

MONTHLY ECONOMIC INDICATORS

July 2001

HIGHLIGHTS

-  **Output pauses in April, as solid advances in Mining and Retail Trade offset weakness elsewhere.**
-  **Employment falls in June, but the unemployment rate holds steady at 7.0%.**
-  **Exports and imports rebound in April, leading to a higher trade surplus.**
-  **Higher prices for energy and food propel inflation to a ten year high of 3.9% in May.**
-  **The Canadian dollar gains strength in June, but stock prices head lower.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	796.7	0.0	2.2	April
Goods	256.2	0.1	0.2	April
Services	540.5	-0.0	3.2	April
Composite Index	166.2	0.0	2.2	May
Employment (000's)	15,096	-0.1	1.4	June
Full-time	12,336	0.0	1.3	June
Part-time	2,759	-0.5	1.5	June
Unemployment* (%)	7.0	7.0	6.6	June
Youth*	12.0	12.1	11.7	June
Adult*	6.0	6.0	5.6	June
CPI inflation*	3.9	3.6	2.4	May
Retail Sales (\$M)	24,160	1.6	6.8	April
Housing Starts (000's)	176.2	13.7	30.4	June
Trade Balance* (\$M)	6,333	6,280	3,513	April
Exports	37,028	1.7	10.3	April
Imports	30,695	1.9	2.1	April
M&E	10,002	-0.1	-0.7	April
3-mth Corp. paper* (%)	4.50	4.38	5.89	July 4
Long bond yield* (%)	6.02	5.89	5.61	July 4
Canadian dollar* (US¢)	65.67	66.05	67.54	July 6

*Data in levels only – % change not reported.

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



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MONTHLY ECONOMIC INDICATORS

July 2001

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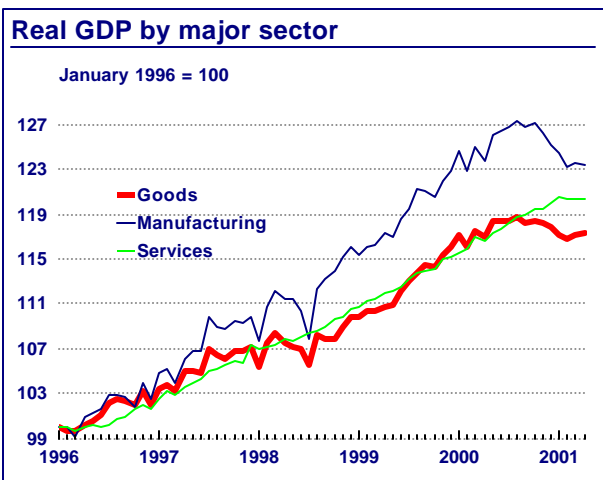
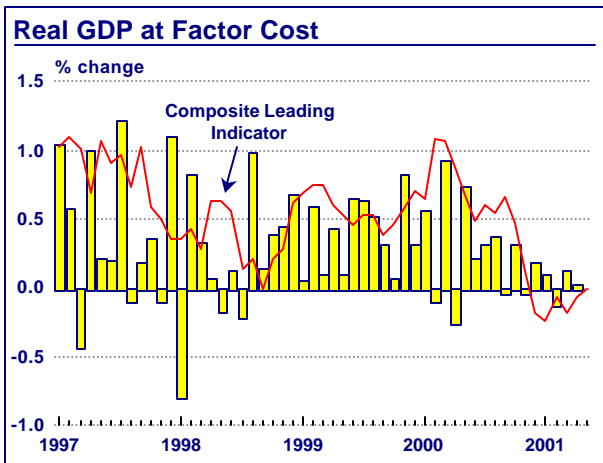


Output is flat in April...

- Real GDP at factor cost was little changed in April, following a slight 0.1% gain in March. Statistics Canada's composite leading indicator was flat in May, the sixth straight month without an increase.

...but Mining and Retail Trade remain strong

- Output in the Goods sector edged up 0.1% in April. Mining activity benefited from a surge in oil and gas drilling, while Logging & Forestry output rebounded following the expiry of the Canada-U.S. Softwood Lumber Agreement. Construction activity fell for the second consecutive month, largely as a result of a decline in engineering projects. Auto production rose for the second straight month, but Manufacturing output edged lower, held back by weak demand for telecommunications equipment.
- Services output was little changed in April. The largest gain was in Retail Trade, which was boosted by higher auto sales. Strikes in Ontario schools and smaller work stoppages elsewhere led to a sizeable drop in Educational Services. Declining restaurant services lowered activity in Accommodation & Food, while the fall in Wholesale Trade was broadly based.



Real GDP at Factor Cost (1992 dollars)

April 2001

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	796,719	128	0.0	2.2
Business sector	666,424	596	0.1	2.3
Goods	256,195	232	0.1	0.2
Agriculture	12,688	48	0.4	-4.3
Fishing & Trapping	626	-28	-4.3	-16.4
Logging & Forestry	4,337	22	0.5	-9.4
Mining*	29,189	681	2.4	6.3
Manufacturing	140,459	-122	-0.1	-0.2
Construction	42,313	-290	-0.7	-0.5
Other Utilities	26,583	-79	-0.3	1.8
Services	540,524	-104	-0.0	3.2
Transport & Storage	36,876	32	0.1	3.1
Communications	31,937	106	0.3	8.1
Wholesale Trade	51,152	-237	-0.5	3.1
Retail Trade	52,735	396	0.8	5.4
Finance & Insurance	44,063	34	0.1	0.6
Real Estate & Ins. Agent	84,655	247	0.3	3.2
Business services	51,995	116	0.2	6.6
Government services	48,707	53	0.1	4.5
Education	40,707	-451	-1.1	-0.1
Health & Social Services	46,338	-37	-0.1	-0.2
Accommodation & Food	21,227	-275	-1.3	2.2
Other	30,132	-88	-0.3	1.4

*Includes Quarrying and Crude Petroleum & Natural Gas

THE ECONOMY

Consumer Spending and Attitudes



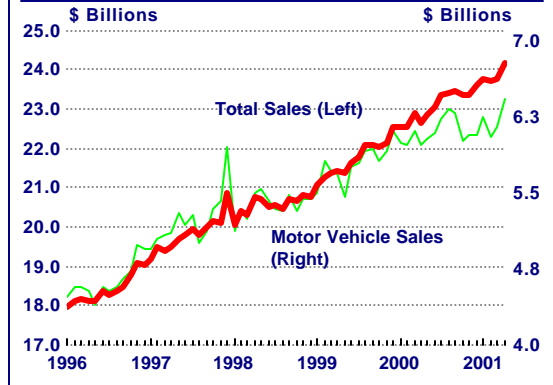
Consumer spending picks up in the first quarter...

- Consumer spending advanced a solid 3.6% (annual rate) in the first quarter, rebounding from a weak fourth quarter.
- Auto sales rebounded following a sharp drop in the previous period. Purchases of other big-ticket items such as furniture and appliances were boosted by the active housing market.

...and appears set for a further gain

- Despite lower consumer confidence, improved household finances continue to bolster spending. Real personal disposable income rose 5.5% in the first quarter, and recent tax cuts as well as lower interest rates should support future demand.
- Indeed, surging auto sales boosted retail sales to an overall gain of 1.6% in April. Excluding autos, sales were still up a solid 0.6%, with gains in all major categories except Furniture.
- Early indicators for May are generally less positive, however. Housing starts were lower, auto sales fell and there was only a weak rise in employment.

Total Retail and Motor Vehicle Sales



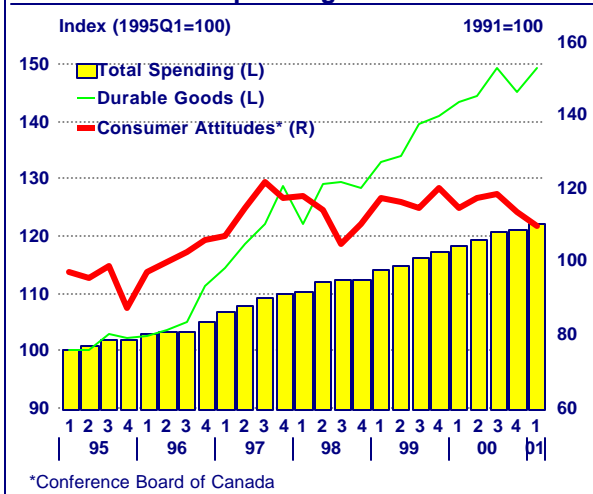
Retail Sales and Consumer Credit

	April 2001 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	24,160	1.6	6.8
Food	5,259	0.1	3.7
Drug Stores	1,187	0.4	6.2
Clothing	1,380	3.9	11.2
Furniture	1,302	-3.5	3.0
Automotive	9,767	3.9	8.8
General Merch. Stores	2,717	0.1	6.4
All other Stores	2,547	0.1	6.0
Total ex. motor vehicles	17,744	0.6	6.4
Consumer Credit (unadjusted)	197	0.7	7.3

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)		2000 Q4	2001 Q1
	1999	2000		
Real Consumption (92\$)	546,451	566,229	572,190	577,239
% change	3.4	3.6	1.2	3.6
Durable Goods	76,956	81,882	81,657	83,929
% change	7.5	6.4	-10.4	11.6
Semi-Durable Goods	48,212	50,476	51,220	51,889
% change	3.0	4.7	0.9	5.3
Non-Durable Goods	128,133	130,347	131,607	131,876
% change	2.0	1.7	3.5	0.8
Services	293,192	303,674	307,784	309,776
% change	3.1	3.6	3.3	2.6
Disposable Income	597,710	631,023	644,964	654,868
% change	5.0	5.6	9.3	6.3
Saving Rate (%)	4.2	3.9	4.0	4.4
Debt-to-Income Ratio (%)	96.1	94.4	94.0	93.7

Real Consumer Spending and Attitudes



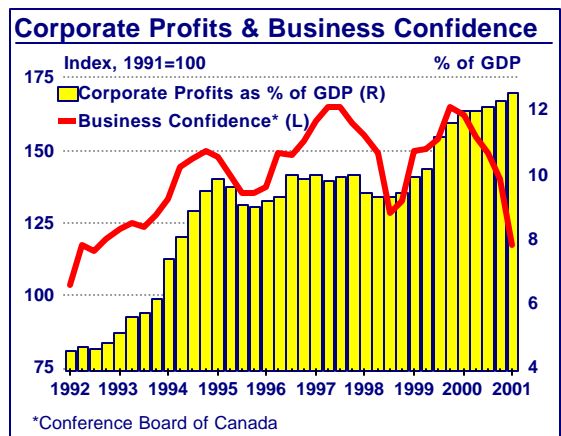
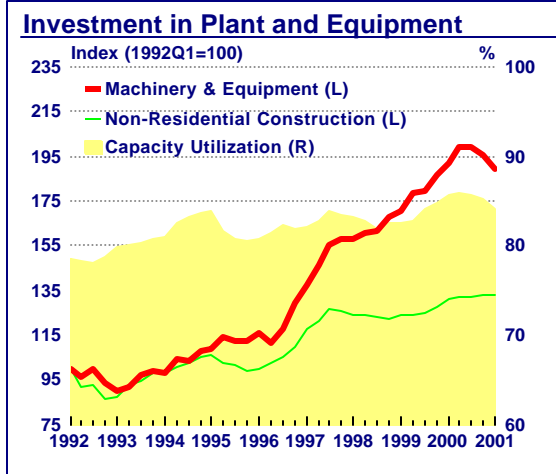


Business investment falls further in the first quarter...

- Business investment in M&E fell 12.0% (annual rate) in the first quarter, nearly twice the rate of decline of the previous quarter. Losses were widespread, with notable declines for industrial machinery, automobiles, other transportation equipment and telecommunications equipment.
- Non-residential construction edged up in the first quarter. Declines in building construction largely offset increased activity in the oil and gas sector.

...and the outlook remains uncertain

- Although corporate profits increased in the first quarter of 2001, much of this was due to gains in the energy sector. Business confidence dropped steadily throughout 2000 and fell sharply again in the first quarter of this year.
- Imports of M&E were flat in April, pointing to continued sluggish business investment. Non-residential construction activity also declined, led by a drop in engineering. Still, non-residential building permits are up nearly 20% in the first five months of 2001 compared to a year ago.



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1999	2000	2000 Q2	2000 Q3	2000 Q4	2001 Q1
BUSINESS INVESTMENT						
Machinery & Equipment (1992\$)	80,703	88,550	89,788	89,756	88,135	85,355
% change	10.5	9.7	16.0	-0.1	-7.0	-12.0
Non-residential Construction (1992\$)	44,873	47,274	47,315	47,252	47,566	47,623
% change	1.8	5.3	3.0	-0.5	2.7	0.5
Capacity Utilization (% , Non-farm goods)	83.5	85.6	85.8	85.7	85.1	84.1
Capacity Utilization (Mfg. sector)	84.5	85.8	85.9	86.1	85.2	83.5
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	168,323.0	197,733.0	201,620.0	197,740.0	192,832.0	179,472.0
% change	20.3	17.5	5.9	-7.5	-9.6	-25.0
Profits - Non-financial industries	118,153.0	139,248.0	140,480.0	141,100.0	139,252.0	135,724.0
% change	27.0	17.9	13.3	1.8	-5.1	-9.8
Profits - Financial industries	50,169.0	58,488.0	61,144.0	56,644.0	53,584.0	43,748.0
% change	6.8	16.6	-8.9	-26.3	-19.9	-55.6
Business Credit	734,457.8	786,243.6	783,305.7	791,953.0	804,826.7	810,833.7
% change	5.8	7.1	10.0	4.5	6.7	3.0



Activity in the housing sector surges in the first quarter...

- Business investment in residential construction increased 6.4% (annual rate) in the first quarter, aided by the largest jump in new housing construction since the end of 1999.
- Renovation activity also advanced strongly on the quarter, and the resale market remains firm.

...but may cool in subsequent periods

- Monthly data indicate that residential construction activity paused in April. Still, residential building permits are up 7.8% in the first five months of 2001, and housing starts rose sharply in June, offsetting May's decline and raising the second-quarter average 0.9% above that for the first quarter.
- Despite the slowing economy, lower mortgage rates and strong income gains should help support the housing market. The Canada Mortgage and Housing Corporation expects continuing strong demand this year and next.

Housing Activity



Monthly Housing Indicators

	levels	Change since	
		last month	last year
Residential Construction (1) (\$92M, factor cost basis)	14,179	-0.0%	0.7%
Building Permits, \$M (2)	1,736	9.4%	6.1%
Sales of Existing Homes (2) (# of units)	22,185	1,158	
Housing Starts, # of units (3)	176,200	21,200	41,100
Newfoundland	1,200	-100	400
Prince Edward Island	200	-100	-200
Nova Scotia	2,800	1,100	200
New Brunswick	1,800	200	400
Quebec	21,400	2,400	4,500
Ontario	81,500	14,800	24,400
Manitoba	1,500	0	-100
Saskatchewan	1,900	900	-600
Alberta	24,000	500	3,500
British Columbia	17,700	1,500	5,900

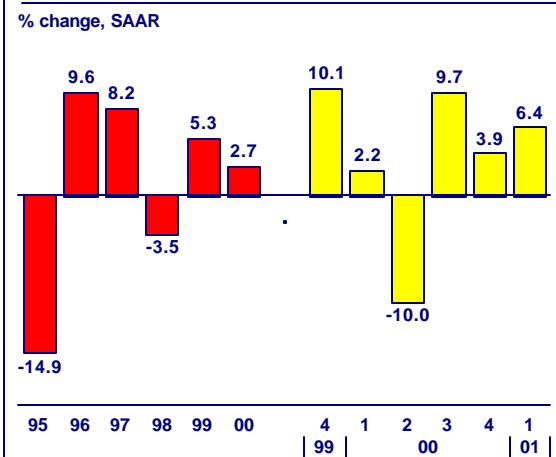
1 - April data; 2 - May data; 3 - June data

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

Real Investment in Residential Structures

	\$92 Millions, SAAR (unless otherwise noted)			
	1999	2000	2000 Q4	2001 Q1
Residential Construction	44,466	45,643	46,228	46,874
% change	5.3	2.6	4.2	5.7
Construction by Business sector	44,222	45,399	45,946	46,661
% change	5.3	2.7	3.9	6.4
New Housing	22,322	22,857	22,874	23,752
% change	7.7	2.4	2.1	16.3
Alterations & Improvements	15,117	15,809	16,364	16,036
% change	2.0	4.6	10.8	-7.8
Ownership & Transfer Costs	6,705	6,976	7,000	7,072
% change	0.7	4.0	-3.1	4.2

Growth in Real Residential Construction



THE ECONOMY



Trade and Competitiveness

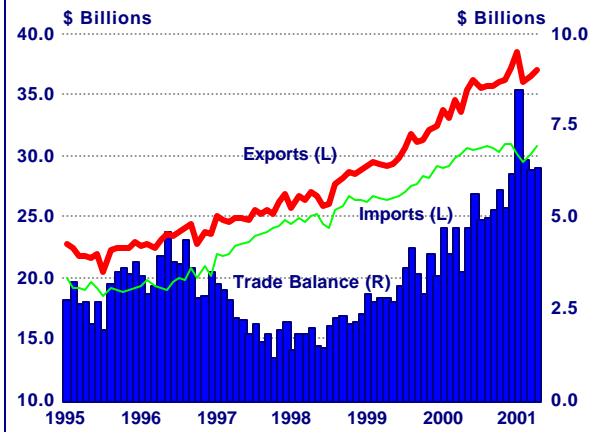
Imports and exports both increase in April...

- Exports were up 1.7% in April, boosted by surging sales of natural gas and increased activity in the auto sector. However, M&E exports posted a sharp drop, with a sizable decline in telecommunications and related equipment. Exports to the U.S. were up 4.4% on the month.
- Imports rose 1.9% on the month, as Automotive Products increased significantly for the second straight month. Imports of Agriculture & Fishing Products reached a record high, but imports of M&E remain weak.

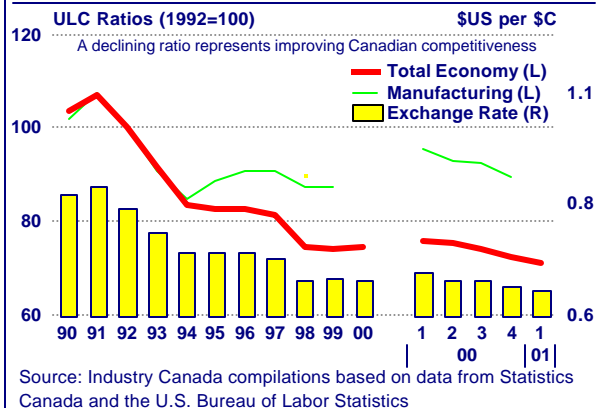
...leading to a slight increase in the trade surplus

- Canada's merchandise trade surplus increased to \$6.3 billion in April, up slightly from the previous month. The cumulative surplus for the first four months of the year was \$27.6 billion, \$10.8 billion higher than last year.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



Merchandise Trade

April 2001	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)	% Change	
	March 2001	April 2001	2000 Jan-Apr	2001 Jan-Apr		Mar to Apr 2001	Mar to Apr 2001
Exports	36,412	37,028	134,845	147,939	616	1.7	10.3
to United States	30,558	31,902	114,147	126,698	1,344	4.4	11.7
Imports	30,132	30,695	118,009	120,335	563	1.9	2.1
from United States	22,104	22,333	88,105	87,710	229	1.0	0.9
Trade Balance	6,280	6,333	16,836	27,604	53		
with United States	8,454	9,569	26,042	38,988	1,115		
Exports by Commodity							
Agriculture/Fishing Products	2,542	2,545	8,793	9,895	3	0.1	14.6
Energy Products	5,721	6,639	14,310	26,303	918	16.0	91.1
Forestry Products	3,256	3,361	14,176	13,245	105	3.2	-5.5
Industrial Goods & Materials	5,569	5,604	21,298	22,310	35	0.6	5.9
Machinery & Equipment	9,095	8,352	33,189	35,285	-743	-8.2	-1.2
Automotive Products	7,601	7,895	33,532	30,386	294	3.9	-2.9
Other Consumer Goods	1,380	1,358	4,710	5,386	-22	-1.6	13.7
Imports by Commodity							
Agriculture/Fishing Products	1,661	1,709	5,996	6,652	48	2.9	15.5
Energy Products	1,694	1,697	5,392	6,838	3	0.2	18.1
Forestry Products	251	254	1,008	1,007	3	1.2	-1.9
Industrial Goods & Materials	5,870	5,925	23,092	23,743	55	0.9	0.3
Machinery & Equipment	10,016	10,002	38,970	40,237	-14	-0.1	-0.7
Automotive Products	5,938	6,271	26,379	23,242	333	5.6	-3.7
Other Consumer Goods	3,593	3,596	12,929	14,146	3	0.1	8.0

LABOUR MARKET TRENDS



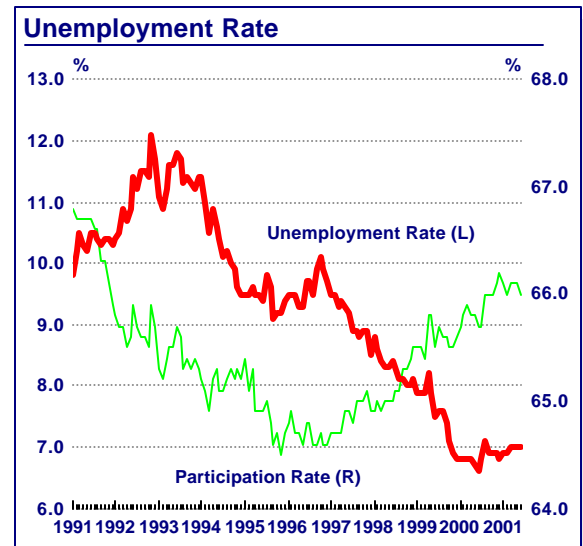
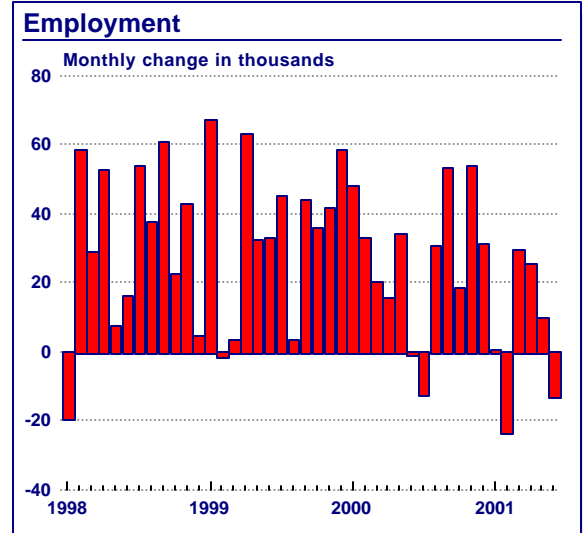
Employment and Unemployment

Employment edges down in June...

- Employment fell by 13,000 in June, the first drop in four months. Employment is up only 29,000 in the first six months of the year, compared with a net gain of 175,000 jobs in the last half of 2000.
- Part-time employment was down 15,000 in June, and full-time employment was little changed. Job gains since the start of the year reflect an increase in part-time employment only, however, as full-time employment has fallen 21,000.

...but the unemployment rate holds steady at 7.0%

- The national unemployment rate was unchanged at 7.0% for the fourth straight month in June, as job losses were matched by a reduction in the labour force.
- The youth labour force fell by 34,000. This resulted in a 0.1 percentage point drop in the youth unemployment rate to 12.0%, even with a sizeable drop in employment. The adult employment rate remained at 6.0%.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2000 June	2001 May	2001 June	last month	last year	year-to-date	last month	last year
Employment	14,891.7	15,108.7	15,095.7	-13.0	204.0	29.0	-0.1	1.4
Full-time	12,174.5	12,334.7	12,336.4	1.7	161.9	-21.1	0.0	1.3
Part-time	2,717.2	2,774.0	2,759.3	-14.7	42.1	50.1	-0.5	1.5
Youth 15-24	2,266.4	2,338.0	2,312.4	-25.6	46.0	-32.0	-1.1	2.0
Adult 25+	12,625.2	12,770.7	12,783.3	12.6	158.1	61.0	0.1	1.3
Self-employed	2,417.8	2,306.5	2,313.4	6.9	-104.4	-50.4	0.3	-4.3
Unemployment	1,049.2	1,137.4	1,132.1	-5.3	82.9	28.8	-0.5	7.9
Unemployment Rate	6.6	7.0	7.0	0.0	0.4	0.2		
Youth 15-24	11.7	12.1	12.0	-0.1	0.3	-0.5		
Adult 25+	5.6	6.0	6.0	0.0	0.4	0.3		
Labour Force	15,940.9	16,246.1	16,227.8	-18.3	286.9	57.8	-0.1	1.8
Participation Rate	65.7	66.1	66.0	-0.1	0.3	-0.2		
Employment Rate	61.4	61.5	61.4	-0.1	0.0	-0.3		



Industry Overview

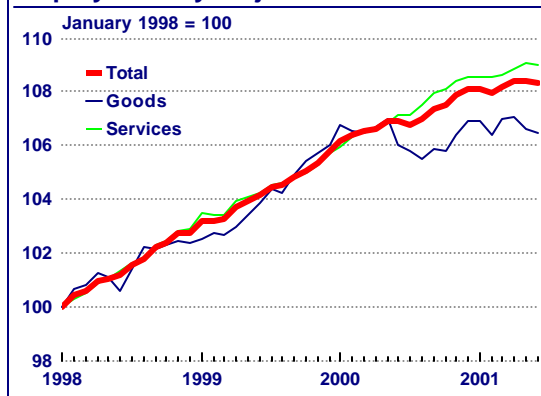
The Manufacturing sector remains weak...

- Employment in the Goods sector was down 5,000 in June. The Manufacturing sector suffered a loss of 11,000 jobs, bringing total losses in the first half of the year to 53,000. This reflects soft U.S. demand, with the weakness concentrated in computer and electronic parts, transportation equipment, wood products and clothing. Employment in Natural Resources also fell in June, but remains higher on a year-to-date basis. Job gains in Construction extend the recent strong performance of this sector.

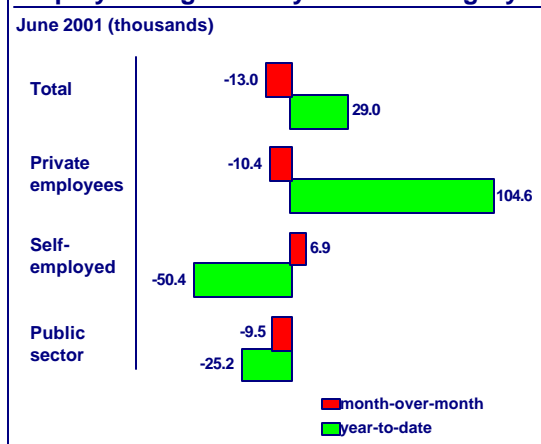
...while Services posts its first loss in four months

- Employment in Services fell by 8,000 in June, the first drop in four months. The largest losses were posted by Information, Culture & Recreation and Transportation & Warehousing, the latter affected by lower activity in the Manufacturing sector. These losses were partially offset by increased Professional, Scientific & Technical Services, which rebounded from a decline in May.

Employment by major sector



Employment growth by worker category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2000 June	2001 May	2001 June	last month	last year	year-to- date	last month	last year
Goods-producing	3,859.2	3,878.7	3,873.7	-5.0	14.5	-16.7	-0.1	0.4
Agriculture	374.4	327.7	327.3	-0.4	-47.1	-20.2	-0.1	-12.6
Natural Resources*	286.1	294.9	289.0	-5.9	2.9	11.2	-2.0	1.0
Utilities	116.8	121.4	125.8	4.4	9.0	8.1	3.6	7.7
Construction	808.3	847.9	856.1	8.2	47.8	37.3	1.0	5.9
Manufacturing	2,273.5	2,286.9	2,275.5	-11.4	2.0	-53.2	-0.5	0.1
Services-producing	11,032.5	11,230.0	11,222.0	-8.0	189.5	45.8	-0.1	1.7
Trade	2,309.5	2,375.5	2,379.5	4.0	70.0	24.8	0.2	3.0
Transportation	778.3	786.4	779.7	-6.7	1.4	-8.2	-0.9	0.2
FIRE*	864.4	886.0	885.1	-0.9	20.7	3.1	-0.1	2.4
Professional/Scientific	937.1	999.7	1,010.1	10.4	73.0	21.4	1.0	7.8
Management/Administrative	550.1	544.0	541.5	-2.5	-8.6	-17.7	-0.5	-1.6
Educational Services	980.2	959.1	960.6	1.5	-19.6	8.4	0.2	-2.0
Health Care/Social Assistance	1,539.0	1,532.4	1,530.1	-2.3	-8.9	6.2	-0.2	-0.6
Information/Culture/Recreation	665.5	716.5	706.9	-9.6	41.4	6.2	-1.3	6.2
Accommodation & Food	971.9	979.5	976.3	-3.2	4.4	10.5	-0.3	0.5
Other Services	691.5	677.9	682.3	4.4	-9.2	-16.2	0.6	-1.3
Public Administration	745.0	773.2	769.8	-3.4	24.8	7.3	-0.4	3.3

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

LABOUR MARKET TRENDS



Provincial Overview

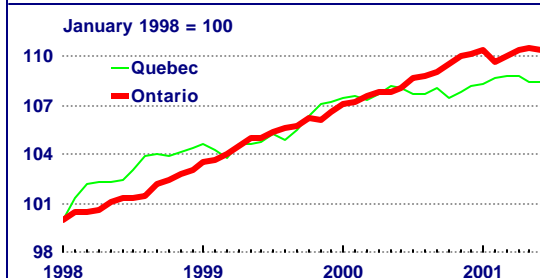
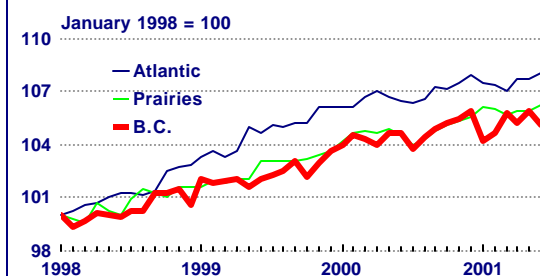
British Columbia, Ontario and Manitoba post job losses ...

- In British Columbia, employment fell by 16,000 in June, reversing May's gain and leaving employment down slightly on a year-to-date basis. The B.C. unemployment rate rose 0.2 points to 7.0%.
- Modest job losses in Ontario and Manitoba raised unemployment rates in these provinces to 6.0% and 5.4% respectively.

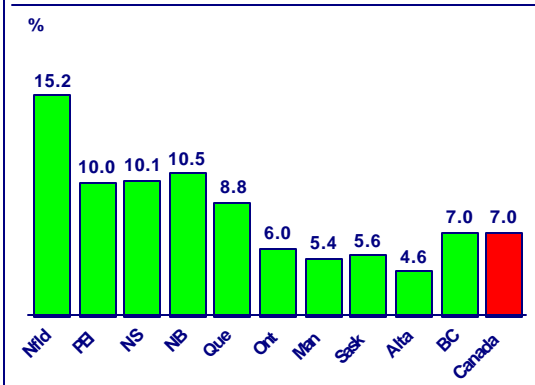
...as gains are led by Alberta and Atlantic Canada

- The surging oil and gas sector continues to boost Alberta's labour market, with employment up 8,000 in June. However, an even larger rise in the number of job seekers led to a 0.1 point increase in the unemployment rate. At 4.6%, this rate remains the lowest among all provinces.
- All four Atlantic provinces posted higher employment on the month. P.E.I.'s unemployment rate dipped to 10.0%, its lowest rate since 1980. In Newfoundland, employment is up 12,000 (+5.7%) this year, leading to 2.5 percentage point drop in unemployment.
- Although employment was little changed in Quebec and Saskatchewan, a declining labour force (notably in Saskatchewan) lowered their unemployment rates.

Regional employment patterns

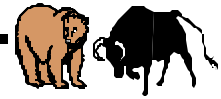


Unemployment Rates -- June 2001



Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment rate (%)			
	Levels 2001 June	Change since last month		Change since last year		Levels	Change since	
		(000's)	%	(000's)	%		last month	last year
Canada	15,095.7	-13.0	-0.1	204.0	1.4	7.0	0.0	0.4
Newfoundland	216.4	0.8	0.4	11.2	5.5	15.2	-0.4	-0.2
P.E.I.	65.9	0.2	0.3	2.1	3.3	10.0	-2.0	-1.8
Nova Scotia	419.6	1.4	0.3	0.5	0.1	10.1	0.1	1.6
New Brunswick	333.6	0.7	0.2	2.0	0.6	10.5	-0.7	0.4
Quebec	3,461.1	0.5	0.0	14.0	0.4	8.8	-0.2	0.5
Ontario	5,976.2	-8.3	-0.1	124.3	2.1	6.0	0.1	0.6
Manitoba	554.3	-0.8	-0.1	-0.7	-0.1	5.4	0.5	1.0
Saskatchewan	470.3	0.3	0.1	-14.5	-3.0	5.6	-0.7	0.1
Alberta	1,640.9	8.4	0.5	57.5	3.6	4.6	0.1	-0.4
B.C.	1,957.4	-16.4	-0.8	7.8	0.4	7.0	0.2	0.2



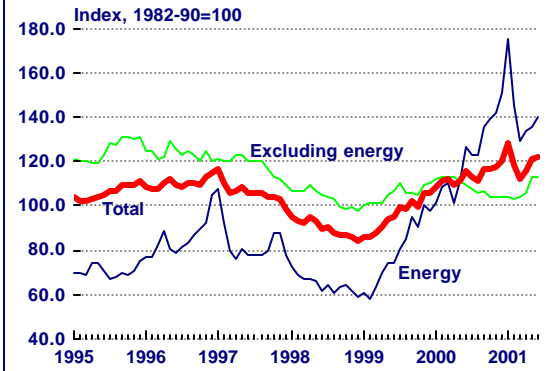
Inflation rises to 3.9% in May...

- Consumer price inflation rose to a ten-year high of 3.9% in May, surpassing April's rate of 3.6%.
- Energy prices were up 16.0% on a year-over-year basis, accounting for more than one-third of the overall increase in prices. Much of this pressure has come from surging natural gas prices. Higher food prices also contributed, accounting for one-quarter of the overall rise.

...while the "core" rate remains below the mid-point of the official target range

- The "core" rate of inflation, which excludes energy, food and indirect taxes, was 1.9% in May. This is just below the mid-point of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- In June, commodity prices were up 5.6% from last year. The rise in prices for energy commodities slowed sharply to 10.2%, while non-energy commodity prices increased by 2.8%. Slower growth in energy prices point to the potential for lower headline inflation in coming months.

Commodity Prices (\$U.S. basis)



Consumer Prices

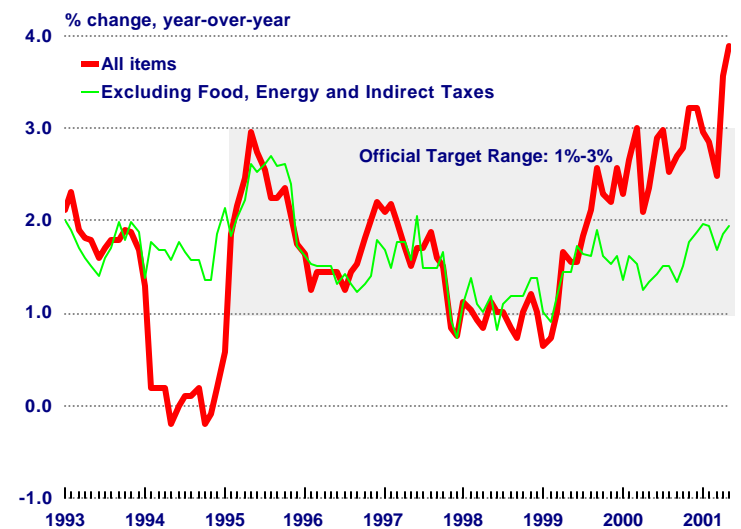
May 2001

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	117.4	0.9	3.9
Food	117.9	0.8	5.2
Shelter	113.8	1.2	5.6
Household operations	112.2	0.2	2.4
Clothing & Footwear	104.9	-1.5	0.2
Transportation	134.0	1.4	3.2
Health & Personal Care	114.4	0.4	2.1
Recreation, Educ. & Reading	125.3	1.1	2.1
Alcohol & Tobacco	105.2	1.8	8.0
Excl. Food/Energy/Indirect Taxes	115.5	0.3	1.9
Energy	143.5	5.2	16.0

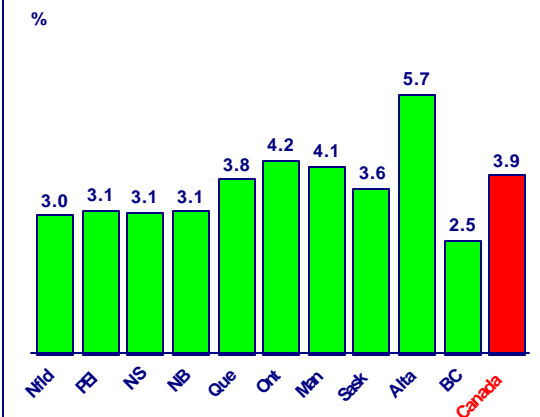
Commodity Prices (June)

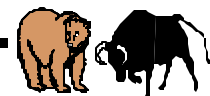
Index, 1982-90=100	122.2	1.1	5.6
Excluding Energy	112.7	0.0	2.8
Energy	140.0	2.9	10.2

Consumer Price Index



Provincial CPI Inflation -- May 2001



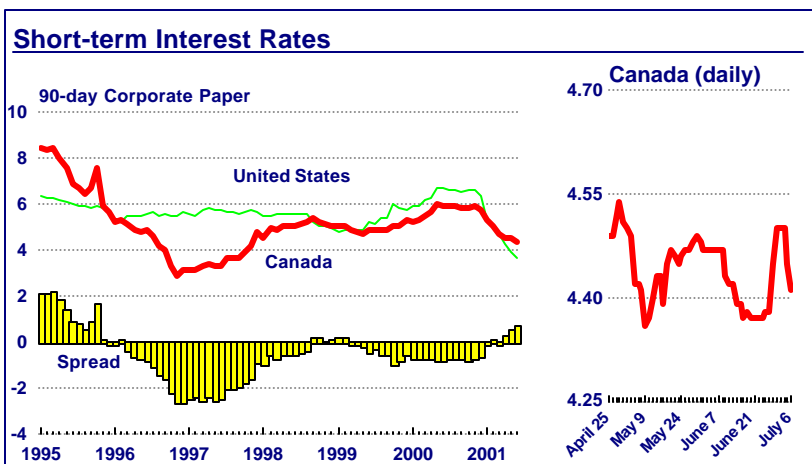


Economic uncertainty results in volatile short-term interest rates...

- Short term yields fell throughout June on the expectation of further easing by the Bank of Canada at its scheduled July 17 rate announcement. Late in June, however, a smaller-than-expected rate cut was delivered by the U.S. Federal Reserve, who sounded more positive on the economic outlook and pointed to the considerable stimulus already in place.
- This prospect for a turnaround in the U.S. economy – and hence less need for further easing in Canada – caused domestic short-term rates to back up at the end of the month. Corporate short-term rates were 4.50% as of July 4, in line with the May close and nearly 80 basis points above U.S. rates.

...as bond yields trade within a narrow range until late in June

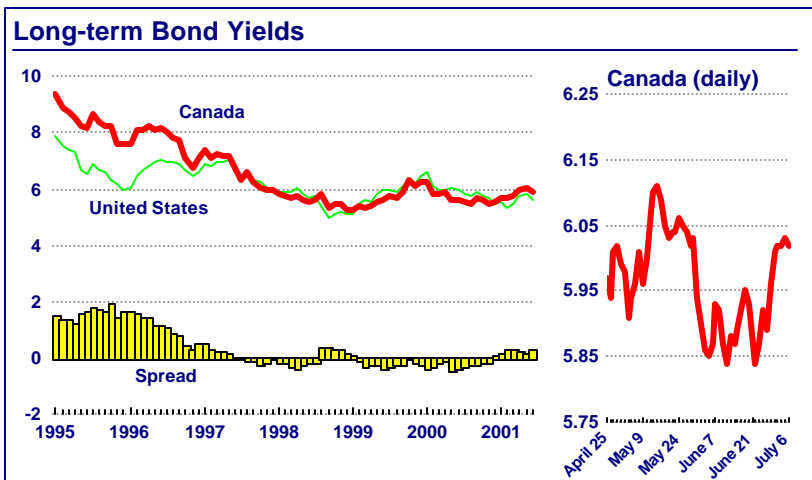
- After dropping sharply in May, when weak economic data pointed to continuing easing, bond yields traded in a narrow range over most of June. With the Fed's less aggressive stance on June 27 and the release of stronger-than-expected U.S. data, indications that the cycle of rate cuts was coming to an end pushed long rates higher.



Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1999	5.27	-0.49	6.23	-0.22
2000	5.71	-0.60	5.56	0.11
Jan 2001	5.29	-0.03	5.72	0.18
Feb	5.05	0.11	5.66	0.32
March	4.66	-0.08	5.79	0.32
April	4.49	0.25	5.97	0.19
May	4.49	0.57	6.03	0.17
June	4.38	0.70	5.89	0.27
July 4	4.50	0.78	6.02	0.29

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



Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1999	5.00	6.50	7.35	8.25
2000	6.00	7.50	7.70	7.95
Jan 2001	5.75	7.25	7.40	7.75
Feb	5.75	7.25	7.20	7.75
March	5.25	6.75	6.70	7.25
April	5.00	6.50	6.80	7.50
May	4.75	6.25	6.70	7.75
June	4.75	6.25	6.70	7.75
July 4	4.75	6.25	6.70	7.75

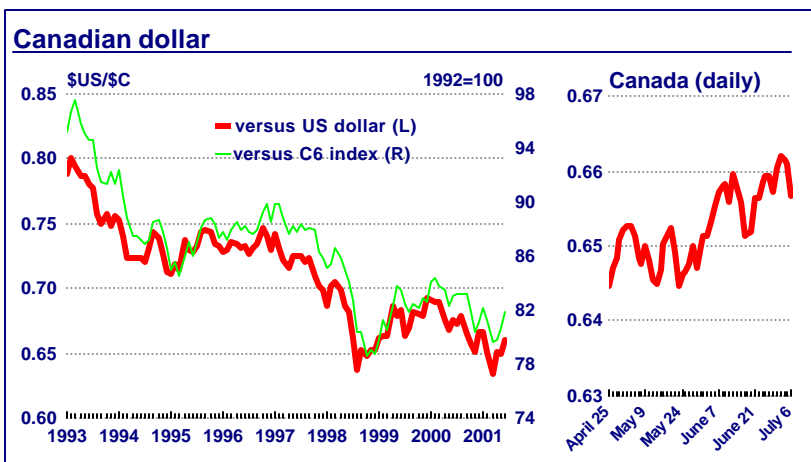


The Canadian dollar moves higher in June...

- The Canadian dollar gained strength throughout June and into July, rising as high as US¢66.21 before retreating to US¢65.67 on July 6.
- The Canadian dollar appreciated despite signs of an improving U.S. economy. Less aggressive easing by the Fed and the resulting narrowing of expected Canada-U.S. interest rate spreads would normally tend to weaken the Canadian currency, but it was instead supported by expectations that a stronger U.S. economy would lead to higher exports and commodity prices.

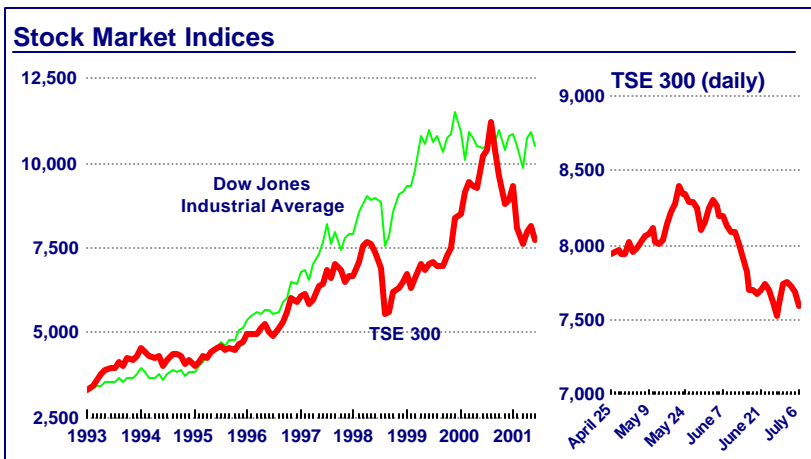
...but North American stock markets post losses

- The TSE 300 index lost almost 500 points in June to close at 7736 on July 6. In addition to disappointing corporate earnings, declining energy prices have contributed to recent losses.
- The general weakness in North American equity markets was exacerbated by reports of slowing European economic activity, which could put further pressure on profits of globally-oriented firms.



The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1999	0.6929	82.67	1.313	69.66
2000	0.6669	81.19	1.433	73.64
Jan 2001	0.6672	82.15	1.387	77.67
Feb	0.6510	81.26	1.396	76.36
March	0.6344	79.62	1.382	77.95
April	0.6508	79.85	1.406	79.44
May	0.6500	80.73	1.451	78.93
June	0.6605	81.82	1.504	80.24
July 6	0.6567			



Key Stock Market Indexes

	June Close	% change from	
		last month	last year
TSE 300	7,736	-5.2	-24.1
Oil & Gas	8,719	-9.8	16.6
Metals & Minerals	4,395	-9.0	32.0
Utilities	14,053	0.0	-1.1
Paper & Forest	4,736	-8.3	-4.2
Merchandising	5,970	0.9	14.7
Financial Services	10,696	0.7	27.7
Gold	4,537	-4.9	1.8
Price-Earnings Ratio*	26.3	-0.6	-3.9
S&P 500	1,224	-2.5	-15.8
Dow Jones	10,502	-3.8	0.5

*columns 2 & 3 reflect change in levels



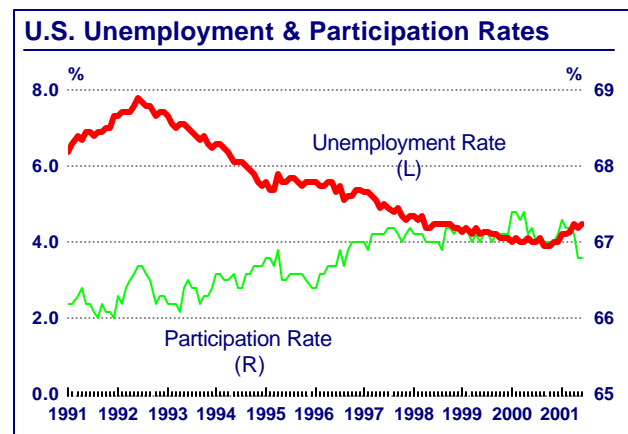
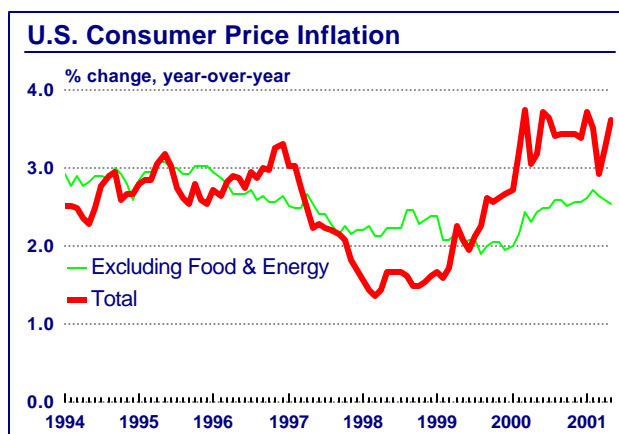
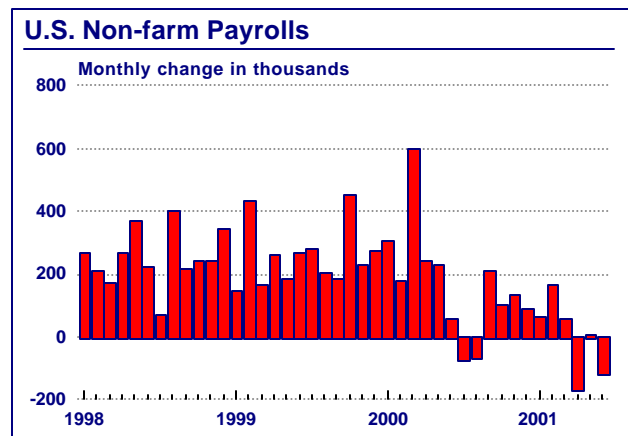
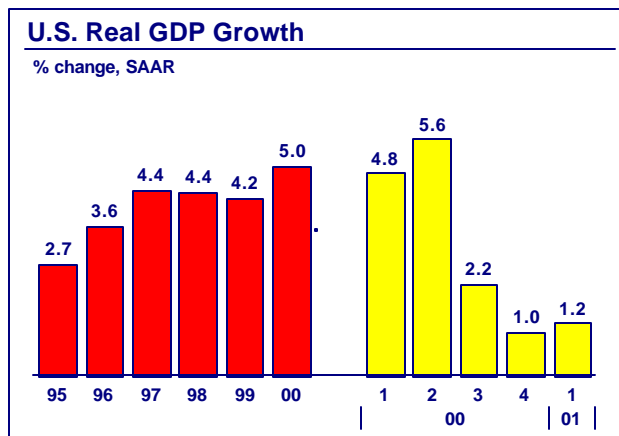
U.S. Economic Trends

The U.S. economy remains weak in the first quarter...

- Final estimates suggest that U.S. real GDP expanded by 1.2% (annual rate) in the first quarter of 2001, held back by shrinking corporate profits. Economic activity was again supported by solid consumer spending, but weakening consumer confidence may affect future spending.
- U.S. unemployment edged up to 4.5% in June. Employment fell 114,000 on the month, bringing cumulative job losses in the second quarter to 271,000 -- the largest three-month decline since the 1991 recession. The manufacturing sector continued to sustain heavy losses, with 113,000 jobs cut in June for a total of 785,000 since last August. However, factory orders rebounded in May, posting their best performance in almost a year and providing some signs of a possible turnaround.

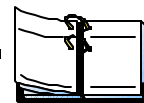
...prompting another interest rate cut

- At its June 27 meeting, the Federal Reserve lowered interest rates an additional quarter of a percentage point in a bid to revive an economy that it has termed "unacceptably weak."
- CPI inflation increased to 3.6% in May on a year-over-year basis, driven mainly by soaring energy prices. However, core inflation was down for the third consecutive month.



COMING UP

Key Future Data Releases and Planned Events



CANADA

Next scheduled date for a bank rate announcement	July 17
Private and Public Investment Intentions – 2001 (revised)	July 18
Survey of Manufacturing – May	July 18
International Trade – May	July 19
Consumer Price Index – June	July 20
GDP at factor cost – May	July 31
Business Conditions Survey – July	August 2
Labour Force Survey – July	August 10
Financial Statistics For Enterprises – 2nd Quarter 2001	August 30
National Economic & Financial Accounts – 2nd Quarter 2001	August 31
Balance of International Payments – 2nd Quarter 2001	August 31
Capacity Utilization Rates – 2nd Quarter 2001	September 12

UNITED STATES

Consumer Price Index – June	July 18
International Trade – May	July 19
GDP – 2nd Quarter 2001, Advanced	July 27
Employment Situation – July	August 3
Federal Open Market Committee meeting	August 21

Note: the July MEI uses data available as of July 6, 2001