

MONTHLY ECONOMIC INDICATORS

June 1999

HIGHLIGHTS

-  **Output grows faster than expected in the first quarter, with strength in both domestic demand and exports.**
-  **A sharply-higher trade surplus leads to a substantial narrowing of Canada's current account deficit.**
-  **Employment edges lower in May, and is roughly unchanged over the past four months. The unemployment rate now stands at 8.1%.**
-  **CPI inflation rises to 1.7% in April, but remains within the bottom half of the official 1-3% target band.**
-  **Inflation fears push up North American interest rates and pull down stock prices and the Canadian dollar.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	733.1	0.3	2.4	Mar
Goods	239.6	0.2	0.5	Mar
Services	493.6	0.4	3.3	Mar
Composite Index	212.9	0.7	4.1	Apr
Employment (000's)	14637	-0.1	2.5	May
Full-time	11983	-0.1	3.1	May
Part-time	2654	0.1	0.1	May
Unemployment* (%)	8.1	8.3	8.4	May
Youth*	15.6	15.7	15.7	May
Adult*	6.6	6.9	7.0	May
CPI inflation*	1.7	1.0	0.8	Apr
Retail Sales (\$M)	21,342	1.1	4.9	Mar
Housing Starts (000's)	143.5	-1.2	5.6	May
Trade Balance* (\$M)	2,611	2,491	2,046	Mar
Exports	28,996	0.6	10.3	Mar
Imports	26,385	0.2	8.9	Mar
M&E	8,554	-5.1	9.3	Mar
3-mth Corp. paper* (%)	4.83	4.80	5.04	June 9
Long bond yield* (%)	5.75	5.41	5.61	June 9
Canadian dollar* (US¢)	68.48	67.84	68.63	June 10

*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 June 1999 INDICATORS

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This report uses data available as of June 10, 1999. It has been prepared by Dave Dupuis, Joseph Macaluso and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Shane Williamson. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at williamson.shane@ic.gc.ca.



Output growth is stronger-than-expected in the first quarter of 1999...

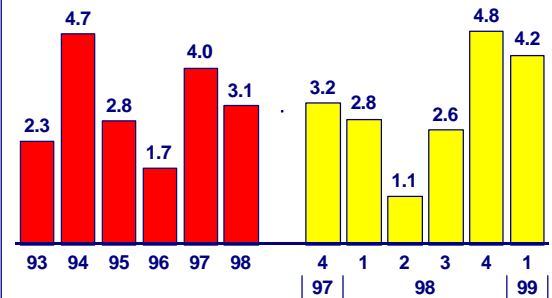
- Real GDP expanded 4.2% (annual rate) in the first quarter of 1999, with broad-based gains in both domestic and external markets.
- Rebounding consumer confidence resulted in a sharp increase in household purchases of goods and services. The Housing sector shook off a prolonged slump with a big first-quarter advance.
- Business investment in M&E remained strong, more than offsetting a slight decline in Non-Residential Construction.
- Exports were once again an important source of growth for the economy, fuelled by robust U.S. demand. A sharp increase in Canada's merchandise trade surplus led to a significant narrowing in Canada's current account deficit in the first quarter.

...pointing to an improved outlook for the economy

- Prior to the release of the first-quarter results, the private-sector consensus forecast was for growth of around 2.9% in 1999. These projections are likely to be revised up by 0.2 -0.3 percentage points in light of the economy's better-than-expected performance.
- An improved outlook for corporate profits, in part due to the recent firming of commodity prices, add to this renewed optimism. Moreover, growth in the U.S. economy remains very strong and should continue to provide a boost to exporting industries.
- However, growth in personal income failed to keep pace with consumer spending – indeed, after adjusting for inflation, disposable income is up only 0.8% on a year-over-year basis.
- The saving rate fell 0.8 percentage points to 1.4%, the lowest rate on record (available data extend back to 1961). Mortgage and consumer credit both increased, driving up the household debt-to-income ratio to a record high 99.9%.

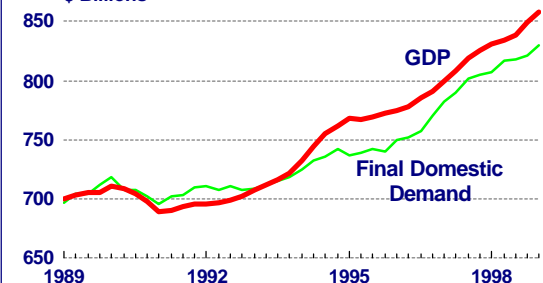
Growth in Real Gross Domestic Product

% change, SAAR



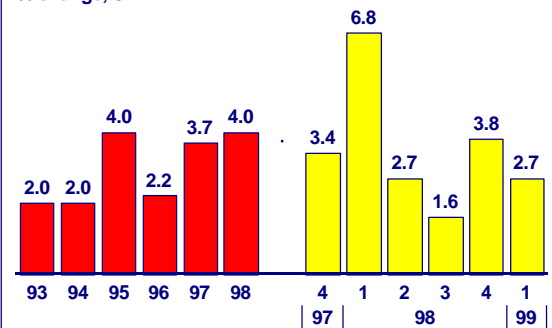
GDP and Final Domestic Demand

\$ Billions

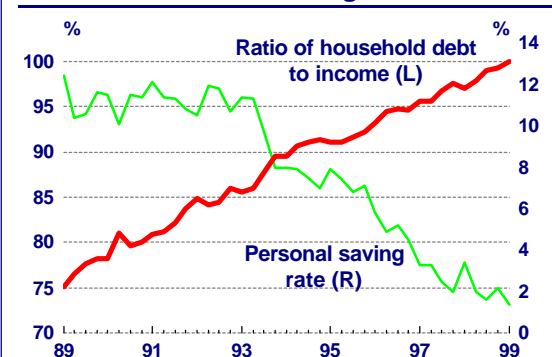


Growth in Personal Income

% change, SAAR



Personal Debt and Saving Rate





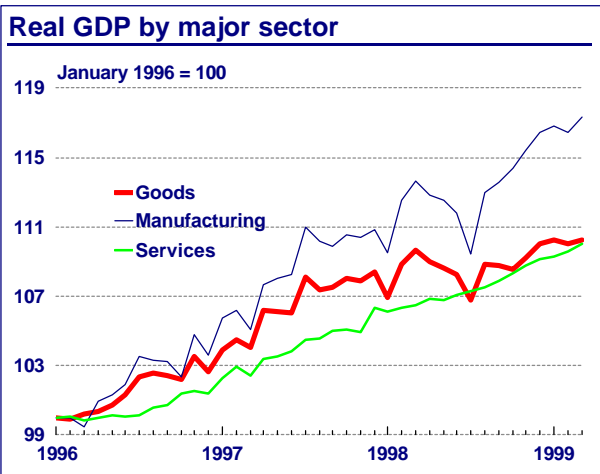
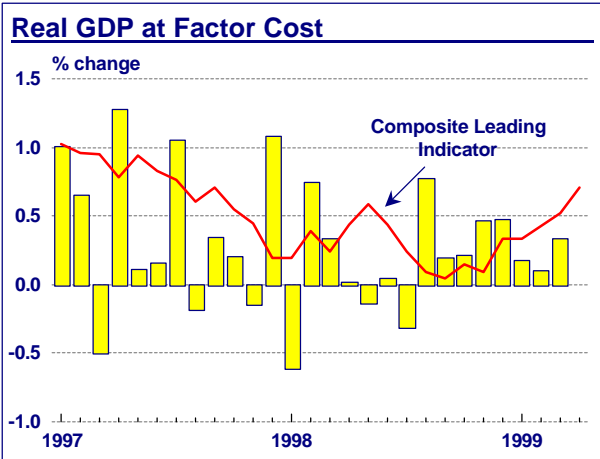
Real GDP by Industry

Output growth picks up in March...

- Real GDP increased 0.3% in March, rebounding from weaker growth in the first two months of the year. The March advance represents the eighth straight monthly increase in output.

...with widespread gains in Services and a rebound in Manufacturing

- Output in the Goods-producing industries was up 0.2% in March. This increase was led by a strong rebound in Manufacturing, which returned to a solid growth path after posting a modest loss in the previous month. Elsewhere in the Goods sector, output in the Mining industries dropped 1.7%, as drilling and rigging activity fell yet again and producers of natural gas and petroleum cut production for the sixth month in a row.
- Activity in the Service sector rose 0.4% in March, with most major groups registering gains. Wholesale Trade led all sectors, buoyed by strong demand for computer equipment. Output of Business Services (particularly computer services) continued to grow strongly, as firms maintained their efforts to overcome the Y2K problem. After declining slightly in February, Retail Trade rebounded in March, with solid gains reported by auto dealers and parts stores as well as sellers of semi-durable goods.



Real GDP at Factor Cost (1992 dollars)

March 1999

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	733,122	2,457	0.3	2.4
Business sector	607,363	2,498	0.4	2.9
Goods	239,563	503	0.2	0.5
Agriculture	11,803	53	0.5	-0.5
Fishing & Trapping	634	-44	-6.5	-16.4
Logging & Forestry	4,668	-92	-1.9	-2.2
Mining*	26,198	-444	-1.7	-8.8
Manufacturing	132,980	950	0.7	3.2
Construction	38,887	53	0.1	-0.7
Other Utilities	24,393	27	0.1	0.6
Services	493,559	1,954	0.4	3.3
Transport & Storage	32,720	-62	-0.2	0.8
Communications	26,898	17	0.1	15.6
Wholesale Trade	45,910	598	1.3	13.4
Retail Trade	45,971	211	0.5	3.3
Finance & Insurance	39,870	395	1.0	0.3
Real Estate & Ins. Agent	80,078	226	0.3	2.1
Business services	43,251	426	1.0	7.1
Government services	42,896	59	0.1	0.6
Education	39,961	69	0.2	-0.5
Health & Social Services	48,145	-162	-0.3	-0.5
Accommodation & Food	18,823	203	1.1	0.6
Other	29,036	-26	-0.1	1.6

*Includes Quarrying and Crude Petroleum & Natural Gas

THE ECONOMY



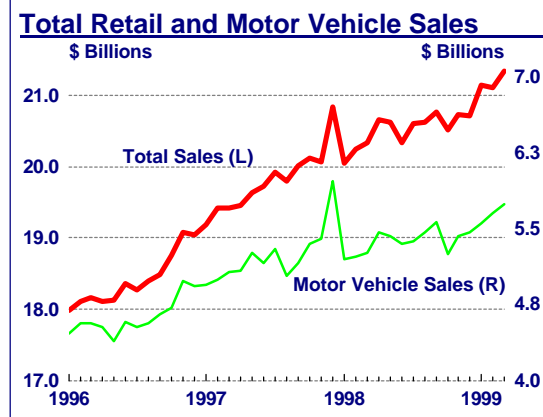
Consumer Spending and Attitudes

Consumer spending rebounds in the first quarter...

- Following two relatively weak quarters, growth in real consumer spending surged by 5.1% (annual rate) in the first quarter of 1999.
- Spending was up across all major categories. Most notably, sales of durable goods advanced 15.9% on the quarter, buoyed by automotive purchases.

...but further gains may depend on faster income growth

- Consumer confidence has rebounded after being severely shaken in the first half of 1998 by the falling dollar and rising interest rates (both related to global fallout from the Asia-Pacific crisis).
- However, income gains have failed to keep pace with increases in household spending, forcing households to draw on savings and add to debt levels.
- Combined with this steady deterioration in the state of household finances, the slower employment growth evident so far this year casts some doubt on the ability of consumers to raise spending without a substantial pick-up in income growth.



Retail Sales and Consumer Credit

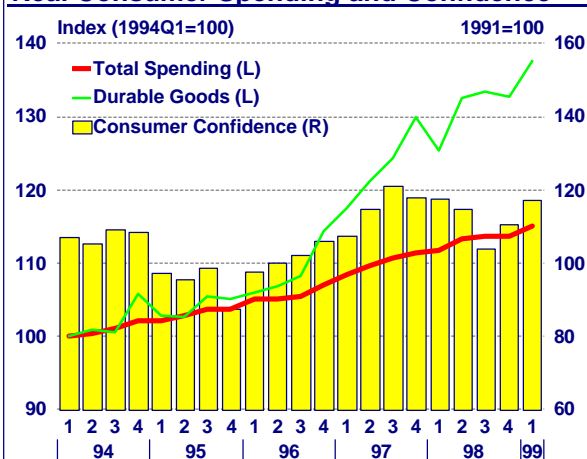
	\$ millions	% Change since	
		last month	last year
Total Retail Sales	21,342	1.1	4.9
Food	4,878	0.5	2.1
Drug Stores	1,118	0.4	4.6
Clothing	1,201	1.4	3.7
Furniture	1,099	0.4	8.1
Automotive	8,278	1.8	6.6
General Merch. Stores	2,447	0.3	4.1
All other Stores	2,322	1.5	5.2
Total ex. motor vehicles	15,602	1.0	3.4
Consumer Credit	160,462	0.8	7.1

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	1997	1998	1998 Q4	1999 Q1
Real Consumption (92\$)	472,867	485,906	488,144	494,300
% change	4.2	2.8	0.0	5.1
Durable Goods	62,823	66,801	67,652	70,192
% change	13.3	6.3	-2.3	15.9
Semi-Durable Goods	44,334	46,526	46,540	47,148
% change	4.3	4.9	-0.4	5.3
Non-Durable Goods	118,293	119,521	119,728	120,820
% change	1.3	1.0	-1.4	3.7
Services	247,417	253,058	254,224	256,140
% change	3.4	2.3	1.3	3.0
Disposable Income	534,728	552,778	558,404	561,320
% change	3.1	3.4	4.2	2.1
Saving Rate (%)	2.8	2.3	2.2	1.4
Debt-to-Income Ratio (%)	96.4	98.3	99.2	99.9
Consumer Attitudes*	115.1	111.6	110.5	116.9

*Conference Board of Canada

Real Consumer Spending and Confidence



THE ECONOMY

Business Investment in Plant and Equipment

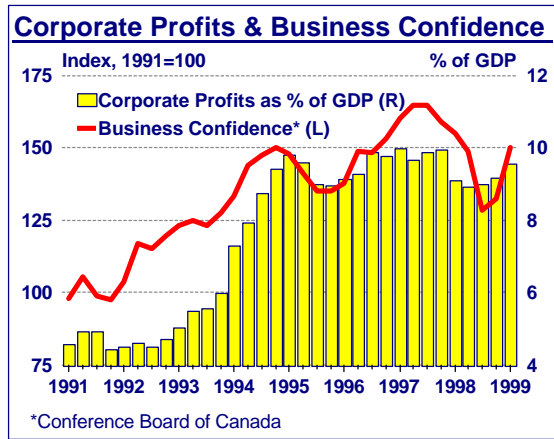
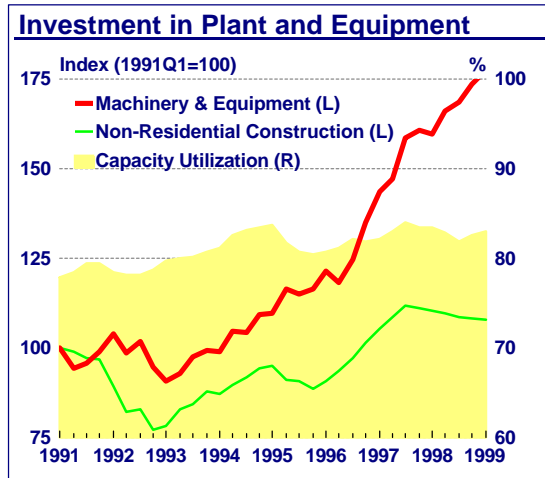


Investment in M&E remains strong in the first quarter...

- Investment in Machinery & Equipment (M&E) posted another strong gain in the first quarter, fuelled by purchases of computers and other office equipment. Most other categories of M&E (except Agricultural Machinery) recorded modest gains as well.
- Spending on Non-residential Construction has fallen in each of the past six quarters. While the first-quarter decline resulted from lower spending on both the engineering and building components, the prolonged downturn in this sector is due mainly to reduced engineering construction.

...as firming commodity prices and higher profits point to further gains

- Corporate profits rose 25.6% (annual rate) in the first quarter of the year, extending their recovery from sharp losses in the first half of 1998.
- The first-quarter advance was concentrated in the non-financial industries. This includes a modest improvement in the Primary industries, which have benefited from the recent firming of commodity prices. Higher oil prices could lead to increased drilling activity in the oil patch.



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1997	1998	1998 Q2	1998 Q3	1998 Q4	1999 Q1
BUSINESS INVESTMENT						
Machinery & Equipment (1992\$)	59,112	64,701	64,376	65,308	67,284	68,732
% change	22.2	9.5	17.5	5.9	12.7	8.9
Non-residential Construction (1992\$)	39,079	39,110	39,312	38,932	38,696	38,588
% change	14.0	0.1	-1.9	-3.8	-2.4	-1.1
Capacity Utilization (% , Non-farm goods)	83.2	82.7	82.9	81.9	82.6	83.1
Capacity Utilization (Mfg. sector)	83.7	83.8	83.7	82.6	84.7	85.7
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	110,682	105,318	98,752	99,828	114,876	N/A
% change	15.2	-4.8	-29.6	4.4	75.4	N/A
Profits - Non-financial industries	82,218	77,741	72,760	74,116	84,412	N/A
% change	14.4	-5.4	-30.5	7.7	68.3	N/A
Profits - Financial industries	28,462	27,576	25,992	25,708	30,464	N/A
% change	17.6	-3.1	-27.2	-4.3	97.2	N/A
Business Credit	621,420	682,926	676,193	692,331	699,997	704,314
% change	8.8	9.9	8.1	9.9	4.5	2.5
Index of Business Confidence*	162.3	141.2	148.9	128.6	132.3	150.1

*Conference Board of Canada



Housing

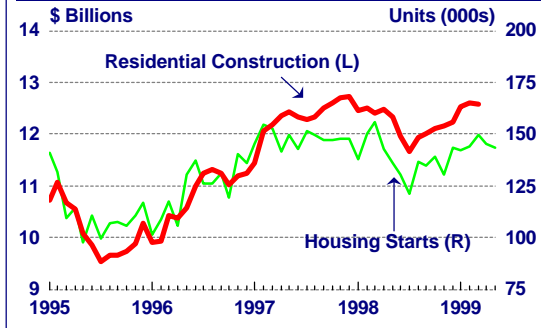
Spending on new housing surges in the first quarter...

- After slumping during all of last year, investment in Residential Construction rose 16.6% (annual rate) in the first quarter of 1999, the largest quarterly gain in nearly three years.
- This rebound was led by new housing construction. Urban starts soared in Ontario and the Atlantic region, and the B.C. market rebounded from an extended period of weakness. Renovation and resale activity was also up in the first quarter.

...but the outlook for the second quarter of the year is mixed

- After rising 3.5% overall in the first quarter of 1999, existing home sales increased a further 2.3% in April, the third consecutive monthly advance.
- Although housing starts decreased 1.1% in May for the second straight month, over the first five months of 1999 they are running above comparable figures for last year.
- Consumer confidence is high, but slower employment growth and higher mortgage rates could cool activity in the housing market.

Housing Activity



Monthly Housing Indicators

	levels	Change since	
		last month	last year
Residential Construction (1) (\$92M, factor cost basis)	12,575	-0.2%	1.4%
Building Permits, \$M (2)	1,511	-8.7%	-4.9%
Sales of Existing Homes (2) (# of units)	20,033	445	
Housing Starts, # of units (3)	143,500	-1,700	7,600
Newfoundland	600	-900	-400
Prince Edward Island	500	200	200
Nova Scotia	3,900	200	3,100
New Brunswick	1,200	-200	-600
Quebec	16,800	-3,300	-1,000
Ontario	66,300	4,300	18,100
Manitoba	2,100	-500	-700
Saskatchewan	1,800	-500	-300
Alberta	14,900	-2,300	-7,300
British Columbia	14,200	1,300	-3,500

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

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

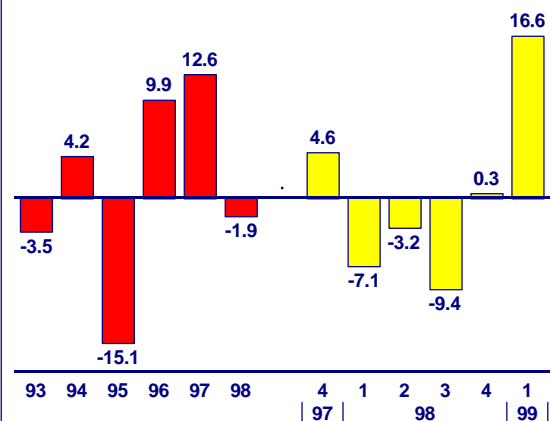
Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1997	1998	1998 Q4	1999 Q1
Residential Construction	42,348	41,547	40,972	42,580
% change	12.6	-1.9	0.3	16.6
Construction by Business sector	42,223	41,422	40,852	42,452
% change	12.6	-1.9	0.3	16.6
New Housing	21,441	20,695	20,372	21,332
% change	19.5	-3.5	11.2	20.2
Alterations & Improvements	13,315	13,645	13,572	14,088
% change	7.2	2.5	4.4	16.1
Ownership & Transfer Costs	7,592	7,207	7,028	7,160
% change	4.5	-5.1	-29.7	7.7

Growth in Real Residential Construction

% change, SAAR





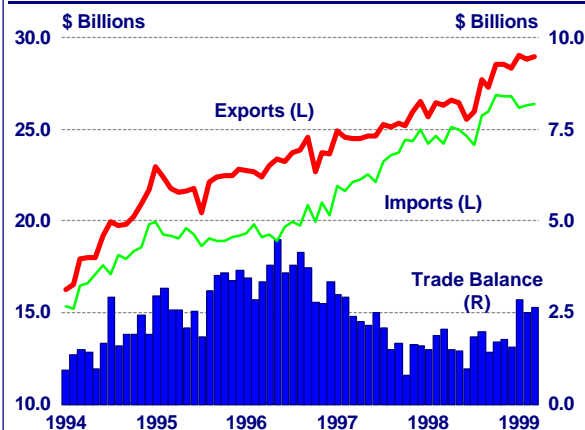
Export growth outpaces import growth in March...

- Exports increased 0.6% in March, led by higher sales of motor vehicles and natural gas to the surging U.S. market. Aircraft exports were also higher on the month. These gains were partly offset by a drop in the value of wheat shipments and exports of gold, uranium and other minerals.
- Imports were essentially unchanged in March. Sharp increases in purchases of Industrial Goods, Energy Products and Automotive Products were offset by lower imports of M&E. Lower M&E imports partly reflect fewer purchases of drilling and mining equipment associated with lower investment in the resource-based industries.

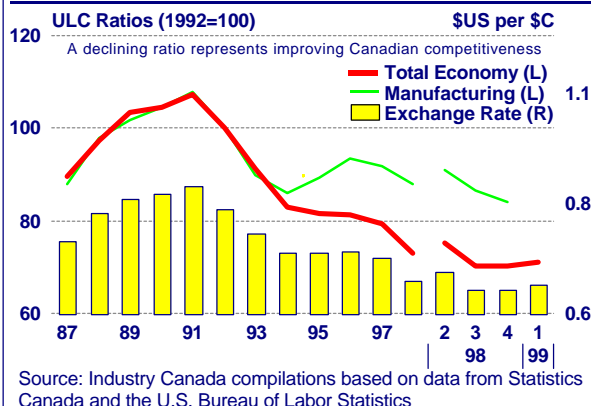
...leading to an increase in the trade surplus

- Given higher exports and flat imports, Canada's merchandise trade surplus rose from \$2.5 billion in February to \$2.6 billion in March. The surplus with the U.S. increased by \$0.5 billion, while the deficit with countries outside the OECD widened.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



Merchandise Trade

March 1999	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	1999 February	1999 March	1998 Jan-Mar	1999 Jan-Mar	Feb to Mar 1999	Feb to Mar 1999	Mar 98 to Mar 99
Exports	28,834	28,996	78,428	86,862	162	0.6	10.3
to United States	24,465	24,986	64,387	74,270	521	2.1	15.2
Imports	26,343	26,385	73,042	78,920	42	0.2	8.9
from United States	20,172	20,142	56,303	60,777	-30	-0.1	8.2
Trade Balance	2,491	2,611	5,386	7,942	120		
with United States	4,293	4,844	8,084	13,493	551		
Exports by Commodity							
Agriculture/Fishing Products	2,143	2,064	6,326	6,302	-79	-3.7	0.7
Energy Products	1,797	1,939	5,860	5,556	142	7.9	1.8
Forestry Products	3,119	3,111	8,778	9,360	-8	-0.3	6.6
Industrial Goods & Materials	4,709	4,576	14,442	13,898	-133	-2.8	-5.5
Machinery & Equipment	6,781	6,829	18,660	20,549	48	0.7	8.0
Automotive Products	8,070	8,262	18,856	24,526	192	2.4	29.2
Other Consumer Goods	1,137	1,148	2,880	3,440	11	1.0	17.3
Imports by Commodity							
Agriculture/Fishing Products	1,434	1,481	4,138	4,391	47	3.3	7.6
Energy Products	631	765	2,305	1,995	134	21.2	11.4
Forestry Products	221	223	600	656	2	0.9	12.1
Industrial Goods & Materials	4,962	5,160	14,592	15,142	198	4.0	6.7
Machinery & Equipment	9,011	8,554	23,961	26,250	-457	-5.1	9.3
Automotive Products	6,071	6,191	16,401	18,464	120	2.0	10.5
Other Consumer Goods	3,038	3,063	8,045	9,102	25	0.8	13.2



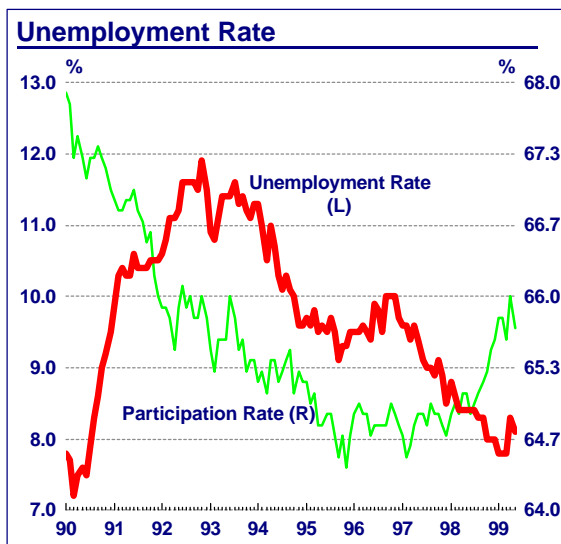
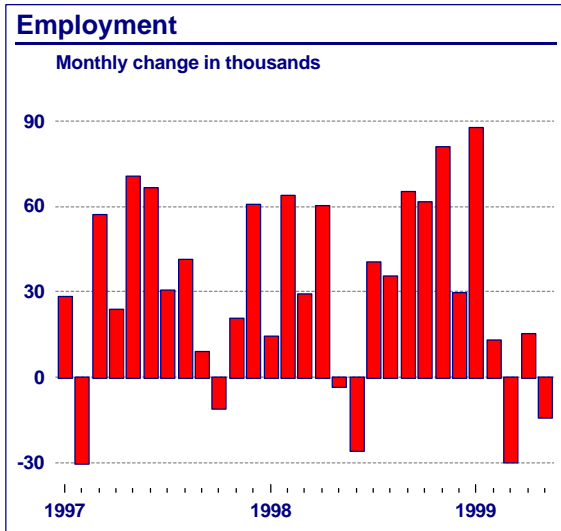
Employment and Unemployment

Employment edges down in May...

- Employment fell by 14,000 overall in May. Following an exceptional net gain of 87,000 jobs in January, the level of employment has been roughly unchanged in the four subsequent months.
- The May job losses were due entirely to a reduction in the number of full-time workers. Still, full-time employment is up 173,000 on a year-to-date basis, while the number of part-time jobs has fallen by 100,000.
- Adult employment fell slightly in May, but youth employment increased for the first time in four months.

...but a drop in the labour force lowers the unemployment rate to 8.1%

- Despite the slight decline in employment, a sizeable drop in the number of job seekers lowered the national unemployment rate to 8.1% in May.
- The decline in the labour force, which only partly reversed a sharp rise in April, was centered on the adult population. Thus, despite job losses, the adult unemployment rate fell 0.3 percentage points to 6.6% in May. Modest job gains led to a 0.1 percentage point reduction in the youth unemployment rate (now at 15.6%).



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1998 May	1999 April	1999 May	last month	last year	year-to- date	last month	last year
Employment	14,275.3	14,650.1	14,636.6	-13.5	361.3	73.2	-0.1	2.5
Full-time	11,624.0	11,998.3	11,982.5	-15.8	358.5	172.8	-0.1	3.1
Part-time	2,651.3	2,651.7	2,654.1	2.4	2.8	-99.6	0.1	0.1
Youth 15-24	2,083.8	2,176.5	2,182.6	6.1	98.8	1.1	0.3	4.7
Adult 25+	12,191.5	12,473.6	12,454.1	-19.5	262.6	72.2	-0.2	2.2
Self-employed	2,497.1	2,601.5	2,592.5	-9.0	95.4	2.9	-0.3	3.8
Unemployment	1,308.8	1,323.4	1,288.0	-35.4	-20.8	15.8	-2.7	-1.6
Unemployment Rate	8.4	8.3	8.1	-0.2	-0.3	0.1		
Youth 15-24	15.7	15.7	15.6	-0.1	-0.1	1.2		
Adult 25+	7.0	6.9	6.6	-0.3	-0.4	-0.2		
Labour Force	15,584.1	15,973.5	15,924.6	-48.9	340.5	89.0	-0.3	2.2
Participation Rate	65.1	66.0	65.7	-0.3	0.6	0.1		
Employment Rate	59.6	60.5	60.4	-0.1	0.8	0.0		



Industry Overview

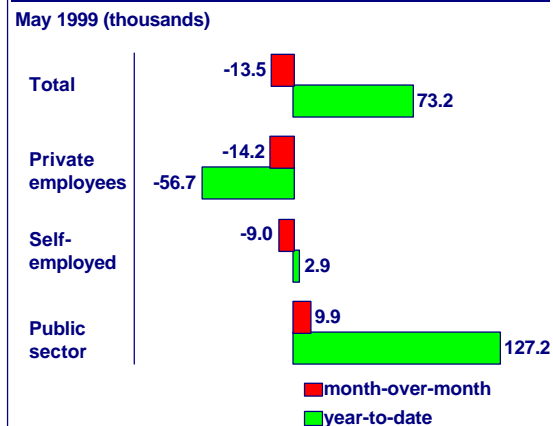
Job losses in May are concentrated in the Primary industries and Services...

- Employment in the Service-producing industries fell by 22,000 in May, with notable losses in Trade, Other Services, Professional, Scientific & Technical Services and Public Administration. While employment in most other major groups was either essentially unchanged or slightly higher, Health & Social Services posted its second straight solid advance.
- The number of jobs in the Goods-producing industries edged up 9,000 in May. Moderate gains in Manufacturing, Utilities and Construction were largely offset by job losses in the Primary industries.

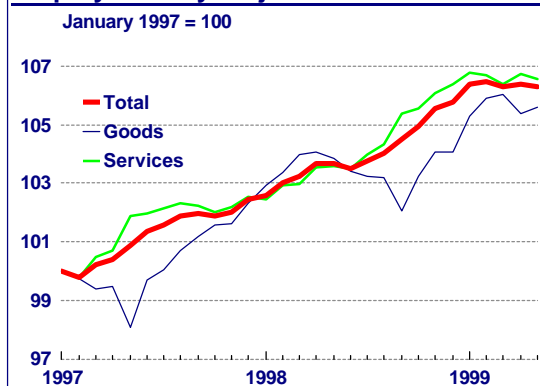
...as job creation in the private sector remains weak

- The number of paid employees in the private sector fell for the fourth straight month in May. Self-employment was also down on the month.
- Employment in the public sector increased by 10,000 in May, and has accounted for all net job growth in the economy so far this year. Recent strength in this sector has been due to employment gains in Education and Health & Social Services.

Employment growth by worker category



Employment by major sector



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1998 May	1999 April	1999 May	last month	last year	year-to- date	last month	last year
Goods-producing	3,754.7	3,809.5	3,818.3	8.8	63.6	56.1	0.2	1.7
Agriculture	424.7	414.2	407.5	-6.7	-17.2	-4.7	-1.6	-4.0
Other Primary*	304.2	262.3	256.2	-6.1	-48.0	-23.8	-2.3	-15.8
Utilities	117.4	124.5	129.7	5.2	12.3	14.5	4.2	10.5
Construction	745.5	787.0	790.4	3.4	44.9	-22.7	0.4	6.0
Manufacturing	2,163.0	2,221.5	2,234.4	12.9	71.4	92.7	0.6	3.3
Service-producing	10,520.6	10,840.5	10,818.4	-22.1	297.8	17.2	-0.2	2.8
Trade	2,172.9	2,286.7	2,267.3	-19.4	94.4	26.2	-0.8	4.3
Transportation	693.3	745.8	746.3	0.5	53.0	15.6	0.1	7.6
FIRE*	824.7	893.8	896.8	3.0	72.1	-1.3	0.3	8.7
Professional/Scientific	893.7	925.4	906.2	-19.2	12.5	-30.4	-2.1	1.4
Management/Administrative	504.0	515.3	526.4	11.1	22.4	39.3	2.2	4.4
Educational Services	931.6	943.1	949.7	6.6	18.1	10.4	0.7	1.9
Health Care/Social Assistance	1,463.3	1,449.1	1,470.2	21.1	6.9	-20.5	1.5	0.5
Information/Culture/Recreation	616.7	621.3	629.9	8.6	13.2	-13.4	1.4	2.1
Accommodation & Food	896.3	932.7	932.1	-0.6	35.8	-0.4	-0.1	4.0
Other Services	719.7	753.0	733.7	-19.3	14.0	1.8	-2.6	1.9
Public Administration	804.3	774.5	759.8	-14.7	-44.5	-10.1	-1.9	-5.5

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



Provincial Overview

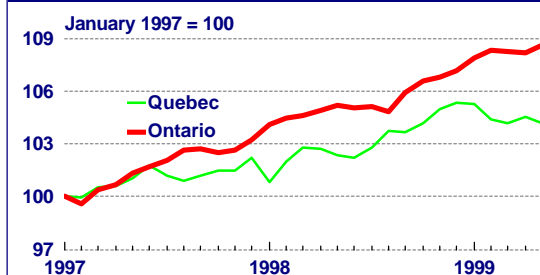
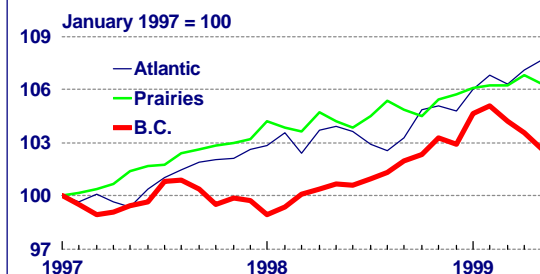
Although employment is down in most provinces in May...

- Ontario, Newfoundland and Manitoba were the only provinces to record higher employment in May. Job gains in Newfoundland more than offset losses in the previous two months, and employment in Ontario increased for the first time in three months.
- The other seven provinces suffered job losses in May, with the biggest losses (in percentage terms) in P.E.I., British Columbia and Saskatchewan.

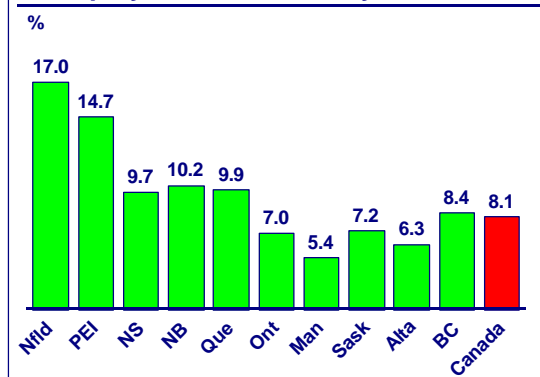
...widespread declines in the labour force lead to lower unemployment rates

- Seven provinces posted lower unemployment rates in May. Of note, Newfoundland's unemployment rate fell 1.5 percentage points to 17.0% due to a sharp rise in employment. The unemployment rate in Quebec dropped 0.5 points to 9.9%, but this was due entirely to a reduction in the labour force as employment also fell.
- Job losses pushed up unemployment rates in Saskatchewan, Nova Scotia and Alberta. All other provinces posted modest declines in their unemployment rates.

Regional employment patterns



Unemployment Rates -- May 1999



Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since last month		
	1999 May	(000's)	%	(000's)	%		last month	last year	
Canada	14,636.6	-13.5	-0.1	361.3	2.5	8.1	-0.2	-0.3	
Newfoundland	214.7	11.7	5.8	15.4	7.7	17.0	-1.5	0.0	
P.E.I.	60.9	-2.0	-3.2	-1.0	-1.6	14.7	-0.1	1.4	
Nova Scotia	414.6	-1.9	-0.5	8.7	2.1	9.7	0.5	-0.7	
New Brunswick	334.7	-2.4	-0.7	12.7	3.9	10.2	-0.3	-2.2	
Quebec	3,359.1	-12.5	-0.4	57.6	1.7	9.9	-0.5	-0.7	
Ontario	5,782.8	22.7	0.4	180.6	3.2	7.0	-0.2	-0.1	
Manitoba	557.2	2.3	0.4	14.4	2.7	5.4	-0.2	0.0	
Saskatchewan	476.3	-4.4	-0.9	0.6	0.1	7.2	0.8	1.7	
Alberta	1,547.7	-9.9	-0.6	36.8	2.4	6.3	0.4	0.6	
B.C.	1,888.6	-17.1	-0.9	35.6	1.9	8.4	-0.4	-1.1	



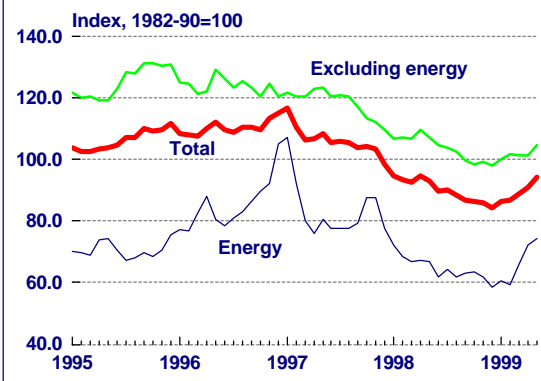
Inflation rises sharply in April...

- The year-over-year rate of CPI inflation increased to 1.7% in April, up from 1.0% in March and a four-year low of 0.6% in January.
- Increased Transportation costs – including price hikes for gasoline, new cars and trucks, and air fares – accounted for roughly one-third of the 1.7% year-over-year rise in the general price level in April. Lower prices for computer equipment and telephone services put downward pressure on the annual inflation rate.
- The "core" inflation rate – excluding the volatile food and energy components as well as the impact of indirect taxes – increased to 1.5% in April, remaining in the bottom half of the 1-3% target range set jointly by the Bank of Canada and the Department of Finance.

...but underlying inflation pressures remain modest

- Commodity prices have picked up so far in 1999, including a particularly sharp rebound in the price of crude oil.
- Still, producer prices – those received by producers at the factory gate – were unchanged in April, and up only 0.8% on a year-over-year basis.

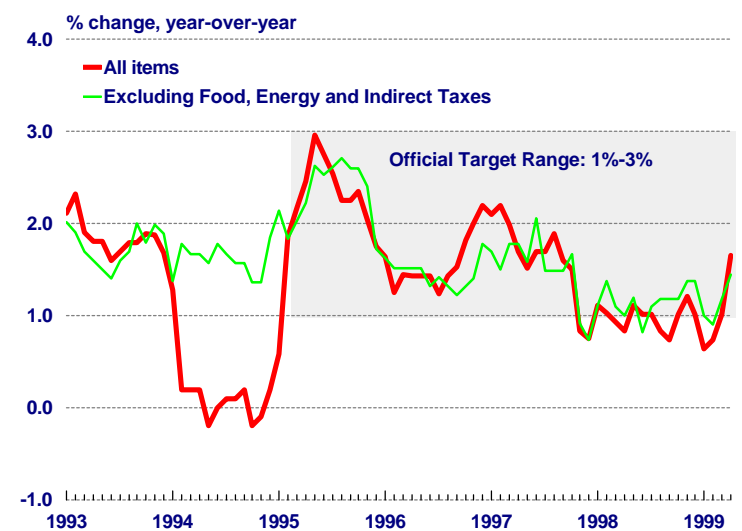
Commodity Prices (\$U.S. basis)



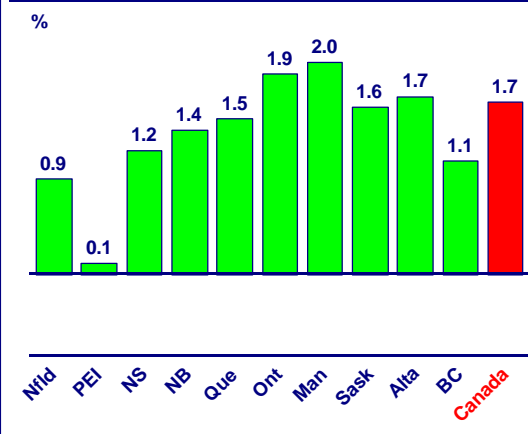
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
April 1999			
All items CPI	110.1	0.5	1.7
Food	110.9	0.2	1.8
Shelter	104.8	0.3	1.3
Household operations	108.8	0.1	0.4
Clothing & Footwear	105.8	-0.4	1.9
Transportation	123.6	1.9	2.8
Health & Personal Care	110.0	0.7	2.1
Recreation, Educ. & Reading	117.7	0.3	1.1
Alcohol & Tobacco	94.0	0.3	2.0
Excl. Food/Energy/Indirect Taxes	111.6	0.3	1.5
Energy	107.6	3.7	3.8
Commodity Prices (May)			
Index, 1982-90=100	94.1	3.4	1.3
Excluding Energy	104.7	3.6	-2.1
Energy	74.2	2.8	11.2

Consumer Price Index



Provincial CPI Inflation -- April 1999



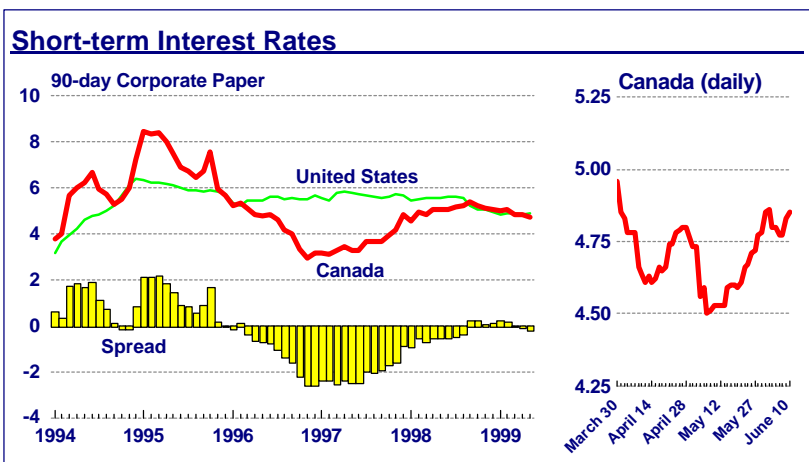


Inflationary fears in the U.S. push up bond yields...

- The sustained expansion of the U.S. economy has sparked fears of higher inflation and fuelled expectations of an interest rate hike in the U.S. These fears intensified with the news that the U.S. CPI rose 0.7% in April, the largest month-over month increase in nearly 9 years.
- In response to these pressures, bond yields have risen on both sides of the border in recent months (Canadian bond yields are still below their U.S. counterparts, however). Higher long-term rates have put upward pressure on mortgage rates, which have increased four times since May 10. The 5-year rate now stands at 7.40%, up 45 basis points from the end of April.

...and short-term rates also rise through most of May

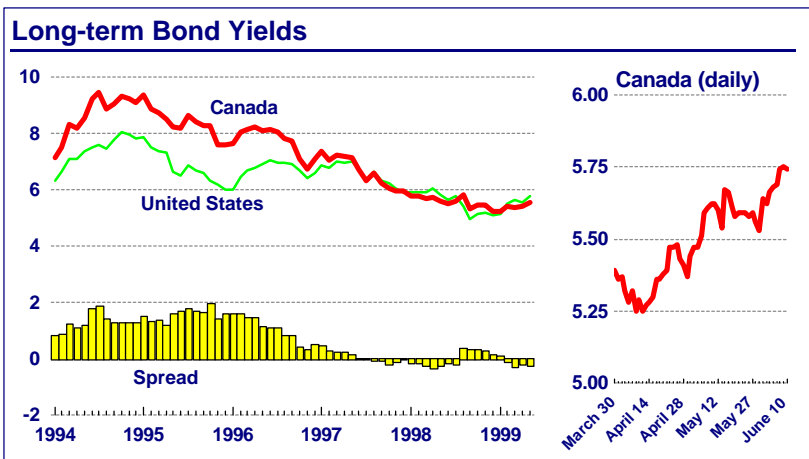
- Following a 25-basis point cut in the Bank Rate, Canada's 90-day Corporate Paper rate fell to 4.50% on May 5 – its lowest rate in nearly a year and a half. By mid-May, however, domestic interest rates were forced up by the expectation of higher rates in the U.S. The U.S. Federal Reserve recently changed its policy stance from neutral to a bias toward tightening.
- The Canada-U.S. differential in short-term interest rates widened to nearly 20 basis points in Canada's favour at the end of May before falling back slightly early in June.



Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1997	4.80	-0.85	5.95	0.02
1998	5.02	0.09	5.23	0.14
Dec 1998	5.02	0.09	5.23	0.14
Jan 1999	5.01	0.19	5.23	0.09
Feb	5.04	0.16	5.43	-0.08
Mar	4.85	-0.04	5.36	-0.27
Apr	4.80	-0.05	5.41	-0.17
May	4.71	-0.19	5.58	-0.22
June 9	4.83	-0.14	5.75	-0.27

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	5 year
1997	4.50	6.00	6.65	7.05
1998	5.25	6.75	6.20	6.60
Dec 1998	5.25	6.75	6.20	6.60
Jan 1999	5.25	6.75	6.40	6.90
Feb	5.25	6.75	6.40	6.90
Mar	5.00	6.75	6.45	6.95
Apr	5.00	6.50	6.30	6.95
May	4.75	6.25	6.30	7.30
June 9	4.75	6.25	6.60	7.40

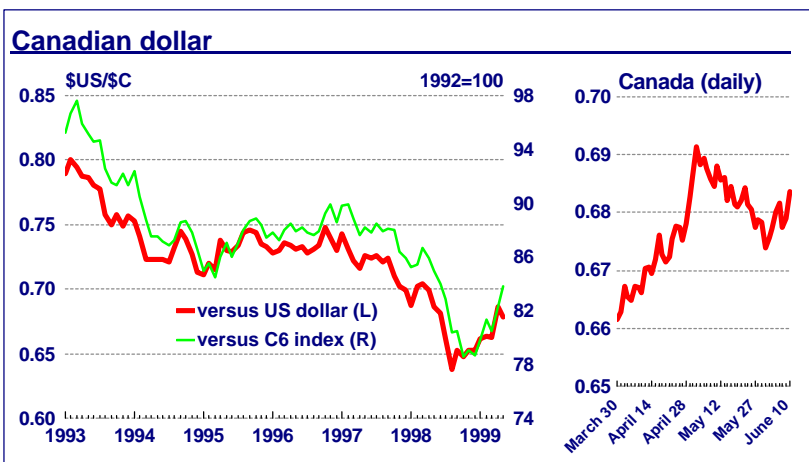


Fears of a U.S. rate hike hit the stock market and the Canadian dollar in May...

- Stock prices in both Canada and the U.S. have been affected by rising inflationary fears in the U.S. and the threat of higher interest rates. Indeed, the TSE 300 lost 171 points on May 14 alone (a drop of 2.4%) following the release of the U.S. CPI figures for April.
- The Canadian dollar was also affected by the CPI release, falling nearly half a cent on May 14. The downward pressure on the dollar originated from expectations that the Bank of Canada would not match an increase in U.S. interest rates.

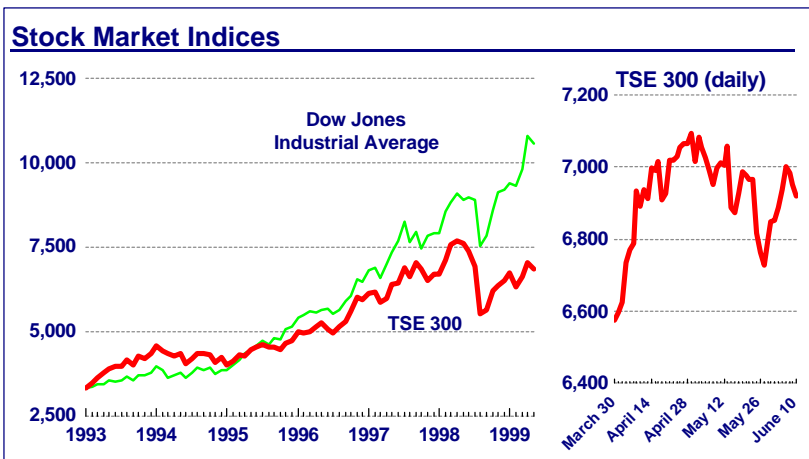
...but both stage a modest recovery in late May and early June

- The Canadian dollar and stock markets have both recovered somewhat in the last half of May and early June.
- After falling below US\$0.67 level on May 27 for the first time in over a month, the Canadian dollar was trading above US\$0.68 by early June. The TSE also rebounded from its sharp loss on May 14, rising above the 7000 mark early in June before retreating somewhat.



The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1997	0.6991	85.87	1.247	90.87
1998	0.6522	78.71	1.082	75.91
Dec 1998	0.6522	78.71	1.082	75.91
Jan 1999	0.6618	79.83	1.110	74.58
Feb	0.6632	81.33	1.166	77.81
Mar	0.6628	80.51	1.184	78.71
Apr	0.6863	82.26	1.229	80.49
May	0.6784	83.80	1.259	83.35
June 10	0.6848			



Key Stock Market Indexes

	May Close	% change from	
		last month	last year
TSE 300	6,842	-2.5	-9.9
Oil & Gas	5,540	-5.7	-10.3
Metals & Minerals	3,336	-12.5	-9.3
Utilities	7,929	1.4	-5.2
Paper & Forest	4,130	-6.4	-13.5
Merchandising	5,478	-0.3	-15.0
Financial Services	8,032	-5.2	-20.4
Goods	4,955	-16.3	-23.7
Price-Earnings Ratio*	32.2	1.9	-1.6
S&P 500	1,302	-2.5	19.3
Dow Jones	10,560	-2.1	18.6

*columns 2 & 3 reflect change in levels



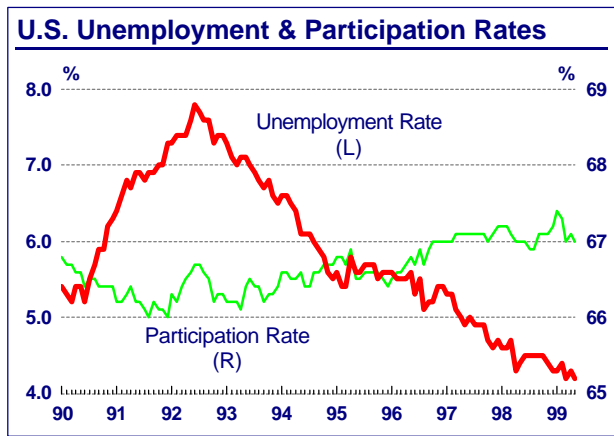
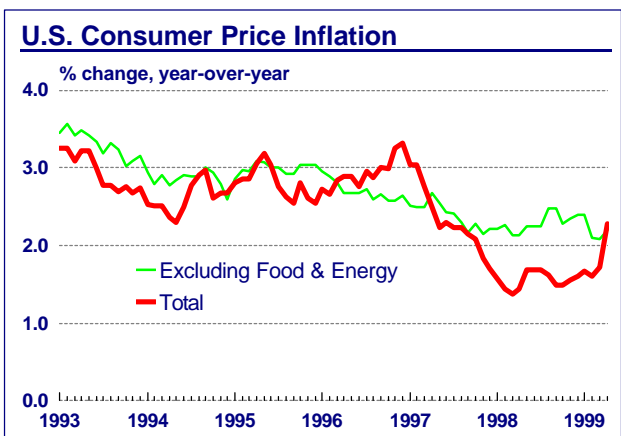
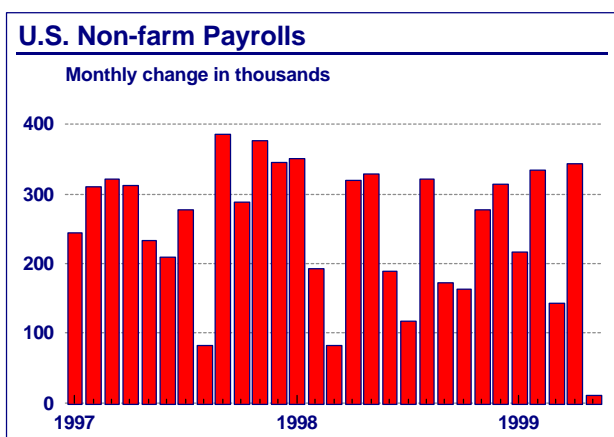
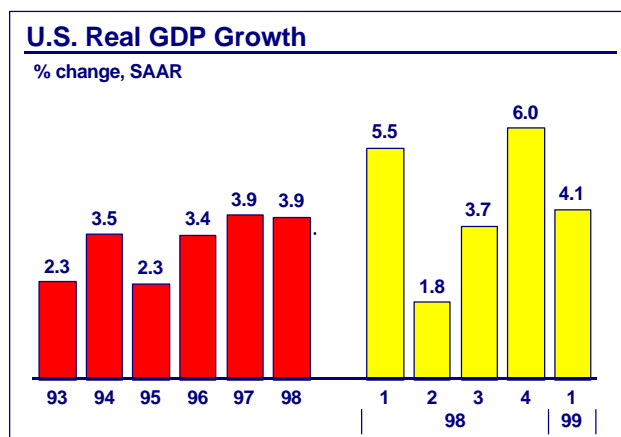
U.S. Economic Trends

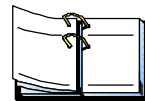
The US economy continues to expand at a fast pace...

- Preliminary estimates reveal that the U.S. economy grew 4.1% (annual rate) in the first quarter of 1999, down from the advance figure of 4.5% but still higher than originally expected. The downward revision reflects a larger trade deficit than had been previously estimated. Major contributors to economic growth in the first quarter were strong consumer spending and robust business investment.
- After adding 343,000 jobs in April, employment was essentially unchanged in May (+11,000). Substantial job losses in Construction (-40,000) and Manufacturing (-45,000) were largely offset by modest gains in the Service industry (+71,000). The unemployment rate fell by one-tenth of a percentage point to 4.2% in May.

...raising fears of a possible rate hike by the Federal Reserve

- The U.S. CPI rose 0.7% in April, its largest monthly increase in nearly nine years. On an annual basis, the inflation rate rose above 2% for the first time in a year and a half.
- The continued strength of the U.S. economy, combined with the large spike in April's CPI, have convinced most analysts that the Federal Reserve will raise interest rates at its June 30 meeting to cool down the economy and head off inflationary pressures.





Key Future Data Releases and Planned Events

CANADA

Survey of Manufacturing – April	June 16
International Trade – April	June 17
Consumer Price Index – May	June 18
GDP at factor cost – April	June 30
Labour Force Survey – June	July 9
Private and Public Investment Intentions – 1999 (revised)	July 28
Business Conditions Survey – July	August 3
Financial Statistics For Enterprises – 2nd Quarter 1999	August 20
National Economic & Financial Accounts – 2nd Quarter 1999	August 31
Balance of International Payments – 2nd Quarter 1999	August 31
Capacity Utilization Rates – 2nd Quarter 1999	September 10

UNITED STATES

Consumer Price Index – May	June 16
International Trade – April	June 17
GDP – 1st Quarter 1999, Final	June 25
Federal Open Market Committee meeting	June 29,30
Employment Situation – June	July 2

Note: the June MEI uses data available as of June 10, 1999