

MONTHLY ECONOMIC INDICATORS

July 1999

HIGHLIGHTS

-  **The national jobless rate falls to a 9-year low of 7.6% in June due to a large drop in the number of job seekers.**
-  **Led by gains in the Service sector, the economy expands for the ninth straight month in April.**
-  **Exports and imports fall back in April, resulting in a slight drop in Canada's trade surplus.**
-  **The Bank of Canada holds firm as U.S. interest rates rise, pushing Canadian rates further below comparable U.S. rates.**
-  **Canadian stocks rally after fears of inflation in North America subside.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	735.4	0.3	2.7	Apr
Goods	240.5	0.2	1.7	Apr
Services	494.9	0.3	3.3	Apr
Composite Index	214.0	0.4	4.0	May
Employment (000's)	14,640	0.0	2.7	June
Full-time	11,944	-0.3	3.1	June
Part-time	2,696	1.6	1.0	June
Unemployment* (%)	7.6	8.1	8.4	June
Youth*	13.5	15.6	15.6	June
Adult*	6.5	6.6	7.0	June
CPI inflation*	1.6	1.7	1.1	May
Retail Sales (\$M)	21,207	-0.4	2.7	Apr
Housing Starts (000's)	150.7	5.0	15.6	June
Trade Balance* (\$M)	2,444	2,621	1,367	Apr
Exports	28,696	-0.9	8.5	Apr
Imports	26,252	-0.3	4.7	Apr
M&E	8,685	1.4	4.8	Apr
3-mth Corp. paper* (%)	4.78	4.71	5.06	July 7
Long bond yield* (%)	5.66	5.58	5.52	July 7
Canadian dollar* (US¢)	67.88	67.84	68.13	July 9

*Data in levels only – % change not reported.

**This issue's Special Report:
Skill Shortages – Beyond the Headlines**

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 1999

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This report uses data available as of July 9, 1999. It has been prepared by Dave Dupuis, Joseph Macaluso, André Patry and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Shane Williamson. The special report in this issue was prepared by Clifton Lee-Sing, Shauna Martin and Lori Whewell. 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.

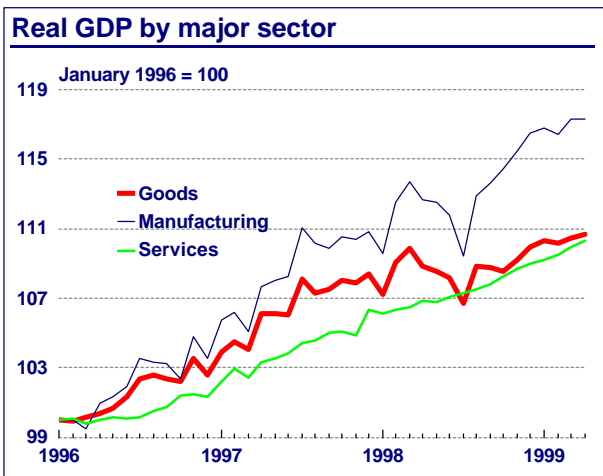
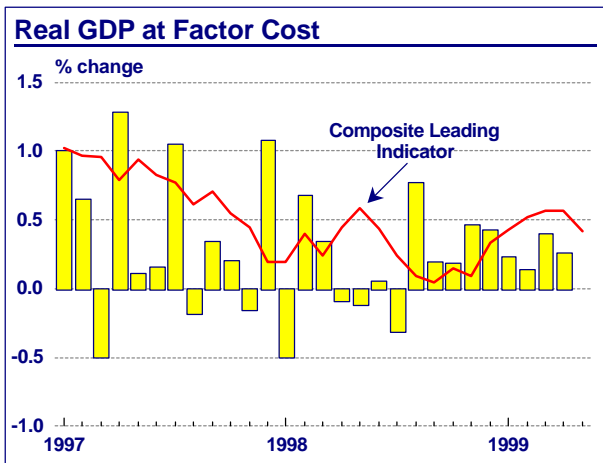


Output continues to expand in April ...

- Following an upwardly-revised gain in March, real GDP increased 0.3% in April. This marks the ninth consecutive monthly increase in real GDP – the longest uninterrupted string of increases in more than a decade.

...led by broad-based gains in Service-producing industries

- Activity in the Service sector rose 0.3% in April. Wholesale trade, buoyed by strong demand for computer equipment and automotive goods, led the way. Elsewhere, increased housing sales boosted activity of Real Estate agents, while providers of Business Services continued to post strong growth. Retail trade, which suffered from lower demand for big-ticket items, was the only sector to decline on the month.
- Output in the Goods-producing industries increased 0.2% in April. Nearly half of this gain was due to a sharp rise in Construction activity, bolstered by a surge in non-residential building and improved demand for new housing. Production in Manufacturing was flat in April after posting a strong result in March. Activity in the Mining sector was essentially unchanged in April, as a surge in oil and gas output (following the return to normal production levels from Hibernia) largely offset losses in other areas.



Real GDP at Factor Cost (1992 dollars)

April 1999

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	735,448	1,910	0.3	2.7
Business sector	609,310	1,515	0.2	3.3
Goods	240,537	477	0.2	1.7
Agriculture	11,848	29	0.2	-0.7
Fishing & Trapping	643	9	1.4	-17.0
Logging & Forestry	4,767	5	0.1	2.0
Mining*	26,282	-10	-0.0	-7.5
Manufacturing	132,979	44	0.0	4.1
Construction	39,537	234	0.6	1.4
Other Utilities	24,481	166	0.7	1.9
Services	494,911	1,433	0.3	3.3
Transport & Storage	32,999	115	0.3	1.9
Communications	26,903	49	0.2	14.2
Wholesale Trade	46,495	555	1.2	13.0
Retail Trade	45,708	-448	-1.0	1.5
Finance & Insurance	39,764	153	0.4	0.1
Real Estate & Ins. Agent	80,396	273	0.3	2.3
Business Services	43,446	203	0.5	7.7
Government Services	42,995	74	0.2	0.8
Education	40,109	143	0.4	-0.3
Health & Social Services	48,289	219	0.5	-0.2
Accommodation & Food	18,736	53	0.3	-0.3
Other	29,071	44	0.2	1.9

* Includes Quarrying and Crude Petroleum & Natural Gas

THE ECONOMY

Consumer Spending and Attitudes

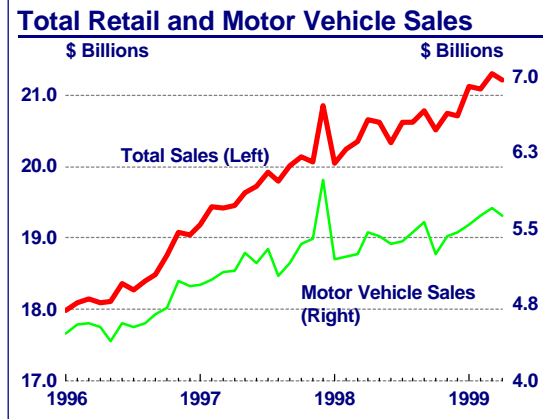


Consumer spending rebounds in the first quarter...

- Following two weak quarters, real consumer spending surged 5.1% (annual rate) in the first quarter of 1999. Spending was up across all major categories, but sales of durable goods were particularly strong.
- 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).

...but further gains depend on faster income and employment growth

- Income has failed to keep pace with increases in household spending in recent years, forcing households to draw on savings and add to debt. The slower employment growth evident so far this year also casts some doubt on the ability of consumers to raise spending levels.
- Indeed, retail sales edged down 0.4% in April, with declines across most major sectors. Evidence for May is mixed, as department store sales posted a solid advance but industry sources point to reduced sales of new motor vehicles.



Retail Sales and Consumer Credit

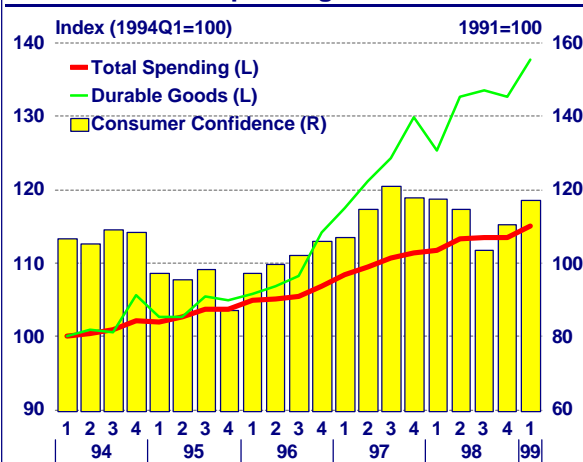
	April 1999	% Change since	
		\$ millions	last month
Total Retail Sales	21,207	-0.4	2.7
Food	4,872	-0.3	1.4
Drug Stores	1,104	-1.1	2.5
Clothing	1,198	-0.1	3.2
Furniture	1,059	-2.8	5.4
Automotive	8,238	-0.1	2.7
General Merch. Stores	2,444	0.2	3.7
All other Stores	2,292	-1.2	3.0
Total ex. motor vehicles	15,577	-0.1	2.6
Consumer Credit	161,241	0.5	7.0

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





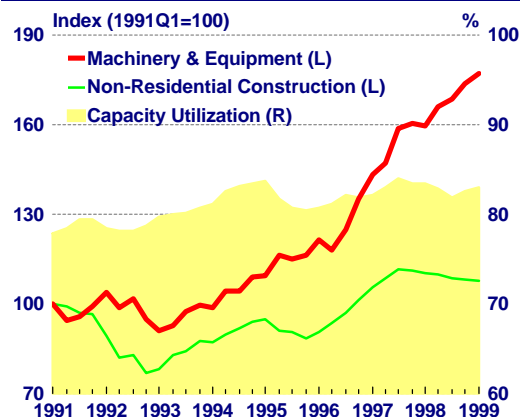
Investment in M&E remains strong in the first quarter...

- 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 also recorded modest gains.
- Spending on Non-residential Construction has fallen in each of the past six quarters. The prolonged downturn in this sector is due mainly to reduced engineering construction.

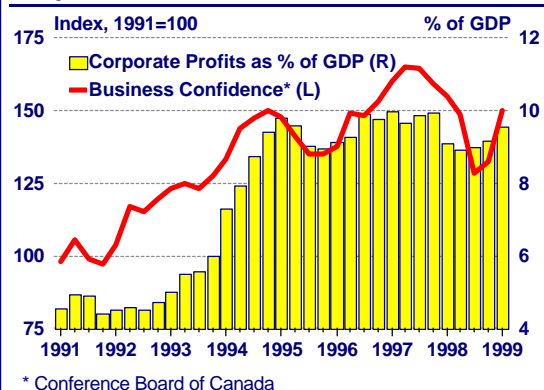
...as firming commodity prices and higher profits point to further gains

- 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. This advance included a modest rebound in the Primary industries, which have benefited from the recent firming of commodity prices.
- Reflecting this improved outlook, early indicators point to continued growth in business investment. Imports of M&E were up in April due to a sharp rise in aircraft purchases. Non-residential building was also strong, more than offsetting weakness in the engineering component of Non-residential Construction.

Investment in Plant and Equipment



Corporate Profits & Business Confidence



* Conference Board of Canada

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						
% change						
Profits - Non-financial industries						
% change						
Profits - Financial industries						
% change						
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

NOTE: Statistics Canada is making significant changes to the Quarterly Survey of Financial Statistics for Enterprises. For this reason, the first quarter results are preliminary only and may be subject to significant revision.



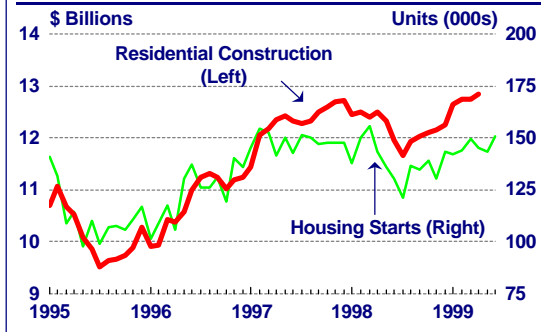
Spending on new housing surges in the first quarter...

- 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.

...and this momentum carries forward into the second quarter

- Available data point to a continuing rebound in the housing sector. Existing home sales increased in May for the fourth straight month. Housing starts were up 0.8% overall in the second quarter.
- Residential building permits, an indicator of future activity, were running above their first-quarter level in April and May.
- Rising consumer confidence and housing affordability (generated from historically low interest rates) point to a healthy housing market over the near term.

Housing Activity



Monthly Housing Indicators

	levels	Change since	
		last month	last year
Residential Construction (1) (\$92M, factor cost basis)	12,844	0.8%	2.8%
Building Permits, \$M (2)	1,620	6.2%	11.8%
Sales of Existing Homes (2) (# of units)	20,396	347	
Housing Starts, # of units (3)	150,700	7,200	20,300
Newfoundland	1,000	400	300
Prince Edward Island	300	-200	-200
Nova Scotia	3,100	-800	1,100
New Brunswick	2,400	1,200	500
Quebec	17,200	400	300
Ontario	67,900	1,600	22,300
Manitoba	1,900	-200	-400
Saskatchewan	1,900	100	0
Alberta	22,400	7,500	3,900
British Columbia	11,400	-2,800	-7,500

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

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

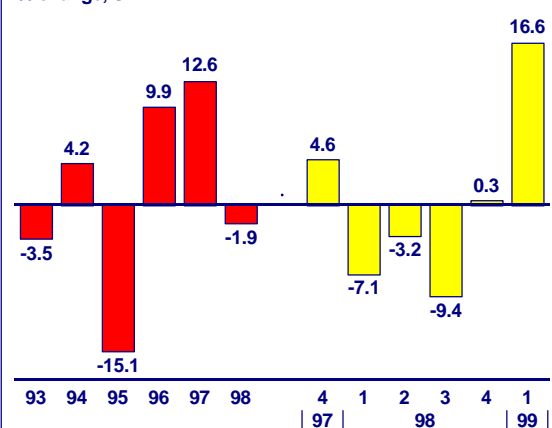
Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	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



THE ECONOMY

Trade and Competitiveness



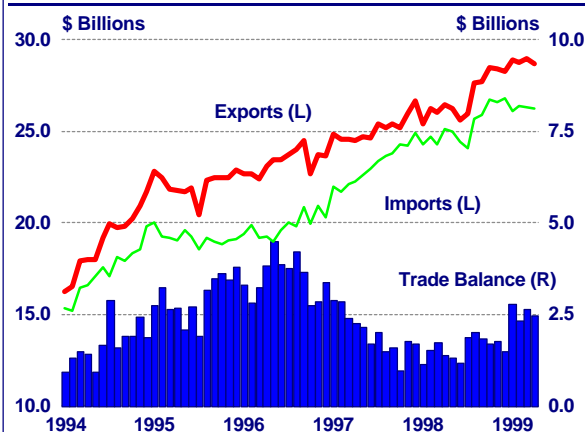
Exports and imports both fall in April...

- Exports decreased 0.9% in April due primarily to a sharp drop in sales to the United States. However, exports to Japan have begun to recover, rising for the third consecutive month.
- By commodity, April's decline was driven mainly by lower exports of Automotive Products. Sales of Energy Products were up on the month – due largely to higher crude oil prices – and Forestry exports picked up with the introduction of new lumber quotas.
- Imports remain weak, falling 0.3% in April. This decline was primarily due to lower imports of Industrial Goods (including gold and automobile components). Partially offsetting these losses were higher imports of crude oil (price-driven) and aircrafts.

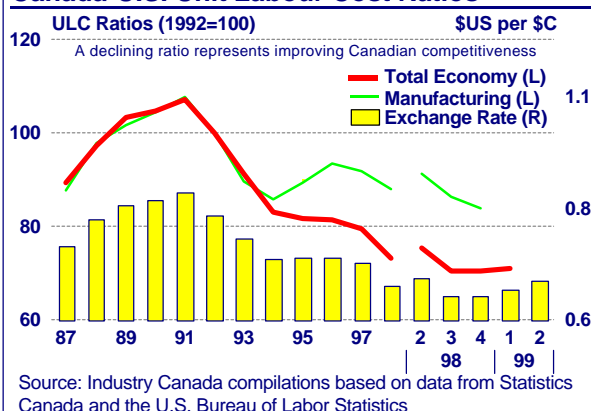
...and the trade surplus edges lower

- With exports falling more than imports, the trade surplus fell from \$2.6 billion in March to \$2.4 billion in April. After failing to reach the \$2.0 billion mark in all of 1998, the trade surplus has exceeded \$2.0 billion every month so far this year.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



Merchandise Trade

April 1999	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	1999 March	1999 April	1998 Jan-Apr	1999 Jan-Apr	Mar to Apr 1999	Mar to Apr 1999	Apr 98 to Apr 99
Exports	28,945	28,696	104,052	115,206	-249	-0.9	8.5
to United States	24,897	24,713	85,460	98,726	-184	-0.7	13.0
Imports	26,324	26,252	98,327	105,050	-72	-0.3	4.7
from United States	20,223	20,187	75,575	81,013	-36	-0.2	5.6
Trade Balance	2,621	2,444	5,725	10,156	-177		
with United States	4,674	4,526	9,885	17,713	-148		
Exports by Commodity							
Agriculture/Fishing Products	2,069	2,008	8,393	8,268	-61	-2.9	-3.6
Energy Products	1,966	2,238	7,791	7,801	272	13.8	12.5
Forestry Products	3,102	3,286	11,551	12,619	184	5.9	14.4
Industrial Goods & Materials	4,554	4,537	19,237	18,460	-17	-0.4	-3.6
Machinery & Equipment	6,811	6,752	25,360	27,194	-59	-0.9	1.0
Automotive Products	8,174	7,575	24,234	31,789	-599	-7.3	22.4
Other Consumer Goods	1,149	1,159	3,863	4,593	10	0.9	15.0
Imports by Commodity							
Agriculture/Fishing Products	1,487	1,487	5,577	5,896	0	0.0	5.1
Energy Products	687	772	3,064	2,696	85	12.4	4.3
Forestry Products	224	225	802	884	1	0.4	13.6
Industrial Goods & Materials	5,162	5,021	19,698	20,153	-141	-2.7	-0.1
Machinery & Equipment	8,568	8,685	32,321	34,943	117	1.4	4.8
Automotive Products	6,181	6,131	21,995	24,546	-50	-0.8	9.8
Other Consumer Goods	3,050	2,972	10,850	12,035	-78	-2.6	7.7

LABOUR MARKET TRENDS



Employment and Unemployment

Employment is flat in June...

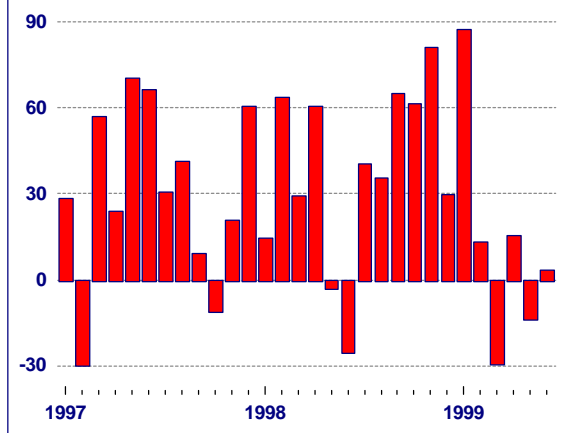
- Employment was virtually unchanged in June, and has levelled off in the past five months after posting exceptionally strong growth in the last half of 1998.
- In June, gains in part-time employment (+42,000) were largely offset by losses in full-time work (-39,000). This shift affected primarily adult women, as adult male and youth employment levels (and full-time/part-time splits) were little changed.
- Roughly 47% of students aged 15-24 were working in June, three percentage points higher than last year. Nearly two-thirds of these jobs were part-time positions.

...but a sharp drop in the labour force drops the unemployment rate to 7.6%

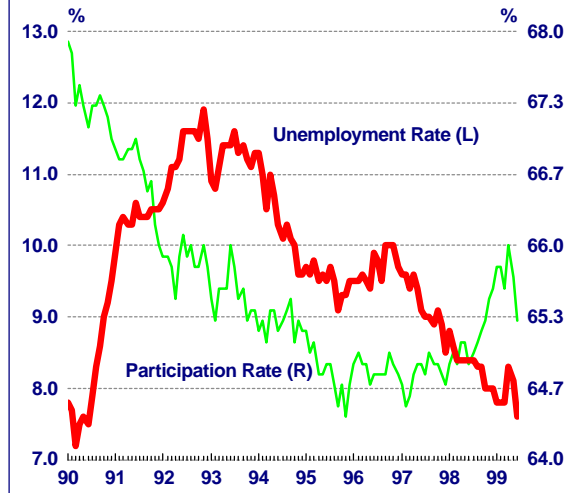
- Although employment was only slightly higher in June, the unemployment rate fell 0.5 percentage points to 7.6% – a nine-year low. A sharp fall in the labour force (for the second straight month) resulted in a drop of 84,000 in the number of unemployed.
- Most of the decline in the labour force was due to youth, whose overall participation rate has fluctuated widely so far this year. The youth unemployment rate fell 2.1 percentage points to 13.5% in June, while the adult employment rate edged down to 6.5%.

Employment

Monthly change in thousands



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1998 June	1999 May	1999 June	last month	last year	year-to-date	last month	last year
Employment	14,250.1	14,636.6	14,639.8	3.2	389.7	76.4	0.0	2.7
Full-time	11,581.2	11,982.5	11,943.9	-38.6	362.7	134.2	-0.3	3.1
Part-time	2,668.9	2,654.1	2,695.9	41.8	27.0	-57.8	1.6	1.0
Youth 15-24	2,059.9	2,182.6	2,181.1	-1.5	121.2	-0.4	-0.1	5.9
Adult 25+	12,190.1	12,454.1	12,458.7	4.6	268.6	76.8	0.0	2.2
Self-employed	2,493.0	2,592.5	2,589.8	-2.7	96.8	0.2	-0.1	3.9
Unemployment	1,303.0	1,288.0	1,203.7	-84.3	-99.3	-68.5	-6.5	-7.6
Unemployment Rate	8.4	8.1	7.6	-0.5	-0.8	-0.4		
Youth 15-24	15.6	15.6	13.5	-2.1	-2.1	-0.9		
Adult 25+	7.0	6.6	6.5	-0.1	-0.5	-0.3		
Labour Force	15,553.1	15,924.6	15,843.4	-81.2	290.3	7.8	-0.5	1.9
Participation Rate	64.9	65.7	65.3	-0.4	0.4	-0.3		
Employment Rate	59.4	60.4	60.3	-0.1	0.9	-0.1		



Industry Overview

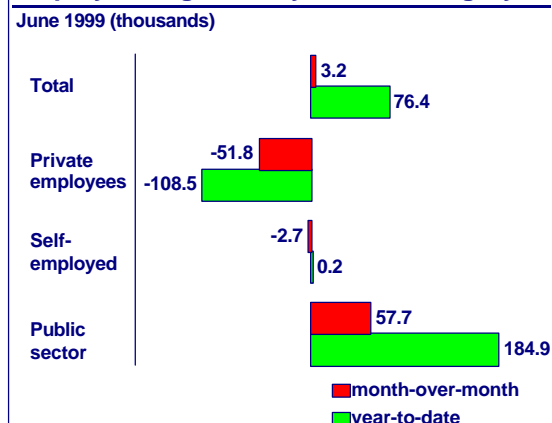
Job gains in Manufacturing and some Service industries offset losses elsewhere...

- Employment edged down 3,000 overall in the Goods-producing industries. Job losses in Construction – the fourth straight month of weakness – were nearly matched by gains in the Motor Vehicle and Computer Manufacturing industries.
- Offsetting gains and losses in a number of industries left employment in the Service sector 6,000 higher in June. Trade, Transport and Professional, Scientific & Technical Services all registered big increases, with sharp losses in Accommodation & Food and Other Services.

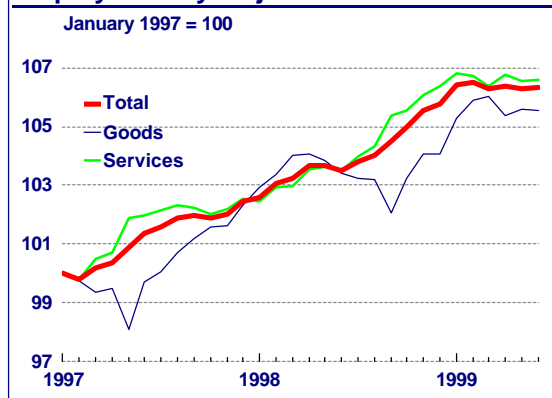
...as the private sector labour market remains weak

- Paid employment in the private sector fell for the fifth straight month in June. Self-employment was also down, and is virtually unchanged on the year.
- Employment in the public sector rose sharply in June, marking six months of uninterrupted growth. Over this period, job losses in Public Administration have been offset by bigger gains in Education and Health & Social Services. (Within these industries, higher public-sector employment has been accompanied by a drop in private-sector jobs.)

Employment growth by worker category



Employment by major sector



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1998 June	1999 May	1999 June	last month	last year	year-to- date	last month	last year
Goods-producing	3,738.4	3,818.3	3,815.5	-2.8	77.1	53.3	-0.1	2.1
Agriculture	408.3	407.5	408.3	0.8	0.0	-3.9	0.2	0.0
Other Primary*	304.9	256.2	252.7	-3.5	-52.2	-27.3	-1.4	-17.1
Utilities	115.5	129.7	134.5	4.8	19.0	19.3	3.7	16.5
Construction	737.9	790.4	770.3	-20.1	32.4	-42.8	-2.5	4.4
Manufacturing	2,171.8	2,234.4	2,249.9	15.5	78.1	108.2	0.7	3.6
Service-producing	10,511.6	10,818.4	10,824.3	5.9	312.7	23.1	0.1	3.0
Trade	2,161.2	2,267.3	2,284.2	16.9	123.0	43.1	0.7	5.7
Transportation	682.6	746.3	762.6	16.3	80.0	31.9	2.2	11.7
FIRE*	824.6	896.8	892.3	-4.5	67.7	-5.8	-0.5	8.2
Professional/Scientific	911.1	906.2	922.0	15.8	10.9	-14.6	1.7	1.2
Management/Administrative	502.2	526.4	518.5	-7.9	16.3	31.4	-1.5	3.2
Educational Services	941.8	949.7	958.2	8.5	16.4	18.9	0.9	1.7
Health Care/Social Assistance	1,465.9	1,470.2	1,479.6	9.4	13.7	-11.1	0.6	0.9
Information/Culture/Recreation	623.1	629.9	627.2	-2.7	4.1	-16.1	-0.4	0.7
Accommodation & Food	887.2	932.1	907.0	-25.1	19.8	-25.5	-2.7	2.2
Other Services	705.7	733.7	718.3	-15.4	12.6	-13.6	-2.1	1.8
Public Administration	806.2	759.8	754.2	-5.6	-52.0	-15.7	-0.7	-6.5

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



Provincial Overview

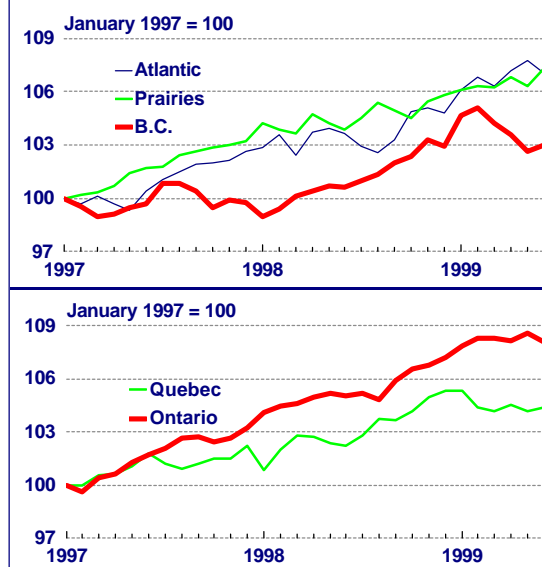
Employment is higher in most provinces...

- Employment in Ontario fell nearly 30,000 in June. Job growth in this province has softened considerably following a strong performance in 1997 and 1998. Newfoundland and New Brunswick also posted declines on the month.
- Employment was up in all remaining provinces, with particularly strong gains in the Prairies. Quebec posted a small net gain in June, but its labour market has recently been quite weak.

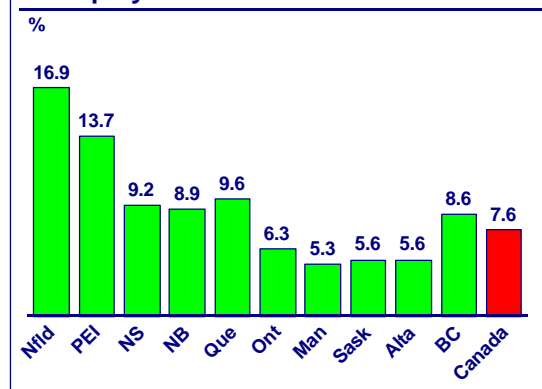
...and unemployment rates tend to be down

- B.C. was the only province to register a higher unemployment rate in June, as modest job gains were outpaced by an increase in the labour force.
- Unemployment rates dropped by one percentage point or more in Saskatchewan and Prince Edward Island (driven by large employment gains and a flat or declining labour force) and New Brunswick (where employment fell but was offset by a much bigger drop in the number of job seekers).
- Ontario and Newfoundland also registered lower unemployment rates in June despite job losses.

Regional employment patterns



Unemployment Rates -- June 1999



Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels 1999 June	Change since last month		Change since last year		Levels	Change since last month last year		
		(000's)	%	(000's)	%		last month	last year	
Canada	14,639.8	3.2	0.0	389.7	2.7	7.6	-0.5	-0.8	
Newfoundland	209.8	-4.9	-2.3	8.5	4.2	16.9	-0.1	-0.1	
P.E.I.	61.6	0.7	1.1	-0.3	-0.5	13.7	-1.0	0.5	
Nova Scotia	416.6	2.0	0.5	13.7	3.4	9.2	-0.5	-1.3	
New Brunswick	330.5	-4.2	-1.3	10.3	3.2	8.9	-1.3	-3.2	
Quebec	3,366.0	6.9	0.2	68.0	2.1	9.6	-0.3	-1.0	
Ontario	5,754.0	-28.8	-0.5	160.3	2.9	6.3	-0.7	-0.8	
Manitoba	561.1	3.9	0.7	20.8	3.8	5.3	-0.1	-0.4	
Saskatchewan	482.5	6.2	1.3	8.3	1.8	5.6	-1.6	-0.5	
Alberta	1,562.0	14.3	0.9	55.3	3.7	5.6	-0.7	0.0	
B.C.	1,895.7	7.1	0.4	44.8	2.4	8.6	0.2	-0.7	

PRICES and FINANCIAL MARKETS

Consumer and Commodity Prices



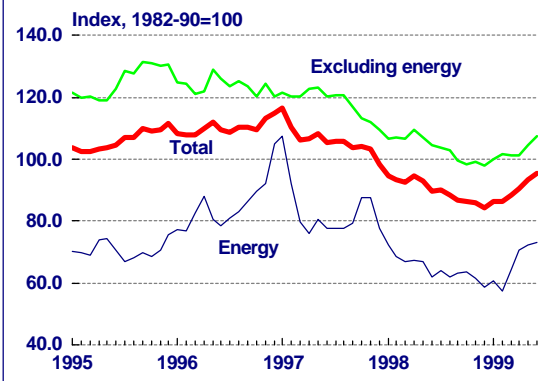
Inflation falls slightly in May...

- The year-over-year rate of CPI inflation was 1.6% in May, down from 1.7% the previous month.
- Higher Transportation costs are the primary reason for the increase in the general price level. Tighter world oil supplies have raised the price of gasoline by 5% on a year-over-year basis, while air fares are up nearly 17%. These increased Transportation costs were partly offset by lower prices for computers and telephone services.

...and remains within the Bank of Canada's target range

- After hovering around 1% since the end of 1997, inflation has picked up in the last two months.
- Still, "core" inflation – excluding the volatile food and energy components as well as the impact of indirect taxes – remains within the bottom half of the 1-3% target range set jointly by the Bank of Canada and the Department of Finance.
- The recent increase in inflation is largely due to rising commodity prices. Producer prices – those received by producers at the factory gate – are up only 0.8% on a year-over-year basis.

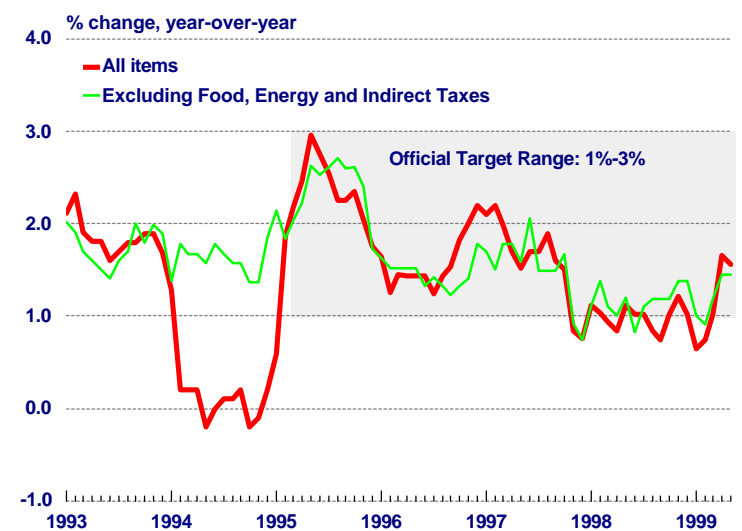
Commodity Prices (\$U.S. basis)



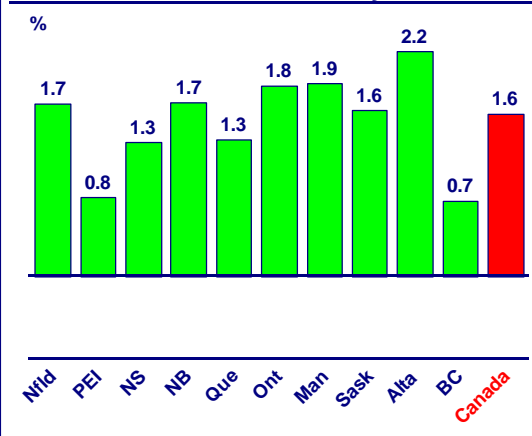
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
May 1999			
All items CPI	110.4	0.3	1.6
Food	111.1	0.2	1.6
Shelter	104.6	-0.2	1.1
Household operations	109.1	0.3	0.6
Clothing & Footwear	104.9	-0.9	1.7
Transportation	124.1	0.4	2.8
Health & Personal Care	110.4	0.4	2.0
Recreation, Educ. & Reading	119.6	1.6	1.1
Alcohol & Tobacco	94.7	0.7	2.3
Excl. Food/Energy/Indirect Taxes	111.8	0.2	1.5
Energy	108.4	0.7	3.0
Commodity Prices (June)			
Index, 1982-90=100	95.4	2.1	6.2
Excluding Energy	107.4	2.7	2.6
Energy	72.9	0.7	17.6

Consumer Price Index



Provincial CPI Inflation -- May 1999



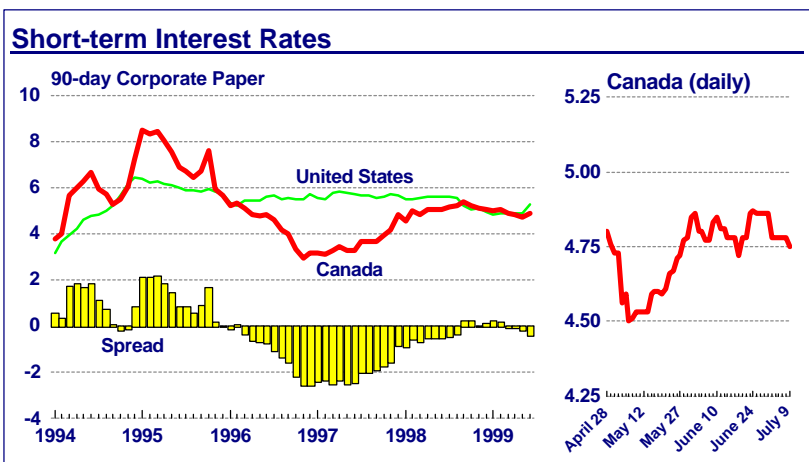


The Bank of Canada holds its ground as the U.S. raises interest rates...

- The US Federal Reserve raised its key federal funds rate a quarter of a percentage point on June 30th, but also changed its policy stance from a further tightening bias to neutral. Markets reacted favourably to this unexpected change in policy bias, with Canadian short-term rates falling 10 basis points.
- The Bank of Canada did not match the Fed's latest increase. The Canadian economy is in less danger of over-heating, and core inflation remains within the bottom half of the official target range.
- After rising in mid-June as fears of U.S inflation intensified, long-term rates in Canada and the U.S. fell after the Fed's latest move. A benign inflation report in the U.S. and weak June employment figures in Canada contributed to this downward pressure.

...widening the gap between Canadian and U.S. interest rates

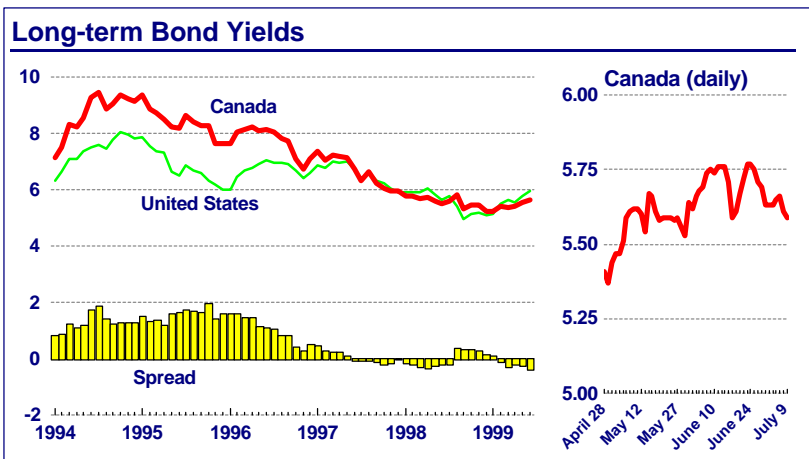
- At the end of May, Canadian short-term and long-term rates were roughly 20 basis points below comparable U.S. yields. Since then, interest rates have increased faster in the U.S., widening the interest rate gap for both long and short-term rates to roughly 40 basis points by July 7.



Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1,997.00	4.80	-0.85	5.95	0.02
1,998.00	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	4.86	-0.38	5.63	-0.35
July 7	4.78	-0.39	5.66	-0.42

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



Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1997	4.50	6.00	6.65	7.05
1998	5.25	6.75	6.20	6.60
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	4.75	6.25	6.75	7.70
July 7	4.75	6.25	6.70	7.50

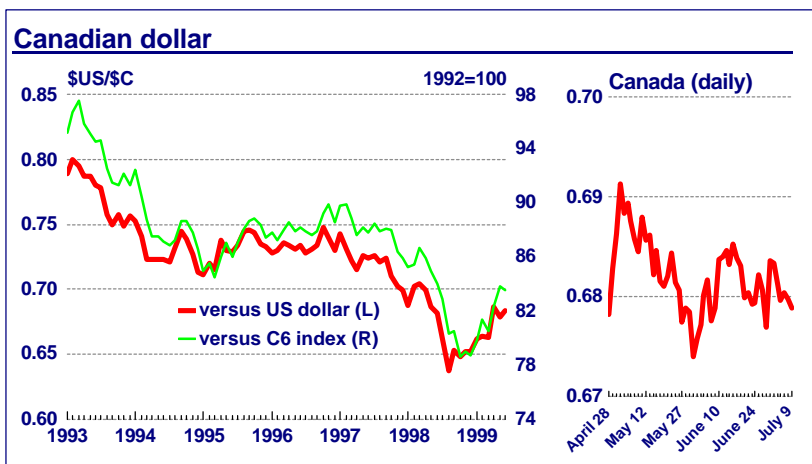


The stock market takes off in early July...

- Following the unexpected shift in bias by the Federal Reserve, the TSE 300 composite index jumped up almost 2% on July 2nd. The TSE continued to make further gains over the next few days before falling back.
- Over the first six months of 1999, the TSE 300 index rose 8.1%. While impressive, especially considering that most of this advance has occurred since March, this is still less than half the gain experienced by the U.S. Dow Jones Industrial average (+19.5%).

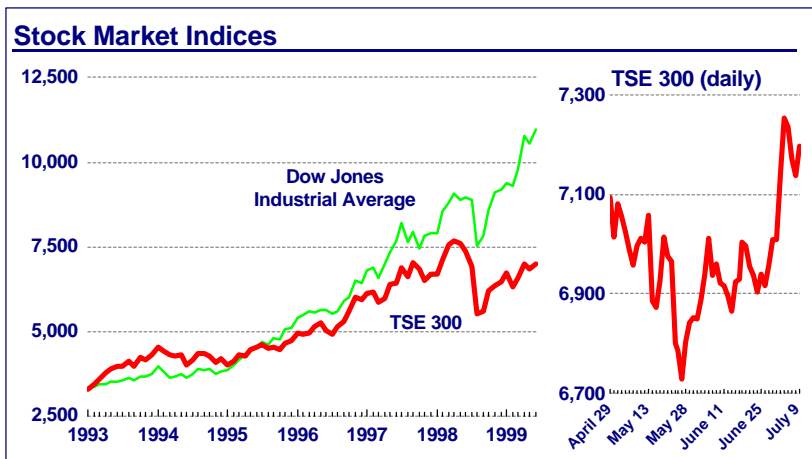
...while the Canadian dollar holds steady

- The Canadian dollar gained nearly two-thirds of a cent following the Fed's announcement, closing out June at US68.35¢. Although this was the largest single day jump in the currency since early February, the dollar was still below its recent peak above US69¢ in early May.
- Over the last few months, the Canadian dollar has received support from firming commodity prices. However, the prospect of higher interest rates in the U.S. and expectations that Canadian rates would not follow suit have cut into some of this strength.



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
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	0.6835	83.50	1.283	82.17
July 9	0.6788			



Key Stock Market Indexes

	June Close	% change from	
		last month	last year
TSE 300	7,010	2.5	-4.8
Oil & Gas	5,953	7.4	-1.9
Metals & Minerals	3,801	13.9	6.5
Utilities	8,173	3.1	2.5
Paper & Forest	4,854	17.5	11.1
Merchandising	5,460	-0.3	-17.5
Financial Services	7,482	-6.8	-24.9
Gold	5,270	6.4	-13.3
Price-Earnings Ratio*	33.4	1.3	0.8
S&P 500	1,373	5.4	21.1
Dow Jones	10,971	3.9	22.6

*columns 2 & 3 reflect change in levels

THE UNITED STATES ECONOMY



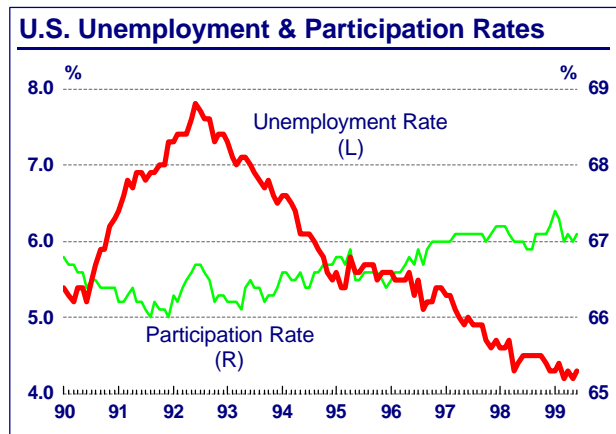
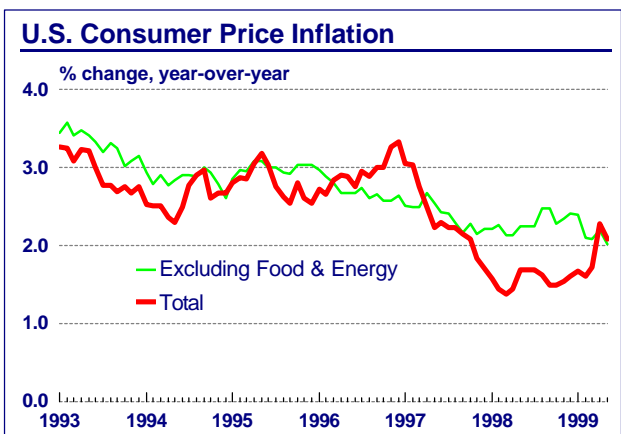
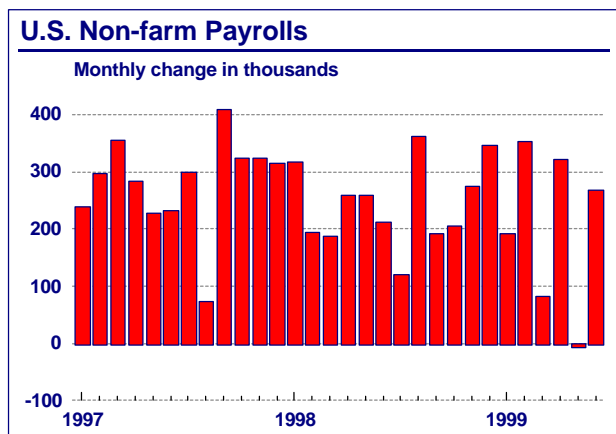
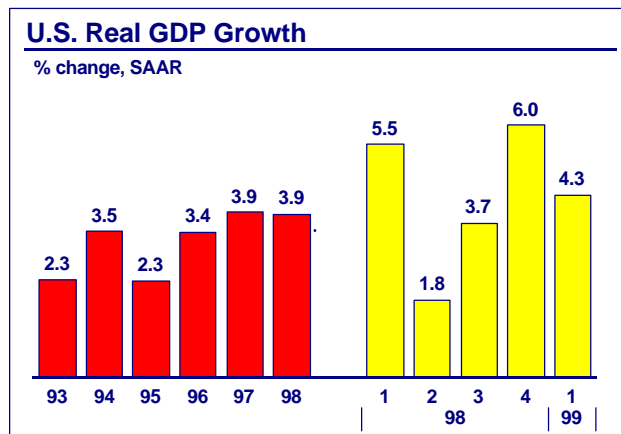
U.S. Economic Trends

The Federal Reserve hikes its trend-setting interest rate, but then adopts a neutral stance...

- As expected, the Federal Reserve increased its key federal funds rate by 25 basis points on June 30th. An extremely tight labor market, the strong pace of the economy, and a big jump in inflation in April all prompted the Fed to raise rates for the first time in more than two years.
- However, in a surprise move, the Fed also announced that it would subsequently adopt a neutral stance for near-term policy action, influenced by strong productivity growth and a more positive inflation report for May. Stock and bond prices rallied strongly following the Fed's announcement.

... even though U.S. economic indicators remain strong

- Final estimates indicate that the U.S. economy grew at an annual rate of 4.3% in the first quarter. Strength in domestic demand more than offset the negative impact of a deteriorating trade balance. Indeed, the trade sector remains the sole weak spot in the economy – export growth is weak while imports are rising strongly, leading to a sharp increase in the U.S. current account deficit (nearly \$70 billion in the first quarter alone).
- Employment was up strongly in June (+268,000) after a flat May. Job gains were led by Services and a rebound in Construction. Employment in Manufacturing continues to fall, however. The unemployment rate was 4.3% in June, up slightly from the previous month.





Although unemployment rates for skilled workers are low...

- The unemployment rate for skilled workers has remained low and relatively constant throughout the past two decades.
- After falling to a low of 3.0% in 1989, the unemployment rate for skilled workers rose only slightly during the 1991-92 recession. By comparison, unemployment rates for unskilled workers were up sharply.
- Following the recession, the unemployment rate for skilled workers fell steadily, reaching 2.8% in 1998.

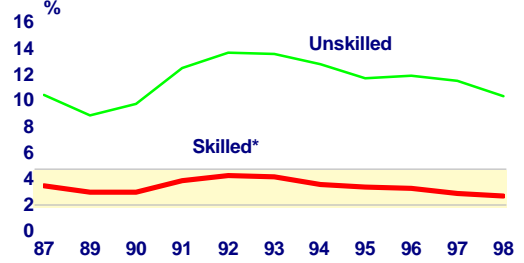
... relative wage gaps have remained roughly constant since the late 80s

- Wage stability is the acid test of the absence of skill shortages — prices increase in times of shortage.
- Since the early 1980s, the hourly wages of low-skilled workers have remained fairly constant, within 75-82% of the wages of high-skilled workers.
- Firms that face a shortage of skilled labour may also respond to demand pressures by increasing the number of hours worked by existing employees.
- Evidence shows that this has not been the case since the 1980s — the average hours worked by skilled workers has remained relatively flat.

However, there has recently been some evidence of increasing wage pressure in selected occupations

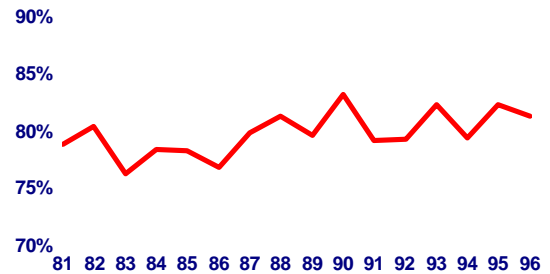
- Among key professions, there has been faster than average wage growth for Math & Computer Scientists, and Physical & Life Scientists — suggesting possible shortages in these occupations.

Unemployment Rate of Skilled and Unskilled Workers



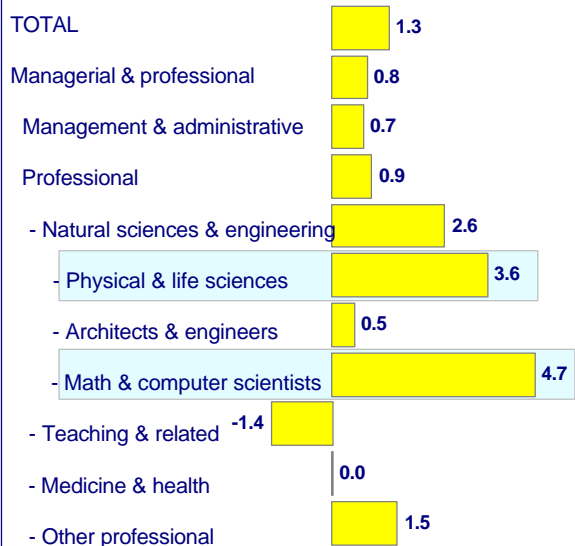
* Skilled workers include managers and professional
Source: Compilations based on Statistics Canada data

Hourly Wages Ratio, Low- to High-Skilled Workers*, 1981-96



* High-skilled workers are those with a post-secondary degree, diploma or certificate. Low-skilled workers are persons without a post-secondary education.
Source: Compilations based on Statistics Canada data

% Change in Weekly Wages, 1997-98



Source: Statistics Canada (LFS)



Labour Markets conditions are tighter in certain occupations...

- Labour market conditions have become increasingly tight for certain occupations over the past decade.
 - In particular, unemployment rates for Managers & Administrators, Physical Scientists, Architect & Engineers, Computer Programmers, Medicine & Health Professionals, and Teachers are all well below the national average.
- Although unemployment rates in Canada for these professions have been declining in recent years, our labour markets are still not as tight as in the U.S.

...and thus in certain industries...

- A recent CATA survey found that nine out of ten high-tech firms believed there were skill shortages in their industry. And, just over half of these firms had vacant positions open for more than 3 months.
- An Industry Canada survey shows that about one-third of Canadian IT firms reported unfilled positions in 1997.

...but concern over skill shortages generally follows the business cycle

- Within Manufacturing, the number of firms reporting shortages of skilled workers as a source of production difficulties is highly cyclical.
- Only 13.5% of manufacturing firms claimed that they required more skilled workers in 1998. While this is up from as low as 3.3% in 1993, it is nonetheless roughly equal to that prevailing just prior to the last recession.
 - Current worker shortages in this industry do not appear to be out of line with experience in previous expansionary periods.

Unemployment Rates in Managerial & Professional Occupations

	1987	1997	1998	U.S. 1998
All occupations	8.9	9.2	8.3	4.5
Managerial & professional	3.8	3.3	3.0	1.8
Managerial & administrative	3.6	2.9	2.7	1.8
Professional	3.9	3.5	3.2	1.9
Natural sci., engineering & math	3.9	3.2	3.2	1.8
Physical Sci. (Chemists, Geologists)	5.2	3.5	4.2	2.9
Life Science (Agr., Biological Sci.)	6.3	6.4	8.3	1.4
Architects & Engineers	3.2	2.3	2.6	1.7
Arch., Eng. Technologists, related	4.9	4.4	3.6	2.7
Math, Statistics, Systems Analysis	3.0	2.7	2.6	1.4
Computer Prog., Systems Analysts	3.2	2.7	2.5	1.3
Social sciences	4.6	4.2	3.8	2.0
Teaching	4.1	3.7	3.4	2.0
Medicine & health	2.2	2.1	1.6	1.5
Artistic, literary & recreational	7.2	6.2	5.5	4.2
Occs. in Fine and Commercial Art	4.9	3.8	2.8	6.6

Source: Unpublished data, LFS and the Bureau of Labor Statistics

Employer-based Surveys on Skill Shortages

CATA Skills Shortage Survey, 1997

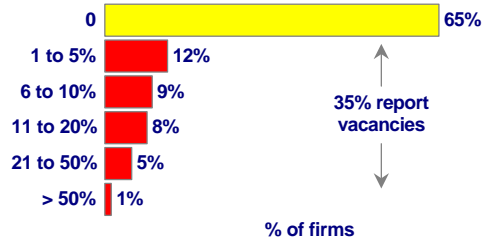
Do you think there are skill shortages in the advanced technology industries in Canada? Yes 88%

Do you have vacancies which have been open for the past 3 months and could not be filled because of shortage of technology workers? Yes 54%

Source: CATA / Angus Reid Group

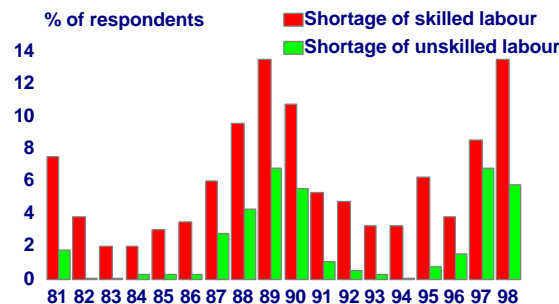
Survey of HR Issues in the IT Industry, 1997

What percentage of highly-skilled positions in your company are currently vacant?



Source: Industry Canada

Significance of Labour Shortages



* 1999 is based on the first two quarters
Source: Statistics Canada, Business Conditions Survey



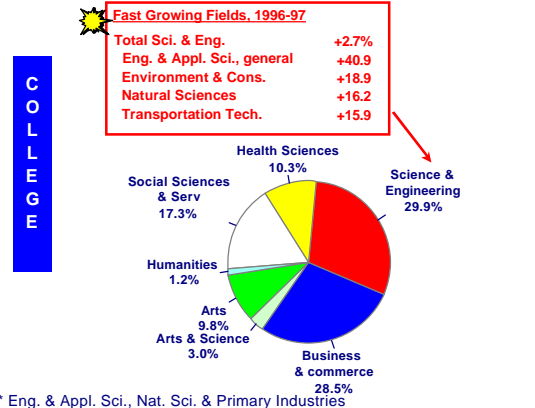
There is evidence that domestic supply has begun to adjust through increasing enrolment in "high-tech" fields...

- Rising enrolment in the "high-tech" fields indicates that labour markets are adjusting to tight labour market conditions.
 - In particular, undergraduate enrolment in Computer Science has been escalating, rising 14% from 1997 to 1998 alone. By comparison, total full-time post-secondary enrolment fell by 0.2% between 1997 and 1998.
 - Science & Engineering disciplines are also among the fastest growing fields of study in post-secondary institutions.
- Nevertheless, there is still potential for a skills mismatch.
 - The social sciences comprise the largest portion of university enrolment despite relatively high unemployment rates and lower wages.

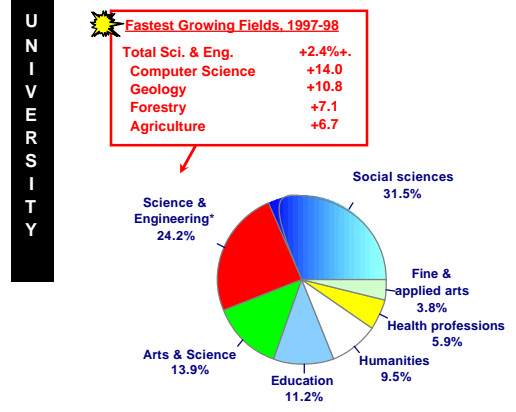
...and, inflows of knowledge workers from abroad have tended to increase

- Roughly 120,000 workers immigrated to Canada in 1997. More than one quarter of these immigrants intended to work in a Professional or Technical occupation — up from only 10% of immigrants in 1992.
 - In 1998, however, immigration flows fell by more than 20% overall, including sharp drops in the skilled workers and business categories. This decline has been attributed to the economic downturn in Asia.
- Despite this drop in 1998 (which may be temporary), Canadian firms have been increasingly able to draw on skilled labour from abroad.
 - According to Statistics Canada, recent immigrants comprised just over 10% of all computer engineers in 1996. Moreover, this group accounted for roughly one-third of all employment growth in this occupation over the 1991-96 period.

Full-time Enrolment by Field of Study, 1996-97

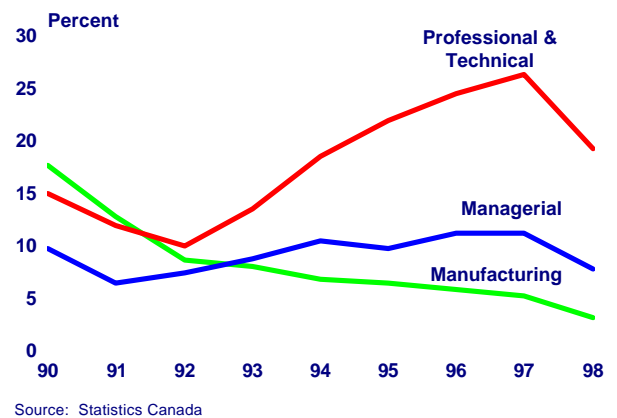


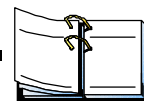
* Eng. & Appl. Sci., Nat. Sci. & Primary Industries



* Eng. & Appl. Sci., Math & Physical Sci., Agr. & Biological Sci.
Source: Compilations based on Statistics Canada data

Composition of Immigration to Canada



**CANADA**

Consumer Price Index – June	July 16
International Trade – May	July 20
Survey of Manufacturing – May	July 26
Private and Public Investment Intentions – 1999 (revised)	July 28
GDP at factor cost – May	July 30
Business Conditions Survey – July	August 3
Labour Force Survey – July	August 6
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 – June	July 15
International Trade – May	July 20
GDP – 2nd Quarter 1999, Advance	July 29
Employment Situation – July	August 6
Federal Open Market Committee meeting	August 24

Note: the July MEI uses data available as of July 9, 1999