with firmer U.S. demand, while the service sector will continue to progress. The goods-producing industries are not projected to recover fully until 2003. The public sector will be a drag on overall economic activity over the near term. Real GDP growth in British Columbia is expected to expand by 2.4 per cent in 2002 and by 3.5 per cent in 2003.

U.S. ECONOMY

The U.S. economy surged ahead in the first quarter of this year, growing at an annualized pace of 5.8 per cent. Domestic demand remained firm, thanks to stalwart consumers, a sharp rise in residential investment and sustained growth in government spending. Exports rebounded during the quarter, but their contribution to the bottom line was eclipsed by import growth. As in Canada, a much slower pace of inventory liquidation during the first quarter helped the U.S. bottom line significantly. Moreover, the enormous inventory liquidation in the previous quarter paved the way for a long-awaited rebound in industrial production. In May, industrial production registered a positive gain for the fifth consecutive month.

Economic performance on both sides of the border has been very similar over the past year, with one key exception: during the growth pause, there was significant job-shedding in America, while firms in Canada held onto their workers, electing instead to experience lower productivity growth. Moreover, the first quarter rebound in growth did not yield any jobs south of the border, while employment gains were phenomenal in Canada. While this development has accorded Canada's resurgence a sense of permanence, the jobless U.S. rebound has left economy-watchers doubtful. The Federal Reserve Board (Fed) is waiting for further evidence that a recovery has indeed taken hold before it raises interest rates. Employment growth is expected to accelerate in the second half of this year and into 2003 as firms find themselves unable to keep pace with production demands. At that point, convinced that the recovery is on a firm footing, the Fed is expected to begin increasing interest rates late in the third quarter. Indeed, Fed concerns will then shift toward restraining near-term inflationary pressures. This will lead the Fed to raise interest rates aggressively during 2003, until real rates approach their long-term average level early in 2004. Helped by the booming first quarter performance, the U.S. economy should advance by 2.5 per cent this year before accelerating by 3.7 per cent next year (see Chart 3).

NATIONAL OUTLOOK

MONETARY POLICY

With the economy firing up and moving toward full production capacity more quickly, on July 16 the Bank of Canada increased its key overnight rate for the third time this year, by one-quarter of a percentage point, to 2.75 per cent. Last year's stimulative monetary conditions jump-started the economy beyond expectations in the first quarter of 2002, and activity did not abate in the second quarter. However, the pause in real GDP growth last year did not create enough surplus capacity in the economy to sustain long-term growth at the current pace. The Bank's unenviable near-term challenge is to roll back the stimulus without derailing economic growth. As such, the Bank is expected to continue increasing short-term rates by small increments this year and next until real rates are close to their long-term average. Consequently, the current outlook assumes that the Bank rate will rise by a further 225 basis points by the end of 2003, to 5 per cent (see Chart 4). The successive increases are expected to rein in economic growth in time to prevent prices from drifting significantly above the midpoint of the Bank's target range.

The Bank of Canada's recent interest rate hikes have not been mirrored south of the border and have resulted in a premium of 75 basis points on Canadian short-term paper. Consequently, the Canadian dollar has rallied by 5 per cent since January. However, troubles in equity markets shook the Canadian dollar near the end of July. The dollar is expected to continue gaining strength until the second half of 2003, when aggressive U.S. interest rate hikes narrow the Canada-U.S. spread on short-term paper. The dollar is forecast to average U.S. \$0.643 this year and to rise to U.S. \$0.656 in 2003.

FISCAL POLICY

In 2001, regional government spending was 60 per cent above its ten-year average. Revenues were crushed by a weak economy in 2001 as well as by past commitments to cut personal and corporate income tax across the provinces. Regional revenue

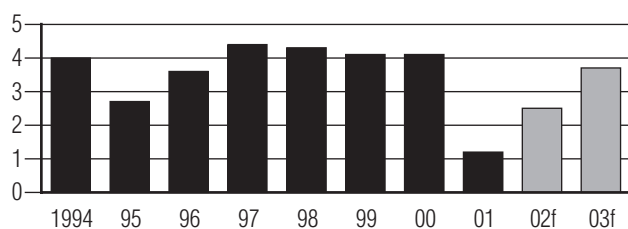
growth fell to a 30-year low last year. The latest provincial budgets indicate that provincial revenues will come in \$7.4 billion lower in fiscal 2001-02 than in the previous year. To offset these grim fiscal realities, most governments have introduced increases in alcohol and tobacco taxes, along with a number of other indirect taxes. The tax increases—ranging from cigarette and liquor taxes to increases in medical service premiums—should yield an extra \$2.5 billion in revenue. The provinces will need this extra revenue, as personal income tax gains in 2002 will be the lowest in a decade. However, after a 14 per cent drop in 2001, corporate tax revenue is set to revive in 2002, coming in at 4.6 per cent. As provincial stabilization funds have already been drawn on, the outlook is humble for provincial surpluses over the forecast.

Total provincial expenditures should nudge \$1.5 billion higher in the current fiscal year. The increase is less than one-fifth of last year's growth. It is also the lowest increase in expenditures in seven years. Although overall expenditures are low, health care spending is on the rise. Over the last three fiscal years, health care has received 63 per cent of new spending. In 1997, health care accounted for 31.4 per cent of expenditures; it makes up 37.6 per cent in the 2002-03 fiscal year. We believe this trend will continue.

With federal government spending expected to remain on target and the economy growing strong over the next year, healthy federal surpluses should emerge over the medium term. The surplus for fiscal 2001-02 is projected to come in at \$7.2 billion on a public accounts basis, followed by a \$5 billion surplus in 2002-03 and \$5.8 billion in 2003-04.

On the positive side, the provinces are assured stable social transfer payments from the federal government over the next five years. Transfers should grow by an average of 4.2 per cent from 2002 to 2006. As regional balances wither and the federal surplus looks relatively robust, the provinces will exert increasing pressure for social transfers to rise again.

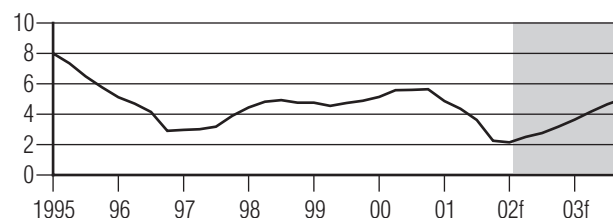
Chart 3
Getting Back on its Feet
(U.S. real GDP, percentage change)



f = forecast

Sources: Economy.com; The Conference Board of Canada.

Chart 4
More Interest Rate Hikes Expected
(90-day Treasury bill rate)



f = forecast

Sources: The Bank of Canada; The Conference Board of Canada.

SYNOPSIS

La conjoncture est au beau fixe

FAITS SAILLANTS

- À Terre-Neuve et au Labrador, une production pétrolière record et divers mégaprojets catapultent la croissance.
- Fébriles, les marchés du travail et du logement soutiennent l'économie québécoise.
- Le redressement du secteur manufacturier stimule l'économie ontarienne.
- La remontée du secteur agricole accélère la croissance au Manitoba et en Saskatchewan.
- En Colombie-Britannique, les perspectives s'améliorent, mais le rétablissement complet de l'économie demeure peu probable pour l'instant.
- En 2003, des projets de construction donneront un élan à la croissance au Nouveau-Brunswick et en Nouvelle-Écosse.

L'économie canadienne a traversé les six premiers mois de l'année à toute allure, enregistrant au passage des résultats impressionnants sur plusieurs fronts : le brusque gonflement des marchés du travail et la demande vigoureuse de logements ont intensifié l'activité de consommation, tandis que le raffermissement de la demande américaine a redonné vie au secteur des exportations. La liquidation massive des stocks à la fin de l'année dernière a stimulé la production industrielle. De façon générale, le produit intérieur brut (PIB) réel s'est accru de 1,5 p. 100 au premier trimestre de l'année.

On s'attend à ce que l'économie canadienne continue sur cette bonne voie à court terme. Même si la production s'est accélérée au premier trimestre, les gains n'ont pas encore été suffisants pour répondre à la robuste demande. Le rapport stocks/ventes étant en deçà de la normale, la production devrait continuer d'augmenter jusqu'à la fin de l'année. Il faudra hausser encore la production pour revenir à des niveaux d'accumulation des stocks normaux à l'échelle de l'économie. La croissance du PIB d'ici à la fin de la période de prévision devrait en bénéficier grandement.

L'essor du secteur de l'emploi s'est poursuivi au deuxième trimestre comme en témoigne la création de 133 000 emplois. Dynamique, le marché domiciliaire ne s'est pas essouffé non plus, les mises en chantier ayant atteint en moyenne plus de

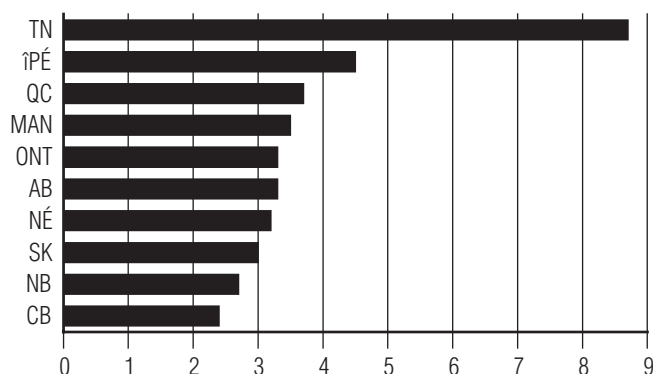
200 000 unités en mai et en juin. Forte en avril, la demande a aussi donné une impulsion aux expéditions de produits manufacturiers, qui ont grimpé de 5 p. 100. Le Conference Board prévoit que le PIB réel au Canada montera de 1,3 p. 100 au deuxième trimestre de cette année.

Bien que l'on s'attende à ce que les marchés du travail accusent un ralentissement dans les mois à venir, les gains de revenu générés par les emplois déjà créés continueront de stimuler la demande des consommateurs cette année. La faiblesse des charges de financement et le renforcement constant de la confiance des consommateurs contribueront à redresser la vente au détail. La majoration des taux d'intérêt devrait encourager les achats de dernière minute d'articles sensibles aux taux d'intérêt. On pronostique aussi que le secteur des exportations maintiendra sa vigueur pour le restant de la période de prévision. La reprise de la croissance aux États-Unis se traduira par une hausse généralisée des exportations. Les taux d'intérêt bas, la liquidation ralentie des stocks et les mesures de stimulation budgétaire sont autant de facteurs qui propulseront le PIB réel américain de 2,5 p. 100 en 2002 et de 3,7 p. 100 en 2003. Au Canada, le PIB réel devrait croître de 3,6 p. 100 en 2002 et de 3,9 p. 100 en 2003.

Toutes les provinces se redresseront avec force, et la majorité d'entre elles affichera une croissance frisant sinon dépassant les 3 p. 100 pendant la période de prévision. Le centre du Canada se portera relativement bien au cours des deux prochaines années, du fait que les secteurs manufacturiers de la région axés sur l'exportation regagneront le terrain perdu. L'année s'annonce bonne pour l'économie ontarienne. L'emploi n'a pas cessé de croître régulièrement au cours des six derniers mois, et fait un retour en force dans le secteur manufacturier. Le marché du logement aussi demeure assez énergique. Après avoir réalisé un gain marginal de 0,9 p. 100 en 2001, le PIB réel aux prix de base de l'Ontario grossira, selon nos estimations, de 3,3 p. 100 en 2002 et de 4,3 p. 100 en 2003 (voir les graphiques 1 et 2). Depuis le début de l'année, le Québec profite de résultats impressionnants dans bien des secteurs. Soutenu par un marché du logement gonflé à bloc, de nombreux projets de construction non résidentielle et le redressement du secteur manufacturier, le taux d'accroissement du PIB réel devrait s'établir à un solide 3,7 p. 100 en 2002 avant de redescendre à 3,3 p. 100 en 2003.

Graphique 1

PIB réel aux prix de base par province, en 2002
(en dollars de 1997, variation en pourcentage)



Sources : Statistique Canada; Le Conference Board du Canada.

Une production pétrolière étonnamment forte et le démarrage de deux projets de construction d'envergure devraient aider Terre-Neuve et le Labrador à afficher le meilleur taux de croissance provincial en 2002, soit 8,7 p. 100. Par contre, la décélération de la production pétrolière limitera la progression de la province à 2,8 p. 100 en 2003.

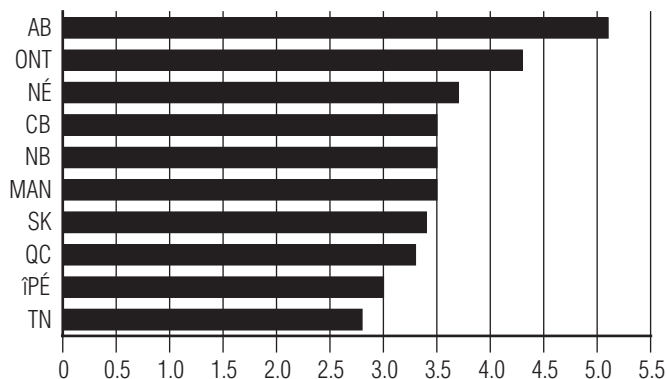
Malgré la sécheresse, l'économie de la Saskatchewan a jusqu'à présent su tenir le coup d'une manière remarquable. Le secteur agricole s'en remettra d'une année 2001 aride, mais la production agricole devrait rester en deçà de la moyenne quinquennale pour la durée de la période de prévision. En revanche, le secteur de la construction affichera une solide croissance cette année, et la reprise du secteur du forage alimentera l'économie l'année prochaine. Le PIB réel global de la province croîtra de 3 p. 100 cette année, puis de 3,4 p. 100 en 2003.

De la croissance à deux chiffres dans le secteur agricole stimuleront la croissance au Manitoba cette année. Le retour à une campagne agricole normale après des conditions de sol terribles en 2001, conjugué à la force soutenue du secteur de l'élevage, se traduira par un retour à la normale pour le secteur agricole diversifié de la province. D'autre part, l'affermissement de la croissance de l'emploi et des allègements fiscaux consentis par la province donneront une impulsion à l'activité de détail. Selon nos projections, le PIB réel global de la province augmentera de 3,5 p. 100 en moyenne au cours des deux prochaines années.

De meilleures perspectives pour le secteur agricole et le renforcement de l'activité manufacturière amélioreront considérablement la croissance du PIB réel de l'Île-du-Prince-Édouard cette année. Parallèlement, plusieurs gros projets de construction dans le secteur énergétique soutiendront,

Graphique 2

PIB réel aux prix de base, par province, en 2003
(en dollars de 1997, variation en pourcentage)



Sources : Statistique Canada; Le Conference Board du Canada.

estimons-nous, l'économie du Nouveau-Brunswick et de la Nouvelle-Écosse.

Étant donné le ralentissement de l'activité de forage et les perspectives plutôt ternes du secteur agricole, le PIB réel de l'Alberta progressera de 3,3 p. 100 en 2002. Cependant, avec 5,1 p. 100 en 2003, la province affichera encore une fois la meilleure croissance provinciale au pays. À la hausse, les cours du pétrole et du gaz naturel alimenteront l'expansion du secteur minier, tandis que la migration interprovinciale soutenue et un marché du travail favorable assureront à la province de solides gains dans le secteur tertiaire.

L'économie de la Colombie-Britannique peut s'attendre à de meilleurs lendemains. En effet, nous prévoyons que les secteurs de la production de biens se redresseront lentement cette année grâce au raffermissement de la demande américaine, mais ils ne sortiront totalement de leur torpeur qu'en 2003. Le secteur tertiaire poursuivra, quant à lui, sa progression. Par contre, le secteur public aura l'effet d'un boulet sur l'activité économique globale à court terme. Le PIB réel de la Colombie-Britannique devrait grossir de 2,4 p. 100 en 2002 et de 3,5 p. 100 en 2003.

ÉCONOMIE AMÉRICAINE

L'économie américaine a décollé au premier trimestre de cette année, enregistrant un taux d'expansion annualisé de 5,8 p. 100. La demande intérieure est restée ferme grâce à des consommateurs inébranlables, à un bond notable de l'investissement résidentiel et à une croissance soutenue des dépenses publiques. Les exportations ont repris durant ce trimestre, mais leur contribution au bilan global a été éclipsée par la progression des importations. Comme au Canada,

l'économie a profité de manière substantielle du ralentissement marqué de la liquidation des stocks durant le premier trimestre. De plus, la liquidation massive des stocks enregistrée au cours du trimestre précédent a préparé la voie à une relance attendue depuis longtemps de la production industrielle. En mai, cette dernière a enregistré un gain positif pour le cinquième mois consécutif.

Au cours de la dernière année, la tenue de l'économie des deux côtés de la frontière a été très semblable, à une exception près : durant la période de stagnation, il y a eu des licenciements massifs aux États-Unis, tandis qu'au Canada, les entreprises ont maintenu leurs effectifs, choisissant plutôt de subir des pertes de productivité. Qui plus est, la reprise de la croissance au premier trimestre ne s'est pas traduite par une création d'emplois chez nos voisins du Sud. Par contre, de ce côté-ci de la frontière, les gains d'emplois ont été phénoménaux. Au Canada, cette tournure des événements a donné une impression de durabilité, tandis qu'aux États-Unis, le retournement du marché de l'emploi a laissé sceptiques les observateurs économiques. Le Federal Reserve Board (la Réserve fédérale) préfère attendre des signes supplémentaires que la reprise est bien amorcée avant de majorer les taux d'intérêt. La croissance de l'emploi devrait s'accélérer à la deuxième moitié de l'année et se poursuivre jusqu'en 2003, les entreprises devenant incapables de suivre la cadence des exigences de production. Dès lors, convaincue que la reprise est là pour durer, la Réserve fédérale devrait commencer à hausser les taux d'intérêt à partir de la fin du troisième trimestre. En effet, ses préoccupations apaisées, elle mettra l'accent sur le confinement des pressions inflationnistes à court terme. En conséquence, elle augmentera vigoureusement les taux d'intérêt au cours de 2003, jusqu'à ce que les taux réels se rapprochent de leur moyenne à long terme au début de 2004. Profitant de l'essor qu'elle a connu au premier trimestre, l'économie

américaine devrait générer une croissance de 2,5 p. 100 cette année; le taux d'expansion devrait s'accélérer à 3,7 p. 100 l'année prochaine (voir le graphique 3).

PERSPECTIVES AU CANADA

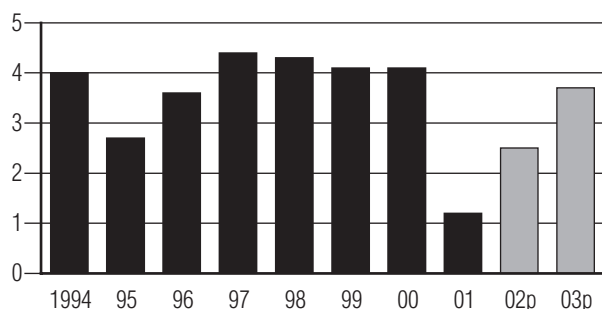
POLITIQUE MONÉTAIRE

Voyant l'économie s'embraser et s'approcher plus rapidement que prévu des limites de sa capacité de production, la Banque du Canada a annoncé, le 16 juillet, qu'elle relevait le taux cible du financement à un jour de un quart de point de pourcentage pour l'établir à 2,75 p. 100. Il s'agit de la troisième augmentation depuis le début de l'année. Les conditions monétaires à effet stimulant de l'année dernière ont survolté l'économie au-delà des attentes au premier trimestre de 2002, et l'activité n'a pas ralenti au deuxième trimestre. Cela étant, la croissance du PIB réel, au point mort l'année dernière, n'a pas permis de dégager un surplus suffisant pour que l'économie continue de progresser à long terme au rythme actuel. Le défi non enviable de la Banque, à court terme, est d'atténuer graduellement la détente monétaire sans compromettre la croissance économique. C'est pourquoi on s'attend à ce que la Banque continue de majorer petit à petit les taux d'intérêt à court terme cette année et l'année prochaine jusqu'à ce que les taux réels se rapprochent de leur moyenne à long terme. C'est ce qui nous amène à supposer que le taux officiel d'escompte fera un bond supplémentaire de 225 points de base d'ici à la fin de 2003 pour atteindre 5 p. 100 (voir le graphique 4). Ces hausses successives devraient brider l'expansion économique juste à temps pour empêcher les prix de déraper considérablement au-delà du point médian de la fourchette cible de maîtrise de l'inflation établie par la Banque.

Les récentes hausses des taux d'intérêt opérées par la Banque du Canada n'ont pas été calquées par la Réserve

Graphique 3

L'économie se redresse
(PIB réel des États-Unis, variation en pourcentage)

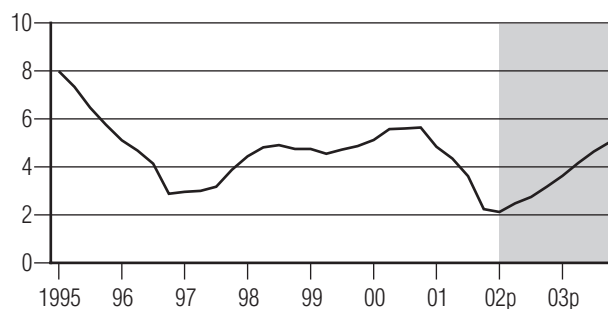


p = prévision

Sources : Economy.com; Le Conference Board du Canada.

Graphique 4

De nouvelles hausses des taux d'intérêt sont attendues
(taux des bons du Trésor de 90 jours)



p = prévision

Sources : Statistique Canada; Le Conference Board du Canada.

fédérale, si bien que les titres de créances canadiens à court terme ont bénéficié d'un gain de 75 points de base. Par voie de conséquence, le dollar canadien s'est apprécié de 5 p. 100 depuis janvier. Toutefois, l'instabilité des marchés des actions a ébranlé notre devise vers la fin de juillet. On prévoit malgré tout qu'elle continuera de reprendre des forces jusqu'à la deuxième moitié de 2003, soit quand des majorations substantielles des taux d'intérêt aux États-Unis réduiront l'écart entre les titres de créances à court terme canadiens et américains. Le dollar devrait s'établir en moyenne à 0,643 \$ US cette année, puis remonter à 0,656 \$ US en 2003.

POLITIQUE BUDGÉTAIRE

En 2001, les dépenses publiques provinciales ont été de 60 p. 100 supérieures à leur moyenne de dix ans. Les recettes ont souffert de la faiblesse économique en 2001 ainsi que d'engagements antérieurs pris par les provinces de réduire l'impôt sur le revenu des particuliers et des sociétés. Ainsi, la croissance des recettes régionales a baissé l'année dernière à son niveau le plus bas en 30 ans. Les derniers budgets provinciaux indiquent que les recettes provinciales pour 2001-2002 seront inférieures de 7,4 milliards de dollars à celles de l'exercice précédent. Soucieux de compenser ces dures réalités budgétaires, la plupart des gouvernements ont choisi de majorer les taxes sur l'alcool et le tabac, ainsi que de nombreuses autres taxes indirectes. Ces hausses de taxes — qui ont frappé tant les cigarettes et les boissons alcoolisées que les cotisations aux régimes d'assurance-médicale — devraient générer un supplément de recettes de 2,5 milliards de dollars, supplément dont les provinces auront besoin, puisque les gains réalisés en 2002 au titre de l'impôt sur le revenu des particuliers seront les plus faibles depuis une dizaine d'années. Cela étant, après avoir chuté de 14 p. 100 en 2001, les recettes provenant de l'impôt sur le revenu des sociétés devraient reprendre de la vigueur en

2002 pour croître de 4,6 p. 100. Les provinces ayant déjà puisé dans leurs fonds de stabilisation, nous prévoyons que les excédents budgétaires provinciaux seront modestes durant la période de prévision.

Les dépenses provinciales totales devraient grimper de 1,5 milliard de dollars dans le courant de l'exercice actuel. Cette augmentation est inférieure au cinquième de l'accroissement enregistré l'année dernière. C'est aussi la hausse la plus timide en sept ans. Bien que les dépenses globales soient faibles, celles engagées au chapitre des soins de santé sont à la hausse. En effet, au cours des trois derniers exercices, 63 p. 100 des nouvelles dépenses ont été consacrées aux soins de santé. En 1997, 31,4 p. 100 des dépenses ont été réservées à ce secteur, qui absorbera 37,6 p. 100 des dépenses de 2002-2003. Nous croyons que la tendance se maintiendra.

Compte tenu du fait que l'on prévoit que les dépenses fédérales garderont le cap et que l'économie affichera une forte croissance l'année prochaine, le gouvernement fédéral devrait être en mesure de dégager des excédents budgétaires appréciables à moyen terme. Pour l'exercice 2001-2002, l'excédent devrait se chiffrer à 7,2 milliards de dollars selon les comptes publics, puis à 5 milliards de dollars en 2002-2003 et à 5,8 milliards de dollars en 2003-2004.

Mais, bonne nouvelle, les provinces sont assurées de recevoir des paiements stables au titre du transfert social de l'État fédéral au cours des cinq prochaines années. Nous calculons que le transfert croîtra en moyenne de 4,2 p. 100 entre 2002 et 2006. Étant donné que le solde des provinces s'amenuise et étant donné l'excédent fédéral semble être relativement robuste, les provinces feront de plus en plus pression pour une nouvelle bonification du transfert social.

Newfoundland and Labrador

- Mineral fuel growth from Terra Nova and Hibernia will boost real GDP growth to 8.7 per cent in 2002.
- Voisey's Bay and White Rose will contribute to large non-residential investment expenditures in 2003.

Real GDP

2002	Growth 8.7	Ranking #1
-------------	---------------	---------------

2003	Growth 2.8	Ranking #10
-------------	---------------	----------------

Credit Quality

A-
Standard & Poor's

Retail Sales

2002	Growth 4.1	Ranking #10
-------------	---------------	----------------

2003	Growth 3.2	Ranking #8
-------------	---------------	---------------

Government & Background Information

Premier Roger Grimes

Next election 2003

Population (July 1, 2002) 531,693

Government balance
(2002-03) -\$93 million

Source: The Conference Board of Canada;
Newfoundland and Labrador Finance.

OIL AND PROJECTS DRIVE THE ECONOMY

Monique Brugger

Impressive growth in oil production from both Terra Nova and Hibernia will help propel the province's overall real gross domestic product (GDP) to 8.7 per cent growth in 2002, easily surpassing the pace of any other province. One caveat to this outstanding result is that Newfoundland's real GDP growth would stand at only 2.4 per cent without oil production.

Nevertheless, some important new and existing projects will keep the provincial economic outlook bright over the near term.

After years of debate, the Newfoundland government and nickel giant Inco have finally agreed to develop the massive nickel reserves at Voisey's Bay in Labrador. Initially, \$55 million will be spent on road and infrastructure development, while construction of a \$710 million mine and mill concentrator plant will begin next year. White Rose, the province's third offshore oil project, was also given the go-ahead earlier this year. Construction of the modules will begin in the fourth quarter of this year and will quickly gain steam in 2003. As a result, the province's construction sector will reap the greatest rewards over the near term, especially in 2003, as total investment expenditures surge. On the down side, a deceleration in oil production will limit the province's bottom line to 2.8 per cent next year.

The outlook for the other goods-producing sectors is not as bright. The fishing industry will see only modest increases, as the overall

catch is marginally higher than last year, with only crab landings gaining ground. The manufacturing sector relies heavily on both the fishing and forestry industries. Given the outlook for these two industries, any gains in manufacturing will only compensate for last year's negative result.

Although the employment outlook is expected to slow to 2.3 per cent, job gains will nevertheless be strong enough to bolster personal income and spending intentions over the forecast horizon.

OIL PRODUCTION FUELS GROWTH

Oil production at the Terra Nova Floating Production Storage and Offloading (FPSO) facility is having a resounding impact on the province's mineral fuels output and is clearly reflected in the province's bottom line. Since the facility started producing oil in January of this year, production has quickly increased—by 56 per cent in the second quarter. The project partners have expressed interest in raising the production quota but they have not yet filed an application to do so. The facility, currently producing between 35 and 40 million barrels per year, is on track to account for about 40 per cent of this year's total mineral fuel output in the province.

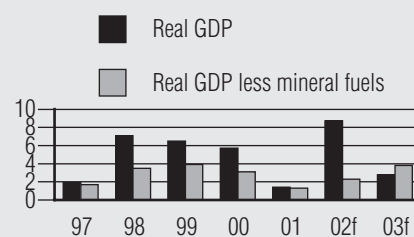
At Hibernia, oil production in the second quarter increased by almost 16 per cent over the first quarter of this year. This was the second highest quarter-over-quarter production increase in more than two years, exceeded only in the fourth quarter of 2001. The facility is currently pumping around 60 million barrels per year, about 10 per cent more than last year. Increased production at Terra Nova and Hibernia will propel mineral fuels output growth in the

Economic Indicators (percentage change)

	2001	2002	2003
Real GDP (basic prices)	1.4	8.7	2.8
Consumer price index	1.1	2.3	1.8
Personal disposable income	3.5	3.7	3.5
Employment	3.3	2.3	1.7
Unemployment rate	16.2	16.0	14.1
Retail sales	9.3	4.1	3.2
Average weekly wages	2.0	2.0	2.2
Population	-0.7	-0.5	-0.5

Source: The Conference Board of Canada.

Oil Boosts Output (1997 \$, percentage change)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

province to almost 78 per cent this year. A deceleration in oil production in 2003 will contribute to a drop in output of 3 per cent, although the level will remain high.

Services incidental to mining will benefit from the growth in mineral fuels output. In June, Husky Energy Inc. announced plans to drill an exploration well in the third quarter in the Jeanne d'Arc Basin, 350 kilometres east of Newfoundland. The purpose of the well is to test the oil potential of a large structure about 10 kilometres south of the White Rose oilfield. Husky anticipates drilling a second well in the same area later in 2002 or in 2003. Recently, however, a string of unsuccessful wells drilled by major oil companies have made offshore projects less attractive. Some companies believe that Canada's arctic region holds the best potential for oil and gas exploration. This could present a significant forecast risk to the province's mining sector over the longer term.

NEW PROJECTS HIGHLIGHT THE OUTLOOK

Perhaps the biggest news to hit the province in June was the approval by the provincial government for Inco Ltd. to develop the massive nickel reserves at Voisey's Bay in Labrador. This project will have a significant impact on non-energy investment expenditures over the near to medium term. The Conference Board estimates that private non-energy investment will grow by 80 per cent in 2003, when the construction phase is at its height. Some initial road construction, a landing strip and other facilities will take place this year; development of the open-pit mine will begin next spring, along with construction on the mill concentrator plant. The province has agreed to allow Inco to transport copper, cobalt and nickel concentrate to processing facilities in Sudbury, Ontario, and Thompson, Manitoba, until the \$800 million hydromet processing facility in Argentia, Newfoundland, is completed. Construction of this processing facility will go ahead if its new technology is proven feasible. Current plans are for the facility to be completed in 2011. Consequently, the province's construction industry will be boosted by 12 per cent in 2003.

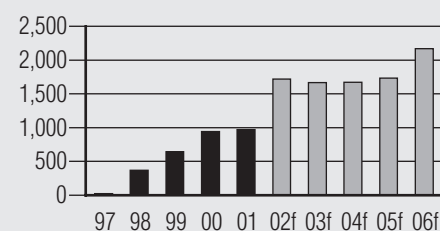
The other major project to get the green light recently is the province's third offshore petroleum project, White Rose. Project partners Husky Energy (72.5 per cent) and Petro Canada (27.5 per cent) have awarded several major contracts for construction of the FPSO. The province will benefit from construction of the topside modules, including related engineering, construction and installation. The project is set to begin in the fourth quarter of this year and to quickly ramp up in 2003.

OTHER GOODS-PRODUCING INDUSTRIES

The construction sector will benefit from the province's two new major projects, Voisey's Bay and White Rose, but only marginally in 2002; the biggest boost to construction will occur in 2003. Housing starts will not make much of an impact on the sector either this year. Following spectacular new residential construction last year, starts will grow by 3.2 per cent in 2002. Housing starts will decelerate sharply when interest rates climb in the last half of this year and in 2003, but the construction sector as a whole will not suffer, as the major new projects will lead to double-digit growth.

The forestry sector will be hit hard this year by the anti-dumping duties imposed by the United States on the province's softwood lumber industry. Shipments of wood products have fallen sharply since the duties were put into effect. The fishing sector will grow by 2.8 per cent in 2002, as landings of shrimp and crab will come in higher than they did last year. The sector will see only modest growth in 2003.

Terra Nova Boots Mineral Fuels Output (1997 \$, millions)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

Forecast Risks

Short term

- A decrease in oil output from Terra Nova could have a large negative effect on mining output, thus affecting the province's bottom line.

Medium term

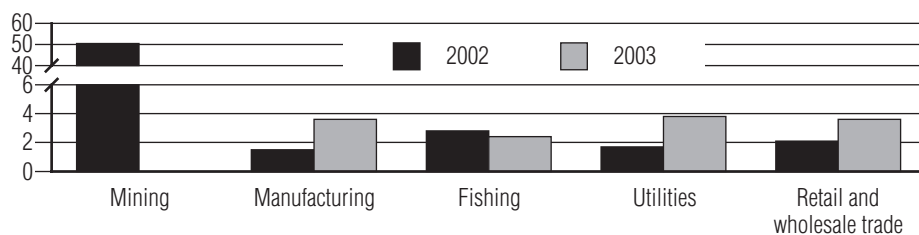
- If more dry wells are drilled off the east coast, the province's mining services sector will be hit hard, negatively affecting total mining.

Source: The Conference Board of Canada.

DOMESTIC DEMAND REMAINS POSITIVE

Employment growth will average 2.3 per cent this year, thanks to substantial increases in manufacturing and in mining and oil and gas, both of which enjoyed double-digit growth in the second quarter. Job gains will decelerate to 1.7 per cent next year. Buoyant personal income and personal disposable income growth in 2002 and 2003 will maintain strength in retail sales.

Industry Outlook (1997 \$, percentage change)



Sources: Statistics Canada; The Conference Board of Canada.

Key Economic Indicators: Newfoundland

(Forecast Completed: July 22, 2002)

	2001:1	2001:2	2001:3	2001:4	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4	2001	2002	2003
GDP at market prices (current \$)	14,372 -3.9	14,220 -1.1	14,018 -1.4	13,878 -1.0	15,835 14.1	15,531 -1.9	15,567 0.2	15,788 1.4	16,207 2.7	16,400 1.2	16,593 1.2	16,771 1.1	14,122 -1.9	15,680 11.0	16,493 5.2
GDP at basic prices (current \$)	13,086 -4.1	12,907 -1.4	12,659 -1.9	12,521 -1.1	14,403 15.0	14,049 -2.5	14,081 0.2	14,288 1.5	14,691 2.8	14,866 1.2	15,042 1.2	15,205 1.1	12,793 -2.4	14,205 11.0	14,951 5.2
GDP at basic prices (constant \$ 1997)	11,264 -0.9	11,377 1.0	11,670 2.6	11,695 0.2	12,233 4.6	12,660 3.5	12,534 -1.0	12,568 0.3	12,711 1.1	12,789 0.6	12,914 1.0	12,993 0.6	11,502 1.4	12,499 8.7	12,852 2.8
Consumer price index (1992=1.0)	1.143 0.1	1.149 0.5	1.151 0.2	1.138 -1.1	1.143 0.4	1.178 3.0	1.181 0.3	1.184 0.3	1.186 0.1	1.190 0.3	1.194 0.4	1.199 0.4	1.145 1.1	1.171 2.3	1.192 1.8
Implicit price deflator— GDP at basic prices (1997=1.0)	1.162 -3.3	1.134 -2.3	1.085 -4.4	1.071 -1.3	1.177 10.0	1.110 -5.7	1.123 1.2	1.137 1.2	1.156 1.7	1.162 0.6	1.165 0.2	1.170 0.5	1.113 -3.7	1.137 2.2	1.163 2.3
Average weekly wages (level)	579 0.7	578 -0.2	580 0.5	587 1.1	594 1.2	589 -0.8	592 0.5	595 0.4	599 0.7	604 0.8	608 0.6	611 0.6	581 2.0	593 2.0	606 2.2
Personal income (current \$)	11,788 1.9	11,658 -1.1	11,696 0.3	11,978 2.4	12,047 0.6	12,218 1.4	12,331 0.9	12,435 0.8	12,522 0.7	12,666 1.2	12,787 1.0	12,951 1.3	11,780 3.5	12,258 4.1	12,731 3.9
Personal disposable income (current \$)	9,441 2.4	9,278 -1.7	9,289 0.1	9,537 2.7	9,593 0.6	9,705 1.2	9,787 0.9	9,866 0.8	9,926 0.6	10,033 1.1	10,125 0.9	10,249 1.2	9,386 3.5	9,738 3.7	10,083 3.5
Personal savings rate	6.7	2.7	1.6	4.9	5.4	5.4	5.4	5.1	5.1	4.9	4.7	4.7	4.0	5.3	4.9
Population of labour force age (000s)	440 0.1	440 -0.2	439 -0.1	439 0.0	439 0.1	439 -0.1	439 0.1	439 0.0	439 0.0	439 0.0	439 0.0	439 0.0	439 -0.1	439 0.0	439 0.0
Labour force (000s)	249 0.2	255 2.7	251 -1.6	254 1.3	257 1.2	258 0.3	257 -0.5	257 0.1	256 -0.4	256 0.0	256 0.0	256 -0.2	252 2.6	257 2.1	256 -0.5
Employment (000s)	208 1.0	214 3.0	212 -1.2	213 0.5	213 0.2	217 1.9	217 0.2	218 0.2	218 0.2	219 0.5	220 0.3	222 0.9	211 3.3	216 2.3	220 1.7
Unemployment rate	16.4	16.1	15.7	16.4	17.3	15.9	15.4	15.3	14.9	14.3	14.1	13.2	16.2	16.0	14.1
Retail sales (current \$)	4,778 4.0	4,913 2.8	5,036 2.5	5,044 0.2	5,071 0.5	5,162 1.8	5,163 0.0	5,192 0.6	5,211 0.4	5,284 1.4	5,340 1.1	5,415 1.4	4,943 9.3	5,147 4.1	5,313 3.2
Housing starts (units)	657 -57.2	1,990 203.0	2,209 11.0	2,296 3.9	1,700 -26.0	2,233 31.4	1,750 -21.6	1,700 -2.9	1,642 -3.4	1,585 -3.4	1,532 -3.4	1,481 -3.3	1,788 22.5	1,846 3.2	1,560 -15.5

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: Statistics Canada; Canada Mortgage and Housing Corporation; The Conference Board of Canada.

Prince Edward Island

- Thanks to a recovering agriculture sector, PEI will have the second-highest provincial GDP growth in 2002.
- Normal potato supply will boost manufacturing.

Real GDP

2002	Growth 4.5	Ranking #2
-------------	---------------	---------------

2003	Growth 3.0	Ranking #9
-------------	---------------	---------------

Credit Quality

A
Standard & Poor's

Retail Sales

2002	Growth 4.4	Ranking #9
-------------	---------------	---------------

2003	Growth 2.8	Ranking #10
-------------	---------------	----------------

Government & Background Information

Premier	Pat Binns
Next election	2005
Population (July 1, 2002)	139,184
Government balance (2002-03)	-\$28.8 million

Source: The Conference Board of Canada.

POTATOES ARE BACK

Mathieu Lalonde

The agriculture sector is projected to rebound strongly in Prince Edward Island in 2002, following last year's catastrophic drought. After plunging by 27.9 per cent in 2001, the province's agricultural output is forecast to return to close to its normal level in 2002 if the weather cooperates. With a decent crop, output will jump by a spectacular 33 per cent this year. After the potato wart outbreak in 2000 and the drought of 2001, a good crop would be welcomed by producers. A comeback in the agriculture sector is the main reason why the province will post a strong 4.5 per cent performance this year.

A good tourism season is also in store for the province this year. Weather has been excellent since the beginning of the summer, and incomes in the rest of Canada are on the rise as a result of sizzling labour markets. Since fewer U.S. tourists are expected to travel to the Island this year, the provincial tourism department has concentrated on advertising in Ontario and Quebec. Next year should be an even better one for the tourism industry, as the Canadian and U.S. economies are both expected to grow strongly.

Agriculture was not the only sector to suffer from the drought. The important food-processing industry has been struggling because there are not enough potatoes to meet market needs. Many plants have had to scale back to part-time production. Nonetheless, manufacturing output should still grow by 3 per cent this year, thanks to gains in the aerospace and biopharmaceutical

sectors. The manufacturing sector should strengthen further in 2003, as a few plants now under construction will be in operation. In addition, further gains in the agriculture sector will permit manufacturing output to rise by 3.9 per cent in 2003. Total real gross domestic product (GDP) should grow more moderately next year, by 3 per cent.

AGRICULTURE FINALLY RECOVERS

This spring, the federal government announced a special aid package to help Canadian farmers who have faced the double burden of last year's difficult climatic conditions plus the indirect effects of U.S. farm subsidies. Some of this money is expected to go to Prince Edward Island. With favourable weather in the first weeks of the summer, 2002 should be a good year for the province's agriculture sector.

Other sectors, however, have worries of their own. Hub Meat Packers, the New Brunswick plant that used to absorb nearly all PEI beef production, ended its beef-processing activities and local producers are now struggling to find other buyers. The beef industry experienced rapid growth over the past few years, when mad cow disease in Europe and South America propelled demand for unaffected North American beef. Island producers benefited greatly from this situation and experienced double-digit growth rates during the late 1990s, but they might now have to ship cattle as far away as Ontario for processing.

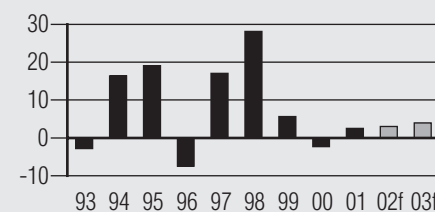
Aquaculture took a hit last spring when high levels of demoic acid forced authorities to close five mussel-producing areas. All

Economic Indicators (percentage change)

	2001	2002	2003
Real GDP (basic prices)	0.1	4.5	3.0
Consumer price index	2.6	2.1	1.9
Personal disposable income	3.8	5.1	3.3
Employment	2.0	1.3	1.1
Unemployment rate	11.9	12.3	12.0
Retail sales	4.2	4.4	2.8
Average weekly wages	0.5	1.9	2.4
Population	0.4	0.5	0.4

Source: The Conference Board of Canada.

Manufacturing Keeps on Rolling (percentage change)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

the areas were reopened in May, and this episode should not leave any lasting effects on the aquaculture industry. Early data from the federal Department of Fisheries and Oceans show a rise in landings for the province's fisheries. The sector is forecast to grow by 5 per cent in 2002.

TOURISM STAYS STRONG

The tourism industry was nervous last fall, suffering numerous cancellations following the September terrorist attacks, and the worst was feared for the summer season.

However, things have not turned out as badly as expected, and reservations by March were higher than a year earlier. This is partly because only a small part of the Island's tourism is air-bound, and because of a low Canadian dollar, which encourages Canadians to spend their vacations in the country. A good tourism season will help retail sales to grow by 4.4 per cent in 2002.

MANUFACTURING SHOWING MORE SIGNS OF LIFE

The manufacturing sector, still dominated by the food-processing industry, suffered from the lack of potatoes in late 2001 and early 2002. The potato supply should be back to normal this year, and operations in the agri-food industry should return to normal. There is relatively little non-food manufacturing, but its share of total manufacturing has risen sharply over the last few years, especially in the aerospace sector. In fact, growth in the non-food manufacturing sectors was high enough to offset the effects of the recent potato shortage. Nipugt Eco Tech, a native-owned company based in Quebec, will hire more than 50 locals to harvest hemlock on the Island. The plants will then be sold to pharmaceutical companies for use in the production of drugs to treat cancer. The Canadian company Apek will use German technology to make biodegradable microwave- and oven-resistant food packaging made of potatoes. J.Perry Construction, of Tignish, has signed a \$2.7 million contract to produce gazebo parts for U.S. retailer Home Depot. Sustained growth in the high-tech sector and recovery in the food-processing

industry will propel manufacturing by 3 per cent in 2002. Improved U.S. prospects in 2003 will push growth in the sector up by 3.9 per cent.

RESIDENTIAL CONSTRUCTION EXPLODES

Low interest rates and pent-up demand have stimulated home-building activity in the province, especially during the second quarter. The situation is expected to cool down, but 2002 will nonetheless

There will be 878 housing starts in 2002, the most since 1988.

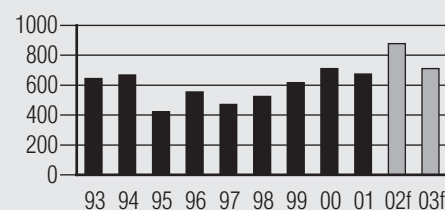
be an exceptional year in residential construction, with 878 housing starts, the most since 1988. With higher interest rates and weaker demand, the housing market will lose some of its shine next year. Housing starts are projected to drop by 19.2 per cent to 710 units in 2003.

Non-residential construction will be fairly strong over the next two years, with many projects scheduled. Charlottetown's Holland College is spending \$10 million on new facilities, and the Confederation Centre of the Arts, also in Charlottetown, has received \$5 million from the federal government to renovate existing facilities. The construction industry will experience impressive overall growth of 10.5 per cent in 2002 before contracting by 1.9 per cent in 2003.

CONSUMER OUTLOOK

The job market will be fairly calm this year, with fewer than 850 positions created throughout the Island. As a result, the unemployment rate will rise to 12.3 per cent in 2002, up from 11.9 per cent in 2001. With a slightly improved situation

Blooming Housing Market
(housing starts, units)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

in 2003, the unemployment rate will fall to 12 per cent. However, the federal farm package and a good potato crop will boost the personal disposable incomes by 5.1 per cent in 2002 and 3.3 per cent in 2003. Consumer spending will move up by 2.3 per cent this year and 3.2 per cent in 2003.

Forecast Risks



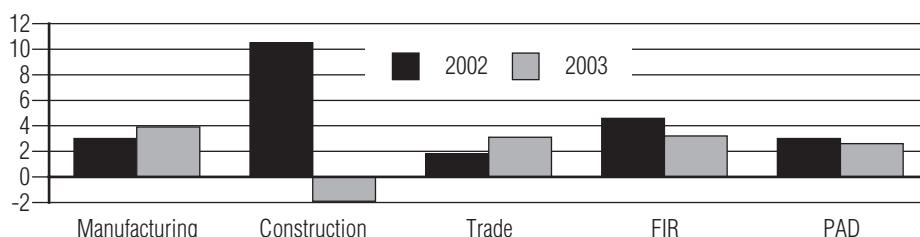
- A better-than-expected tourism season could bolster retail activity.



- A weaker U.S. recovery could hamper PEI's manufacturing sector.

Source: The Conference Board of Canada.

Industry Outlook
(1997 \$, percentage change)



Sources: Statistics Canada; The Conference Board of Canada.

Key Economic Indicators: Prince Edward Island

(Forecast Completed: July 22, 2002)

	2001:1	2001:2	2001:3	2001:4	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4	2001	2002	2003
GDP at market prices (current \$)	3,396 -3.5	3,473 2.3	3,496 0.7	3,557 1.7	3,659 2.9	3,633 -0.7	3,647 0.4	3,695 1.3	3,745 1.3	3,793 1.3	3,843 1.3	3,883 1.0	3,480 2.1	3,659 5.1	3,816 4.3
GDP at basic prices (current \$)	3,125 -1.7	3,196 2.3	3,210 0.4	3,271 1.9	3,358 2.7	3,321 -1.1	3,334 0.4	3,379 1.3	3,425 1.4	3,470 1.3	3,516 1.3	3,553 1.1	3,200 4.1	3,348 4.6	3,491 4.3
GDP at basic prices (constant \$ 1997)	2,814 -1.5	2,776 -1.4	2,846 2.6	2,870 0.8	2,906 1.3	2,946 1.4	2,971 0.8	2,990 0.6	3,002 0.4	3,027 0.8	3,055 0.9	3,080 0.8	2,826 0.1	2,953 4.5	3,041 3.0
Consumer price index (1992=1.0)	1.135 -0.1	1.150 1.3	1.152 0.1	1.148 -0.4	1.139 -0.8	1.177 3.4	1.181 0.4	1.185 0.3	1.187 0.1	1.191 0.3	1.195 0.4	1.200 0.4	1.146 2.6	1.171 2.1	1.193 1.9
Implicit price deflator— GDP at basic prices (1997=1.0)	1.110 -0.1	1.152 3.7	1.128 -2.1	1.140 1.1	1.155 1.4	1.127 -2.5	1.122 -0.4	1.130 0.7	1.141 1.0	1.146 0.5	1.151 0.4	1.154 0.2	1.132 4.1	1.134 0.1	1.148 1.3
Average weekly wages (level)	467 -0.7	466 -0.2	471 1.1	471 0.1	477 1.1	476 -0.2	478 0.5	481 0.5	484 0.7	487 0.7	491 0.6	494 0.7	469 0.5	478 1.9	489 2.4
Personal income (current \$)	3,104 1.4	3,088 -0.5	3,111 0.7	3,260 4.8	3,257 -0.1	3,285 0.9	3,307 0.7	3,331 0.7	3,353 0.7	3,392 1.2	3,431 1.1	3,467 1.1	3,141 3.8	3,295 4.9	3,411 3.5
Personal disposable income (current \$)	2,468 1.3	2,448 -0.8	2,466 0.8	2,608 5.8	2,600 -0.3	2,615 0.6	2,632 0.6	2,651 0.7	2,667 0.6	2,696 1.1	2,726 1.1	2,754 1.0	2,498 3.8	2,624 5.1	2,711 3.3
Personal savings rate	2.8	0.0	0.7	6.0	4.9	4.7	4.7	4.5	4.5	4.2	4.1	4.0	2.4	4.7	4.2
Population of labour force age (000s)	110.1 0.1	110.4 0.2	110.6 0.2	111.1 0.4	111.3 0.2	111.6 0.2	111.7 0.1	111.9 0.2	112.2 0.2	112.4 0.2	112.7 0.2	112.9 0.2	110.6 1.0	111.6 1.0	112.5 0.8
Labour force (000s)	74 0.6	74 0.1	75 0.5	76 1.2	76 0.5	76 -0.2	76 0.2	76 0.4	76 0.0	76 0.2	77 0.3	77 0.2	75 1.8	76 1.7	77 0.7
Employment (000s)	66 2.2	66 -0.2	66 0.4	66 0.7	66 -0.5	67 1.6	67 -0.3	67 0.0	67 0.0	67 0.6	68 0.6	68 0.4	66 2.0	67 1.3	67 1.1
Unemployment rate	11.5	11.8	11.9	12.3	13.2	11.6	12.1	12.4	12.4	12.1	11.8	11.6	11.9	12.3	12.0
Retail sales (current \$)	1,262 2.0	1,281 1.5	1,282 0.1	1,301 1.5	1,327 2.0	1,342 1.1	1,338 -0.3	1,343 0.4	1,348 0.3	1,367 1.4	1,384 1.2	1,399 1.1	1,281 4.2	1,337 4.4	1,374 2.8
Housing starts (units)	482 -53.4	386 -19.9	770 99.6	1,062 37.8	500 -52.9	1,300 160.0	900 -30.8	814 -9.6	736 -9.5	717 -2.6	700 -2.4	686 -2.1	675 -4.9	878 30.1	710 -19.2

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: Statistics Canada; Canada Mortgage and Housing Corporation; The Conference Board of Canada.

Nova Scotia

- Construction boom enters high gear
- Exploration activities are expected to continue

Real GDP

2002	Growth 3.2	Ranking #7
-------------	---------------	---------------

2003	Growth 3.7	Ranking #3
-------------	---------------	---------------

Credit Quality

A-
Standard & Poor's

Retail Sales

2002	Growth 6.9	Ranking #2
-------------	---------------	---------------

2003	Growth 3.7	Ranking #5
-------------	---------------	---------------

Government & Background Information

Premier	John F. Hamm
Next election	2004
Population (July 1, 2002)	942,470
Government balance (2002-03)	\$2.3 million

Source: The Conference Board of Canada.

ECONOMY IN HIGH GEAR

Prince Owusu

The Nova Scotia economy is in a good shape. With stronger-than-expected growth in the United States and the rest of Canada, prospects have improved for the province since the beginning of this year. In particular, a strong gain in employment in the second quarter brightened the outlook for retail sales, which started off impressively this year. Broadly based gains will push real gross domestic product (GDP) up by 3.2 per cent in 2002.

Much of this year's economic story will be rooted in the construction industry. Both residential and non-residential construction are anticipated to progress firmly. Work continues on the Sable Offshore Energy Incorporated Tier 2 project. The industry will perform even better in 2003, when construction begins on the \$1 billion Deep Panuke natural gas project. A flurry of exploration activities are also expected to keep growth robust in mining output this year and next.

The turnaround in economic activity south of the border bodes well for the manufacturing sector. Motor vehicle financing incentives and lower borrowing costs will stimulate the province's tire-manufacturing industry. Several construction projects are also expected to keep the fabricated metal sector busy throughout the year.

The service-producing industries will also do well in 2002. Sizzling housing demand will sustain growth in the finance

and real estate sector. The airline industry is slowly emerging from last year's slump as ticketing and commercial centers get set to handle the summer discount bookings.

Economic growth in the province should be firm next year, benefiting from energy construction projects and higher U.S. demand for manufactured goods. Decent employment growth and personal income tax cuts will also stimulate the domestic economy. Overall, real GDP is expected to advance by a robust 3.7 per cent.

CONSTRUCTION OUTLOOK IS PROMISING

The construction industry got off to a good start in 2002, with sizzling residential and non-residential construction activities in store for this year and next. For starters, housing starts for the first half of this year were remarkable. Given the current low interest rates, starts are projected to advance by 7.9 per cent this year. This pace is expected to lift growth in residential construction investment to 16 per cent in 2002.

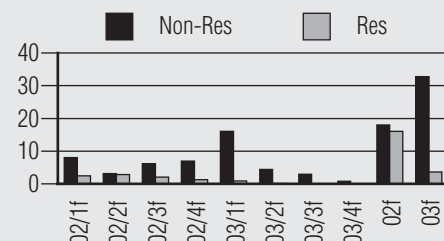
Non-residential construction investment will also add its weight to the construction boom this year and next. Work is under way on the second phase (Tier 2) of the \$2 billion Sable Island gas project. The Alma field, the first project of Tier 2, is currently undergoing detailed engineering work. Construction is expected to begin this year, followed by offshore installation and pipe-laying activities in 2003. Preliminary engineering work has also begun on the second project, the South Venture field. Non-residential construction is therefore projected to advance by 18 per cent this year.

Economic Indicators (percentage change)

	2001	2002	2003
Real GDP (basic prices)	2.4	3.2	3.7
Consumer price index	1.9	2.3	1.8
Personal disposable income	3.4	2.6	4.0
Employment	0.9	1.1	1.4
Unemployment rate	9.8	10.1	9.8
Retail sales	2.6	6.9	3.7
Average weekly wages	0.8	1.9	2.1
Population	0.1	0.1	0.2

Source: The Conference Board of Canada.

Solid Construction Prospects (investment, millions \$, percentage change)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

And that's not the end of the joy ride. When the billion-dollar Deep Panuke project enters construction mode next year, growth in non-residential construction will be propelled to a whopping 32.8 per cent. Altogether, real construction output is expected to grow by 11.4 per cent this year and by a further 18.6 per cent next year.

MANUFACTURING DOING FINE

Stronger-than-expected growth in the United States and Canada has brightened the outlook for manufacturing in the province, and the industry is expected to do well this year and next. Pent-up demand, rising consumer confidence and incentives from motor dealers should improve car and truck sales this year. Available statistics indicate that year-over-year North American auto production rose by 10 per cent in May. This is good news for the three Michelin tire plants in the province as they make plans to crank up to full capacity. Trentonworks of Pictou County is currently working on a \$50 million order to supply 750 rail cars to Greenbrier Company in the United States. Manufacturing output is projected to grow by 2.5 per cent this year, almost twice last year's performance. The electronics industry will continue to benefit from the war on terrorism. The U.S. Marines and the British army have ordered \$45 million in military electronic applications from Pivotal Power Inc. in Bedford. Manufacturing activities are expected to surge further in 2003 as U.S. demand intensifies, lifting output to 4.1 per cent.

EXPLORATIONS PROP UP MINING ACTIVITIES

After two years of intensive gas production at the Sable Island, growth in mineral fuels is expected to decelerate steeply, to 1 per cent this year and 0.1 per cent in 2003. Gas production at Sable Island has been declining since output reached 95 per cent of capacity in December 2001. This has prompted the owners to trim a quarter off their reserve estimate. As a result, mineral fuels, which have dominated mining activities for the past two years, will contribute less to overall mining output this year and next.

In spite of softening gas production, mining explorations and drilling activities are expected to increase. A flurry of companies are expected to drill wells this year

and next. Over half a billion dollars is committed for exploratory activities this year, and more is expected next year. This should boost growth in mining services to 13.5 per cent this year, about five times the national average.

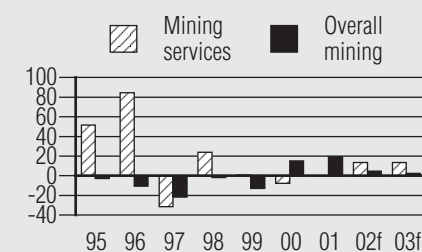
SERVICE SECTOR TO REMAIN BUOYANT

The service-producing industries are expected to benefit from the expansion of the economy. The job market has regained the 4,300 jobs it lost in the first quarter of this year, greatly improving the overall employment outlook for the year. As a result of the recovery in the job market, retail sales were impressive in the first half of the year. We expect the trend to continue and anticipate growth of 6.9 per cent for the year, 1.2 percentage points higher than the national average.

A successful tourism season will also contribute to retail sales and commercial services in 2002. Cruise ship passengers are expected to increase by 3 per cent over last year, and hotel bookings in Halifax for July and August are 11 per cent higher than last year. Call centres are also expanding and hiring staff. Commercial services are therefore expected to advance by 3.4 per cent this year, compared to the national average of 2.4 per cent.

The airline industry is slowly emerging from last year's slump. In the wake of last year's economic slowdown and the terrorist attacks, some airlines folded up, routes were cancelled, flight frequencies were reduced and smaller jets were used. But things are getting better. Discount airlines are coming back, offering travelers more

Mining Services Prop up Mining Output
(percentage change, 1997 \$)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

Forecast Risks

Short term

- Malfeasance in corporate America could undermine the expansion south of the border, jeopardizing the provincial economy.

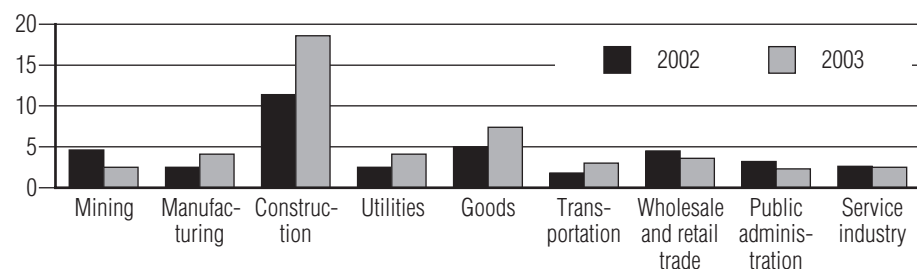
Medium term

- Canada-first gas policy championed by New Brunswick could mute exploratory activities in Nova Scotia.

Source: The Conference Board of Canada.

competitive fares. This is good news for the transportation industry. The pick-up in manufacturing activities also bodes well for the transportation industry, as more goods will be hauled south of the border. We expect the transportation sector to advance by 1.8 per cent this year and by a further 3 per cent in 2003.

Industry Outlook
(percentage change)



Sources: Statistics Canada; The Conference Board of Canada.

Key Economic Indicators: Nova Scotia

(Forecast Completed: July 22, 2002)

	2001:1	2001:2	2001:3	2001:4	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4	2001	2002	2003
GDP at market prices (current \$)	25,414 1.0	25,406 0.0	25,182 -0.9	24,992 -0.8	25,815 3.3	26,118 1.2	26,266 0.6	26,617 1.3	27,027 1.5	27,325 1.1	27,642 1.2	27,892 0.9	25,249 3.3	26,204 3.8	27,471 4.8
GDP at basic prices (current \$)	23,157 1.0	23,102 -0.2	22,797 -1.3	22,610 -0.8	23,303 3.1	23,518 0.9	23,659 0.6	23,984 1.4	24,365 1.6	24,633 1.1	24,921 1.2	25,143 0.9	22,917 3.0	23,616 3.1	24,766 4.9
GDP at basic prices (constant \$ 1997)	20,690 2.0	20,674 -0.1	20,948 1.3	20,995 0.2	21,191 0.9	21,426 1.1	21,586 0.7	21,741 0.7	22,009 1.2	22,198 0.9	22,384 0.8	22,523 0.6	20,827 2.4	21,486 3.2	22,278 3.7
Consumer price index (1992=1.0)	1.155 -0.3	1.168 1.2	1.168 0.0	1.161 -0.6	1.164 0.3	1.198 2.9	1.198 0.0	1.198 0.0	1.204 0.5	1.207 0.3	1.213 0.5	1.218 0.4	1.163 1.9	1.189 2.3	1.210 1.8
Implicit price deflator— GDP at basic prices (1997=1.0)	1.119 -1.0	1.117 -0.2	1.088 -2.6	1.077 -1.0	1.100 2.1	1.098 -0.2	1.096 -0.1	1.103 0.7	1.107 0.4	1.110 0.2	1.113 0.3	1.116 0.3	1.100 0.6	1.099 -0.1	1.112 1.1
Average weekly wages (level)	551 0.5	546 -1.0	550 0.7	554 0.8	559 1.0	559 -0.1	561 0.5	564 0.5	567 0.6	571 0.6	574 0.6	578 0.6	550 0.8	561 1.9	572 2.1
Personal income (current \$)	23,517 2.3	23,212 -1.3	23,196 -0.1	23,439 1.1	23,797 1.5	23,982 0.8	24,132 0.6	24,303 0.7	24,594 1.2	24,832 1.0	25,083 1.0	25,314 0.9	23,341 3.4	24,053 3.1	24,956 3.8
Personal disposable income (current \$)	18,639 3.2	18,251 -2.1	18,176 -0.4	18,347 0.9	18,668 1.7	18,771 0.6	18,877 0.6	19,003 0.7	19,322 1.7	19,497 0.9	19,685 1.0	19,857 0.9	18,353 3.4	18,829 2.6	19,590 4.0
Personal savings rate	6.9	2.8	2.3	2.7	2.8	2.7	2.7	2.4	2.4	2.2	2.0	1.9	3.7	2.6	2.2
Population of labour force age (000s)	751 0.1	751 0.0	752 0.1	753 0.2	754 0.1	755 0.1	757 0.2	758 0.2	759 0.1	760 0.2	761 0.2	763 0.2	752 0.5	756 0.5	761 0.7
Labour force (000s)	464 0.1	467 0.6	470 0.8	475 0.9	471 -0.8	475 0.7	479 0.8	479 0.1	479 0.0	481 0.3	482 0.2	483 0.3	469 1.6	476 1.5	481 1.1
Employment (000s)	419 -0.3	420 0.1	425 1.3	429 0.9	425 -1.0	429 1.1	429 -0.1	429 0.1	432 0.6	433 0.3	435 0.4	436 0.3	423 0.9	428 1.1	434 1.4
Unemployment rate	9.6	10.1	9.7	9.7	9.9	9.6	10.5	10.4	9.8	9.9	9.7	9.7	9.8	10.1	9.8
Retail sales (current \$)	8,511 -0.9	8,695 2.2	8,692 0.0	8,916 2.6	9,237 3.6	9,333 1.0	9,301 -0.3	9,336 0.4	9,488 1.6	9,600 1.2	9,705 1.1	9,798 1.0	8,703 2.6	9,302 6.9	9,648 3.7
Housing starts (units)	4,085 15.7	3,691 -9.7	4,111 11.4	4,481 9.0	4,300 -4.0	4,567 6.2	4,500 -1.5	4,300 -4.4	4,072 -5.3	3,986 -2.1	3,907 -2.0	3,835 -1.8	4,092 -7.7	4,417 7.9	3,950 -10.6

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: Statistics Canada; Canada Mortgage and Housing Corporation; The Conference Board of Canada.

New Brunswick

- Consumer spending boosts retail sales
- Job market will end the year on a good note

Real GDP

Year	Growth	Ranking
2002	2.7	#9

Year	Growth	Ranking
2003	3.5	#5

Credit Quality

AA-
Standard & Poor's

Retail Sales

Year	Growth	Ranking
2002	5.2	#8

Year	Growth	Ranking
2003	2.9	#9

Government & Background Information

Premier Bernard Lord

Next election 2004

Population (2002) 756,939

Government balance (2002-03) \$21.3 million

Source: The Conference Board of Canada.

SERVICE SECTOR PROGRESSING STRONGLY

Prince Owusu

New Brunswick's economy is expected to perform much better this year than it did in 2001. Strong gains in employment and retail sales in the first half of this year and a rebound in the manufacturing sector will push real gross domestic product (GDP) growth to 2.7 per cent in 2002, an improvement over last year's dismal 0.6 per cent.

Most of this year's growth will come from the service-producing industries. Retail sales are expected to improve significantly as consumers benefit from a \$27 million provincial income tax cut. Growth is also expected in the commercial services sector, with call centers continuing to become more prominent. Overall, the service-producing sector is expected to advance by 3.3 per cent this year and by 2.5 per cent next year.

Unlike the service sector, growth in the goods-producing industries will be limited to 1 per cent this year. Forestry output is expected to decline as the sector continues to deal with the anti-dumping duties imposed by the United States. Weakness in residential investment is expected to be a drag on the overall construction sector as New Brunswickers demand fewer new homes. Better prospects south of the border

and in the rest of the country, however, are stimulating manufacturing activity. Manufacturing shipments have been rising since the beginning of this year, and the trend is expected to continue as more oil, paper and food products are shipped across the border. The economy is forecast to be in full gear in 2003, when real GDP jumps by 3.5 per cent. A \$500 million upgrade to the Irving terminal at Canaport will be a major contributor to growth of more than 15 per cent in the construction industry.

CONSUMER OPTIMISM PROPELS RETAIL SALES

Everything is in place for the retail sector to leap this year. Consumer confidence has picked up since January and interest rates are still low. The spring 2002 provincial budget doled out \$27 million in personal income tax cuts on top of the federal reduction—a move expected to lift personal disposable incomes by 3.9 per cent this year. The job market has brightened the consumer outlook, with 9,200 jobs added to the economy in the first half of the year. Though the torrid pace of the job market is expected to moderate, growth in employment is expected to come in at 2.6 per cent in 2002, considerably above the national average of 1.5 per cent.

Improved labour markets, rising personal disposable income and improved consumer confidence will propel growth in retail sales. The first quarter of 2002 saw retail sales jump by 2.6 per cent. Motor vehicle sales are on the rise, and the current solid job situation and low interest rates are

Everything is in place for the retail sector to take a leap this year.

Economic Indicators (percentage change)

	2001	2002	2003
Real GDP (basic prices)	0.6	2.7	3.5
Consumer price index	1.7	2.7	1.9
Personal disposable income	4.5	3.9	3.3
Employment	0	2.6	1.0
Unemployment rate	11.2	10.9	10.4
Retail sales	2.4	5.2	2.9
Average weekly wages	1.0	1.7	2.2
Population	0.2	0	0

Source: The Conference Board of Canada.

Services Sector Enjoying Healthy Growth (percentage change, 1997 \$)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

expected to maintain momentum in the sector. Retail sales, with additional help from tourism, should end the year with impressive growth of 5.2 per cent, more than double last year's performance; a further 2.9 per cent gain is expected in 2003.

OTHER SERVICES SURGE TOO

Buoyant consumers will help other services expand as well. Car sales are on the increase, and the resale housing market is also heating up. Home improvements, mortgage financing and increased care sales are expected to push growth in finance, insurance and real estate by 3.9 per cent in 2002, slightly higher than the national average.

Bilingualism and cost-competitiveness continue to attract client service centres into the province, and existing client centers are expanding. Aliant Telecom will spend \$65 million to develop its wireless network this year. This should boost growth in commercial services to 3.1 per cent in 2002, compared with the national average of 2.4 per cent.

Transportation too will enjoy a good year. Moncton Airport is undergoing upgrades to handle more international flights by the fall of 2002. Air travellers are getting competitive fares and more routes as airlines return to the region. An improved manufacturing outlook should push growth in transportation. As much as 85 per cent of the manufactured products are hauled south the border annually. Growth in the transportation sector should advance by 2.8 per cent this year and by a further 2.5 per cent in 2003.

CONSTRUCTION RECOVERY WAITS FOR 2003

The construction sector will have to wait for next year before it recovers. Bucking the national trend, housing starts will fall by 10 per cent this year. Lower population growth and higher new home prices have tempered the housing market. Though interest rates are still low, households are moving away from new homes in favour of the resale market. This is

expected to drag down construction output by 6.3 per cent in 2002.

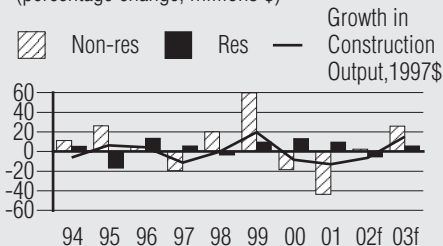
In spite of the weakness in residential construction activities, non-residential investment is quite strong. Ongoing medium-sized projects will sustain growth in non-residential construction investment for 2002. However, 2003 will be a busy year for the construction industry, with an expenditure of \$500 million for an upgrade of the Irving Oil Refinery terminal at Canarport. This should lift growth in construction output to 15.1 per cent, about three times the national average

MANUFACTURING SHORES UP GOODS INDUSTRIES

Growth will be limited in the goods-producing industries this year. With the forestry sector reeling under the U.S. anti-dumping duties and the U.S. housing market expected to cool down, the forestry sector is projected to decline by 1.9 per cent this year. The agriculture sector has also been hit with bad news. Frost, drought and falling prices for hogs and cranberries will cause growth in agricultural output to decelerate to 1.6 per cent this year.

In spite of these weaknesses, the manufacturing sector is expected to do well this year and next, as better prospects south the border and in the rest of the country have brightened the outlook. Manufacturing shipments have been rising since the beginning of this year, and we expect more oil and food products to be shipped south the border. In June, U.S. newsprint

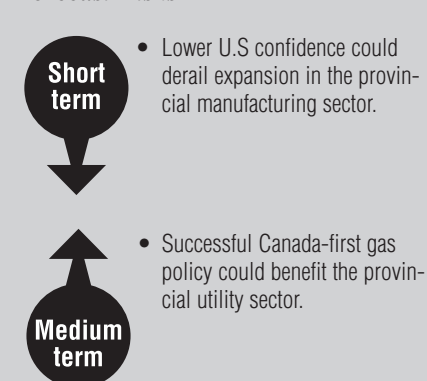
Construction Recovers in 2003
(percentage change, millions \$)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

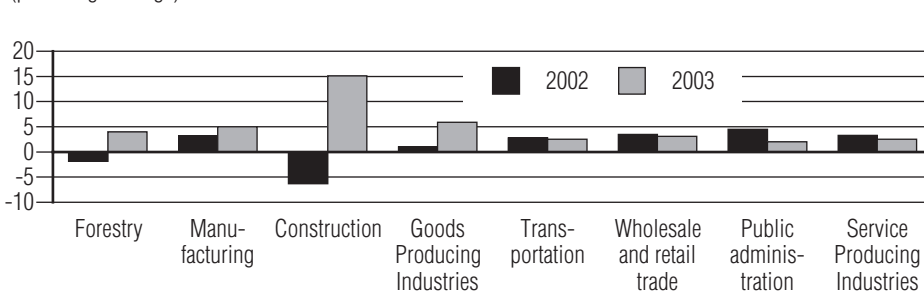
Forecast Risks



Source: The Conference Board of Canada.

consumption jumped for the first time in eighteen months. On top of that, pulp inventories have been falling since January 2002. As a result, shipments of pulp and paper to the United States should accelerate. The manufacturing sector is projected to recover from last year's decline of 2 per cent by advancing by 3.2 per cent this year. As the U.S. economy continues to expand in 2003, the industry will be red-hot, growing by 5 per cent.

Industry Outlook
(percentage change)



Sources: Statistics Canada; The Conference Board of Canada.

Key Economic Indicators: New Brunswick

(Forecast Completed: July 22, 2002)

	2001:1	2001:2	2001:3	2001:4	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4	2001	2002	2003
GDP at market prices (current \$)	21,106 1.9	20,381 -3.4	19,857 -2.6	20,283 2.1	20,900 3.0	21,129 1.1	21,134 0.0	21,402 1.3	21,737 1.6	22,055 1.5	22,351 1.3	22,599 1.1	20,407 2.1	21,141 3.6	22,186 4.9
GDP at basic prices (current \$)	19,332 2.0	18,570 -3.9	17,983 -3.2	18,411 2.4	18,926 2.8	19,085 0.8	19,085 0.0	19,332 1.3	19,645 1.6	19,939 1.5	20,213 1.4	20,438 1.1	18,574 1.7	19,107 2.9	20,059 5.0
GDP at basic prices (constant \$ 1997)	17,082 -1.0	17,145 0.4	17,132 -0.1	16,942 -1.1	17,203 1.5	17,522 1.9	17,634 0.6	17,754 0.7	17,906 0.9	18,064 0.9	18,225 0.9	18,353 0.7	17,075 0.6	17,528 2.7	18,137 3.5
Consumer Price Index (1992=1.0)	1.138 -0.2	1.154 1.4	1.152 -0.2	1.145 -0.6	1.152 0.6	1.182 2.6	1.187 0.4	1.191 0.4	1.193 0.2	1.198 0.4	1.203 0.4	1.208 0.5	1.147 1.7	1.178 2.7	1.201 1.9
Implicit price deflator— GDP at basic prices (1997=1.0)	1.132 3.0	1.083 -4.3	1.050 -3.1	1.087 3.5	1.100 1.2	1.089 -1.0	1.082 -0.6	1.089 0.6	1.097 0.8	1.104 0.6	1.109 0.5	1.114 0.4	1.088 1.0	1.090 0.2	1.106 1.4
Average weekly wages (level)	582 0.2	576 -1.0	578 0.3	582 0.6	587 0.9	587 0.0	590 0.5	593 0.5	597 0.6	600 0.6	604 0.6	608 0.7	580 1.0	589 1.7	602 2.2
Personal income (current \$)	18,426 1.8	18,226 -1.1	18,084 -0.8	18,826 4.1	18,946 0.6	19,135 1.0	19,133 0.0	19,246 0.6	19,472 1.2	19,701 1.2	19,901 1.0	20,092 1.0	18,391 4.4	19,115 3.9	19,791 3.5
Personal disposable income (current \$)	14,701 2.2	14,448 -1.7	14,265 -1.3	14,954 4.8	15,054 0.7	15,168 0.8	15,162 0.0	15,248 0.6	15,415 1.1	15,587 1.1	15,740 1.0	15,885 0.9	14,592 4.5	15,158 3.9	15,657 3.3
Personal savings rate	9.5	6.4	6.4	9.6	9.2	9.0	9.0	8.8	8.8	8.5	8.4	8.3	8.0	9.0	8.5
Population of labour force age (000s)	605 0.1	605 0.0	606 0.1	606 0.0	607 0.1	607 0.0	608 0.2	609 0.1	609 0.1	610 0.1	611 0.1	611 0.1	606 0.4	608 0.3	610 0.4
Labour force (000s)	378 0.5	375 -0.8	376 0.2	379 0.8	385 1.7	384 -0.4	386 0.5	386 0.0	386 -0.1	386 0.2	387 0.2	388 0.2	377 1.4	385 2.2	387 0.4
Employment (000s)	335 -0.8	334 -0.4	333 -0.2	337 1.2	343 1.8	346 0.9	342 -1.1	342 -0.1	344 0.7	346 0.6	348 0.4	349 0.3	335 0.0	343 2.6	347 1.0
Unemployment rate	11.4	11.0	11.4	11.1	11.0	9.9	11.3	11.4	10.8	10.4	10.2	10.1	11.2	10.9	10.4
Retail sales (current \$)	7,040 2.1	7,102 0.9	6,931 -2.4	7,207 4.0	7,398 2.6	7,495 1.3	7,420 -1.0	7,441 0.3	7,512 1.0	7,621 1.4	7,708 1.1	7,789 1.0	7,070 2.4	7,439 5.2	7,658 2.9
Housing starts (units)	3,432 19.1	3,064 -10.7	3,162 3.2	4,190 32.5	2,400 -42.7	3,400 41.7	3,360 -1.2	3,300 -1.8	3,063 -7.2	2,975 -2.9	2,892 -2.8	2,814 -2.7	3,462 12.4	3,115 -10.0	2,936 -5.7

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: Statistics Canada; Canada Mortgage and Housing Corporation; The Conference Board of Canada.

Quebec

- 2002 will be an exceptional year for employment
- Exports will rise again in 2003, thanks to the U.S. recovery.

Real GDP

2002	Growth 3.7	Ranking #3
-------------	---------------	---------------

2003	Growth 3.3	Ranking #8
-------------	---------------	---------------

Credit Quality

A+
Standard and Poor's

Retail Sales

2002	Growth 6	Ranking #3
-------------	-------------	---------------

2003	Growth 3.8	Ranking #4
-------------	---------------	---------------

Government & Background Information

Premier Bernard Landry

Next election, 2003 2003

Population (2002) 7,432,069

Government balance (2002-03) \$0

Source: The Conference Board of Canada.

A FLOURISHING ECONOMY

Mathieu Lalonde

The province has benefited from impressive results in many sectors since the start of the year. With a red-hot housing market, numerous non-residential construction projects and a recovering manufacturing sector, real gross domestic product (GDP) at market prices should grow by a strong 3.9 per cent in 2002. The provincial public infrastructure plan gives even more strength to the sunny outlook. More than \$2 billion has already been invested in the province so far this year. Business non-residential investment will also perform well, thanks to important projects in the utility sector. The economy is expected to slow moderately in the second half of 2002 but to rise again in 2003 as the U.S. and Canadian economies advance solidly. Retail spending will be greatly stimulated this year by record employment gains since January along with additional provincial tax cuts.

The manufacturing sector seems to have overcome its post-September 11th slowdown. Employment has recovered and shipments are rising. While exports will nonetheless drop by 2.9 per cent this year, they should bounce back by 3.7 per cent in 2003 with better prospects south of the border.

The outlook for Quebec is more temperate for 2003, but the economy will still be in good shape. Decent gains in employment, further tax cuts and wage increases will boost consumer demand and push real

consumption spending up by 2.9 per cent next year. The stellar performance of the housing sector will not persist. Following the average 37,425 units forecast for 2002, housing starts will slide to a more sustainable 29,920 units next year. Overall, the province should advance by 3.2 per cent in 2003.

ASTONISHING LABOUR MARKET

The performance of Quebec's labour market in the first half of 2002 was the best in recent history. New names have been steadily added to payrolls in the service and manufacturing sectors, while demand for new employees in the construction industry is so strong that qualified workers have become hard to find. The 128,200 new jobs created during the first six months of 2002 pushed unemployment down sharply, from 9.1 per cent in January to 8.2 per cent in June. For the year so far, Quebec has accounted for an impressive 42 per cent of all new positions created in Canada. Job creation is expected to moderate during the second half of 2002 and then to accelerate again next year. Quebec's unemployment rate is expected to average 8.3 per cent in 2002 before dropping to 7.5 per cent in 2003. Overall, 42,600 new positions are expected in 2003.

The exceptional employment situation raised the participation rate to a record 65.2 per cent in June. The province's participation rate has always been below the Canadian average, but the gap has narrowed from an average of 2.9 percentage points in the last decade to a scant 1.6 percentage points.

RETAIL ACTIVITY ON THE RISE

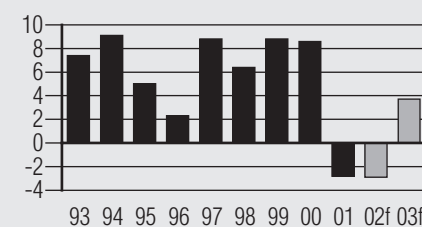
After a brief pause in January, retail sales have climbed again in the past few

Economic Indicators (percentage change)

	2001	2002	2003
Real GDP (market prices)	1.1	3.9	3.2
Consumer price index	2.4	1.6	2.2
Personal disposable income	4.9	4.8	4.1
Employment	1.1	3.1	1.2
Unemployment rate	8.7	8.3	7.5
Retail sales	4.0	6.0	3.8
Average weekly wages	1.1	2.1	2.2
Population	0.4	0.4	0.3

Source: The Conference Board of Canada.

Exports Come Back in 2003 (percentage change)



f=forecast

Sources: Statistics Canada; The Conference Board of Canada.

months and were 5.3 per cent higher in the first five months of this year than in the same period a year ago. Low interest rates, rising employment and tax cuts will keep the situation favourable in the near term. Fiscal relief will boost real disposable income by 3.3 per cent in 2002. The strength of the labour market pushed the consumer confidence index 5.2 points higher in the first half of the year. However, financial scandals and turmoil in equity markets could affect confidence in the months to come.

Consumers will not spend all of their recent income gains. The savings rate is expected to rise from 4.4 per cent in 2001 to 4.9 per cent in 2002 before falling back to 4.5 per cent in 2003. Overall, real consumer spending is expected to rise by 2.8 per cent in 2002 and by 2.9 per cent in 2003.

RED-HOT HOUSING WILL COOL OFF

It is an exceptional year for the housing industry, with low apartment vacancy rates and better affordability propelling home demand. As many as 37,425 new houses could be built this year, the best performance in 10 years. Despite strong employment gains, higher interest rates will cool the market next year, when 29,920 new units are expected. As a result, real residential investment is forecast to rise by 19.6 per cent this year and to contract by 8.1 per cent in 2003.

MEGAPROJECTS

Over the next few years, the province will benefit from a number of major projects, mostly in the utility sector. Notable among these is the construction by Hydro-Québec of three new hydroelectric stations and one natural gas-fired power plant. Non-residential investment will benefit from the provincial government's \$3 billion program to expand and modernize public infrastructure. With the continuation of the provincial infrastructure plan, real government investment spending is projected to grow by a strong 17.4 per cent this year and by 4.3 per cent in 2003. Real non-residential construction will advance by 4.8 per cent in 2002 and by 6 per cent in 2003.

TRADE IS BACK

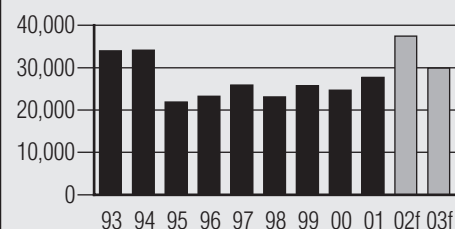
Uncertainty and doubt seem to have disappeared from the province's trade horizon. Manufacturing shipments have recovered since the beginning of the year, and stronger demand south of the border will boost demand for Quebec's manufactured goods in the second half of 2002. The aerospace industry received some positive news recently, when Bombardier won an important bid to deliver 55 regional jets to Northwest Airlines over the next five years. While most of the world's aerospace companies have struggled since last September, Bombardier is doing quite well. The company successfully resolved a work conflict with its employees this spring and has hired back most of the employees that were laid off in the fall. Even with this good news, however, exports are expected to decline by 2.9 per cent in 2002 before bouncing back by 3.7 per cent in 2003. The trade sector will feel the effects of the closing of the General Motors car plant next September.

Because of the weakness in machinery and equipment investment at the end of last year, imports are expected to fall by 3.5 per cent this year. However, they are expected to recover by 4.4 per cent next year with solid consumer demand and a revival in machinery and equipment outlays.

FORESTRY UPDATE

The road has been bumpy for the forestry industry in recent months. Since the United States imposed tariffs on Canadian softwood lumber to counter

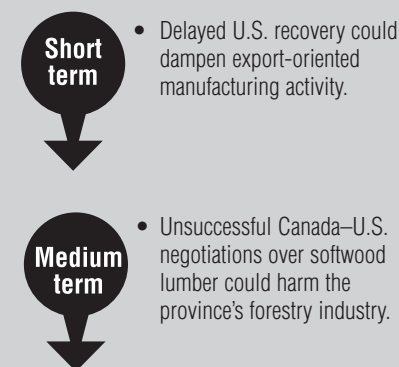
Booming Housing Market
(Housing starts, units)



f = forecast

Sources: Canada Mortgage and Housing Corporation; The Conference Board of Canada.

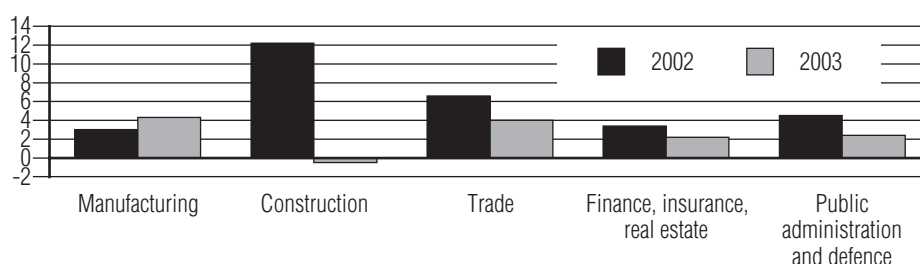
Forecast Risks



Source: The Conference Board of Canada.

alleged dumping, the industry has feared the worst. With an average tariff of 27.2 per cent, Canadian softwood lumber is at risk of losing a substantial competitive edge on the U.S. market. It is hoped that American and Canadian authorities will return to the negotiating table soon to find an agreement acceptable to both parties. Output from Quebec's forestry industry is expected to drop by 11.1 per cent this year before recuperating by 8.6 per cent in 2003.

Industry Outlook
(percentage change, constant \$)



Sources: Statistics Canada; The Conference Board of Canada.

Key Economic Indicators: Quebec

(Forecast Completed: July 22, 2002)

	2001:1	2001:2	2001:3	2001:4	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4	2001	2002	2003
GDP at market prices (current \$)	227,253 1.7	229,465 1.0	229,673 0.1	233,262 1.6	234,481 0.5	240,411 2.5	241,871 0.6	242,952 0.4	246,822 1.6	250,532 1.5	254,143 1.4	257,188 1.2	229,913 2.4	239,929 4.4	252,171 5.1
GDP at basic prices (current \$)	211,178 1.9	213,052 0.9	212,685 -0.2	216,295 1.7	216,585 0.1	221,895 2.5	223,300 0.6	224,195 0.4	227,867 1.6	231,360 1.5	234,762 1.5	237,609 1.2	213,302 2.3	221,494 3.8	232,900 5.1
GDP at basic prices (constant \$ 1997)	200,170 0.0	198,421 -0.9	199,260 0.4	201,121 0.9	203,873 1.4	206,548 1.3	208,177 0.8	209,615 0.7	210,936 0.6	212,856 0.9	214,850 0.9	216,517 0.8	199,743 0.7	207,053 3.7	213,790 3.3
Consumer price index (1992=1.0)	1.123 0.5	1.139 1.5	1.137 -0.2	1.131 -0.6	1.139 0.8	1.149 0.9	1.155 0.5	1.160 0.5	1.167 0.6	1.173 0.5	1.179 0.5	1.185 0.5	1.132 2.4	1.151 1.6	1.176 2.2
Implicit price deflator— GDP at basic prices (1997=1.0)	1.055 1.9	1.074 1.8	1.067 -0.6	1.075 0.8	1.062 -1.2	1.074 1.1	1.073 -0.2	1.070 -0.3	1.080 1.0	1.087 0.6	1.093 0.5	1.097 0.4	1.068 1.5	1.070 0.2	1.089 1.8
Average weekly wages (level)	611 0.1	612 0.1	615 0.6	619 0.6	624 0.8	625 0.1	628 0.5	631 0.5	635 0.6	639 0.6	643 0.6	647 0.6	614 1.1	627 2.1	641 2.2
Personal income (current \$)	193,286 1.5	192,365 -0.5	194,064 0.9	196,871 1.4	198,016 0.6	201,909 2.0	202,971 0.5	204,617 0.8	206,686 1.0	208,906 1.1	211,226 1.1	213,249 1.0	194,147 4.0	201,878 4.0	210,017 4.0
Personal disposable income (current \$)	144,976 2.1	144,208 -0.5	146,708 1.7	150,323 2.5	151,025 0.5	153,594 1.7	154,283 0.4	155,467 0.8	157,406 1.2	158,998 1.0	160,696 1.1	162,158 0.9	146,554 4.9	153,592 4.8	159,815 4.1
Personal savings rate	4.5	2.7	4.5	5.8	5.1	4.9	4.9	4.7	4.7	4.5	4.3	4.3	4.4	4.9	4.5
Population of labour force age (000s)	5,966 0.2	5,980 0.2	5,991 0.2	6,001 0.2	6,014 0.2	6,028 0.2	6,030 0.0	6,038 0.1	6,045 0.1	6,053 0.1	6,061 0.1	6,070 0.1	5,985 0.8	6,027 0.7	6,057 0.5
Labour force (000s)	3,788 1.0	3,798 0.3	3,799 0.0	3,844 1.2	3,884 1.1	3,930 1.2	3,912 -0.5	3,890 -0.6	3,901 0.3	3,913 0.3	3,923 0.3	3,937 0.4	3,807 1.4	3,904 2.5	3,919 0.4
Employment (000s)	3,463 0.7	3,462 0.0	3,479 0.5	3,493 0.4	3,530 1.1	3,602 2.0	3,591 -0.3	3,599 0.2	3,604 0.2	3,616 0.3	3,632 0.4	3,640 0.2	3,474 1.1	3,581 3.1	3,623 1.2
Unemployment rate	8.6	8.8	8.4	9.1	9.1	8.3	8.2	7.5	7.6	7.6	7.4	7.6	8.7	8.3	7.5
Retail sales (current \$)	64,611 0.5	67,025 3.7	65,452 -2.3	67,058 2.5	68,796 2.6	70,448 2.4	70,135 -0.4	70,492 0.5	71,277 1.1	72,210 1.3	73,098 1.2	73,845 1.0	66,036 4.0	69,968 6.0	72,608 3.8
Housing starts (units)	28,084 13.6	26,482 -5.7	25,426 -4.0	30,736 20.9	41,400 34.7	37,800 -8.7	36,200 -4.2	34,300 -5.2	31,622 -7.8	30,372 -4.0	29,295 -3.5	28,391 -3.1	27,682 12.1	37,425 35.2	29,920 -20.1

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: Statistics Canada; Canada Mortgage and Housing Corporation; The Conference Board of Canada.

Québec

- L'emploi connaîtra une année exceptionnelle en 2002.
- Grâce à la reprise économique américaine, les exportations se redresseront en 2003.

PIB réel

Année	Croissance	Rang
2002	3,7	n° 3

Année	Croissance	Rang
2003	3,3	n° 8

Qualité du crédit

A+

Standard & Poor's

Ventes au détail

Année	Croissance	Rang
2002	6	n° 3

Année	Croissance	Rang
2003	3,8	n° 4

Renseignements généraux

Premier Ministre Bernard Landry

Prochaines élections 2003

Population (2002) 7 432 069

Solde du secteur public
(exercice 2002-03) 0 \$

Source : Le Conference Board du Canada.

UNE ÉCONOMIE FLORISSANTE

Mathieu Lalonde

UN MARCHÉ DU TRAVAIL AHURISSANT

Durant la première moitié de 2002, le marché québécois du travail a connu des performances inégalées depuis longtemps. De nouveaux noms se sont régulièrement ajoutés aux feuilles de paye des entreprises dans les secteurs des services et de la fabrication, tandis que dans l'industrie de la construction, la demande pour de nouveaux employés est tellement forte qu'il est devenu difficile de trouver certains travailleurs qualifiés. Les 128 200 nouveaux emplois créés au cours des six premiers mois de 2002 ont fait chuter rapidement le taux de chômage, qui est passé de 9,1 p. 100 en janvier à 8,2 p. 100 en juin. Depuis le début de l'année, 42 p. 100 des nouveaux postes créés au Canada l'ont été au Québec. La création d'emplois devrait toutefois suivre une cadence plus modérée durant la deuxième moitié de 2002, puis s'accélérer de nouveau l'année prochaine. Selon nos prévisions, le taux de chômage au Québec se situera en moyenne à 8,3 p. 100 en 2002 avant de tomber à 7,5 p. 100 en 2003. De façon générale, 42 600 nouveaux emplois devraient voir le jour en 2003.

Grâce à la situation exceptionnelle de l'emploi, le taux d'activité sur le marché du travail Québécois a atteint en juin le niveau record de 65,2 p. 100. Le taux d'activité de la province a toujours été inférieur à la moyenne canadienne, mais l'écart, qui

était en moyenne de 2,9 points de pourcentage au cours de la dernière décennie, n'est plus que de 1,6 point de pourcentage.

L'ACTIVITÉ DE DÉTAIL S'INTENSIFIE

Après une brève pause en janvier, les ventes au détail ont recommencé à augmenter ces derniers mois; durant les cinq premiers mois de l'année, elles ont été supérieures de 5,3 p. 100 à celles enregistrées l'an dernier pendant la même période. Les conditions resteront favorables à court terme grâce à de faibles taux d'intérêt, à l'amélioration de l'emploi et aux réductions d'impôt. Les allègements fiscaux feront grimper le revenu disponible réel de 3,3 p. 100 en 2002. Soutenu par la robustesse du marché du travail, l'indice de confiance des consommateurs a fait un bond de 5,2 points pendant la première moitié de 2002. Toutefois, les scandales financiers et l'instabilité des marchés des actions pourraient ébranler la confiance des consommateurs au cours des mois à venir.

Ces derniers ne dépenseront pas totalement leur récente augmentations de revenus. Le taux d'épargne devrait passer de 4,4 p. 100 en 2001 à 4,9 p. 100 en 2002 avant de retomber à 4,5 p. 100 en 2003. Dans l'ensemble, on prévoit que les dépenses réelles de consommation augmenteront de 2,8 et de 2,9 p. 100 en 2002 et 2003 respectivement.

LE MARCHÉ DU LOGEMENT PERDRA DE SA VIGUEUR

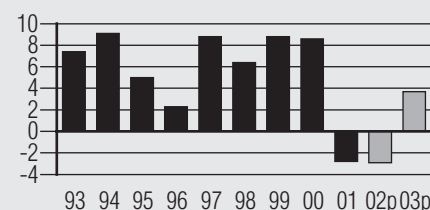
L'industrie du logement connaît une année exceptionnelle; le faible taux d'occupation des logements et la baisse du coût des habitations ont propulsé la demande de

Indicateurs économiques
(variation en pourcentage)

	2001	2002	2003
PIB réel (aux prix du marché)	1,1	3,9	3,2
Indice des prix à la consommation	2,4	1,6	2,2
Revenu disponible des particuliers	4,9	4,8	4,1
Emploi	1,1	3,1	1,2
Taux de chômage	8,7	8,3	7,5
Ventes au détail	4,0	6,0	3,8
Salaires hebdomadaires moyens	1,1	2,1	2,2
Population	0,4	0,4	0,3

Source : Le Conference Board du Canada.

Les exportations retrouveront leur vigueur en 2003
(variation en pourcentage)



p = prévision

Sources : Statistiques Canada; Le Conference Board du Canada.

maisons. En effet, jusqu'à 37 425 nouvelles maisons pourraient être construites cette année – la meilleure performance en 10 ans. Malgré l'amélioration marquée de la situation de l'emploi, la majoration des taux d'intérêt calmera l'activité sur le marché l'an prochain; on s'attend à ce que le nombre de nouvelles unités soit alors de 29 920. Par conséquent, selon nos prévisions, l'investissement résidentiel réel fera un bond de 19,6 p. 100 cette année, puis subira une contraction de 8,1 p. 100 en 2003.

MÉGAPROJETS

Au cours des prochaines années, la province tirera profit de divers projets de grande envergure, la plupart dans le secteur des services publics. La construction par Hydro-Québec de trois centrales hydroélectriques et d'une installation au gaz naturel retient particulièrement l'attention. L'investissement non résidentiel recevra un coup de pouce du programme de trois milliards de dollars dévoilé par le gouvernement provincial pour élargir et moderniser l'infrastructure publique. Alimentées par la poursuite du programme provincial d'infrastructure, les dépenses publiques d'investissement, en valeur réelle, devraient afficher une solide progression de 17,4 p. 100 cette année et augmenter encore de 4,3 p. 100 en 2003. De son côté, la construction non résidentielle réelle s'accroîtra de 4,8 p. 100 en 2002 et de 6 p. 100 en 2003.

LES ÉCHANGES COMMERCIAUX REPRENNENT DE PLUS BELLE

L'incertitude et le doute semblent être disparus de l'horizon commercial de la province. Les expéditions de produits manufacturés ont repris depuis le début de l'année, et le raffermissement de la demande chez nos voisins du Sud stimulera la demande de produits manufacturés au Québec durant la deuxième moitié de 2002. L'industrie aérospatiale a reçu des nouvelles positives dernièrement; Bombardier a obtenu un contrat important qui prévoit la livraison de 55 avions régionaux à Northwest Airlines au cours des cinq prochaines années. Contrairement à la plupart des grandes entreprises aérospatiales dans le monde, qui éprouvent des difficultés depuis septembre dernier, Bombardier s'en tire plutôt bien. Le

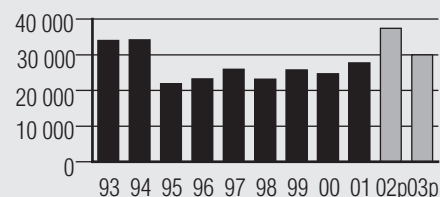
fabricant a réglé avec succès un conflit de travail avec ses employés au printemps et a réembauché la majorité des employés mis à pied à l'automne. Malgré ces bonnes nouvelles, les exportations devraient toutefois reculer de 2,9 p. 100 en 2002 avant de remonter de 3,7 p. 100 en 2003. Le secteur du commerce subira le contrecoup de la fermeture de l'usine de montage de General Motors en septembre prochain.

En raison de la faiblesse des investissements dans le matériel et l'outillage à la fin de l'année, on s'attend à ce que les importations chutent de 3,5 p. 100 cette année. Cependant, elles devraient se redresser de 4,4 p. 100 l'an prochain grâce à une demande robuste de la part des consommateurs et à la recrudescence des dépenses de matériel et d'outillage.

LE POINT SUR LE SECTEUR FORESTIER

Ces derniers mois, l'industrie forestière a connu un parcours cahoteux. Depuis que les États-Unis imposent des droits sur le bois d'œuvre canadien pour contrer les effets d'un prétendu dumping, l'industrie craint le pire. Frappé par des droits moyens de 27,2 p. 100, le bois d'œuvre canadien risque de perdre un avantage concurrentiel important sur le marché américain. L'industrie espère que les autorités américaines et canadiennes retourneront bientôt à la table des négociations pour trouver un compromis acceptable de part et d'autre. On prévoit donc que la production forestière du Québec tombera de 11,1 p. 100 cette année avant d'enregistrer une hausse de 8,6 p. 100 en 2003.

Le marché du logement est en plein essor (mise en chantier, en unités)



p=prévision

Sources : Société canadienne d'hypothèques et de logement; Le Conference Board du Canada.

Scénarios conjoncturels

Court terme

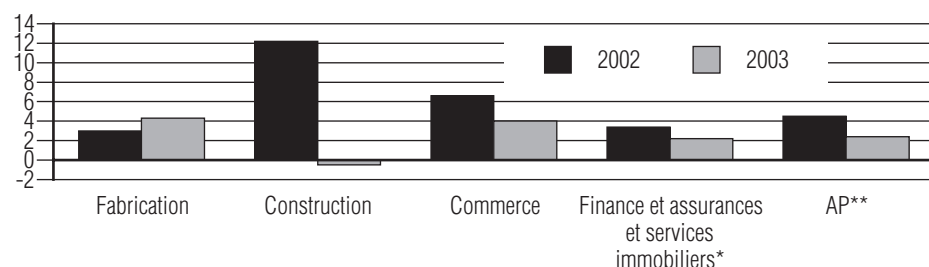
- La reprise différée de l'économie américaine pourrait ralentir l'activité manufacturière à vocation exportatrice.

Moyen terme

- L'échec des négociations canado-américaines sur le bois d'œuvre pourrait nuire à l'industrie forestière de la province.

Source : Le Conference Board du Canada.

Perspectives sectorielles (variation en pourcentage, dollars constants)



* Finance et assurances, services immobiliers et de location à bail et gestion de sociétés et d'entreprises.

** Administration publique

Sources : Statistique Canada; Le Conference Board du Canada.

Principaux indicateurs économiques : Québec

(Prévisions en date du 22 juillet, 2002)

	2001:1	2001:2	2001:3	2001:4	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4	2001	2002	2003
PIB aux prix du marché (en dollars courants)	227 253 1,7	229 465 1,0	229 673 0,1	233 262 1,6	234 481 0,5	240 411 2,5	241 871 0,6	242 952 0,4	246 822 1,6	250 532 1,5	254 143 1,4	257 188 1,2	229 913 2,4	239 929 4,4	252 171 5,1
PIB aux prix de base (en dollars courants)	211 178 1,9	213 052 0,9	212 685 -0,2	216 295 1,7	216 585 0,1	221 895 2,5	223 300 0,6	224 195 0,4	227 867 1,6	231 360 1,5	234 762 1,5	237 609 1,2	213 302 2,3	221 494 3,8	232 900 5,1
PIB aux prix de base (en dollars constant de 1997)	200 170 0,0	198 421 -0,9	199 260 0,4	201 121 0,9	203 873 1,4	206 548 1,3	208 177 0,8	209 615 0,7	210 936 0,6	212 856 0,9	214 850 0,9	216 517 0,8	199 743 0,7	207 053 3,7	213 790 3,3
Indice des prix à la consommation (1992 = 1,0)	1,123 0,5	1,139 1,5	1,137 -0,2	1,131 -0,6	1,139 0,8	1,149 0,9	1,155 0,5	1,160 0,5	1,167 0,6	1,173 0,5	1,179 0,5	1,185 0,5	1,132 2,4	1,151 1,6	1,176 2,2
Déflateur implicite des prix— PIB aux prix de base (1997 = 1,0)	1,055 1,9	1,074 1,8	1,067 -0,6	1,075 0,8	1,062 -1,2	1,074 1,1	1,073 -0,2	1,070 -0,3	1,080 1,0	1,087 0,6	1,093 0,5	1,097 0,4	1,068 1,5	1,070 0,2	1,089 1,8
Salaires hebdomadaires moyens (niveau)	611 0,1	612 0,1	615 0,6	619 0,6	624 0,8	625 0,1	628 0,5	631 0,5	635 0,6	639 0,6	643 0,6	647 0,6	614 1,1	627 2,1	641 2,2
Revenu des particuliers (en dollars courants)	193 286 1,5	192 365 -0,5	194 064 0,9	196 871 1,4	198 016 0,6	201 909 2,0	202 971 0,5	204 617 0,8	206 686 1,0	208 906 1,1	211 226 1,1	213 249 1,0	194 147 4,0	201 878 4,0	210 017 4,0
Revenu disponible des particuliers (en dollars courants)	144 976 2,1	144 208 -0,5	146 708 1,7	150 323 2,5	151 025 0,5	153 594 1,7	154 283 0,4	155 467 0,8	157 406 1,2	158 998 1,0	160 696 1,1	162 158 0,9	146 554 4,9	153 592 4,8	159 815 4,1
Taux d'épargne des particuliers	4,5	2,7	4,5	5,8	5,1	4,9	4,9	4,7	4,7	4,5	4,3	4,3	4,4	4,9	4,5
Population en âge d'être active (en milliers)	5 966 0,2	5 980 0,2	5 991 0,2	6 001 0,2	6 014 0,2	6 028 0,2	6 030 0,0	6 038 0,1	6 045 0,1	6 053 0,1	6 061 0,1	6 070 0,1	5 985 0,8	6 027 0,7	6 057 0,5
Population active (en milliers)	3 788 1,0	3 798 0,3	3 799 0,0	3 844 1,2	3 884 1,1	3 930 1,2	3 912 -0,5	3 890 -0,6	3 901 0,3	3 913 0,3	3 923 0,3	3 937 0,4	3 807 1,4	3 904 2,5	3 919 0,4
Emplois (en milliers)	3 463 0,7	3 462 0,0	3 479 0,5	3 493 0,4	3 530 1,1	3 602 2,0	3 591 -0,3	3 599 0,2	3 604 0,2	3 616 0,3	3 632 0,4	3 640 0,2	3 474 1,1	3 581 3,1	3 623 1,2
Taux de chômage	8,6	8,8	8,4	9,1	9,1	8,3	8,2	7,5	7,6	7,6	7,4	7,6	8,7	8,3	7,5
Ventes au détail (en dollars courants)	64 611 0,5	67 025 3,7	65 452 -2,3	67 058 2,5	68 796 2,6	70 448 2,4	70 135 -0,4	70 492 0,5	71 277 1,1	72 210 1,3	73 098 1,2	73 845 1,0	66 036 4,0	69 968 6,0	72 608 3,8
Mises en chantier de logements (en unités)	28 084 13,6	26 482 -5,7	25 426 -4,0	30 736 20,9	41 400 34,7	37 800 -8,7	36 200 -4,2	34 300 -5,2	31 622 -7,8	30 372 -4,0	29 295 -3,5	28 391 -3,1	27 682 12,1	37 425 35,2	29 920 -20,1

Les données en blanc sont des prévisions.

À moins d'indications contraires, toutes les données sont exprimées en millions de dollars, au taux annuel désaisonnalisé.

Pour chaque indicateur, la première ligne donne le niveau, la deuxième la variation en pourcentage par rapport à la période précédente.

Sources : Statistique Canada; Société canadienne d'hypothèques et de logement; Le Conference Board du Canada.

Ontario

- The domestic economy will benefit over the near term from recent employment gains.
- Near-term prospects for the trade sector are encouraging.

Real GDP

2002	Growth 3.3	Ranking #5
-------------	---------------	---------------

2003	Growth 4.3	Ranking #2
-------------	---------------	---------------

Credit Quality

AA
Standard & Poor's

Retail Sales

2002	Growth 5.4	Ranking #7
-------------	---------------	---------------

2003	Growth 4.1	Ranking #3
-------------	---------------	---------------

Government & Background Information

Premier	Ernie Eves
Next election, 2004	2004
Population (2002)	11,988,697
Government balance (2002-03)	\$0

Source: The Conference Board of Canada.

TAKING OFF

Marie-Christine Bernard

The year is shaping up to be a good one for the Ontario economy. Employment has been steadily rising in the last six months and the manufacturing sector is recuperating strongly. Housing markets remain buoyant, with starts averaging near 83,000 units in the second quarter. The ailing export sector has also turned the corner and should expand by 3.3 per cent in 2002. With the help of this excellent start, real gross domestic product (GDP) at market prices is expected to reach 3.6 per cent this year.

On the down side, growth in government spending on goods and services will be constrained by municipal and provincial public sector labour disputes. Real public spending will expand by just 0.8 per cent in 2002 before bouncing back by 3.6 per cent in 2003.

Economic activity is forecast to be in full gear in 2003, when real GDP growth is expected to rise by 4.2 per cent, the second highest rate in the country. Stronger job creation and rising consumer sentiment will propel growth in real consumption expenditures to 3.3 per cent in 2003, up from 2.1 per cent in 2002. But the shine will come off the hot housing market over the near term. After averaging 80,470 units in 2002, housing starts are forecast to slide to a more sustainable 73,400 units next year. Accelerated economic activity south of the border is expected to lift real export activity by 4.4 per cent in 2003. A significant inventory liquidation at the end of last year considerably lowered stock-to-sales ratios. The first quarter of this year saw a

continuation of inventory draw-down, albeit at a slower pace. Inventories are expected to stabilize in the second quarter and then to rise steadily until they are in line with the overall pace of economic activity. This inventory build-up is expected to contribute strongly to real GDP this year and next.

LABOUR CONDITIONS IMPROVING

Employment has been rising steadily in Ontario since the start of the year. The manufacturing sector has been the most active, with 54,000 new jobs, largely thanks to the recovery of the export sector. While the telecommunication industry still struggles with weak financial results and downsizing, some good news is coming out of the auto industry. General Motors plans to add a third shift at its Oshawa plant next September to boost production of the Impala sedan. This move will create 1,000 direct jobs and hundreds of indirect jobs at various part suppliers. Labour markets will continue to grow in the second half of the year but at a more moderate pace. The rise in employment of 1.1 per cent anticipated in 2002 should translate into 63,000 new positions. Employment opportunities are expected to be more abundant next year, with 122,000 new jobs, or 2 per cent employment growth.

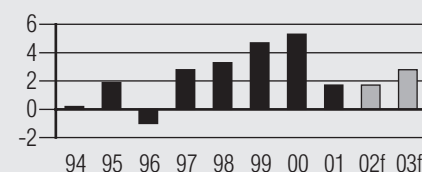
The domestic economy will certainly benefit over the near term from these employment gains. Higher consumer confidence will also bolster consumer expenditures over the forecast horizon. The Conference Board's Index of Consumer Attitudes has risen by 17 points since last December. Unlike previous years, 2002 will not show after-tax incomes benefiting from further provincial fiscal relief. The Ontario

Economic Indicators (percentage change)

	2001	2002	2003
Real GDP (market prices)	0.9	3.6	4.2
Consumer price index	3.1	1.7	2.3
Personal disposable income	3.8	3.0	4.5
Employment	1.5	1.1	2.0
Unemployment rate	6.3	7.2	6.6
Retail sales	2.6	5.4	4.1
Average weekly wages	2.0	2.5	2.8
Population	1.5	1.2	1.1

Source: The Conference Board of Canada.

Income Gains Kept at Bay with No Fiscal Relief (real personal disposable income, percentage change)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

government has postponed a proposed \$218 million personal tax cut scheduled for January 2003. The finance minister has decided to delay until January 2004 the reduction of the lowest personal income tax rate from 6.05 to 5.65 per cent and of the middle rate from 9.15 to 8.85 per cent. The elimination of the 20 per cent surtax for people with incomes between \$58,000 and \$68,000 has also been delayed by one year. Real disposable income will grow at the same pace this year as last, 1.7 per cent. With stronger labour income gains, real disposable income will advance by 2.8 per cent. Real consumption expenditures will mirror this growth pattern, moving up by 2.1 per cent in 2002 and 3.3 per cent in 2003.

The boom in the housing market will not last for much longer, as higher borrowing costs will hamper home demand over the near term. The five-year conventional mortgage rate is forecast to rise from 7.6 per cent in 2002 to 8.4 per cent in 2003. Housing starts will average 80,470 units in 2002, the highest level in 13 years, before sliding to a more sustainable 73,400 units next year. Real residential spending in Ontario is projected to rise by 10.7 per cent in 2002 and by an additional 3.2 per cent in 2003.

BUSINESS INVESTMENT TO STRENGTHEN

Real business non-residential investment will rise by a moderate 1.7 per cent in 2002. With stronger economic growth, better profitability and a number of important projects in the automobile and tourism industry, real non-residential investment will intensify by 3.7 per cent in 2003. Machinery and equipment outlays will follow a similar growth pattern, with a paltry gain of 1.3 per cent this year followed by 8.6 per cent growth next year.

The most significant immediate impact of the recent economic revival is aggregate investment in inventories. A considerable inventory liquidation at the end of last year substantially lowered stock-to-sales ratios. The first quarter of this year saw a continuation of inventory draw-down, albeit at a slower pace. Inventories are expected to stabilize in the second quarter and then to rise steadily until they are in line with the overall pace of economic activity. This

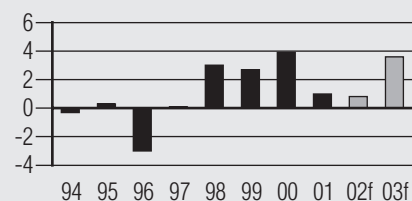
inventory build-up is expected to add significantly to economic growth in the province over the forecast horizon.

STRIKES HAMPER PUBLIC EXPENDITURES

The recent six-week strike by Ontario public service workers and the three-week City of Toronto labour dispute will cut into government spending this year. However, while it is estimated that the strikes will cut roughly \$2 billion from real government expenditures in 2002, real government expenditures on goods and services will still grow by 0.8 per cent during the year. Federal spending will increase in the province this year, and the 2002 Ontario budget indicates that provincial expenditures will show some of the strongest gains in the country, rising by \$2.2 billion, or 3.5 per cent. Another \$1.7 billion is slated for the health care system, \$245 million will be spent to upgrade water and sewer systems, and \$75 million is devoted to the education system to help universities and colleges deal with the double cohort. Health care spending will make up nearly 40 per cent of total expenditures this year. Higher tobacco taxes, deferred tax cuts and stronger economic growth is expected to bring a balanced budget over the 2002–03 fiscal year. Real government spending on goods and services will grow more firmly in 2003, by 3.6 per cent.

Near-term prospects for the trade sector are encouraging. Exports rose strongly in the first quarter of the year, by more than 10 per cent at annual rates. Broadly based gains are expected over the remainder of the forecast period as the U.S. economy grows more firmly. Exports are anticipated to go up by 3.3 per cent this year before

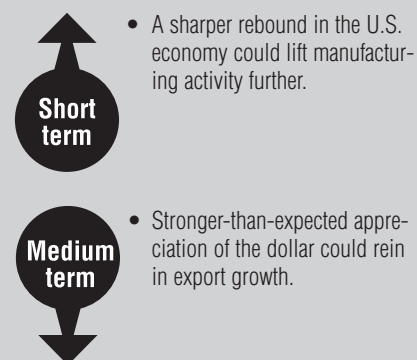
Labour Disputes Cut Government Spending (real government expenditures on goods and services, percentage change)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

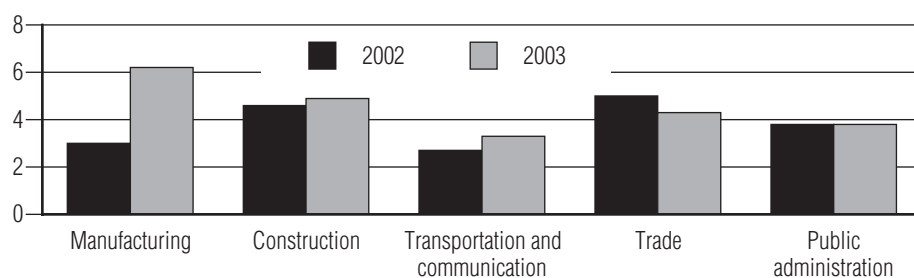
Forecast Risks



Source: The Conference Board of Canada.

expanding by 4.4 per cent in 2003. The autos and parts sector is doing well and should see foreign shipments grow over the near term, while the wood industry struggles with punitive U.S. duties of 27 per cent imposed at the end of May. Imports are expected to buck the national trend and move up by 2.1 per cent in 2002 and by 5.4 per cent in 2003. The real trade balance is expected to improve to \$59.5 billion over the forecast period.

Industry Outlook (percentage change, 1997 \$)



Source: Statistics Canada; The Conference Board of Canada.

Key Economic Indicators: Ontario

(Forecast Completed: July 22, 2002)

	2001:1	2001:2	2001:3	2001:4	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4	2001	2002	2003
GDP at market prices (current \$)	438,648 1.4	444,783 1.4	439,437 -1.2	437,227 -0.5	444,443 1.7	455,181 2.4	462,402 1.6	468,326 1.3	474,927 1.4	482,312 1.6	489,762 1.5	496,358 1.3	440,024 2.2	457,588 4.0	485,840 6.2
GDP at basic prices (current \$)	405,109 1.6	410,540 1.3	403,995 -1.6	401,827 -0.5	407,106 1.3	416,549 2.3	423,658 1.7	429,194 1.3	435,381 1.4	442,313 1.6	449,327 1.6	455,509 1.4	405,368 2.0	419,127 3.4	445,633 6.3
GDP at basic prices (constant \$ 1997)	391,373 0.0	394,311 0.8	391,035 -0.8	393,551 0.6	398,825 1.3	404,280 1.4	407,971 0.9	411,466 0.9	416,299 1.2	420,907 1.1	425,496 1.1	429,127 0.9	392,567 0.9	405,635 3.3	422,957 4.3
Consumer price index (1992=1.0)	1.166 0.8	1.183 1.5	1.184 0.1	1.176 -0.6	1.183 0.6	1.197 1.1	1.202 0.5	1.208 0.5	1.215 0.6	1.221 0.5	1.228 0.5	1.234 0.5	1.177 3.1	1.197 1.7	1.225 2.3
Implicit price deflator— GDP at basic prices (1997=1.0)	1.035 1.6	1.041 0.6	1.033 -0.8	1.021 -1.2	1.021 0.0	1.030 0.9	1.038 0.8	1.043 0.4	1.046 0.3	1.051 0.5	1.056 0.5	1.061 0.5	1.033 1.1	1.033 0.1	1.054 2.0
Average weekly wages (level)	714 0.5	719 0.6	723 0.5	724 0.2	725 0.1	738 1.8	743 0.7	747 0.6	751 0.5	756 0.7	762 0.8	768 0.8	720 2.0	738 2.5	759 2.8
Personal income (current \$)	357,301 1.2	358,672 0.4	360,598 0.5	361,592 0.3	364,805 0.9	367,309 0.7	370,491 0.9	373,682 0.9	378,848 1.4	383,841 1.3	388,908 1.3	393,436 1.2	359,541 3.8	369,072 2.7	386,258 4.7
Personal disposable income (current \$)	269,922 -0.5	271,439 0.6	274,279 1.0	276,936 1.0	278,813 0.7	279,964 0.4	282,173 0.8	284,478 0.8	288,540 1.4	292,165 1.3	295,882 1.3	299,162 1.1	273,144 3.8	281,357 3.0	293,937 4.5
Personal savings rate	7.4	6.8	7.9	8.0	7.4	7.1	7.1	6.9	7.0	6.7	6.6	6.6	7.6	7.1	6.7
Population of labour force age (000s)	9,385 0.4	9,433 0.5	9,482 0.5	9,522 0.4	9,559 0.4	9,605 0.5	9,629 0.2	9,663 0.4	9,695 0.3	9,729 0.3	9,763 0.3	9,797 0.3	9,455 2.0	9,614 1.7	9,746 1.4
Labour force (000s)	6,330 0.0	6,354 0.4	6,379 0.4	6,399 0.3	6,454 0.9	6,479 0.4	6,514 0.5	6,532 0.3	6,539 0.1	6,568 0.4	6,594 0.4	6,617 0.4	6,366 2.2	6,495 2.0	6,580 1.3
Employment (000s)	5,953 0.0	5,973 0.3	5,960 -0.2	5,965 0.1	5,996 0.5	6,025 0.5	6,035 0.2	6,048 0.2	6,090 0.7	6,128 0.6	6,172 0.7	6,201 0.5	5,963 1.5	6,026 1.1	6,148 2.0
Unemployment rate	6.0	6.0	6.6	6.8	7.1	7.0	7.4	7.4	6.9	6.7	6.4	6.3	6.3	7.2	6.6
Retail sales (current \$)	107,994 0.1	109,253 1.2	108,303 -0.9	111,225 2.7	114,267 2.7	115,193 0.8	115,050 -0.1	115,636 0.5	117,132 1.3	118,973 1.6	120,680 1.4	122,145 1.2	109,194 2.6	115,037 5.4	119,733 4.1
Housing starts (units)	75,771 5.2	74,966 -1.1	70,099 -6.5	72,293 3.1	89,600 23.9	82,110 -8.4	77,300 -5.9	72,860 -5.7	74,912 2.8	73,802 -1.5	72,845 -1.3	72,041 -1.1	73,282 2.5	80,467 9.8	73,400 -8.8

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: Statistics Canada; Canada Mortgage and Housing Corporation; The Conference Board of Canada.

Manitoba

- Agriculture sector expected to rebound this year on normal crop yield.
- Construction dominated by private and public non-residential investment projects.

Real GDP

2002	Growth 3.5	Ranking #4
-------------	---------------	---------------

2003	Growth 3.5	Ranking #6
-------------	---------------	---------------

Credit Quality

AA-
Standard & Poor's

Retail Sales

2002	Growth 5.4	Ranking #5
-------------	---------------	---------------

2003	Growth 3.7	Ranking #6
-------------	---------------	---------------

Government & Background Information

Premier Gary Doer

Next election 2004

Population (July 1, 2002) 1,148,745

Government balance
(2002-03) \$ 10 million

Source: The Conference Board of Canada.

AGRICULTURE SPURS GROWTH

David Madani

A rebound in the agriculture sector will push real gross domestic product (GDP) in Manitoba up by 3.5 per cent this year, just a tad lower than the national average. Broadly based gains will allow the province to maintain this pace of economic activity again in 2003. With a return to a normal crop year after horrid growing conditions in 2001, plus sustained strength in the livestock sector, output in the province's diversified agriculture industry should return to normal levels over the forecast period. Continued uncertainty surrounding the cost-sharing arrangement of the farm aid package weighs heavily on most farmers; but, whatever the outcome, it will not significantly affect agriculture production or farm income this year. Output in the agriculture sector is expected to jump by 15.1 per cent this year and by 5.2 per cent next year. The manufacturing sector is anticipated to rise strongly over the next two years, thanks to strength in the food, machinery and transportation equipment industries. Solid housing demand should also help the construction industry do well this year. Non-residential investment projects in the mining sector will sustain growth in that industry in 2003. Overall, the goods-producing sector will grow by 5.2 per cent in 2002 and 4.9 per cent in 2003.

The service-producing industries are anticipated to fare relatively well over the forecast horizon. Public administration output is expected to rise, thanks to provincial spending increases for health, education,

justice and social programs. Increased demand for Manitoba's manufactured goods, combined with rising shipments of agricultural products, will push output in the transportation, communication and storage industry up by 3.1 per cent over the next two years. Stronger employment growth and tax cuts this year will lift personal disposable income by 3 per cent on average over the near term and bolster retail activity. Retail sales are expected to remain fairly strong, moving up by 5.4 per cent this year and by 3.7 per cent next year.

AGRICULTURE BOOSTS ECONOMIC ACTIVITY

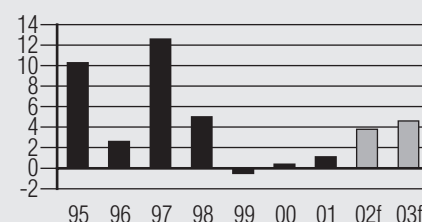
A second consecutive drought year is causing havoc on the prairies; however, most Manitoba farmers have been more fortunate than those in Saskatchewan and Alberta. In general, Manitoba has reported reasonable growing conditions, and a normal crop year could well be within reach. Now that crops are well into their development cycle, it all depends on Mother Nature. Many farmers attempted to offset the lower incomes anticipated as a result of last year's drought by selling off much of their grain in storage. The depletion of grain stocks along with the protein premium for some crops would normally have a positive effect on grain prices since Canada is a major world exporter of some grains. However, a few key factors are keeping grain prices low: large supplies of grain for export in the Southern Hemisphere and the former Soviet Union are providing a large offset to tighter supplies in Canada, the United States and the European Union, and overall world production of wheat is exceeding consumption. The outlook for other crops, however, is positive. Higher net returns expected for durum, oats,

Economic Indicators (percentage change)

	2001	2002	2003
Real GDP (basic prices)	1.6	3.5	3.5
Consumer price index	2.7	1.5	2.4
Personal disposable income	4.0	2.2	3.8
Employment	0.6	1.3	1.4
Unemployment rate	5.0	5.4	4.6
Retail sales	5.7	5.4	3.7
Average weekly wages	0.6	2.1	2.4
Population	0.3	0.2	0.4

Source: The Conference Board of Canada.

Manufacturing Sector Growing (percentage change, 1997 \$)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

barley and canola have shifted seeded areas for the 2002–2003 crop year to these crops from spring wheat, soybeans, chickpeas and lentils. The outlook for Manitoba's livestock industry remains good in spite of the recent tuberculosis issue, and it will contribute strongly toward a return to normal agricultural levels this year and beyond. The province's agricultural diversity will be further enhanced by the J.R. Simplot potato-processing plant, with construction scheduled to begin this year and production to start in the spring of 2003. Output in the agriculture sector is expected to jump by 15.1 per cent this year and by 5.2 per cent next year, well above their five-year average.

The federal government's Agricultural Policy Framework (APF) was announced earlier this year in response to increased U.S. farm subsidies, holding out some relief to the province's beleaguered agriculture industry. The federal government will contribute \$5.2 billion over the next six years, and provincial participation could increase the total package to about \$8.2 billion. However, three provinces—Quebec, Saskatchewan and Manitoba—have not yet agreed to the cost-sharing arrangements of the new policy, and the continued uncertainty weighs heavily on the minds of most Manitoba farmers. Regardless of the outcome, the program will not significantly improve agriculture production or farm income this year. Given the intent of the APF, the Conference Board does not expect any significant effects on production and farm income until much later in the forecast period. Based on Manitoba's share of agriculture production, the Conference Board estimates that farmers will receive between \$100 million and \$140 million each year over the next six years.

STRONG PERFORMANCE IN MANUFACTURING AND CONSTRUCTION

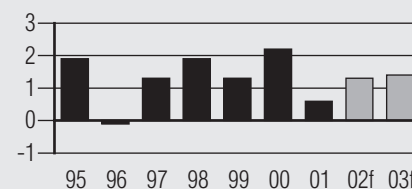
The manufacturing sector is anticipated to grow strongly, by 3.8 per cent this year and by 4.6 per cent next year, thanks to strength in the processed foods, machinery and transportation equipment industries. Much of the recent news from the province's manufacturing sector has been dominated by the bus and aerospace industries. Government intervention and union

concessions have kept Motor Coach Industries (MCI) in the province. The company will rapidly expand manufacturing operations in the province over the medium term as it consolidates its North American operations. Magellan Aerospace has received new orders worth over \$20 million to manufacture aerostructure assemblies for the AgustaWestland Cormorant helicopter. The company will manufacture composite and sheet metal assemblies for delivery in 2003 and beyond. Solid housing demand in the province will also keep the construction industry growing strongly, by 4.7 per cent, this year. Low interest rates and strong consumer confidence should help housing starts increase by 11.8 per cent this year, but the number is expected to drop by 7 per cent next year. Construction growth will be even greater next year, 5.6 per cent, thanks to strong private and public investment in mining and energy. Also helping will be projects such as Hudson Bay Mining and Smelting Company's so-called 777 group of projects, Manitoba Hydro's proposed \$1 billion Wuskawatim Dam, and the Brandon Regional Health Centre. Private and public investment in non-residential construction will grow by 1.2 per cent this year and accelerate to 6.9 per cent next year.

EMPLOYMENT OUTLOOK IMPROVES

The optimistic outlook for employment is leading many to re-enter the labour force in 2002. However, growth in the labour force will surpass employment growth, pushing the unemployment rate up from 5 per cent last year to 5.4 per cent. This trend will reverse in 2003, when unemployment drops to 4.6 per cent—the lowest

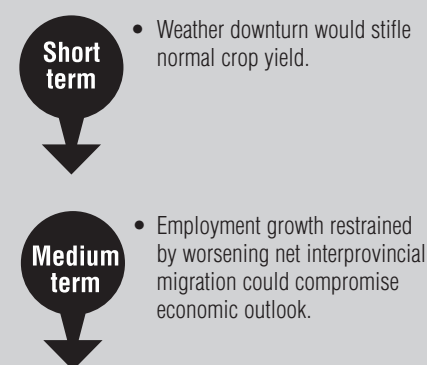
Employment Outlook Improves
(percentage change)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

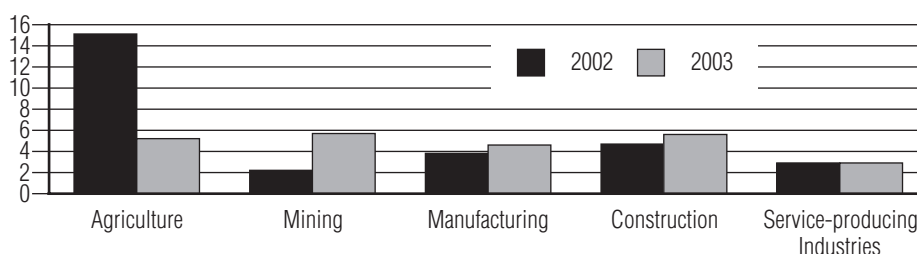
Forecast Risks



Source: The Conference Board of Canada.

rate in any province. Employment growth, combined with tax cuts effective this year and expected early next year, will increase personal disposable income by 2.2 per cent in 2002 and 3.8 per cent in 2003. As a result, retail sales will grow at a healthy 5.4 per cent this year and 3.7 per cent next year.

Industry Outlook
(percentage change, 1997 \$)



Sources: Statistics Canada; The Conference Board of Canada.

Key Economic Indicators: Manitoba

(Forecast Completed: July 22, 2002)

	2001:1	2001:2	2001:3	2001:4	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4	2001	2002	2003
GDP at market prices (current \$)	35,609 1.0	35,893 0.8	35,680 -0.6	34,956 -2.0	37,184 6.4	36,158 -2.8	36,348 0.5	36,850 1.4	37,427 1.6	37,953 1.4	38,458 1.3	38,881 1.1	35,535 3.8	36,635 3.1	38,180 4.2
GDP at basic prices (current \$)	33,108 1.0	33,339 0.7	33,037 -0.9	32,316 -2.2	34,399 6.4	33,276 -3.3	33,458 0.5	33,931 1.4	34,477 1.6	34,969 1.4	35,442 1.3	35,834 1.1	32,950 3.6	33,766 2.5	35,180 4.2
GDP at basic prices (constant \$ 1997)	30,190 -0.2	30,228 0.1	30,494 0.9	30,776 0.9	30,845 0.2	31,431 1.9	31,722 0.9	31,978 0.8	32,150 0.5	32,439 0.9	32,741 0.9	33,004 0.8	30,422 1.6	31,494 3.5	32,584 3.5
Consumer price index (1992=1.0)	1.201 0.7	1.220 1.6	1.222 0.1	1.206 -1.3	1.209 0.2	1.232 1.9	1.237 0.4	1.242 0.4	1.250 0.6	1.256 0.5	1.263 0.5	1.269 0.5	1.212 2.7	1.230 1.5	1.259 2.4
Implicit price deflator— GDP at basic prices (1997=1.0)	1.097 1.2	1.103 0.6	1.083 -1.8	1.050 -3.1	1.115 6.2	1.059 -5.1	1.055 -0.4	1.061 0.6	1.072 1.1	1.078 0.5	1.082 0.4	1.086 0.3	1.083 2.0	1.072 -1.0	1.080 0.7
Average weekly wages (level)	593 0.0	593 0.0	601 1.3	601 0.0	604 0.6	608 0.6	611 0.6	614 0.5	618 0.6	622 0.6	626 0.7	630 0.7	597 0.6	609 2.1	624 2.4
Personal income (current \$)	30,347 3.2	29,860 -1.6	29,948 0.3	29,963 0.1	30,640 2.3	30,661 0.1	30,892 0.8	31,105 0.7	31,510 1.3	31,901 1.2	32,242 1.1	32,573 1.0	30,029 3.8	30,825 2.6	32,056 4.0
Personal disposable income (current \$)	23,817 4.1	23,239 -2.4	23,256 0.1	23,180 -0.3	23,803 2.7	23,756 -0.2	23,917 0.7	24,073 0.7	24,398 1.3	24,683 1.2	24,937 1.0	25,180 1.0	23,373 4.0	23,887 2.2	24,799 3.8
Personal savings rate	8.5	4.2	3.8	3.3	4.8	4.2	4.2	3.9	3.9	3.7	3.5	3.5	5.0	4.3	3.7
Population of labour force age (000s)	861 0.1	862 0.1	863 0.1	863 0.0	864 0.0	864 0.1	866 0.2	868 0.2	869 0.2	871 0.2	872 0.2	874 0.2	862 0.5	866 0.4	872 0.7
Labour force (000s)	584 0.1	585 0.0	587 0.5	593 0.9	596 0.6	596 -0.1	598 0.4	599 0.1	598 -0.1	600 0.2	601 0.2	602 0.2	587 0.7	597 1.7	600 0.5
Employment (000s)	557 0.3	554 -0.5	556 0.3	564 1.5	565 0.1	565 0.0	565 0.1	565 0.0	569 0.6	572 0.6	574 0.4	576 0.3	558 0.6	565 1.3	573 1.4
Unemployment rate	4.7	5.2	5.3	4.8	5.3	5.2	5.5	5.6	4.9	4.6	4.4	4.4	5.0	5.4	4.6
Retail sales (current \$)	9,663 2.1	9,900 2.5	9,970 0.7	10,213 2.4	10,458 2.4	10,479 0.2	10,463 -0.2	10,505 0.4	10,640 1.3	10,805 1.6	10,938 1.2	11,062 1.1	9,937 5.7	10,476 5.4	10,861 3.7
Housing starts (units)	2,636 0.9	3,430 30.1	2,954 -13.9	2,832 -4.1	3,400 20.1	3,400 0.0	3,250 -4.4	3,200 -1.5	3,106 -2.9	3,088 -0.6	3,071 -0.6	3,055 -0.5	2,963 15.7	3,313 11.8	3,080 -7.0

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: Statistics Canada; Canada Mortgage and Housing Corporation; The Conference Board of Canada.

Saskatchewan

- Non-residential investment projects will boost the construction sector and the province's bottom line this year.
- A normal crop year is anticipated in 2003.

Real GDP

2002	Growth	Ranking
	3.0	#8

2003	Growth	Ranking
	3.4	#7

Credit Quality

A+
Standard & Poor's

Retail Sales

2002	Growth	Ranking
	5.8	#4

2003	Growth	Ranking
	4.6	#1

Government & Background Information

Premier	Lorne Calvert
Next election	2004
Population (July 1, 2002)	1,017,000
Government balance (2002-03)	\$45,000

Source: The Conference Board of Canada

THE ECONOMY MARCHES FORWARD

David Madani

In the face of drought conditions, the Saskatchewan economy has shown remarkable resilience so far this year. Real gross domestic product (GDP) is projected to grow by 3 per cent in 2002 and 3.4 per cent in 2003, well above the province's five-year average of 1.8 per cent.

The goods-producing sector will benefit from the completion of several construction projects this year, such as the Consumers' Co-operative Refinery in Regina. These should help boost output in the construction industry by 13.1 per cent, the highest provincial rate. An increase in housing starts, brought about by low interest rates and strong consumer confidence, will help keep residential investment moving along this year. With higher borrowing costs, housing starts are forecast to drop by 7.9 per cent to 2,530 units in 2003. The agriculture industry will recover from a barren 2001, but output is expected to remain below the five-year average over the forecast period. The continued uncertainty surrounding the cost-sharing arrangement of the farm aid package weighs heavily on the minds of most farmers; but, whatever the outcome, it will not significantly affect agriculture production or farm income this year. The mining sector will also bounce back next year as oil and natural gas prices intensify. Output in the goods-producing industries will grow by 4.5 per cent this year and 4.3 per cent in 2003.

The outlook in the service-producing industries will improve this year, driven by

strong growth in wholesale and retail trade and in the transportation, storage and communications industries. A recovery in labour markets, combined with provincial fiscal relief, is expected to bolster consumer demand over the near term. Retail sales are projected to increase by a healthy 5.8 per cent this year and by 4.6 per cent in 2003.

SEVERAL PROJECTS SHIFT CONSTRUCTION HIGHER

Total investment spending is expected to grow by 14.3 per cent in 2002 but to drop by 2.7 per cent in 2003. As a result, construction output will shift higher and grow by 13.1 per cent this year, more than in any other province. This growth is owing to strong growth in key private and public non-residential investment projects, as well as robust housing starts. Husky Oil continues its \$500 million heavy oil upgrader expansion in Lloydminster, which is expected to increase production to 120,000 barrels per day. The \$255 million expansion of the Consumers' Co-operative Refinery in Regina is still on track for completion by the end of this year. The expansion will increase the refinery's output by about 40 per cent. The \$227 million Cory Cogeneration Station being constructed by ATCO Power of Alberta and SaskPower International will be primed to produce 228 megawatts of electricity when it is completed later this year. There will also be a number of smaller food-processing investment projects during the forecast period.

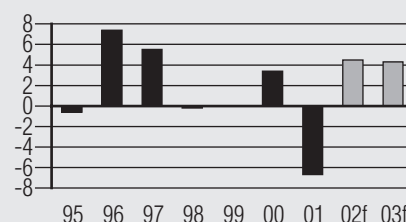
Public non-residential investment projects will also take place over the short term. The government is expected to invest \$300 million

Economic Indicators (percentage change)

	2001	2002	2003
Real GDP (basic prices)	-1.8	3.0	3.4
Consumer price index	3.1	2.5	2.2
Personal disposable income	2.5	3.7	4.6
Employment	-2.6	1.2	1.6
Unemployment rate	5.8	6.0	5.6
Retail sales	3.2	5.8	4.6
Average weekly wages	1.9	1.7	2.9
Population	-0.6	-0.5	0.1

Source: The Conference Board of Canada.

Goods-Producing Sector Rebounds (percentage change, 1997 \$)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

this year as part of a three-year, \$900 million investment in infrastructure for the reconstruction of over 700 kilometres of highway. The \$174 million Canadian Light Source synchrotron at the University of Saskatchewan will be completed by 2003, and the university will spend another \$75 million to repair and replace other campus buildings by the end of this year. A new residence and sports complex is being planned for the University of Regina, at a combined cost of \$55 million. Total non-residential investment will grow by 14.9 per cent this year but will decrease by 8.9 per cent in 2003 as the construction phase ends for many projects.

HOUSING STARTS PEAK IN THE SECOND QUARTER

The weakness in housing starts in recent years has resulted primarily from negative net interprovincial migration. The loss of agricultural jobs has contributed to weak residential construction activity in the rural areas while the cities are losing their prime working-age population to Alberta and Ontario. A recovery in agriculture this year, combined with a booming construction sector, will help curb some of this worrisome out-migration. Strong consumer confidence, which increased by 9.3 per cent in the Prairie provinces over the first quarter of 2002, is expected to benefit the housing market. Total housing starts will grow by 15.3 per cent this year before dropping by 7.9 per cent in 2003.

AGRICULTURE

Agriculture will recover somewhat from a barren 2001 to contribute strongly to the province's bottom line this year. Although agricultural output is forecast to grow by 12.7 per cent in 2002, it will remain below the five-year average until 2003. The Conference Board expects a return to normal crop yields next year, when total output in the agriculture sector is forecast to rise by 10.9 per cent. Dry weather conditions in the last few weeks, however, pose some downside risks to the forecast.

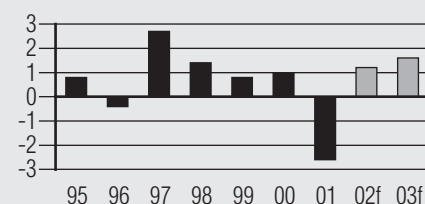
The federal government's Agricultural Policy Framework (APF) was announced earlier this year in response to increased U.S. farm subsidies, holding out some relief to the province's beleaguered agriculture industry. The federal government

will spend \$5.2 billion on the initiative over the next six years and provincial participation could increase the total package to about \$8.2 billion. However, three provinces—Quebec, Manitoba and Saskatchewan—have not yet agreed to the cost-sharing arrangements of the new policy, and continued uncertainty weighs heavily on the minds of most Saskatchewan farmers. Regardless of the outcome, the program will not significantly improve agriculture production or farm income this year. Given the intent of the APF, the Conference Board does not expect any significant effects on production and farm income until much later in the forecast period. Based on Saskatchewan's share of agriculture production, the Conference Board estimates that farmers will receive between \$150 million and \$200 million each year over the next six years.

LABOUR MARKET STRENGTHENS

Output in the service-producing industries will improve by 2.1 per cent this year, followed by stronger growth of 2.9 per cent in 2003. The improvement is attributed to strong performance in wholesale and retail trade, and in the transportation, storage and communications industries. The wholesale and retail trade sector will grow by 3.2 per cent this year and 4.4 per cent in 2003. The transportation, storage and communications sector will grow by 2.7 per cent this year and 3.2 per cent next year. Employment growth in the services sector (including areas such as retail and wholesale trade, and finance, insurance and real estate) is expected to rise by 3.6 per cent this year and 2.3 per cent next year. Total employment growth will match growth in the labour force this year and will exceed it next year. As a result, the

Employment Improves Substantially
(percentage change)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

Forecast Risks

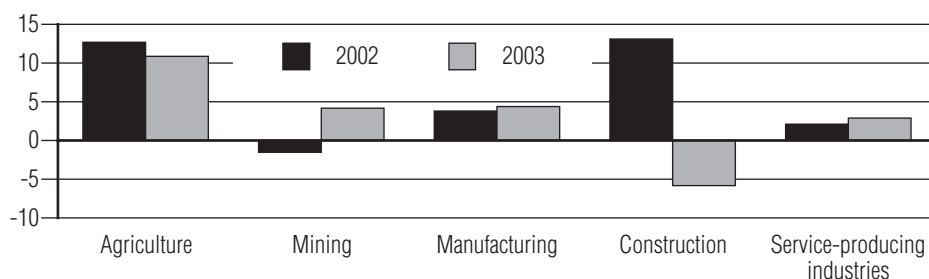
- Short term**
 - Worse-than-anticipated weather conditions could decrease agricultural output, hurting the province's bottom line this year.
- Medium term**
 - The \$650 million newsprint manufacturing company proposed by Alberta News Print Co. goes ahead in 2003, raising employment, investment and total GDP.

Source: The Conference Board of Canada.

unemployment rate is expected to fall from 6 per cent in 2002 to 5.6 per cent in 2003.

The fiscally restrained 2002–03 budget will limit output growth in the public administration sector to 2.9 per cent in 2002 and 1.8 per cent next year. Although revenues to date are below those budgeted, the financial stabilization fund will enable the province to meet all obligations to health, education and public projects.

Industry Outlook
(percentage change, 1997 \$)



Sources: Statistics Canada; The Conference Board of Canada.

Key Economic Indicators: Saskatchewan

(Forecast Completed: July 22, 2002)

	2001:1	2001:2	2001:3	2001:4	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4	2001	2002	2003
GDP at market prices (current \$)	34,638 -3.3	33,944 -2.0	33,165 -2.3	32,532 -1.9	33,734 3.7	34,565 2.5	34,733 0.5	35,414 2.0	35,989 1.6	36,498 1.4	37,025 1.4	37,423 1.1	33,570 -2.0	34,611 3.1	36,734 6.1
GDP at basic prices (current \$)	32,841 -3.2	32,109 -2.2	31,266 -2.6	30,635 -2.0	31,733 3.6	32,495 2.4	32,657 0.5	33,317 2.0	33,870 1.7	34,355 1.4	34,859 1.5	35,235 1.1	31,713 -2.1	32,550 2.6	34,579 6.2
GDP at basic prices (constant \$ 1997)	28,557 -1.5	28,202 -1.2	28,432 0.8	28,467 0.1	28,757 1.0	29,192 1.5	29,442 0.9	29,672 0.8	29,899 0.8	30,141 0.8	30,393 0.8	30,615 0.7	28,414 -1.8	29,266 3.0	30,262 3.4
Consumer price index (1992=1.0)	1.187 0.4	1.204 1.5	1.215 0.9	1.206 -0.7	1.212 0.4	1.237 2.1	1.240 0.2	1.243 0.3	1.250 0.5	1.257 0.6	1.264 0.5	1.271 0.5	1.203 3.1	1.233 2.5	1.261 2.2
Implicit price deflator— GDP at basic prices (1997=1.0)	1.150 -1.7	1.139 -1.0	1.100 -3.4	1.076 -2.1	1.104 2.5	1.113 0.9	1.109 -0.4	1.123 1.2	1.133 0.9	1.140 0.6	1.147 0.6	1.151 0.3	1.116 -0.3	1.112 -0.4	1.143 2.7
Average weekly wages (level)	595 0.8	594 -0.2	595 0.3	594 -0.2	597 0.4	604 1.2	607 0.6	611 0.6	615 0.7	620 0.7	624 0.7	629 0.7	595 1.9	605 1.7	622 2.9
Personal income (current \$)	24,482 1.4	23,957 -2.1	23,941 -0.1	24,224 1.2	24,761 2.2	24,948 0.8	25,210 1.1	25,446 0.9	25,752 1.2	26,067 1.2	26,381 1.2	26,663 1.1	24,151 1.8	25,091 3.9	26,216 4.5
Personal disposable income (current \$)	19,428 2.3	18,875 -2.8	18,833 -0.2	19,060 1.2	19,538 2.5	19,639 0.5	19,833 1.0	20,013 0.9	20,323 1.5	20,559 1.2	20,798 1.2	21,010 1.0	19,049 2.5	19,756 3.7	20,672 4.6
Personal savings rate	2.1	-2.2	-2.4	-1.7	0.0	-0.2	-0.2	-0.4	-0.4	-0.7	-0.8	-0.9	-1.1	-0.2	-0.7
Population of labour force age (000s)	763 -0.1	762 -0.1	761 -0.1	761 -0.1	760 0.0	760 -0.1	760 0.0	761 0.1	761 0.1	762 0.1	763 0.1	765 0.1	762 -0.3	760 -0.2	763 0.4
Labour force (000s)	508 -0.5	501 -1.3	501 -0.1	497 -0.7	503 1.2	507 0.7	510 0.6	513 0.7	513 0.0	513 0.1	514 0.2	516 0.4	502 -2.0	508 1.3	514 1.2
Employment (000s)	479 -0.8	471 -1.6	472 0.3	467 -1.1	474 1.5	478 0.8	479 0.3	481 0.3	482 0.3	484 0.4	487 0.5	488 0.3	472 -2.6	478 1.2	485 1.6
Unemployment rate	5.7	6.0	5.7	6.1	5.8	5.7	6.0	6.3	6.0	5.7	5.3	5.4	5.8	6.0	5.6
Retail sales (current \$)	8,261 2.1	8,362 1.2	8,356 -0.1	8,599 2.9	8,785 2.2	8,878 1.1	8,896 0.2	8,958 0.7	9,094 1.5	9,233 1.5	9,360 1.4	9,471 1.2	8,395 3.2	8,879 5.8	9,289 4.6
Housing starts (units)	2,178 -2.5	1,784 -18.1	2,578 44.5	2,984 15.8	2,300 -22.9	3,033 31.9	2,900 -4.4	2,750 -5.2	2,552 -7.2	2,536 -0.6	2,522 -0.5	2,510 -0.5	2,381 -5.3	2,746 15.3	2,530 -7.9

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: Statistics Canada; Canada Mortgage and Housing Corporation; The Conference Board of Canada.

Alberta

- Oil sands development and strong oil prices boost energy investment in 2003.
- Retail sales and housing starts to enjoy healthy growth.

Real GDP

2002	Growth 3.3	Ranking #6
-------------	---------------	---------------

2003	Growth 5.1	Ranking #1
-------------	---------------	---------------

Credit Quality

AAA
Standard & Poor's

Retail Sales

2002	Growth 7.0	Ranking #1
-------------	---------------	---------------

2003	Growth 4.2	Ranking #2
-------------	---------------	---------------

Government & Background Information

Premier	Ralph Klein
Next election	2005
Population (2002)	3,106,048
Government balance (2002-03)	\$724 million

Sources: Alberta Finance; The Conference Board of Canada.

ENERGY KEEPS OUTLOOK BRIGHT

Monique Brugger

The Alberta economy will fare rather well this year as real gross domestic product (GDP) advances by 3.3 per cent. Rising oil prices will keep the economy rolling in the near term. Exploratory and development drilling surged in April, allowing petroleum companies to raise their initial forecast of activity for the year. Crude oil prices will remain high because the Organization of Petroleum-Exporting Countries (OPEC) has lowered output quotas despite low global demand. Natural gas prices closely mimicked the rise in the price of oil but have been slowly falling since June and are currently hovering around U.S. \$3 per million British thermal units. Activity in the oil patch will pick up strongly next year, when the economic recovery gets fully under way south of the border and demand for oil takes off.

However, growth will be constrained in the province this year by a continued severe drought that will depress output in the agriculture sector, plus a decline in energy investment that will dampen total output in the construction sector. Housing starts will remain robust as low interest rates continue to beckon new homebuyers, while decent employment gains will keep retail sales humming. Furthermore, as the winter heating season approaches, an escalation in the Middle East conflict or OPEC's adherence to low quota levels could boost the price of oil and drilling activity and provide some upside risk to the Alberta outlook.

A surge in the goods-producing and service-producing industries will propel overall real GDP growth to 5.1 per cent in 2003. In addition, a resurgence of drilling activity will boost energy investment spending, while solid migration and healthy employment growth will stimulate consumer demand.

THE OIL PRICE STORY

The West Texas Intermediate (WTI) crude oil price is expected to settle at around U.S. \$26 a barrel in the next few months. A number of factors contributed to the ups and downs in the price of oil during the second quarter. Unseasonably warm winter weather in North America kept total commercial oil stocks high in the United States and other industrialized nations and allowed OPEC to maintain the oil output cut initiated in January. There is a good chance that OPEC will maintain its low quota level when the cartel meets in September; it has been suggested that the target price for crude should be raised to between \$25 and \$30 per barrel. A month-long, self-imposed Iraqi oil embargo in April added to the general skittishness felt by global energy traders concerning possible supply shortages during the second half of the year. This helped raise oil prices to almost U.S. \$30 per barrel in May. At the same time, Russia and Norway announced plans to increase oil exports by 15 per cent in the third quarter of 2002.

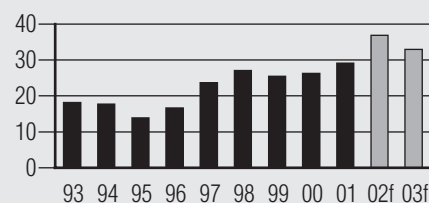
According to the International Energy Agency, global oil demand will improve in the third and fourth quarters. Annual global oil demand is expected to increase by 0.6 million barrels per day (mmbd) in 2002, with most of the increase in demand coming from countries in the Organization for Economic

Economic Indicators (percentage change)

	2001	2002	2003
Real GDP (basic prices)	3.0	3.3	5.1
Consumer price index	2.3	2.6	2.5
Personal disposable income	8.3	3.3	5.0
Employment	2.8	1.7	2.5
Unemployment rate	4.6	5.5	4.8
Retail sales	9.1	7.0	4.2
Average weekly wages	2.7	2.8	3.1
Population	1.8	1.6	1.4

Source: The Conference Board of Canada.

Sizzling Demand (housing starts, thousand units)



f = forecast

Sources: Canada Mortgage and Housing Corporation; The Conference Board of Canada.

Cooperation and Development (OECD). However, growth in oil production from non-OPEC producers in 2002 will help keep a lid on prices. The WTI crude oil price is, on average, expected to fall by 4 per cent this year, to U.S. \$24.88 per barrel.

The economic recovery expected in the United States next year will help push oil prices up by 7.4 per cent in 2003, to an average of U.S. \$26.71 per barrel. Worldwide oil demand will increase by 1.2 mmbd, with almost half of this coming from the United States. Supply will out-strip demand, however, as upward pressure on prices and excess capacity typically encourage higher production. Total worldwide oil supply will increase by 2.3 mmbd.

NATURAL GAS PRICES TO COOL OFF THIS YEAR

Natural gas prices reached its average low for the year in January before rising steadily to a peak of U.S. \$3.4 per mmbtu (million British thermal units) in April. March and most of April were colder than normal, and a short and unexpected heat wave in April increased electricity demand for cooling at generating stations, causing demand and the price of natural gas to spike upward. Natural gas prices are still hovering around U.S. \$3 per mmbtu, but will drop off during the coming months as inventories remain high, although general skittishness in the markets over the Middle East crisis may put continued upward pressure on prices. Prices will increase in 2003 as the economic recovery in the United States pushes industrial demand for natural gas upward, reducing the stockpile of inventories. Natural gas exports are expected to increase by 6.5 per cent in 2002 and by a further 2.9 per cent in 2003.

DRILLING ACTIVITY PUSHED BY ENERGY PRICES

Increasing oil and natural gas prices during the past few months have resulted in a rise in this year's drilling forecast by energy companies. According to the latest Petroleum Services Association of Canada forecast, the total Canadian oil and gas well count for 2002 will be about 22 per cent lower than in 2001. This nevertheless represents an increase of 614 wells from the January forecast of 13,386 wells. The mining services sector will barely grow

this year before jumping by 15.5 per cent in 2003. Mineral fuels output is expected to grow by 3.3 per cent in 2002 and by a further 5.6 per cent in 2003.

DOMESTIC DEMAND OUTLOOK

CONSUMERS LEAD THE WAY

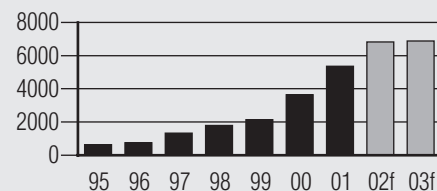
Employment losses in the primary industries were substantial in the first half of the year. The agriculture sector is being hammered by one of the worst droughts since the 1930s, while commodity prices for some major crops, like wheat, remain relatively low. Punitive duties on softwood lumber exported the United States are limiting production of lumber in the province, and low drilling activity is having a negative effect on the oil and gas sectors. Total employment will grow by 1.7 per cent in 2002 and will pick up in 2003 as losses in some of these industries, especially the oil and gas sectors, are regained.

With incomes remaining relatively high, retail sales will remain robust following spectacular growth in 2001. Consumers are also keen to take advantage of persistently low interest rates and are purchasing new homes with zeal. Housing starts will skyrocket this year but will decelerate in 2003.

ENERGY INVESTMENT AFFECTED BY DRILLING

A sharp decrease in drilling activity will weigh heavily on capital expenditures in the oil and gas industries. Total non-residential energy investment will drop by 10 per cent in 2002. However, energy companies will still spend billions on oil sands development. Imperial Oil will invest \$1 billion toward the expansion of its huge Cold Lake

Oil Sands Investment in Mining and Upgrader Projects
(proposed and ongoing developments, \$ millions)



f = forecast

Source: The Conference Board of Canada.

Forecast Risks



- If OPEC keeps production quotas low, oil prices could quickly rise and boost energy investment and drilling intentions.

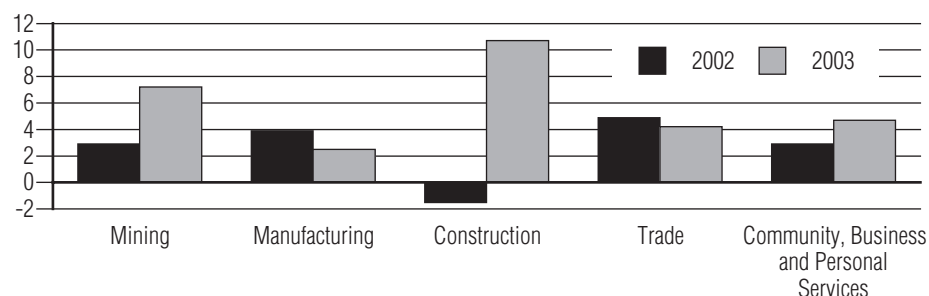


- The province's strong economic outlook will continue to attract people from other provinces, stimulating domestic demand further.

Source: The Conference Board of Canada.

heavy oil operations, while Shell is applying to build a \$2 billion mine in the Jackpine area. In the nearer term, \$4 billion will be spent on the third phase of Syncrude's expansion scheme. About \$6 billion is expected this year for development of the oil sands, plus almost another \$5 billion in 2003. A significant improvement in drilling activity will push non-residential energy investment to 10.7 per cent next year.

Industry Outlook
(percentage change, 1997 \$)



Sources: Statistics Canada; The Conference Board of Canada.

Key Economic Indicators: Alberta

(Forecast Completed: July 22, 2002)

	2001:1	2001:2	2001:3	2001:4	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4	2001	2002	2003
GDP at market prices (current \$)	161,177 2.8	156,413 -3.0	150,773 -3.6	145,890 -3.2	148,780 2.0	159,830 7.4	159,665 -0.1	163,606 2.5	166,665 1.9	169,375 1.6	172,258 1.7	174,555 1.3	153,563 4.4	157,970 2.9	170,713 8.1
GDP at basic prices (current \$)	158,467 5.0	153,645 -3.0	147,908 -3.7	143,029 -3.3	145,762 1.9	156,707 7.5	156,533 -0.1	160,443 2.5	163,469 1.9	166,142 1.6	168,990 1.7	171,253 1.3	150,762 6.6	154,861 2.7	167,464 8.1
GDP at basic prices (constant \$ 1997)	117,726 1.0	118,834 0.9	118,513 -0.3	116,683 -1.5	118,669 1.7	121,540 2.4	122,898 1.1	124,254 1.1	125,913 1.3	127,359 1.1	128,848 1.2	130,184 1.0	117,939 3.0	121,840 3.3	128,076 5.1
Consumer price index (1992=1.0)	1.178 -1.4	1.219 3.4	1.218 0.0	1.187 -2.6	1.206 1.6	1.235 2.4	1.240 0.4	1.246 0.5	1.252 0.5	1.259 0.6	1.266 0.6	1.274 0.6	1.201 2.3	1.232 2.6	1.263 2.5
Implicit price deflator— GDP at basic prices (1997=1.0)	1.346 3.9	1.293 -3.9	1.248 -3.5	1.226 -1.8	1.228 0.2	1.289 5.0	1.274 -1.2	1.291 1.4	1.298 0.5	1.305 0.5	1.312 0.5	1.315 0.3	1.278 3.6	1.271 -0.6	1.307 2.9
Average weekly wages (level)	687 0.8	690 0.5	697 1.0	702 0.7	704 0.2	712 1.2	717 0.7	722 0.6	727 0.7	733 0.8	739 0.8	745 0.8	694 2.7	714 2.8	736 3.1
Personal income (current \$)	94,194 3.6	94,542 0.4	94,889 0.4	95,301 0.4	96,933 1.7	97,597 0.7	98,469 0.9	99,441 1.0	101,012 1.6	102,528 1.5	104,072 1.5	105,471 1.3	94,732 7.5	98,110 3.6	103,271 5.3
Personal disposable income (current \$)	72,096 3.6	72,347 0.3	72,623 0.4	72,801 0.2	74,140 1.8	74,454 0.4	75,050 0.8	75,749 0.9	76,907 1.5	78,014 1.4	79,149 1.5	80,167 1.3	72,467 8.3	74,848 3.3	78,559 5.0
Personal savings rate	5.9	4.0	3.8	3.1	3.5	3.3	3.3	3.0	3.1	2.9	2.8	2.8	4.2	3.3	2.9
Population of labour force age (000s)	2,347 0.6	2,360 0.6	2,373 0.6	2,387 0.6	2,400 0.5	2,414 0.6	2,424 0.4	2,435 0.5	2,446 0.4	2,457 0.4	2,468 0.4	2,479 0.4	2,367 2.2	2,418 2.2	2,462 1.8
Labour force (000s)	1,701 0.7	1,711 0.6	1,707 -0.2	1,725 1.0	1,737 0.7	1,755 1.0	1,763 0.5	1,772 0.5	1,775 0.2	1,784 0.5	1,792 0.5	1,800 0.4	1,711 2.4	1,757 2.7	1,788 1.8
Employment (000s)	1,620 0.8	1,632 0.7	1,635 0.2	1,642 0.5	1,652 0.6	1,657 0.3	1,662 0.3	1,669 0.5	1,682 0.7	1,695 0.8	1,710 0.9	1,721 0.6	1,632 2.8	1,660 1.7	1,702 2.5
Unemployment rate	4.8	4.6	4.2	4.8	4.9	5.6	5.8	5.8	5.3	5.0	4.6	4.4	4.6	5.5	4.8
Retail sales (current \$)	33,554 2.9	34,480 2.8	34,629 0.4	35,745 3.2	36,785 2.9	37,070 0.8	36,998 -0.2	37,200 0.5	37,683 1.3	38,313 1.7	38,899 1.5	39,407 1.3	34,602 9.1	37,013 7.0	38,576 4.2
Housing starts (units)	26,457 2.0	29,777 12.5	28,083 -5.7	32,380 15.3	39,900 23.2	36,000 -9.8	35,869 -0.4	35,800 -0.2	34,447 -3.8	33,385 -3.1	32,469 -2.7	31,698 -2.4	29,174 11.1	36,892 26.5	33,000 -10.6

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: Statistics Canada; Canada Mortgage and Housing Corporation; The Conference Board of Canada.

British Columbia

- This year and next—and for the first time in seven years—the province's construction industry will outpace the national average.
- The service sector, which makes up nearly three-quarters of total employment in British Columbia, will be the main driver of employment growth.

Real GDP

Year	Growth	Ranking
2002	2.4	#10

Year	Growth	Ranking
2003	3.5	#4

Credit Quality

AA-
Standard & Poor's

Retail Sales

Year	Growth	Ranking
2002	5.4	#6

Year	Growth	Ranking
2003	3.6	#7

Government & Background Information

Premier	Gordon Campbell
Next election	2006
Population (2002)	4,268 million
Government balance (2002-03)	-\$2 billion

Source: The Conference Board of Canada.

BETTER DAYS AHEAD

Nicholas Neuheimer

Daunting obstacles have challenged the British Columbia economy over the last year. The lumber dispute, a ballooning government deficit and 9/11 have all weighed on the province. Real gross domestic product (GDP) last year was the weakest in nearly two decades. But this dismal performance will not be repeated, as the province is poised to return to more healthy growth. The goods-producing industries, mainly the manufacturing, construction and utility sectors, are expected to bounce back slowly this year, while the service industries will continue to progress. A full recovery is not projected for the goods-producing industries until 2003. The province's economic revival is based on consumer exuberance, a more favourable business climate and firmer U.S. demand. Real GDP in the province is expected to expand by 2.4 per cent this year and by 3.5 per cent in 2003. While lower than the national average, this is the strongest performance in three years.

Stronger employment and higher real incomes—the result of massive income tax cuts—will stimulate consumption this year. Increased consumer optimism is reflected in the Conference Board's Index of Consumer Attitudes, which hit a 12-month high in June. This momentum should continue through 2003. The service industry is expected to grow by nearly 3 per cent this year, just above its five-year average. Low interest rates, growth in the service industry and corporate income tax cuts are all stimulating office construction in the greater Vancouver area. There are two million square feet of office space currently under construction.

The public sector will be a drag on overall economic activity over the near term. Government spending increases will be tepid and limited to the health care sector through 2004. All other categories of government spending will be frozen, if not cut, over the next three years. Public administration output is expected to grow by just 1 per cent this year and to decline by 1.4 per cent in 2003.

The slow U.S. recovery and the punitive U.S. softwood lumber duties will keep export growth modest this year. The forestry sector is not expected to get back on its feet before next year. Rising commodity prices should, however, boost exports of electricity, and minerals over the near term.

FOUNDATIONS OF GROWTH SET ON SOLID EMPLOYMENT GAINS

British Columbia led the country in employment growth in June, adding 27,000 jobs. However, this year's strong job growth has had a great deal of ground to make up, as the province shed a whopping 61,000 jobs in 2001. We believe that the job boom will continue. Job growth should increase by an annual average of 23,000 beginning next year. The service sector, which makes up nearly three-quarters of total employment in British Columbia, will kick-start this growth. The manufacturing sector will pick up only in the latter half of next year.

CONSUMERS ARE COOL AND CONFIDENT

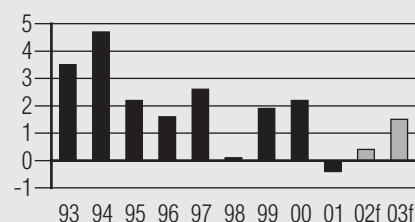
With this rosy employment picture, and in spite of the headline-grabbing government lay-offs and forestry industry woes,

Economic Indicators (percentage change)

	2001	2002	2003
Real GDP (basic prices)	0.8	2.4	3.5
Consumer price index	1.7	2.4	1.7
Personal disposable income	3.6	3.2	4.0
Employment	-0.4	0.4	1.5
Unemployment rate	7.7	9.1	8.8
Retail sales	6.0	5.4	3.6
Average weekly wages	0.3	1.5	2.8
Population	0.8	0.8	1.0

Source: The Conference Board of Canada.

Labour Market to Brighten (Employment, percentage change)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

our optimistic consumer attitudes survey is no surprise. The Conference Board's latest Index of Consumer Attitudes—which includes data for June—found that British Columbians have become increasingly optimistic since the beginning of the year, thanks to steady employment growth, massive tax cuts and historically low interest rates. Even the negative headlines reflect a situation that is not as bad as it seems, as government job losses make up a small proportion—just over 4 per cent—of total employment, and the forestry industry cuts are limited to Vancouver Island and the central interior of the province.

Consumer optimism is leading to increased retail sales. Our latest survey reports that families in the province feel better off than a year ago and anticipate continued good times. People in British Columbia believe that the job situation will improve over the next six months. And these sentiments are sending them shopping. As of May, retail sales had grown for six of the last eight months. Statistics Canada reports continually increasing sales since the beginning of 1999. As the economy adds steam, retail sales should grow by an average of more than 4 per cent over the next three years, or just slightly slower than the national average.

COMMERCIAL CONSTRUCTION ON FIRM FOOTING

Historically low interest rates will drive investment spending upward over the forecast period, especially in Vancouver. There has been a flurry of activity in the construction of office space in Vancouver over the last year. For example, now under construction in downtown Vancouver are two major office towers: the 33-storey Bentall V (560,000 square feet) and Pricewaterhouse Coopers Place (243,000 square feet). According to J.J. Barnicke, both of these Class AAA buildings have had significant advance leasing. The alumni database business Harris & Company and international consultants Mercer are leasing in Bentall V. Agents for Pricewaterhouse Coopers say the "lion's share" of space is being filled. Despite the recent economic slowdown, according to broker CB Richard Ellis, downtown Vancouver still commands some of the highest office rents in Canada. High rents and robust commercial building

activity are setting a firm foundation for the construction industry in the future. This year and next—and for the first time in seven years—the province's construction industry will outpace the national average.

OFFSHORE OIL & GAS INVESTMENT MAY BE GARGANTUAN

Commercial real estate is not the only potential source of private investment growth. The future for energy investment is promising as well. The re-introduction of offshore oil and gas exploration may provide a boost to investment in the outer years of the forecast. The province is currently reviewing environmental and regulatory issues that could affect offshore exploration. We have not included a \$25 billion increase in investment over the next ten years, which has been targeted by the government. This level of investment would add over ten per cent to overall investment spending.

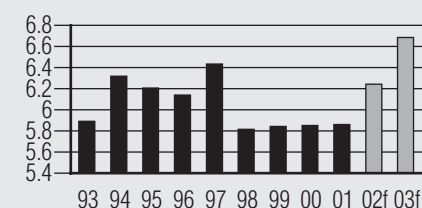
SOFTWOOD TARIFFS SHOULD TOPPLE BY 2003

We believe that the softwood lumber dispute will be resolved in the first half of next year. After a trying year in 2002, the forestry industry will begin growing again and make up lost ground. The recent favourable ruling of the World Trade Organization, as well as pressure from U.S. builders and consumer groups, should bring the exorbitant softwood lumber tariffs to an end. The American groups see these tariffs on the lower-cost Canadian products as a tax on housing.

U.S. RECOVERY WILL FOSTER MANUFACTURING RECOVERY

We expect the U.S. economy to expand by nearly 4 per cent next year. Strong

Construction is Bouncing Back
(\$ 1997, billions)



f=forecast

Sources: Statistics Canada; The Conference Board of Canada.

Forecast Risks

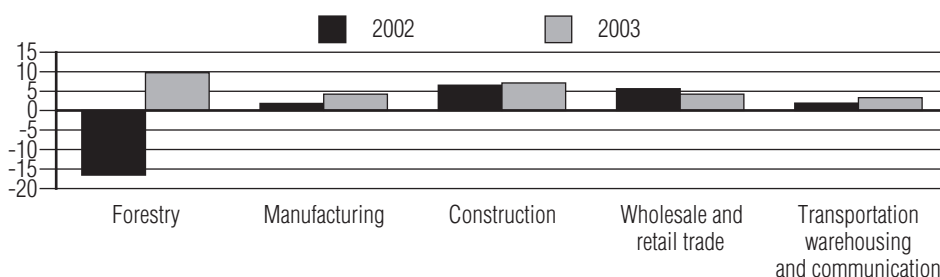
- Short term**
 - A quick settlement of the softwood lumber dispute would bode well for the forestry sector.
- Medium term**
 - The opening of offshore oil and gas exploration, and realization of the government's targeted \$25 billion of new investment over the next decade, would be a tremendous boost.

Source: The Conference Board of Canada.

demand and a resolution to the softwood lumber dispute will increase manufacturing activity. As a sound American economy normally leads to an increase in magazine advertising, the province's pulp and newsprint production should rise next year. A recovery in Japan, as well as in the rest of Asia, should also nurture solid growth for the industry in the outer years of the forecast.

Industry Outlook

(1997 \$, percentage change)



Sources: Statistics Canada; The Conference Board of Canada.

Key Economic Indicators: British Columbia

(Forecast Completed: July 22, 2002)

	2001:1	2001:2	2001:3	2001:4	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4	2001	2002	2003
GDP at market prices (current \$)	134,062 0.2	133,059 -0.7	131,331 -1.3	129,876 -1.1	134,888 3.9	134,747 -0.1	135,709 0.7	137,683 1.5	139,693 1.5	141,588 1.4	143,636 1.4	145,403 1.2	132,082 2.0	135,757 2.8	142,580 5.0
GDP at basic prices (current \$)	123,602 0.4	122,379 -1.0	120,277 -1.7	118,835 -1.2	123,243 3.7	122,698 -0.4	123,625 0.8	125,478 1.5	127,358 1.5	129,113 1.4	131,025 1.5	132,663 1.2	121,273 1.9	123,761 2.1	130,040 5.1
GDP at basic prices (constant \$ 1997)	113,855 0.0	114,387 0.5	113,508 -0.8	114,076 0.5	115,212 1.0	116,296 0.9	117,164 0.7	118,020 0.7	119,148 1.0	120,223 0.9	121,348 0.9	122,212 0.7	113,956 0.8	116,673 2.4	120,733 3.5
Consumer price index (1992=1.0)	1.135 -0.8	1.156 1.9	1.164 0.6	1.152 -1.0	1.160 0.7	1.179 1.7	1.187 0.7	1.191 0.3	1.193 0.1	1.197 0.3	1.201 0.4	1.206 0.4	1.152 1.7	1.179 2.4	1.199 1.7
Implicit price deflator— GDP at basic prices (1997=1.0)	1.086 0.4	1.070 -1.4	1.060 -1.0	1.042 -1.7	1.070 2.7	1.055 -1.4	1.055 0.0	1.063 0.8	1.069 0.5	1.074 0.5	1.080 0.5	1.086 0.5	1.064 1.1	1.061 -0.3	1.077 1.5
Average weekly wages (level)	660 0.1	657 -0.5	657 0.0	658 0.2	661 0.5	666 0.7	670 0.6	674 0.6	678 0.7	683 0.7	688 0.7	694 0.8	658 0.3	668 1.5	686 2.8
Personal income (current \$)	111,070 1.6	109,604 -1.3	109,533 -0.1	110,471 0.9	111,678 1.1	113,111 1.3	113,928 0.7	114,744 0.7	116,176 1.2	117,554 1.2	119,039 1.3	120,509 1.2	110,169 2.8	113,365 2.9	118,320 4.4
Personal disposable income (current \$)	85,254 3.1	83,446 -2.1	83,129 -0.4	83,694 0.7	85,501 2.2	86,403 1.1	86,952 0.6	87,537 0.7	88,541 1.1	89,527 1.1	90,608 1.2	91,672 1.2	83,881 3.6	86,598 3.2	90,087 4.0
Personal savings rate	-0.9	-4.8	-5.8	-5.2	-3.9	-4.0	-4.0	-4.2	-4.2	-4.5	-4.6	-4.6	-4.2	-4.0	-4.5
Population of labour force age (000s)	3,262 0.3	3,274 0.4	3,286 0.4	3,297 0.3	3,307 0.3	3,320 0.4	3,329 0.3	3,340 0.3	3,352 0.4	3,364 0.4	3,376 0.4	3,388 0.4	3,280 1.3	3,324 1.3	3,370 1.4
Labour force (000s)	2,103 -0.7	2,106 0.2	2,100 -0.3	2,107 0.3	2,125 0.8	2,147 1.1	2,149 0.1	2,160 0.5	2,160 0.0	2,167 0.3	2,177 0.4	2,183 0.3	2,104 0.2	2,145 2.0	2,172 1.2
Employment (000s)	1,955 -0.6	1,958 0.1	1,937 -1.1	1,918 -1.0	1,936 0.9	1,954 0.9	1,954 0.0	1,955 0.0	1,963 0.4	1,972 0.5	1,986 0.7	1,998 0.6	1,942 -0.4	1,950 0.4	1,980 1.5
Unemployment rate	7.0	7.0	7.7	9.0	8.9	9.0	9.1	9.5	9.1	9.0	8.8	8.5	7.7	9.1	8.8
Retail sales (current \$)	37,247 1.4	37,855 1.6	38,073 0.6	38,742 1.8	39,568 2.1	40,208 1.6	40,081 -0.3	40,214 0.3	40,601 1.0	41,174 1.4	41,737 1.4	42,280 1.3	37,979 6.0	40,017 5.4	41,448 3.6
Housing starts (units)	16,332 3.1	18,430 12.8	16,434 -10.8	17,740 7.9	18,700 5.4	17,600 -5.9	17,400 -1.1	17,300 -0.6	17,181 -0.7	16,925 -1.5	16,704 -1.3	16,518 -1.1	17,234 19.5	17,750 3.0	16,832 -5.2

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: Statistics Canada; Canada Mortgage and Housing Corporation; The Conference Board of Canada.

Key Economic Indicators: Canada

(Forecast Completed: July 22, 2002)

	2001:1	2001:2	2001:3	2001:4	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4	2001	2002	2003
GDP at market prices (current \$)	1,100,604 1.3	1,100,996 0.0	1,085,844 -1.4	1,081,540 -0.4	1,106,352 2.3	1,133,801 2.5	1,143,552 0.9	1,158,293 1.3	1,175,932 1.5	1,193,259 1.5	1,210,858 1.5	1,226,137 1.3	1,092,246 2.6	1,135,500 4.0	1,201,547 5.8
GDP at basic prices (current \$)	1,027,664 1.9	1,026,524 -0.1	1,008,764 -1.7	1,004,552 -0.4	1,025,152 2.1	1,049,785 2.4	1,059,291 0.9	1,073,188 1.3	1,089,927 1.6	1,106,270 1.5	1,122,920 1.5	1,137,299 1.3	1,016,876 2.8	1,051,854 3.4	1,114,104 5.9
GDP at basic prices (constant \$ 1997)	938,344 0.1	940,984 0.3	938,559 -0.3	941,953 0.4	954,192 1.3	968,350 1.5	976,639 0.9	984,630 0.8	994,574 1.0	1,004,630 1.0	1,014,918 1.0	1,023,300 0.8	939,960 1.1	970,953 3.3	1,009,355 4.0
Consumer price index (1992=1.0)	1.152 0.2	1.171 1.7	1.172 0.1	1.162 -0.9	1.169 0.7	1.187 1.5	1.194 0.6	1.200 0.5	1.206 0.5	1.212 0.5	1.218 0.5	1.224 0.5	1.164 2.5	1.188 2.0	1.215 2.3
Implicit price deflator— GDP at basic prices (1997=1.0)	1.095 1.7	1.091 -0.4	1.075 -1.5	1.066 -0.8	1.074 0.7	1.084 0.9	1.085 0.0	1.090 0.5	1.096 0.5	1.101 0.5	1.106 0.5	1.111 0.5	1.082 1.7	1.083 0.1	1.104 1.9
Average weekly wages (level)	663 0.3	665 0.3	669 0.6	671 0.3	673 0.4	676 0.4	680 0.7	684 0.6	690 0.8	695 0.7	700 0.8	706 0.8	667 1.6	678 1.7	698 2.8
Personal income (current \$)	870,740 1.7	868,384 -0.3	872,272 0.4	879,232 0.8	888,304 1.0	897,465 1.0	904,207 0.8	911,713 0.8	923,335 1.3	934,839 1.2	946,561 1.3	957,260 1.1	872,657 4.0	900,422 3.2	940,499 4.5
Personal disposable income (current \$)	663,376 1.4	660,572 -0.4	665,624 0.8	674,124 1.3	681,528 1.1	686,742 0.8	691,366 0.7	696,802 0.8	706,196 1.3	714,544 1.2	723,163 1.2	730,945 1.1	665,924 4.4	689,109 3.5	718,712 4.3
Personal savings rate	5.5	3.7	4.3	4.8	4.7	4.4	4.4	4.2	4.3	4.0	3.9	3.9	4.6	4.4	4.0
Population of labour force age (000s)	24,489 0.3	24,578 0.4	24,664 0.4	24,741 0.3	24,816 0.3	24,884 0.3	24,953 0.3	25,022 0.3	25,088 0.3	25,157 0.3	25,227 0.3	25,298 0.3	24,618 1.4	24,919 1.2	25,193 1.1
Labour force (000s)	16,178 0.2	16,226 0.3	16,244 0.1	16,347 0.6	16,490 0.9	16,598 0.7	16,644 0.3	16,665 0.1	16,684 0.1	16,745 0.4	16,803 0.3	16,860 0.3	16,249 1.5	16,599 2.2	16,773 1.0
Employment (000s)	15,054 0.2	15,083 0.2	15,074 -0.1	15,094 0.1	15,199 0.7	15,320 0.8	15,341 0.1	15,373 0.2	15,451 0.5	15,534 0.5	15,631 0.6	15,699 0.4	15,076 1.1	15,308 1.5	15,579 1.8
Unemployment rate	6.9	7.0	7.2	7.7	7.8	7.7	7.8	7.8	7.4	7.2	7.0	6.9	7.2	7.8	7.1
Retail sales (current \$)	283,879 0.9	289,841 2.1	287,703 -0.7	295,097 2.6	302,745 2.6	306,670 1.3	305,905 -0.2	307,384 0.5	311,058 1.2	315,667 1.5	319,949 1.4	323,723 1.2	289,130 4.4	305,676 5.7	317,599 3.9
Housing starts (units)	160,114 5.1	163,998 2.4	155,827 -5.0	170,993 9.7	204,200 19.4	191,443 -6.2	183,429 -4.2	176,324 -3.9	173,333 -1.7	169,371 -2.3	165,937 -2.0	163,031 -1.8	162,733 7.3	188,849 16.0	167,918 -11.1

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: Statistics Canada; Canada Mortgage and Housing Corporation; The Conference Board of Canada.

Gross Domestic Product by Province and Industry

(Forecast Completed: July 22, 2002)

	Newfoundland				P.E.I.			Nova Scotia			New Brunswick				Quebec		
	2001	2002	2003		2001	2002	2003	2001	2002	2003	2001	2002	2003		2001	2002	2003
Agriculture	56 6.7	56 1.0	57 1.6	98 -27.9	130 33.0	138 6.3	198 -10.7	223 12.4	229 2.6	266 2.5	271 1.6	278 2.7	2,516 3.2	2,479 -1.5	2,546 2.7		
Forestry	104 -5.7	100 -4.3	103 3.1	18 -4.6	18 -3.7	18 3.1	65 -2.7	63 -2.9	65 3.7	320 -2.0	314 -1.9	327 4.0	1,010 -4.9	898 -11.1	975 8.6		
Fishing & trapping	216 4.9	222 2.8	227 2.4	58 0.4	61 5.0	62 1.1	237 3.9	243 2.6	248 1.8	85 9.9	87 2.4	88 1.5	85 26.0	146 71.6	101 -31.1		
Mining	1,525 -1.6	2,294 50.4	2,276 -0.8	3 -15.1	4 6.9	4 6.0	359 19.2	375 4.6	385 2.5	331 6.7	341 2.8	359 5.3	1,447 -1.2	1,468 1.5	1,551 5.6		
Manufacturing	742 -1.4	753 1.5	780 3.6	278 2.5	286 3.0	297 3.9	2,365 1.3	2,424 2.5	2,524 4.1	2,453 -2.0	2,530 3.2	2,657 5.0	44,264 -3.6	45,612 3.0	47,571 4.3		
Construction	541 -4.4	554 2.5	620 12.0	137 0.1	151 10.5	148 -1.9	1,119 4.2	1,247 11.4	1,479 18.6	773 -13.1	724 -6.3	833 15.1	10,164 0.9	11,406 12.2	11,355 -0.5		
Utilities	475 -5.5	483 1.7	502 3.8	39 3.8	40 2.6	42 4.8	551 1.6	565 2.5	588 4.1	744 0.0	757 1.7	779 2.9	7,965 -5.0	8,004 0.5	8,393 4.9		
Goods-producing industries	3,658 -2.2	4,462 22.0	4,565 2.3	632 -4.6	690 9.2	710 2.9	4,894 2.6	5,140 5.0	5,518 7.4	4,973 -2.7	5,024 1.0	5,321 5.9	67,450 -2.8	70,014 3.8	72,491 3.5		
Transportation, warehousing, information (1)	1,079 3.4	1,119 3.7	1,175 5.0	212 -1.2	219 3.4	226 3.0	1,965 3.3	2,000 1.8	2,060 3.0	1,683 2.2	1,730 2.8	1,773 2.5	18,699 4.0	19,075 2.0	19,694 3.2		
Wholesale & retail trade	1,216 5.0	1,241 2.1	1,286 3.6	314 1.3	320 1.8	330 3.1	2,494 1.4	2,607 4.5	2,701 3.6	1,926 -1.4	1,993 3.5	2,054 3.1	23,323 2.4	24,870 6.6	25,871 4.0		
Finance and insurance (2)	1,867 3.1	1,915 2.6	1,955 2.1	589 1.8	616 4.6	636 3.2	4,531 3.6	4,622 2.0	4,734 2.4	3,024 2.6	3,142 3.9	3,217 2.4	33,592 3.4	34,730 3.4	35,484 2.2		
Community, business & personal services	2,685 2.8	2,734 1.8	2,822 3.2	707 1.6	724 2.4	746 3.0	4,862 2.2	4,969 2.2	5,067 2.0	3,760 2.2	3,853 2.5	3,948 2.5	44,350 1.5	45,483 2.6	47,064 3.5		
Public administration	1,028 2.4	1,061 3.2	1,083 2.0	376 3.2	388 3.0	398 2.6	2,095 1.3	2,162 3.2	2,213 2.3	1,704 4.9	1,781 4.5	1,817 2.0	12,320 3.3	12,874 4.5	13,178 2.4		
Service-producing industries	7,876 3.2	8,071 2.5	8,321 3.1	2,198 1.6	2,267 3.1	2,335 3.0	15,946 2.5	16,360 2.6	16,774 2.5	12,097 2.1	12,499 3.3	12,810 2.5	132,285 2.7	137,031 3.6	141,291 3.1		
All industries	11,502 1.4	12,499 8.7	12,852 2.8	2,826 0.1	2,953 4.5	3,041 3.0	20,827 2.4	21,486 3.2	22,278 3.7	17,075 0.6	17,528 2.7	18,137 3.5	199,743 0.7	207,053 3.7	213,790 3.3		

White area represents forecast data.

All data are in millions of 1997 dollars. For each industry, the first line is the level and the second line is the percentage change from the previous period.

(1) Transportation, warehousing, information and cultural industries. (2) Finance and insurance, real estate, renting and leasing, and management of companies and enterprises.

Source: The Conference Board of Canada.

Gross Domestic Product by Province and Industry

(Forecast Completed: July 22, 2002)

	Ontario			Manitoba			Saskatchewan			Alberta			British Columbia		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Agriculture	3,284 -6.6	3,464 5.5	3,610 4.2	1,296 -13.5	1,493 15.1	1,571 5.2	2,105 -22.5	2,373 12.7	2,632 10.9	2,792 -8.3	2,904 4.0	3,087 6.3	1,242 2.6	1,256 1.1	1,277 1.6
Forestry	639 -10.2	588 -8.0	629 6.9	62 0.6	56 -9.7	60 7.0	61 -13.9	60 -2.2	64 6.8	354 4.9	318 -10.3	341 7.2	3,938 -4.7	3,285 -16.6	3,603 9.7
Fishing & trapping	43 31.0	76 76.1	52 -32.2	16 18.3	16 4.6	17 3.4	6 77.6	6 4.4	6 3.4	2 0.1	2 3.7	2 2.3	171 8.7	175 2.4	180 2.6
Mining	2,739 3.9	2,801 2.3	2,953 5.4	621 3.9	635 2.2	671 5.7	4,165 1.6	4,104 -1.5	4,277 4.2	21,290 -0.1	21,911 2.9	23,489 7.2	3,401 8.2	3,580 5.3	3,733 4.3
Manufacturing	82,928 -4.7	85,375 3.0	90,625 6.2	3,915 1.1	4,062 3.8	4,250 4.6	2,006 -3.2	2,083 3.8	2,175 4.4	11,745 0.9	12,207 3.9	12,515 2.5	12,009 -8.2	12,222 1.8	12,730 4.2
Construction	19,257 5.2	20,141 4.6	21,134 4.9	1,386 3.8	1,452 4.7	1,533 5.6	1,328 -8.2	1,502 13.1	1,415 -5.8	9,104 7.1	8,970 -1.5	9,933 10.7	5,861 0.2	6,241 6.5	6,684 7.1
Utilities	10,441 -0.6	10,627 1.8	11,063 4.1	1,176 2.3	1,202 2.3	1,255 4.4	738 -0.7	752 1.9	777 3.4	2,908 0.4	2,987 2.7	3,112 4.2	2,436 -7.4	2,584 6.1	2,692 4.2
Goods-producing industries	119,332 -2.8	123,073 3.1	130,066 5.7	8,472 -0.7	8,916 5.2	9,356 4.9	10,408 -6.7	10,878 4.5	11,346 4.3	48,196 1.0	49,299 2.3	52,479 6.5	29,057 -3.8	29,343 1.0	30,898 5.3
Transportation, warehousing, information (1)	34,344 3.3	35,281 2.7	36,461 3.3	3,197 0.9	3,296 3.1	3,399 3.1	2,775 2.0	2,850 2.7	2,941 3.2	10,845 4.3	11,185 3.1	11,607 3.8	11,977 1.8	12,203 1.9	12,600 3.3
Wholesale & retail trade	47,644 0.7	50,018 5.0	52,175 4.3	3,640 4.9	3,811 4.7	3,954 3.8	2,941 0.3	3,034 3.2	3,168 4.4	11,648 7.1	12,220 4.9	12,735 4.2	12,046 0.6	12,716 5.6	13,245 4.2
Finance and insurance (2)	83,906 3.3	87,245 4.0	89,689 2.8	6,002 2.8	6,202 3.3	6,316 1.8	4,646 0.9	4,744 2.1	4,814 1.5	19,141 4.1	20,169 5.4	20,993 4.1	25,992 3.6	26,939 3.6	27,626 2.6
Community, business & personal services	87,789 2.2	89,730 2.2	93,510 4.2	6,794 1.1	6,868 1.1	7,097 3.3	5,990 0.9	6,057 1.1	6,259 3.3	23,324 3.6	23,991 2.9	25,111 4.7	28,863 2.4	29,387 1.8	30,360 3.3
Public administration	19,591 4.5	20,329 3.8	21,095 3.8	2,326 3.7	2,411 3.7	2,471 2.5	1,660 2.2	1,709 2.9	1,740 1.8	4,763 3.2	4,950 3.9	5,126 3.5	5,957 3.5	6,019 1.0	5,937 -1.4
Service-producing industries	273,275 2.6	282,602 3.4	292,931 3.7	21,959 2.4	22,588 2.9	23,237 2.9	18,012 1.1	18,393 2.1	18,922 2.9	69,720 4.4	72,517 4.0	75,572 4.2	84,836 2.5	87,264 2.9	89,769 2.9
All industries	392,567 0.9	405,635 3.3	422,957 4.3	30,422 1.6	31,494 3.5	32,584 3.5	28,414 -1.8	29,266 3.0	30,262 3.4	117,939 3.0	121,840 3.3	128,076 5.1	113,956 0.8	116,673 2.4	120,733 3.5

White area represents forecast data.

All data are in millions of 1997 dollars. For each industry, the first line is the level and the second line is the percentage change from the previous period.

(1) Transportation, warehousing, information and cultural industries. (2) Finance and insurance, real estate, renting and leasing, and management of companies and enterprises.

Source: The Conference Board of Canada.

Call 1-800-267-0666 to Register

The Conference Board of Canada
Insights You Can Count On



Conference

2002 Business Outlook: Gaining a Solid Economic Footing

Tuesday, October 8, 2002
The Fairmont Royal York Hotel
Toronto

Keynote
Luncheon Speaker

John H. Tory
President and Chief Executive Officer
Rogers Cable Inc.



Check www.conferenceboard.ca for complete details.

The Conference Board of Canada

255 Smyth Road

Ottawa, ON K1H 8M7 Canada

Tel. 1-866-711-2262 • *Fax* (613) 526-4857

www.conferenceboard.ca

The Conference Board Inc.

845 Third Avenue, New York, N.Y.

10022-6679 U.S.A.

Tel. (212) 759-0900 • *Fax* (212) 980-7014

www.conference-board.org

The Conference Board Europe

Chaussée de La Hulpe 130, Box 11

B-1000 Brussels, Belgium

Tel. (32) 2.675 54 05 • *Fax* (32) 2.675 03 95

Summer 2002

The Conference Board of Canada
Insights You Can Count On



255 Smyth Road, Ottawa, ON K1H 8M7 Canada
Tel. (613) 526-3280 • Fax (613) 526-4857 • Inquiries 1-866-711-2262

www.conferenceboard.ca