

# MONTHLY ECONOMIC INDICATORS

## June 2001

### HIGHLIGHTS

-  **Output rises 2.5% in the first quarter, above expectations but still below the strong pace set in recent years.**
-  **The labour market weakens in May, with losses in full-time employment offset by increased part-time work.**
-  **The Bank of Canada and the U.S. Federal Reserve both lower interest rates in May.**
-  **The current account surplus reaches a record high, boosted by a surge in energy exports.**
-  **Positive economic news and the rising current account surplus support the Canadian dollar.**

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	797.5	0.1	2.0	March
Goods	256.5	0.2	-0.1	March
Services	540.9	0.1	3.0	March
Composite Index	166.4	0.0	3.0	April
Employment (000's)	15,109	0.1	1.5	May
Full-time	12,335	-0.3	1.2	May
Part-time	2,774	1.9	2.4	May
Unemployment* (%)	7.0	7.0	6.7	May
Youth*	12.1	12.7	12.6	May
Adult*	6.0	5.9	5.5	May
CPI inflation*	3.6	2.5	2.1	April
Retail Sales (\$M)	23,737	0.3	3.8	March
Housing Starts (000's)	155.0	-4.3	12.1	May
Trade Balance* (\$M)	6,164	5,837	4,337	March
Exports	36,037	2.3	5.5	March
Imports	29,873	1.7	0.1	March
M&E	10,024	1.7	2.6	March
3-mth Corp. paper* (%)	4.49	4.49	5.98	May 30
Long bond yield* (%)	6.03	5.97	5.63	May 30
Canadian dollar* (US¢)	65.54	65.08	66.82	June 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](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).



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# MONTHLY ECONOMIC INDICATORS

**June 2001**

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This report uses data available as of June 8, 2001. It has been prepared by Anik Dufour, Joe Macaluso, Arif Mahmud, Kiran Patel and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).

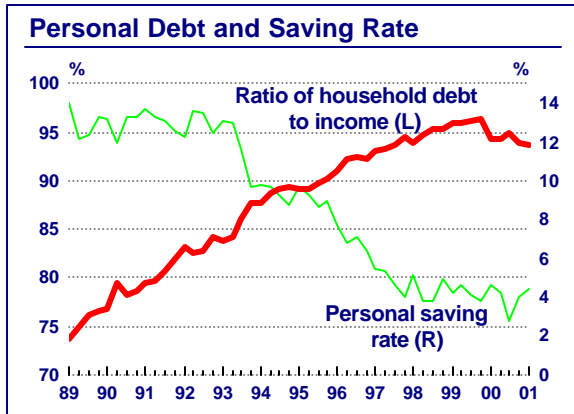
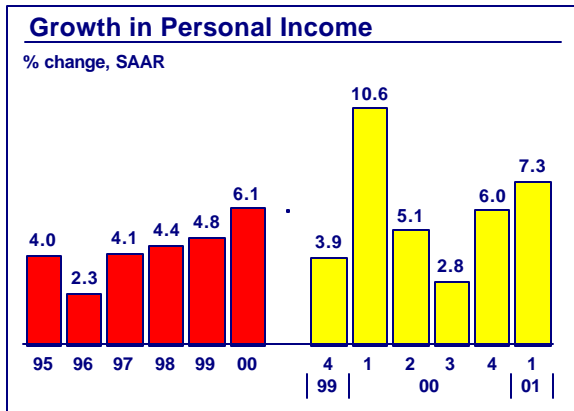
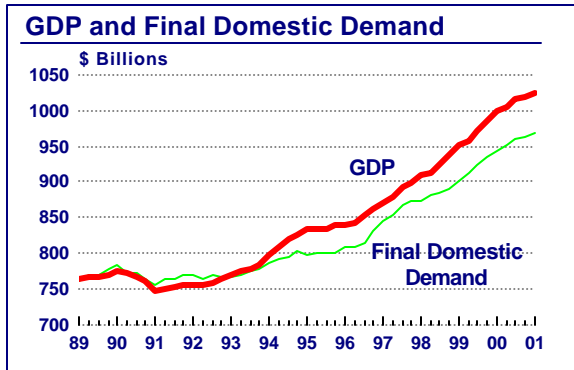
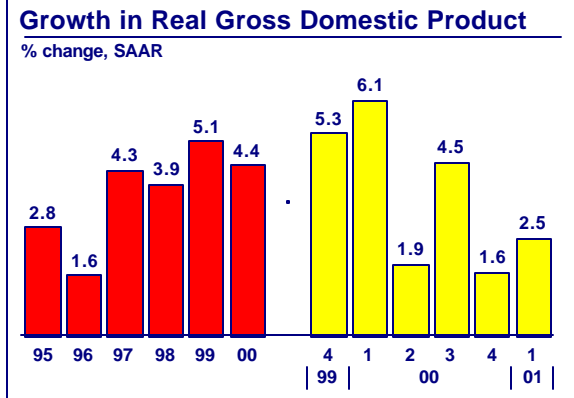


### *The economy posts a modest advance to start off the year...*

- Real GDP rose 2.5% (annual rate) in the first quarter of 2001. This is an improvement from the previous quarter, but still well below the strong pace of growth set in recent years.
- Domestic demand was boosted by solid increases in consumer spending and housing construction. However, business investment in machinery and equipment (M&E) fell for the third straight month.
- Reflecting the weak U.S. economy, exports fell 5.7% (annual rate) in the first quarter. Energy exports were up on the quarter, but more than offset by lower exports of autos and the largest drop in M&E exports in nearly a decade.
- Imports fell 11.0%, the steepest quarterly drop since 1984. This decline reflects lower domestic investment and reduced activity in the automotive sector. The sharper drop in imports raised Canada's real trade surplus to an all-time high.

### *...with continued strong growth in personal income*

- Personal income surged an annualized 7.3% in the first quarter of 2001. Incomes were boosted by a 5.6% increase in labour income as well as provincial rebates and federal transfers aimed at providing relief from higher energy prices.
- Strong income growth outpaced spending, raising the personal saving rate to 4.4%. The household debt-to-income ratio dropped to 93.7%, its lowest level since 1997.
- Corporate profits increased by 16.2% (annual rate) in the first quarter of 2001. High prices boosted results for the energy sector, but profits were down in Manufacturing. Energy rebates to businesses in Western Canada also raised profits on the quarter.



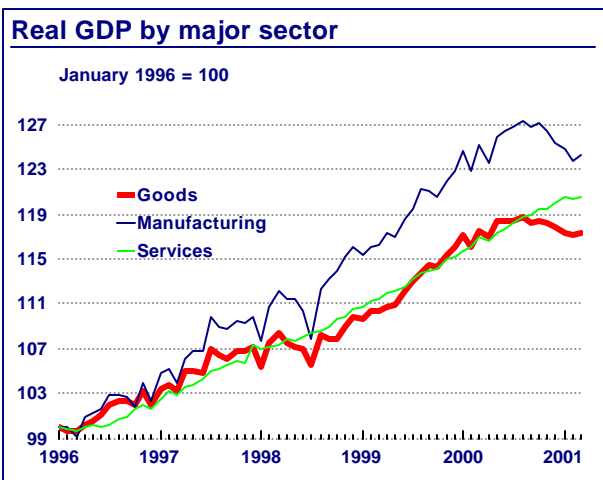
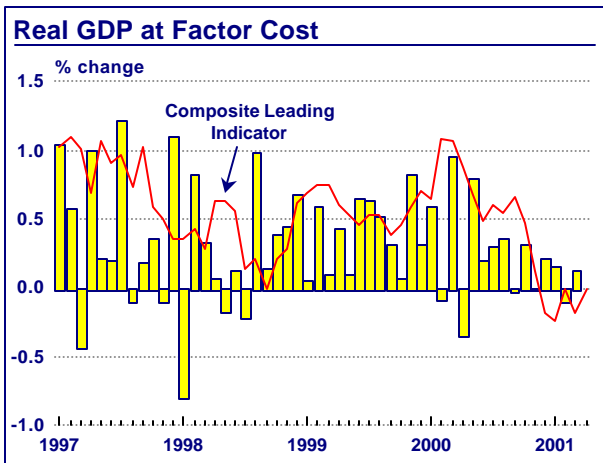


### Output edges higher in March...

- Real GDP at factor cost edged up 0.1% in March, offsetting a comparable decline in February. Gains were reported in both Goods and Services-producing industries. Statistics Canada's composite leading indicator was unchanged in April.

### ... due to a rebound in Manufacturing and ongoing strength in Mining

- Output in the Goods sector increased 0.2% in March. Manufacturing recorded its first gain in five months on the strength of higher output of automotive products and pharmaceutical goods. The steep decline in production of electronic goods was also halted in March. Mining activity rose for the fifth time in six months, as higher prices and increased demand continued to support production of oil and gas.
- Services output rose 0.1% in March, led by gains in the Accommodation & Food and Retail Trade industries. The advance in Retail Trade was due to increased auto sales generated by dealer incentives. Communications and Education reported the largest losses on the month.



### Real GDP at Factor Cost (1992 dollars)

#### March 2001

	\$ millions	monthly change	% Change since last month	% Change since last year
<b>Total Economy</b>	<b>797,473</b>	<b>958</b>	<b>0.1</b>	<b>2.0</b>
<b>Business sector</b>	<b>666,811</b>	<b>915</b>	<b>0.1</b>	<b>1.9</b>
<b>Goods</b>	<b>256,538</b>	<b>615</b>	<b>0.2</b>	<b>-0.1</b>
Agriculture	12,637	46	0.4	-4.4
Fishing & Trapping	636	-4	-0.6	-12.4
Logging & Forestry	3,991	-140	-3.4	-18.1
Mining*	28,454	239	0.8	5.0
Manufacturing	141,447	680	0.5	-0.6
Construction	42,737	-101	-0.2	-0.2
Other Utilities	26,636	-105	-0.4	3.3
<b>Services</b>	<b>540,935</b>	<b>343</b>	<b>0.1</b>	<b>3.0</b>
Transport & Storage	36,937	-11	-0.0	0.9
Communications	31,824	-201	-0.6	8.3
Wholesale Trade	51,775	7	0.0	4.0
Retail Trade	52,254	179	0.3	4.1
Finance & Insurance	44,070	25	0.1	-0.4
Real Estate & Ins. Agent	84,328	105	0.1	2.4
Business services	51,799	51	0.1	6.8
Government services	48,578	109	0.2	4.2
Education	41,153	-94	-0.2	1.5
Health & Social Services	46,358	-33	-0.1	-0.1
Accommodation & Food	21,606	196	0.9	4.0
Other	30,253	10	0.0	1.8

\*Includes Quarrying and Crude Petroleum & Natural Gas

# THE ECONOMY

## Consumer Spending and Attitudes



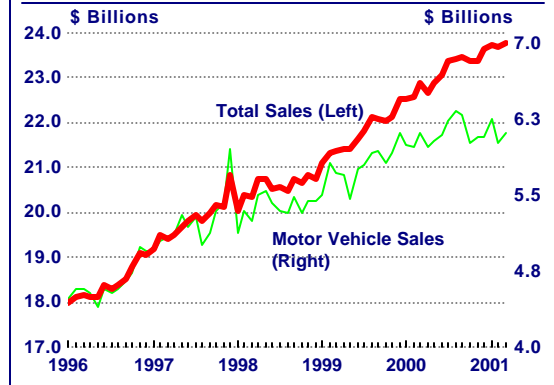
### Consumer spending picks up in the first quarter...

- Consumer spending advanced a solid 3.6% (annual rate) in the first quarter, rebounding from a weak fourth quarter.
- Auto sales rebounded from 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.

### ...as personal income grows at a strong pace

- Strong household finances continue to support increased spending. After adjusting for inflation, personal disposable income rose 5.5% in the first quarter, building on a solid 3.5% overall gain in 2000.
- Recent tax cuts and lower interest rates will help support further spending. However, consumer confidence has fallen in the last two quarters, hit by the slowing North American economies and stock market turmoil.

### Total Retail and Motor Vehicle Sales



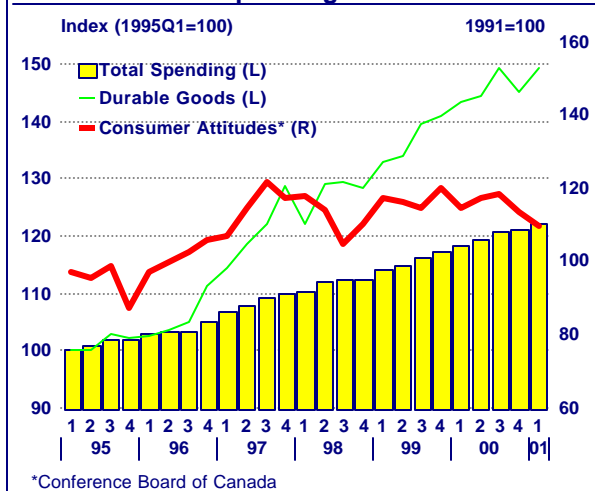
### Retail Sales and Consumer Credit

	March 2001 \$ millions	% Change since	
		last month	last year
<b>Total Retail Sales (S.A.)</b>	23,737	0.3	3.8
Food	5,243	-0.3	4.3
Drug Stores	1,181	0.4	7.1
Clothing	1,320	0.9	3.4
Furniture	1,354	1.9	9.6
Automotive	9,378	0.5	1.4
General Merch. Stores	2,715	0.4	6.6
All other Stores	2,545	-0.2	4.1
Total ex. motor vehicles	17,635	-0.0	5.1
<b>Consumer Credit (unadjusted)</b>	198	0.1	8.8

### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)		2000 Q4	2001 Q1
	1999	2000		
<b>Real Consumption (92\$)</b>	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
<b>Disposable Income</b>	597,710	631,023	644,964	654,868
% change	5.0	5.6	9.3	6.3
<b>Saving Rate (%)</b>	4.2	3.9	4.0	4.4
<b>Debt-to-Income Ratio (%)</b>	96.1	94.4	94.0	93.7

### Real Consumer Spending and Attitudes



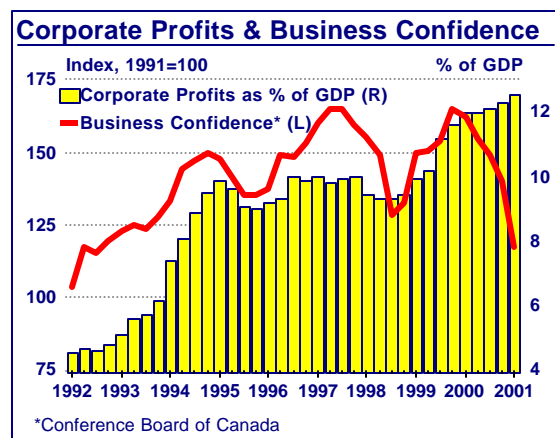
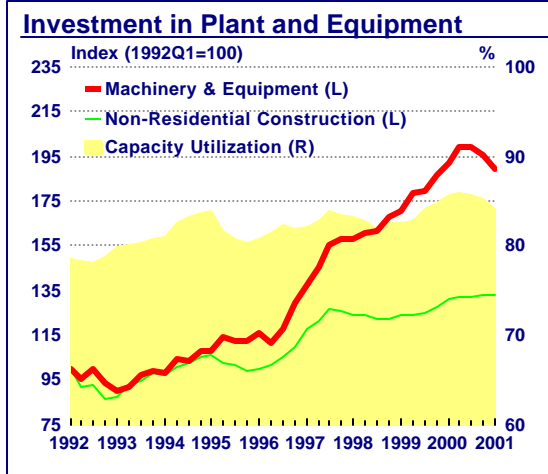


### Business investment falls further in the first quarter...

- Business investment in M&E fell 12.0% (annual rate) in the first quarter, the third straight drop and nearly twice the rate of decline of the previous quarter. Losses were widespread, with notable declines in spending on 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.

### ...as business confidence falls sharply

- Although corporate profits increased in the first quarter of 2001, much of this can be attributed to gains in the energy sector.
- Business confidence dropped steadily throughout 2000 and fell sharply again in the first quarter of this year. Businesses have been affected by falling stock prices and are increasingly pessimistic about the economic outlook.



### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1999	2000	2000 Q2	2000 Q3	2000 Q4	2001 Q1
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1992\$)</b>	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
<b>Non-residential Construction (1992\$)</b>	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
<b>Capacity Utilization (% , Non-farm goods)</b>	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
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
<b>Corporate Operating Profits</b>	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
<b>Business Credit</b>	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



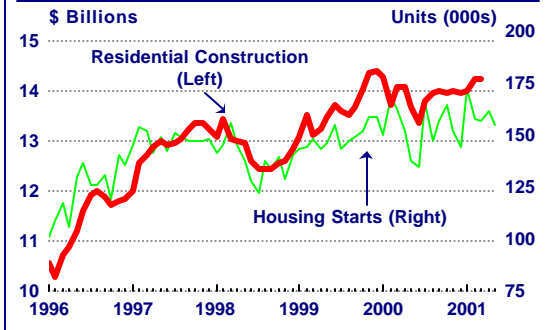
### Activity in the housing sector surges in the first quarter...

- Although corporate profits increased in the first quarter of 2001, much of this can be attributed to gains in the energy sector.
- Business confidence dropped steadily throughout 2000 and fell sharply again in the first quarter of this year.

### ...but may cool in subsequent periods

- Reflecting strong underlying demand, residential building permits were 8.4% higher in the first four months of 2001 compared to the same period a year ago.
- Housing starts fell back 4.3% in May, leaving the average level for April and May down 2.7% from the very strong 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 in the housing market this year and next.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	14,273	0.0%	1.2%
<b>Building Permits, \$M (2)</b>	1,596	-4.8%	5.9%
<b>Sales of Existing Homes (2)</b> (# of units)	20,860	192	
<b>Housing Starts, # of units (3)</b>	155,000	-7,000	16,700
Newfoundland	1,500	700	500
Prince Edward Island	300	0	-100
Nova Scotia	1,700	-1,800	-2,000
New Brunswick	1,600	100	100
Quebec	19,100	-2,800	1,500
Ontario	66,600	-2,000	14,000
Manitoba	1,500	-600	200
Saskatchewan	1,000	-400	-1,000
Alberta	23,500	-1,200	-2,100
British Columbia	16,200	1,200	3,100

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

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

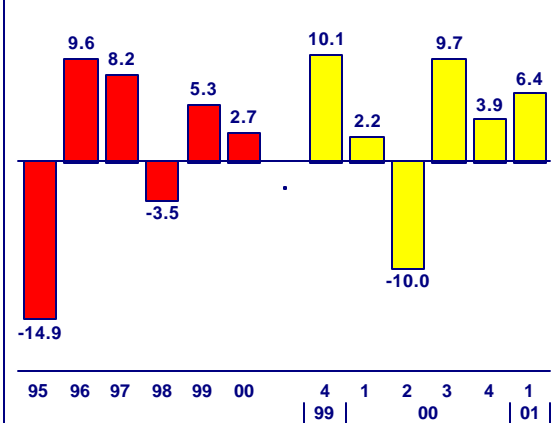
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1999	2000	2000 Q4	2001 Q1
<b>Residential Construction</b>	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

% change, SAAR



# THE ECONOMY



## Trade and Competitiveness

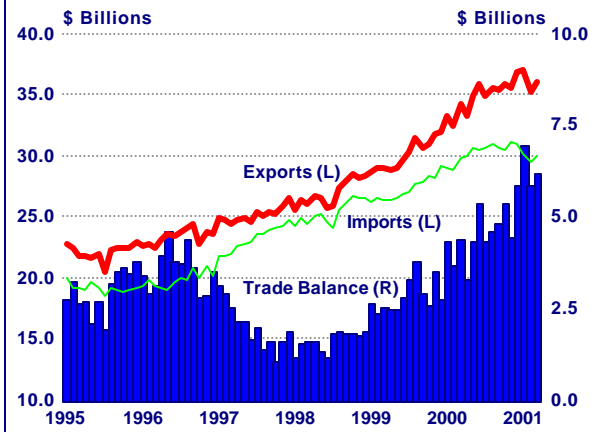
### Export growth outpaces imports...

- Exports rose 2.3% in March, led by a solid gain in exports of M&E (particularly high-tech equipment). Automotive exports increased with higher shipments of trucks and automotive parts. Exports to the U.S. rose 0.5%, while exports to other countries increased at a faster pace.
- Imports rose 1.7% on the month. This increase, the first in four months, was due in part to a substantial rebound in imports of M&E, Other Consumer Goods and Automotive Products. Higher imports of Energy Products also contributed.

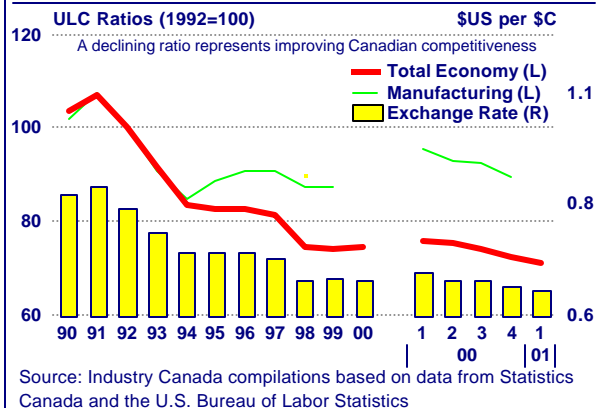
### ...leading to a higher trade surplus

- With exports rising more quickly than imports, Canada's merchandise trade surplus rose to \$6.2 billion in March.

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



### Merchandise Trade

March 2001	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	February 2001	March 2001	2000 Jan-Mar	2001 Jan-Mar	Feb to Mar 2001	Feb to Mar 2001	Mar 2000 to Mar 2001	
<b>Exports</b>	<b>35,220</b>	<b>36,037</b>	<b>99,809</b>	<b>108,303</b>	<b>817</b>	<b>2.3</b>	<b>5.5</b>	
to United States	30,641	30,786	85,320	93,469	145	0.5	5.5	
<b>Imports</b>	<b>29,383</b>	<b>29,873</b>	<b>87,531</b>	<b>89,362</b>	<b>490</b>	<b>1.7</b>	<b>0.1</b>	
from United States	21,591	21,817	65,504	65,081	226	1.0	-2.0	
<b>Trade Balance</b>	<b>5,837</b>	<b>6,164</b>	<b>12,278</b>	<b>18,941</b>	<b>327</b>			
with United States	9,050	8,969	19,816	28,388	-81			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,402	2,488	6,628	7,307	86	3.6	9.3	
Energy Products	5,803	5,842	10,655	18,065	39	0.7	55.3	
Forestry Products	3,219	3,231	10,518	9,779	12	0.4	-7.4	
Industrial Goods & Materials	5,413	5,413	15,676	16,413	0	0.0	-0.2	
Machinery & Equipment	8,520	9,068	24,258	26,879	548	6.4	6.3	
Automotive Products	7,230	7,410	24,987	22,063	180	2.5	-10.9	
Other Consumer Goods	1,325	1,354	3,488	3,980	29	2.2	15.9	
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,627	1,646	4,526	4,922	19	1.2	8.4	
Energy Products	1,628	1,740	3,948	5,177	112	6.9	25.0	
Forestry Products	247	251	745	754	4	1.6	-3.8	
Industrial Goods & Materials	6,032	5,665	17,115	17,632	-367	-6.1	-4.5	
Machinery & Equipment	9,852	10,024	28,754	30,282	172	1.7	2.6	
Automotive Products	5,460	5,873	19,657	16,868	413	7.6	-11.4	
Other Consumer Goods	3,463	3,582	9,573	10,540	119	3.4	10.0	



# LABOUR MARKET TRENDS



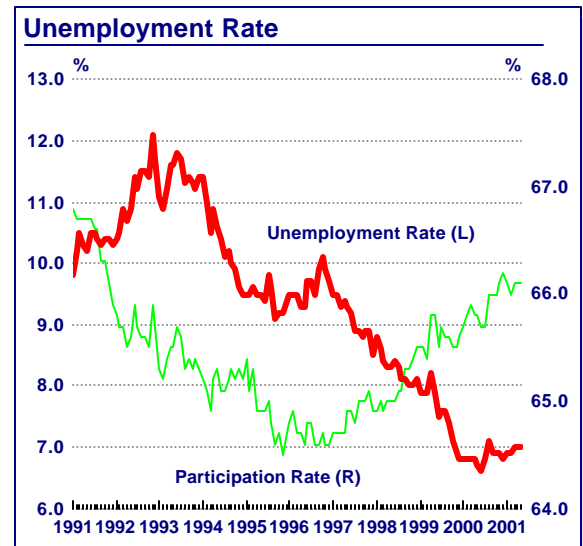
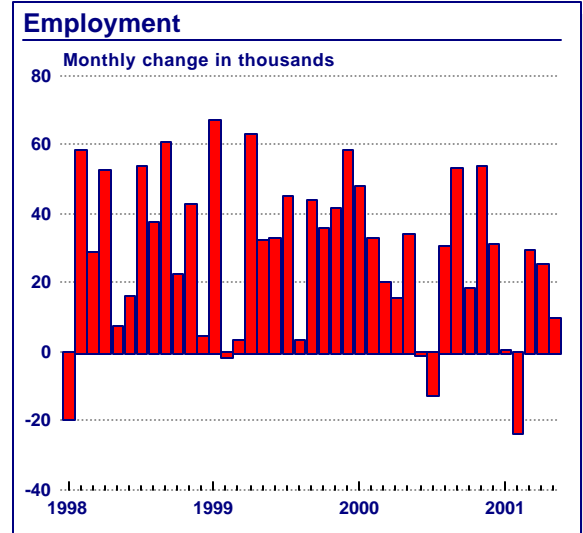
## Employment and Unemployment

### Employment edges up in May...

- Job growth weakened in May, with employment edging up only 10,000. Employment had posted solid advances in the previous two months, rebounding from weakness earlier in the year.
- May job gains were due solely to an increase in part-time work, as full-time employment was down sharply on the month (-41,000). With this drop, full-time employment is down 23,000 from the beginning of the year.

### ...and the unemployment rate holds steady at 7.0%

- The national unemployment rate was unchanged at 7.0% in May, as job growth was matched by increased participation.
- Though youth employment was little changed, a sharp drop in the labour force lowered the youth unemployment rate 0.6 percentage points to 12.1% in May. The adult unemployment rate edged up 0.1 points to 6.0%.



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2000 May	2001 April	2001 May	last month	last year	year-to-date	last month	last year
<b>Employment</b>	14,892.5	15,098.8	15,108.7	9.9	216.2	42.0	0.1	1.5
Full-time	12,184.0	12,375.8	12,334.7	-41.1	150.7	-22.8	-0.3	1.2
Part-time	2,708.6	2,723.0	2,774.0	51.0	65.4	64.8	1.9	2.4
Youth 15-24	2,283.2	2,335.7	2,338.0	2.3	54.8	-6.4	0.1	2.4
Adult 25+	12,609.4	12,763.1	12,770.7	7.6	161.3	48.4	0.1	1.3
Self-employed	2,431.5	2,334.3	2,306.5	-27.8	-125.0	-57.3	-1.2	-5.1
<b>Unemployment</b>	1,065.3	1,138.9	1,137.4	-1.5	72.1	34.1	-0.1	6.8
<b>Unemployment Rate</b>	6.7	7.0	7.0	0.0	0.3	0.2		
Youth 15-24	12.6	12.7	12.1	-0.6	-0.5	-0.4		
Adult 25+	5.5	5.9	6.0	0.1	0.5	0.3		
<b>Labour Force</b>	15,957.8	16,237.7	16,246.1	8.4	288.3	76.1	0.1	1.8
<b>Participation Rate</b>	65.8	66.1	66.1	0.0	0.3	-0.1		
<b>Employment Rate</b>	61.4	61.5	61.5	0.0	0.1	-0.2		



## Industry Overview

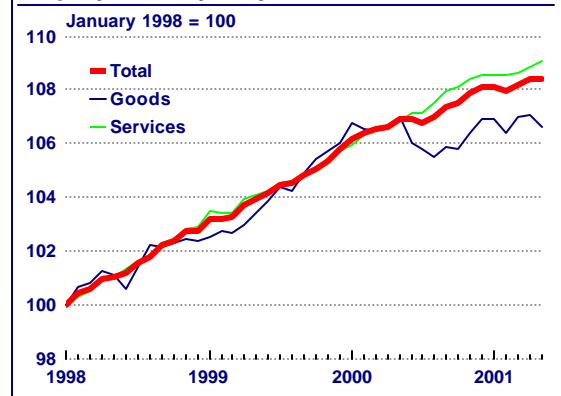
### Strength in Services offsets weakness in Agriculture and Manufacturing ...

- Employment in the Goods sector decreased by 19,000 in May, with ongoing weakness in Agriculture and Manufacturing accounting for most of the decline. Natural Resources posted the largest increase, boosted by higher employment in Alberta's energy sector. Employment in Construction edged lower for the first time in seven months.
- Employment in Services rose by 28,000 in May. Gains were led by Trade, which rebounded from weaker conditions in the previous three months. The largest loss was posted by Professional, Scientific & Technical Services, although the underlying trend for this industry is positive.

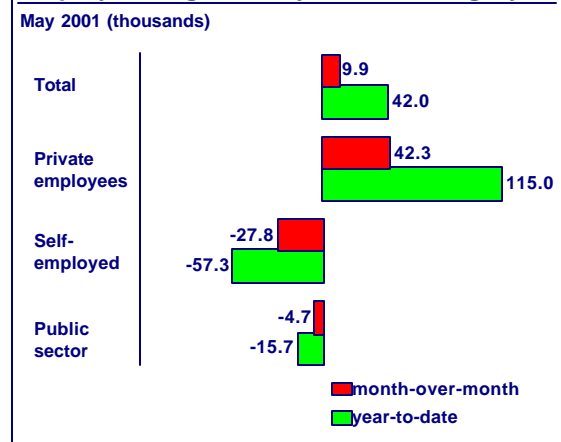
### ...as self employment continues to fall

- Paid employment in the private sector was up 42,000 in May. However, self-employment fell by 28,000 on the month, and is down 125,000 compared to a year ago.

Employment by major sector



Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2000 May	2001 April	2001 May	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,893.5	3,897.2	3,878.7	-18.5	-14.8	-11.7	-0.5	-0.4
Agriculture	383.1	340.9	327.7	-13.2	-55.4	-19.8	-3.9	-14.5
Natural Resources*	290.2	287.1	294.9	7.8	4.7	17.1	2.7	1.6
Utilities	116.8	120.2	121.4	1.2	4.6	3.7	1.0	3.9
Construction	815.5	849.9	847.9	-2.0	32.4	29.1	-0.2	4.0
Manufacturing	2,287.8	2,299.1	2,286.9	-12.2	-0.9	-41.8	-0.5	-0.0
<b>Services-producing</b>	10,999.0	11,201.6	11,230.0	28.4	231.0	53.8	0.3	2.1
Trade	2,307.6	2,345.7	2,375.5	29.8	67.9	20.8	1.3	2.9
Transportation	787.8	783.2	786.4	3.2	-1.4	-1.5	0.4	-0.2
FIRE*	853.3	880.9	886.0	5.1	32.7	4.0	0.6	3.8
Professional/Scientific	936.0	1,022.2	999.7	-22.5	63.7	11.0	-2.2	6.8
Management/Administrative	537.6	539.1	544.0	4.9	6.4	-15.2	0.9	1.2
Educational Services	966.4	966.0	959.1	-6.9	-7.3	6.9	-0.7	-0.8
Health Care/Social Assistance	1,545.6	1,534.1	1,532.4	-1.7	-13.2	8.5	-0.1	-0.9
Information/Culture/Recreation	662.1	706.2	716.5	10.3	54.4	15.8	1.5	8.2
Accommodation & Food	970.6	975.5	979.5	4.0	8.9	13.7	0.4	0.9
Other Services	678.4	681.3	677.9	-3.4	-0.5	-20.6	-0.5	-0.1
Public Administration	753.6	767.4	773.2	5.8	19.6	10.7	0.8	2.6

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



## Provincial Overview

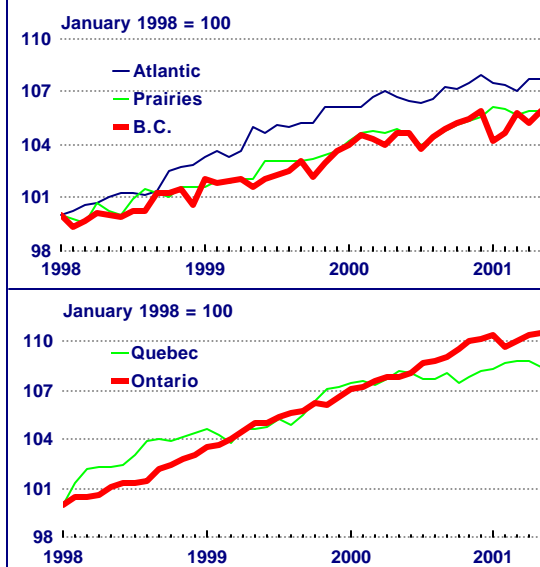
### Job gains are led by British Columbia and Ontario ...

- Newfoundland, P.E.I. and British Columbia posted the largest percentage job gains among all provinces in May. The Newfoundland unemployment rate fell 1.7 points to 15.6%, while P.E.I.'s rate fell 1.4 points to 12.0%.
- Employment also increased in Alberta and Ontario in May. While the Ontario rate was unchanged at 5.9%, Alberta's unemployment rate fell 0.3 points to 4.5%.

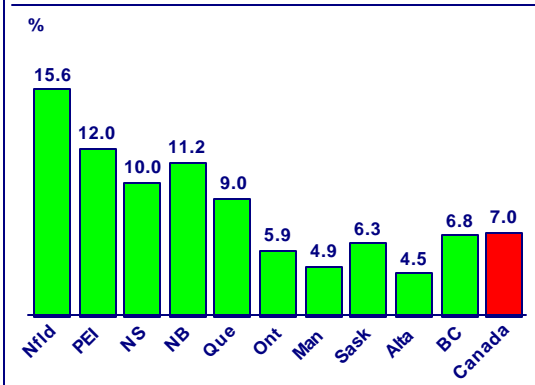
### ...but Saskatchewan, New Brunswick, Nova Scotia and Quebec post losses

- Job losses in percentage terms were highest in Saskatchewan, pushing up the unemployment rate 0.3 points to 6.3%. Job losses also raised unemployment rates in Quebec, New Brunswick and Nova Scotia in May.
- Manitoba's unemployment fell despite a modest job loss, owing to a larger fall in the labour force.

### Regional employment patterns



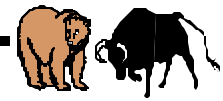
### Unemployment Rates -- May 2001



### Provincial Employment and Unemployment Trends

	Levels 2001 May	Employment (thousands)				Unemployment rate (%)		
		Change since last month		Change since last year		Levels	Change since last month	last year
		(000's)	%	(000's)	%			
Canada	15,108.7	9.9	0.1	216.2	1.5	7.0	0.0	0.3
Newfoundland	215.6	4.2	2.0	9.6	4.7	15.6	-1.7	-0.4
P.E.I.	65.7	0.4	0.6	0.4	0.6	12.0	-1.4	1.3
Nova Scotia	418.2	-1.9	-0.5	-1.2	-0.3	10.0	0.1	1.5
New Brunswick	332.9	-1.9	-0.6	1.6	0.5	11.2	0.1	1.0
Quebec	3,460.6	-9.7	-0.3	10.3	0.3	9.0	0.3	0.4
Ontario	5,984.5	6.5	0.1	146.6	2.5	5.9	0.0	0.4
Manitoba	555.1	-0.3	-0.1	0.8	0.1	4.9	-0.1	0.3
Saskatchewan	470.0	-5.4	-1.1	-18.6	-3.8	6.3	0.3	1.1
Alberta	1,632.5	5.7	0.4	44.0	2.8	4.5	-0.3	-0.3
B.C.	1,973.8	12.5	0.6	22.9	1.2	6.8	-0.1	-0.1

# PRICES and FINANCIAL MARKETS



## Consumer and Commodity Prices

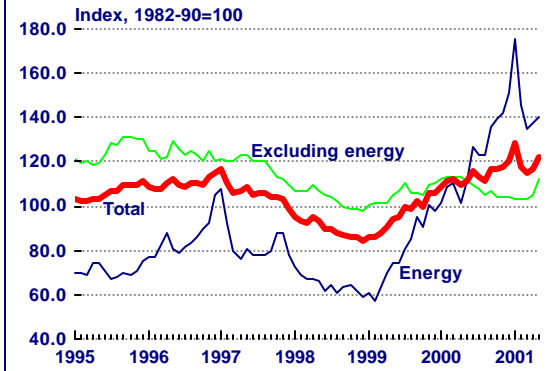
### Inflation jumps to 3.6% in April...

- Consumer inflation rose from 2.4% in March to 3.6% in April, the highest rate since December 1991. A steep decline in energy prices last April, combined with continuing increases this year, explain much of sharp increase. Higher food prices, increased taxes on cigarettes and higher mortgage interest costs also contributed.
- Lower prices for air transportation, computer equipment & supplies and automobile insurance had a moderating effect on inflation in April. A credit for hydro customers lowered inflation in Newfoundland.

### ...but 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, rose to 1.9% in April, up from 1.7% in March. This is still below the mid-point of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices were up 9.7% overall in May compared to last year. Prices for energy commodities rose 26.2%, but non-energy commodity prices were little changed with lower prices for ferrous materials and non-ferrous metals.

### Commodity Prices (\$U.S. basis)



### Consumer Prices

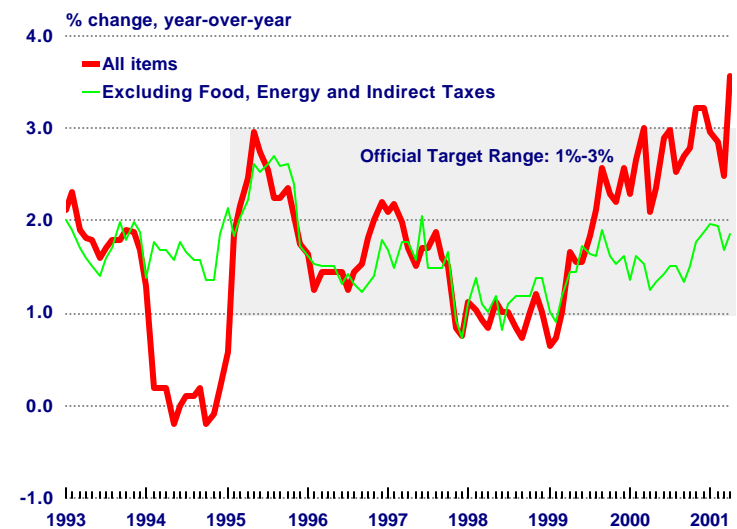
April 2001

	Index (1992=100)	% Change since	
		last month	last year
<b>All items CPI</b>	116.4	0.7	3.6
Food	117.0	0.3	5.1
Shelter	112.5	0.5	4.7
Household operations	112.0	0.6	2.3
Clothing & Footwear	106.5	-1.3	1.3
Transportation	132.1	1.5	2.2
Health & Personal Care	114.0	0.4	2.2
Recreation, Educ. & Reading	123.9	0.3	2.4
Alcohol & Tobacco	103.3	3.9	6.7
<b>Excl. Food/Energy/Indirect Taxes</b>	115.1	0.2	1.9
Energy	136.4	3.6	11.6

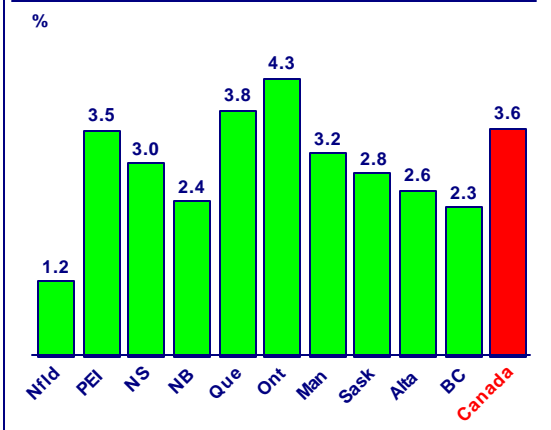
### Commodity Prices (May)

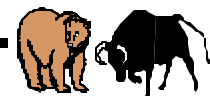
Index, 1982-90=100	122.2	4.9	9.7
Excluding Energy	112.7	6.9	0.9
Energy	140.0	2.0	26.2

### Consumer Price Index



### Provincial CPI Inflation -- April 2001



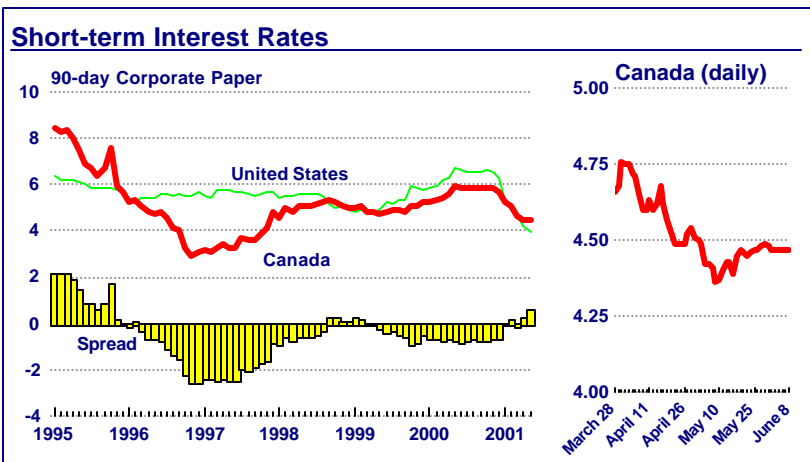


**The Bank of Canada lowers interest rates again...**

- The Bank of Canada cut its trendsetting Bank Rate by 25 points to 4.75% on May 29, bringing the total reduction since January to 125 points. Given that economic growth in Canada has been stronger, domestic interest rates have not been reduced as sharply as have rates in the U.S. As a result, after being below U.S. rates for much of last year, Canadian short rates are now above U.S. rates. The Bank of Canada noted that it will continue to weigh the effects of a protracted U.S. slowdown against the impact of higher energy prices on inflation in any future decisions.
- In anticipation of a Bank Rate cut, short rates declined throughout the first half of May. Rates subsequently reversed course mid-month with the release of higher-than-expected inflation figures for Canada.

**...and bond yields fell sharply early in June**

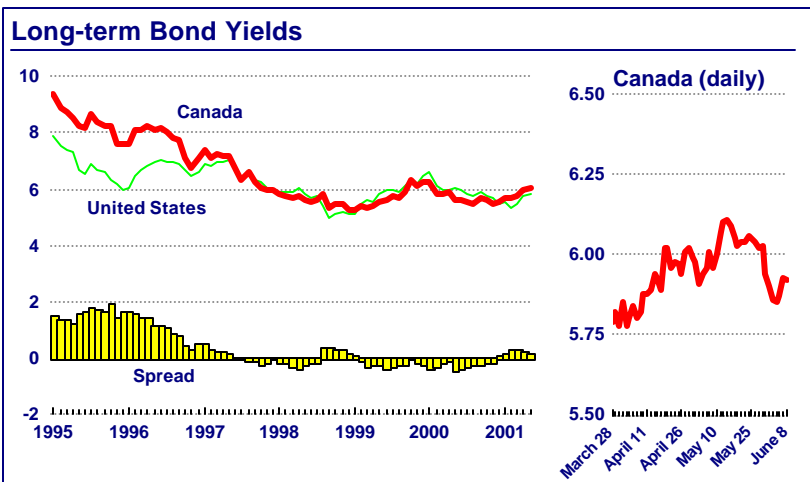
- Bond yields in Canada and the U.S. have trended higher in recent months, as the prospect for further interest rate cuts diminished and investors returned to equity markets. This trend reversed sharply in mid-May, however, when weaker-than-expected economic data and lower corporate earnings prospects raised expectations that further interest rate cuts may be coming.



**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
Dec	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
May 30	4.49	0.57	6.03	0.17

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
Dec	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
May 30	4.75	6.25	6.70	7.75

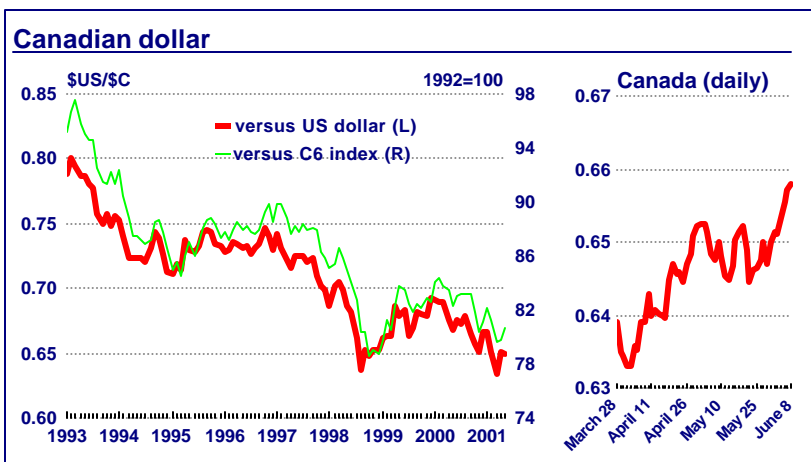


### The Canadian dollar remains strong in May...

- The Canadian dollar closed at US¢65.5 on June 6, more than two cents above its recent low in early April.
- Several factors have supported the Canadian dollar, including a somewhat stronger economic performance and faster interest rate cuts in the U.S. Canada's current account surplus also reached a record high, while the U.S. deficit continues to widen.

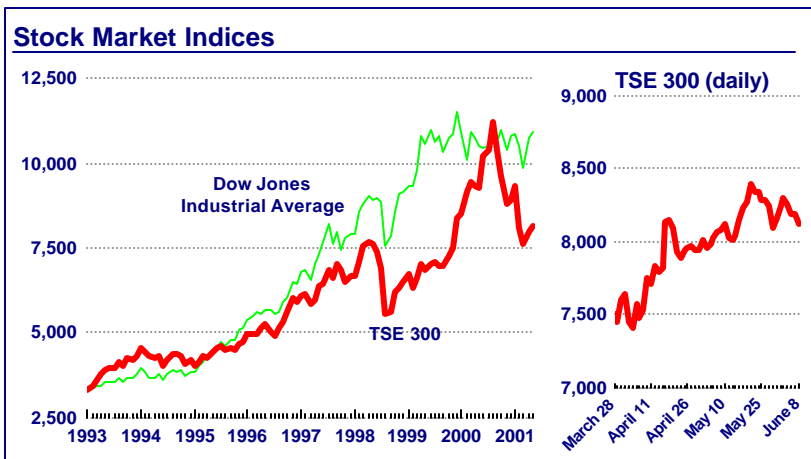
### ...but weakness in high-tech continues to affect stock prices

- The TSE 300 index traded below the 8000 mark for most of April and May, with strength in gold and oil stocks offset by a lackluster profit outlook elsewhere, particularly in the high-tech sector.
- In the U.S., the broad-based S&P 500 has also been weak, while the Dow Jones index -- more heavily weighted toward traditional blue chip stocks -- has benefited from further cuts in the Federal Funds rate.



### 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
Dec	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 6	0.6554			



### Key Stock Market Indexes

	May Close	% change from	
		last month	last year
<b>TSE 300</b>	<b>8,162</b>	<b>2.7</b>	<b>-11.8</b>
Oil & Gas	9,665	2.2	27.1
Metals & Minerals	4,827	2.7	34.6
Utilities	14,052	1.9	0.4
Paper & Forest	5,164	1.1	-4.2
Merchandising	5,914	0.9	14.7
Financial Services	10,620	8.7	26.1
Gold	4,769	2.8	8.0
Price-Earnings Ratio*	26.9	3.4	-0.9
<b>S&amp;P 500</b>	<b>1,256</b>	<b>0.5</b>	<b>-11.6</b>
<b>Dow Jones</b>	<b>10,912</b>	<b>1.6</b>	<b>3.7</b>

\*columns 2 & 3 reflect change in levels



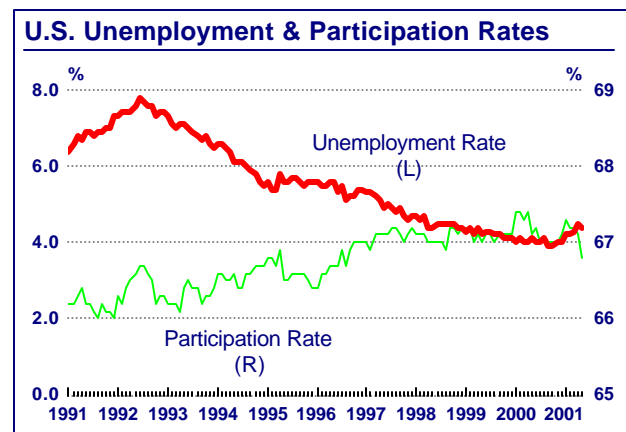
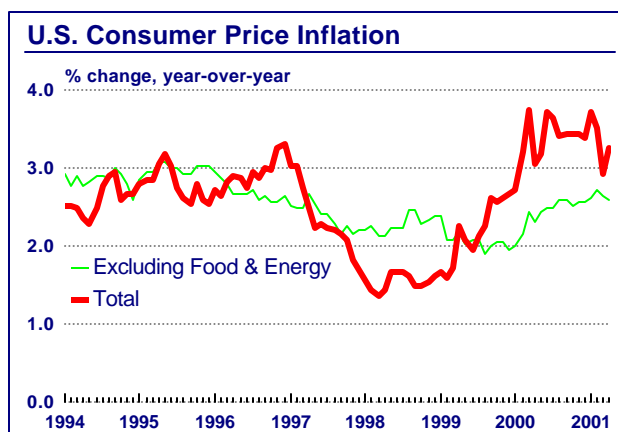
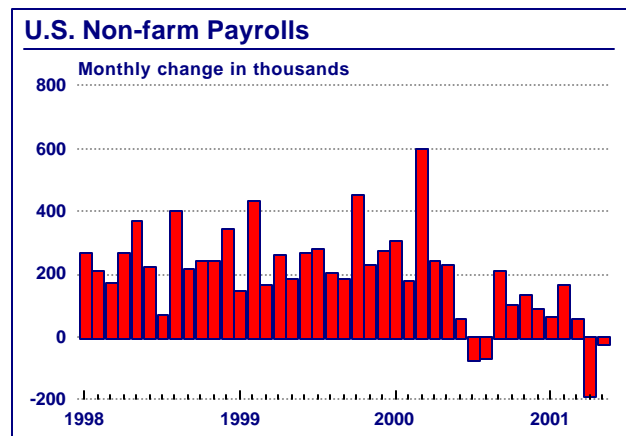
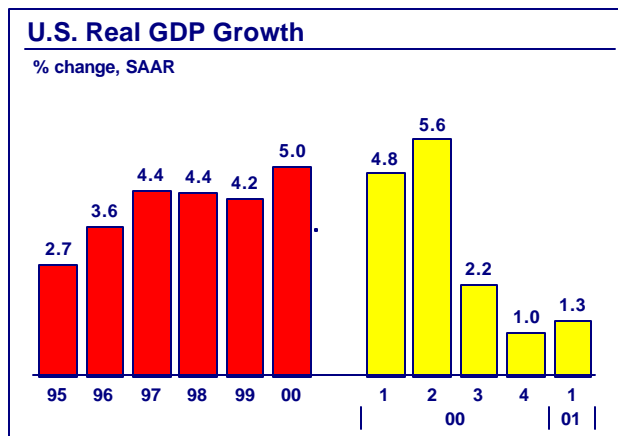
## U.S. Economic Trends

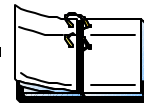
### The U.S. economy remains weak in the first quarter...

- Preliminary estimates suggest that U.S. real GDP increased 1.3% (annual rate) in the first quarter of 2001, revised down from the advance estimate of 2.0%. Consumer spending was strong, helping offset lower business investment and a large reduction in inventories. The manufacturing sector continues to struggle, with industrial production down for the seventh consecutive month in April. Capacity utilization fell to its lowest level since 1991.
- The U.S. unemployment rate edged down to 4.4% in May, its first drop since September. Still, non-farm payrolls fell by 19,000 on the month, following a substantial decline in April. Manufacturing suffered 124,000 job losses, contracting for the tenth straight month.

### ...prompting another interest rate cut by the Fed

- The Federal Reserve lowered interest rates an additional 50 basis points at its May 15 meeting, bringing the total reduction since the beginning of the year to 250 basis points.
- CPI inflation rose to 3.3% in April on a year-over-year basis. Although productivity suffered its largest decline in nearly a decade in the first quarter, causing a surge in unit labour costs, inflation remains under control.





#### CANADA

Capacity Utilization Rates – 1st Quarter 2001 .....	June 11
Consumer Price Index – May .....	June 15
Survey of Manufacturing – April .....	June 18
International Trade – April .....	June 21
GDP at factor cost – April.....	June 29
Labour Force Survey – June .....	July 6
Next scheduled date for a bank rate announcement .....	July 17
Private and Public Investment Intentions – 2001 (revised) .....	July 18
Business Conditions Survey – July .....	August 2
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

#### UNITED STATES

Consumer Price Index – May .....	June 15
International Trade – April .....	June 21
Federal Open Market Committee meeting .....	June 26, 27
GDP – 1st Quarter 2001, Final .....	June 29
Employment Situation – June .....	July 6

Note: the June MEI uses data available as of June 8, 2001