

MONTHLY ECONOMIC INDICATORS

September 1999

HIGHLIGHTS

-  **Output growth remains solid in the second quarter, led by healthy gains in final domestic demand.**
-  **Real export growth slows markedly in the second quarter while real import growth surges.**
-  **Employment edges lower in August, following an increase in July. The unemployment rate stands at 7.8%.**
-  **CPI inflation rate rises to 1.8% in July but remains within the bottom half of the official 1-3 % target band.**
-  **The Canadian dollar rallies in early September on the strength of encouraging news out of Asia.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	741.2	0.3	3.6	June
Goods	242.7	0.4	3.3	June
Services	498.5	0.2	3.8	June
Composite Index	215.0	0.1	3.8	July
Employment (000's)	14673	-0.0	2.7	Aug
Full-time	11960	-0.3	3.4	Aug
Part-time	2713	1.1	-0.3	Aug
Unemployment* (%)	7.8	7.7	8.3	Aug
Youth*	13.7	14.1	14.6	Aug
Adult*	6.6	6.5	7.2	Aug
CPI inflation*	1.8	1.6	1.0	July
Retail Sales (\$M)	21,398	0.3	5.2	June
Housing Starts (000's)	147.4	0.2	7.7	Aug
Trade Balance* (\$M)	2,808	2,348	1,183	June
Exports	29,418	1.9	14.9	June
Imports	26,610	0.3	9.0	June
M&E	9,025	2.7	7.5	June
3-mth Corp. paper* (%)	4.85	4.91	5.22	Sept 8
Long bond yield* (%)	5.82	5.74	5.83	Sept 8
Canadian dollar* (US¢)	67.75	67.00	63.76	Sept 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://strategies.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html.

MONTHLY ECONOMIC INDICATORS

September 1999

CONTENTS

The Economy	Page
<i>National Economic and Financial Accounts</i>	3
<i>Real GDP by Industry</i>	4
<i>Consumer Spending and Attitudes</i>	5
<i>Business Investment in Plant and Equipment</i>	6
<i>Housing</i>	7
<i>Trade and Competitiveness</i>	8
 Labour Market Trends	
<i>Employment and Unemployment</i>	9
<i>Industry Overview</i>	10
<i>Provincial Overview</i>	11
 Prices and Financial Markets	
<i>Consumer and Commodity Prices</i>	12
<i>Short-term and Long-term Interest Rates</i>	13
<i>Exchange Rates and Stock Markets</i>	14
 The United States Economy	
<i>U.S. Economic Trends</i>	15
 Coming Up...	
<i>Key Future Data Releases/Planned Events</i>	16

This report uses data available as of September 10, 1999. It has been prepared by Marianne Blais, Joseph Macaluso, Alison McDermott, André Patry and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and 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.



Economic growth remains strong in the second quarter...

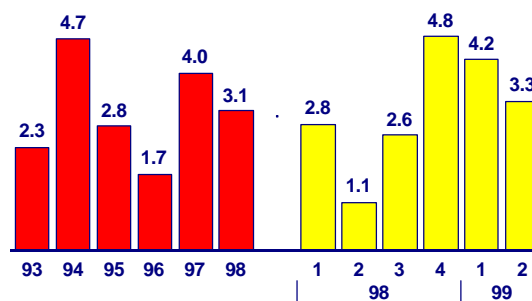
- Real GDP grew 3.3% (annual rate) in the second quarter, boosted by a strong increase in domestic demand. Exports grew at the slowest pace in two years, while imports surged driven by gains in machinery and equipment.
- Final domestic demand increased 6.6% in the second quarter, its largest quarterly gain since the end of 1996. Higher expenditures on machinery and equipment and sustained inventory investments were the driving forces behind this solid performance. While the housing sector remained strong, growth in consumer spending slowed down.
- Non-residential construction was up for a second consecutive quarter (1.5%) after posting declines throughout last year. The increase was concentrated in building activity as engineering construction is still experiencing weakness, owing largely to lower oil and gas drilling.
- Preliminary information on the third quarter is encouraging as the value of building permits issued for non-residential construction was up 9.1% in July (compared to June), the largest increase in 10 years.

...but household finances weaken

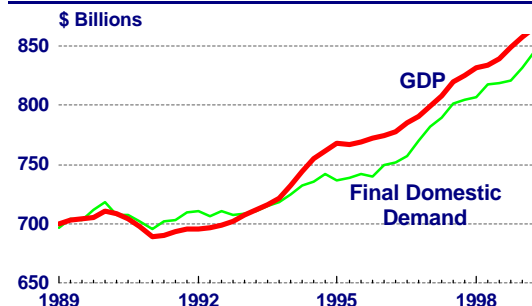
- Personal income grew at about the same pace as that in the two previous quarters, advancing 3.4%.
- Nonetheless, the debt to income ratio broke the 100% mark for the first time on record while the saving rate declined to 1.4%, a record (low) as well.
- Increases in mortgages contracted by households, as well as growing consumer credit explain the worsening of consumers' finances.

Growth in Real Gross Domestic Product

% change, SAAR

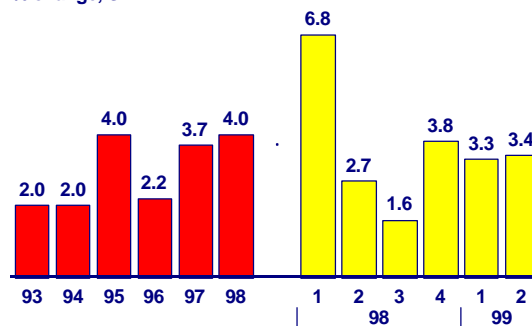


GDP and Final Domestic Demand

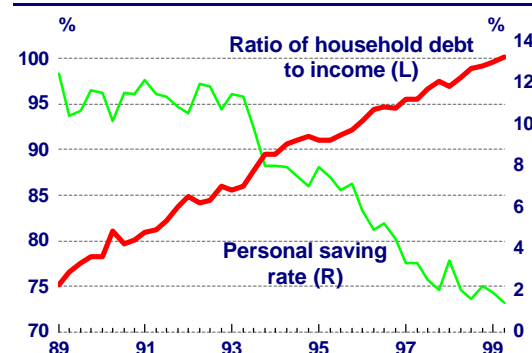


Growth in Personal Income

% change, SAAR



Personal Debt and Saving Rate



THE ECONOMY

Real GDP by Industry

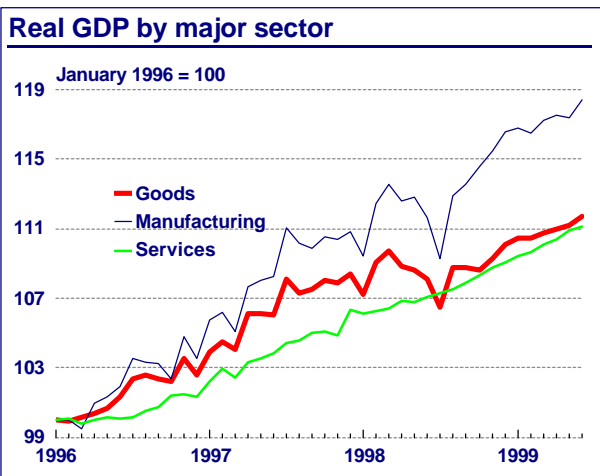
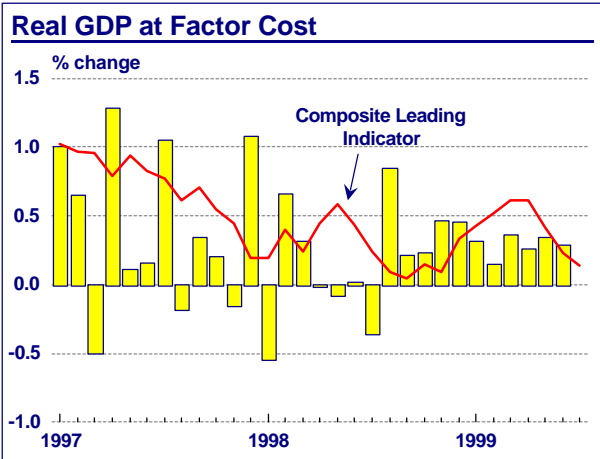


Real GDP advances in June...

- Real GDP advanced 0.3% in June. This represents the eleventh month of consecutive growth, the longest string of increases since the end of the 1980s.

...led by the manufacturing and construction sectors

- Output in manufacturing industries advanced 0.8% in June, the strongest advance so far this year. Residential and non-residential construction were both up on the month. Mining output declined in June, due to weak metal prices, lower diamond production and lower output in crude oil and gas industry.
- Services output rose 0.2% in June, led by the wholesale trade sector and business services. Wholesalers were buoyed by strong computer sales as well as higher sales of lumber, hardware and machinery while business services were boosted by increased demand for computer services.



Real GDP at Factor Cost (1992 dollars)

June 1999

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	741,208	2,105	0.3	3.6
Business sector	615,307	2,465	0.4	4.3
Goods	242,673	1,067	0.4	3.3
Agriculture	11,849	-41	-0.3	-0.6
Fishing & Trapping	646	-6	-0.9	-12.9
Logging & Forestry	4,563	-181	-3.8	5.2
Mining*	26,502	-297	-1.1	-5.8
Manufacturing	134,184	1,116	0.8	6.0
Construction	40,102	387	1.0	3.8
Other Utilities	24,827	89	0.4	0.9
Services	498,535	1,038	0.2	3.8
Transport & Storage	33,389	79	0.2	3.7
Communications	27,430	-5	-0.0	14.4
Wholesale Trade	47,430	484	1.0	13.1
Retail Trade	46,009	111	0.2	4.0
Finance & Insurance	40,201	292	0.7	0.5
Real Estate & Ins. Agent	80,988	213	0.3	2.6
Business services	44,231	352	0.8	8.4
Government services	43,131	-172	-0.4	1.3
Education	40,019	0	0.0	-0.5
Health & Social Services	48,079	-179	-0.4	-0.3
Accommodation & Food	18,369	-124	-0.7	-1.3
Other	29,259	-13	-0.0	2.1

*Includes Quarrying and Crude Petroleum & Natural Gas

THE ECONOMY



Consumer Spending and Attitudes

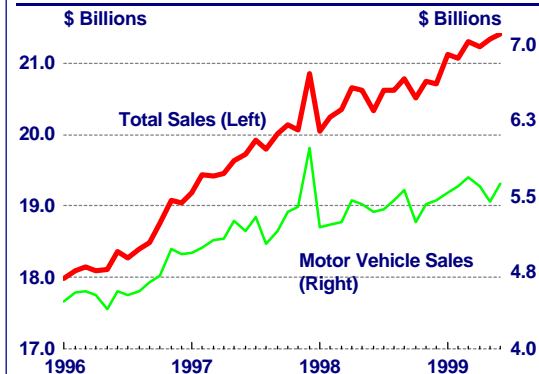
Consumer expenditures grow more slowly in the second quarter...

- Real consumption rose 3.0% (SAAR) in the second quarter, down from 4.2% in the first quarter. Strong growth in spending on services more than offset weaker expenditures on goods.
- Spending grew slower than in the previous quarter in all major goods categories, particularly durable goods.
- After a decline in May, motor vehicle sales grew 1.8% in June, mostly due to an increase in truck sales (2.8%). Retail sales were up 0.3%, with gains in furniture and automotive, partially offset by a decline in clothing.

...and so does disposable income

- Disposable income advanced 2.6%, 0.5 percentage points below the previous quarter's increase. Income gains failed once again to keep pace with rising household spending, forcing consumers to draw on savings and add to debt levels.

Total Retail and Motor Vehicle Sales



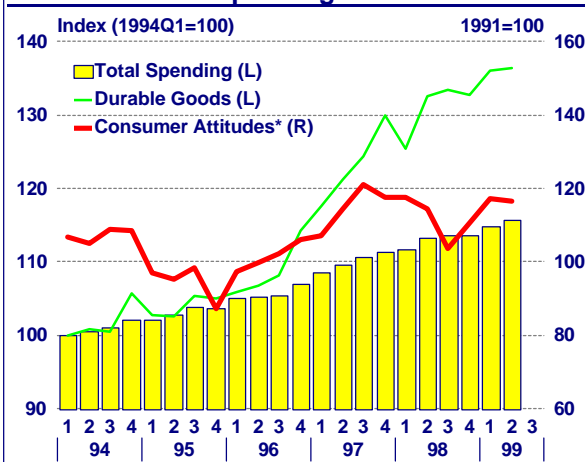
Retail Sales and Consumer Credit

	June 1999 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	21,398	0.3	5.2
Food	4,878	-1.6	1.2
Drug Stores	1,107	-0.4	2.2
Clothing	1,175	-2.8	4.7
Furniture	1,152	2.7	10.3
Automotive	8,267	2.3	5.6
General Merch. Stores	2,476	-0.5	10.1
All other Stores	2,343	-0.5	7.2
Total ex. motor vehicles	15,764	-0.7	5.3
Consumer Credit (unadjusted)	163,510	1.1	7.1

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	1997	1998	1999 Q1	1999 Q2
Real Consumption (92\$)	472,867	485,906	493,244	496,868
% change	4.2	2.8	4.2	3.0
Durable Goods	62,823	66,801	69,360	69,524
% change	13.3	6.3	10.5	0.9
Semi-Durable Goods	44,334	46,526	47,096	47,296
% change	4.3	4.9	4.9	1.7
Non-Durable Goods	118,293	119,521	120,952	121,180
% change	1.3	1.0	4.2	0.8
Services	247,417	253,058	255,836	258,868
% change	3.4	2.3	2.6	4.8
Disposable Income	534,728	552,778	562,680	566,368
% change	3.1	3.4	3.1	2.6
Saving Rate (%)	2.8	2.3	1.9	1.4
Debt-to-Income Ratio (%)	96.4	98.3	99.6	100.2

Real Consumer Spending and Attitudes



*Conference Board of Canada



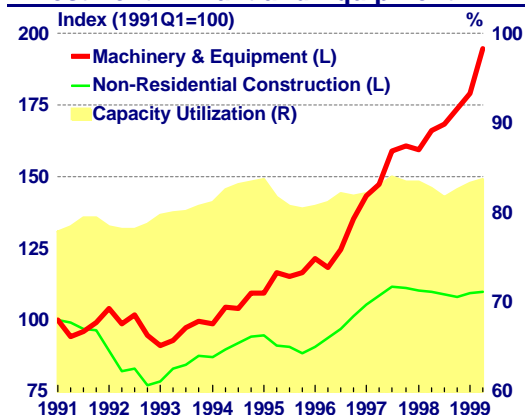
Business investment surges in the second quarter

- Business investment in M&E grew strongly in the second quarter, posting its highest increase since 1991. Growth was widespread although purchases of computers related to the Y2K compliance were a determining factor behind this strong investment performance.
- The capacity utilization rate of non-farm goods producing industries rose for the third straight quarter, reaching 83.8% in the second quarter. Increased activity in machinery and equipment and construction industries were the main contributors to the growth in capacity use.

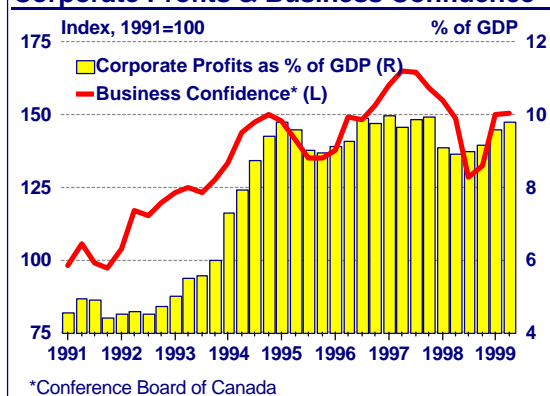
The outlook remains positive

- Based on the latest Business Conditions Survey, manufacturers are expected to expand output in the next quarter. Strong increases in non-residential building permits issued in 1999 so far suggest that construction activity should continue to expand in the third quarter.
- Corporate profits as a percentage of GDP grew for a fourth consecutive quarter to reach 9.8% in the second quarter, the highest level in almost two years. Considering corporate willingness to expand output and the recovery in commodity prices, outlook for corporate profits is good.

Investment in Plant and Equipment



Corporate Profits & Business Confidence



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1997	1998	1998 Q3	1998 Q4	1999 Q1	1999 Q2
BUSINESS INVESTMENT						
Machinery & Equipment (1992\$)	59,112	64,701	65,308	67,284	69,320	75,464
% change	22.2	9.5	5.9	12.7	12.7	40.5
Non-residential Construction (1992\$)	39,079	39,110	38,932	38,696	39,128	39,272
% change	14.0	0.1	-3.8	-2.4	4.5	1.5
Capacity Utilization (% Non-farm goods)	83.2	82.7	81.8	82.6	83.3	83.8
Capacity Utilization (Mfg. sector)	83.6	83.8	82.5	84.8	85.5	86.2
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits						
% change						
Profits - Non-financial industries						
% change						
Profits - Financial industries						
% change						
Business Credit	625,859	688,937	699,279	705,050	711,760	713,830
% change	9.3	10.1	10.2	3.3	3.9	1.2

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

THE ECONOMY



Housing

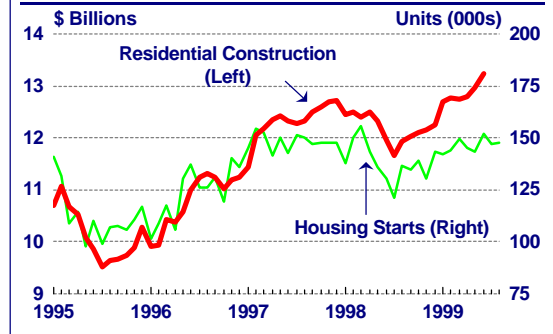
Residential construction rebounded in the first half of the year...

- Residential construction advanced 15.4% in the second quarter, following an 18.6% rise in the first quarter. All major components of residential construction registered significant gains. Strong increases in the first half of this year follow a period of sustained weakness in 1998.
- Also, on a monthly basis, residential construction output increased 2.1% in June, its strongest growth since January.

...but growth will likely ease in the third quarter

- Housing activity might cool down in the third quarter. Housing starts increased slightly in August after a decline in July. Gains were concentrated in Alberta – seven provinces experienced a decline.
- Building permits in the residential sector rose 0.6% in July, the lowest increase since April.
- Sales of existing homes decreased in July for the first time since January.

Housing Activity



Monthly Housing Indicators

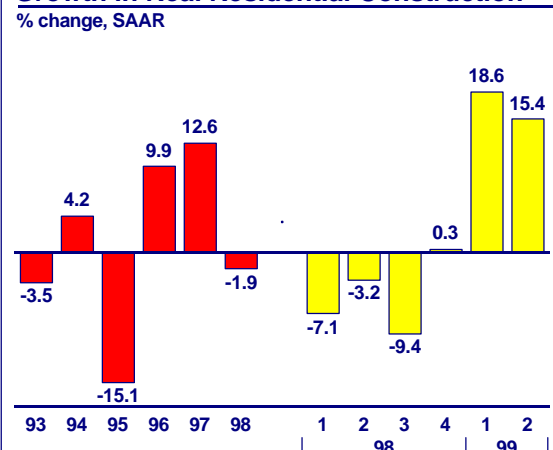
	levels	Change since	
		last month	last year
Residential Construction (1) (\$92M, factor cost basis)	13,234	2.1%	10.6%
Building Permits, \$M (2)	1,730	0.6%	19.4%
Sales of Existing Homes (2) (# of units)	20,622	-442	
Housing Starts, # of units (3)	147,400	400	10,500
Newfoundland	900	-100	-600
Prince Edward Island	800	200	300
Nova Scotia	1,300	-1,100	-2,200
New Brunswick	1,700	-400	-300
Quebec	16,600	-1,100	-2,700
Ontario	61,800	700	12,900
Manitoba	2,000	-600	500
Saskatchewan	2,400	-1,000	300
Alberta	24,600	4,300	5,300
British Columbia	12,900	-500	-5,700

1 - June data; 2 - July data; 3 - August data.
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

Real Investment in Residential Structures

	1997	1998	1999 Q1	1999 Q2
Residential Construction	42,348	41,547	42,760	44,316
% change	12.6	-1.9	18.6	15.4
Construction by Business sector	42,223	41,422	42,632	44,188
% change	12.6	-1.9	18.6	15.4
New Housing	21,441	20,695	21,436	21,916
% change	19.5	-3.5	22.6	9.3
Alterations & Improvements	13,315	13,645	14,104	14,356
% change	7.2	2.5	16.6	7.3
Ownership & Transfer Costs	7,592	7,207	7,220	8,044
% change	4.5	-5.1	11.4	54.1

Growth in Real Residential Construction



THE ECONOMY

Trade and Competitiveness



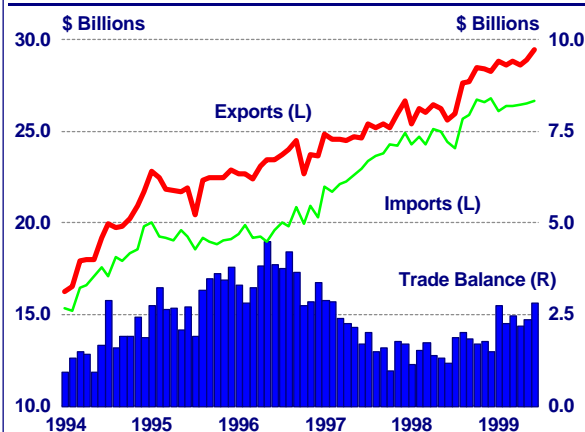
Exports grow faster than imports...

- Exports advanced 1.9% in June, reaching \$29.4 billion. Machinery and equipment (M&E) exports surged 8.0% – strong gains in exports of aircraft and engines and communication equipment more than offset a decline in sales of energy products.
- Imports rose a modest 0.3% in June. The increase was concentrated in M&E and energy. Imports were virtually unchanged in other categories, except for a decline in agriculture and fishing products.
- Exports to United States rose 2.4% while imports from the U.S. fell 0.8% in June. On a year-over-year basis, they increased 18.5%, much faster than imports over the same period.

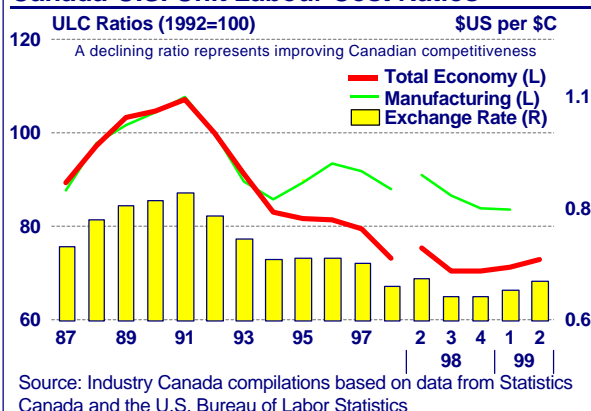
...leading to a further increase in Canada's trade surplus

- The trade surplus rose \$460M in June, reaching \$2.8 billion, its highest level since the beginning of the year.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



Merchandise Trade

June 1999	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)	% Change	
	1999 May	1999 June	1998 Jan-June	1999 Jan-June	May to June 1999	May to June 1999	June 98 to June 99
Exports	28,880	29,418	155,897	173,102	538	1.9	14.9
to United States	24,659	25,255	128,541	148,323	596	2.4	18.5
Imports	26,532	26,610	147,681	158,324	78	0.3	9.0
from United States	20,401	20,232	113,326	121,683	-169	-0.8	9.2
Trade Balance	2,348	2,808	8,216	14,778	460		
with United States	4,258	5,023	15,215	26,640	765		
Exports by Commodity							
Agriculture/Fishing Products	2,182	2,148	12,533	12,606	-34	-1.6	5.6
Energy Products	2,415	2,340	11,856	12,352	-75	-3.1	15.6
Forestry Products	3,154	3,121	17,281	18,816	-33	-1.0	8.4
Industrial Goods & Materials	4,549	4,665	28,975	27,660	116	2.6	-4.6
Machinery & Equipment	6,501	7,023	38,338	40,655	522	8.0	8.7
Automotive Products	7,814	7,829	35,527	47,383	15	0.2	46.2
Other Consumer Goods	1,118	1,146	5,939	6,834	28	2.5	8.9
Imports by Commodity							
Agriculture/Fishing Products	1,478	1,446	8,458	8,818	-32	-2.2	-0.3
Energy Products	735	770	4,592	4,248	35	4.8	-2.2
Forestry Products	221	223	1,224	1,331	2	0.9	7.7
Industrial Goods & Materials	4,971	4,960	29,572	30,061	-11	-0.2	1.3
Machinery & Equipment	8,788	9,025	48,874	52,819	237	2.7	7.5
Automotive Products	6,182	6,200	32,371	36,916	18	0.3	28.8
Other Consumer Goods	3,052	3,036	16,530	18,105	-16	-0.5	6.9

LABOUR MARKET TRENDS



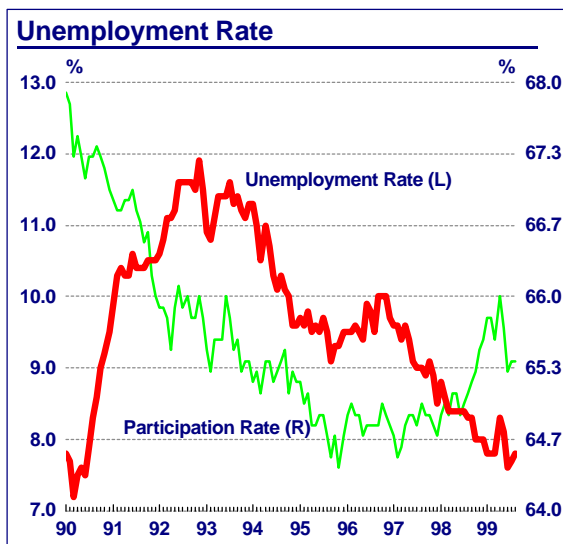
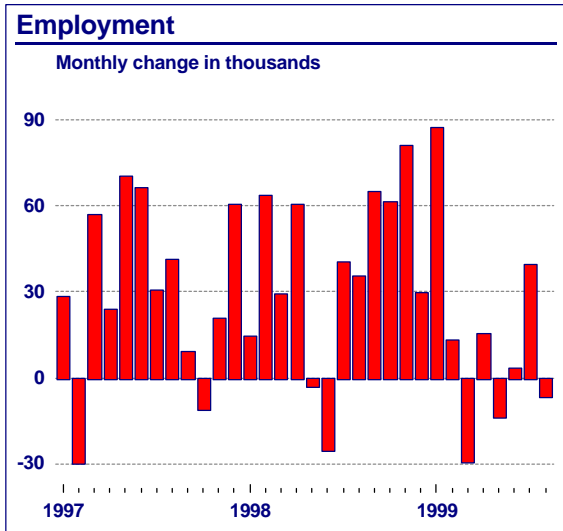
Employment and Unemployment

Fewer jobs in August...

- The economy lost 7,000 jobs in August, following a gain of 40,000 jobs the previous month. Employment growth has eased in recent months after a period of sustained increases in the last half of 1998.
- Losses in full-time work were partially offset by an increase in part-time employment. However, on a year-over-year basis, full-time employment was up 2.9% in August while part-time employment was up 0.6%.
- The decline in overall employment was concentrated in the youth category as adult employment increased in August. On a year over year basis, youth and adult employment are up in August, while self-employment is below the level of a year ago.

...pushes the unemployment rate up

- The combined effect of the decline in employment and an increase in the number of people seeking work raised the national unemployment rate 0.1 percentage points to 7.8% in August.
- As the rise in the labour force was small, the participation rate remained at 65.4% in August.
- The youth unemployment rate declined by 0.4 percentage points to 13.7%, but this was the result of a significant decrease in the youth labour force as youth employment actually declined. The adult unemployment rate was 6.6% in August, up marginally from July.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1998 August	1999 July	1999 August	last month	last year	year-to-date	last month	last year
Employment	14,326.0	14,679.3	14,672.8	-6.5	346.8	109.4	-0.0	2.4
Full-time	11,628.1	11,994.7	11,959.8	-34.9	331.7	150.1	-0.3	2.9
Part-time	2,697.9	2,684.5	2,713.0	28.5	15.1	-40.7	1.1	0.6
Youth 15-24	2,111.6	2,193.3	2,177.4	-15.9	65.8	-4.1	-0.7	3.1
Adult 25+	12,214.4	12,485.9	12,495.4	9.5	281.0	113.5	0.1	2.3
Self-employed	2,570.4	2,535.4	2,541.0	5.6	-29.4	-48.6	0.2	-1.1
Unemployment	1,305.1	1,222.9	1,233.1	10.2	-72.0	-39.1	0.8	-5.5
Unemployment Rate	8.3	7.7	7.8	0.1	-0.5	-0.2		
Youth 15-24	14.6	14.1	13.7	-0.4	-0.9	-0.7		
Adult 25+	7.2	6.5	6.6	0.1	-0.6	-0.2		
Labour Force	15,631.1	15,902.1	15,906.0	3.9	274.9	70.4	0.0	1.8
Participation Rate	65.1	65.4	65.4	0.0	0.3	-0.2		
Employment Rate	59.6	60.4	60.3	-0.1	0.7	-0.1		



Industry Overview

Employment losses in Goods industries are partially offset by gains in the Services industries...

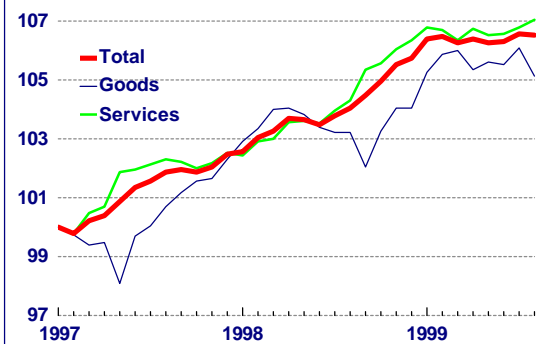
- Employment fell across most of the Goods-producing industries, but especially in Manufacturing.
- The number of jobs in the Services sector increased by 27,000. Job gains were posted by six of the eleven major groupings, led by: Educational Services, Other Services and Finance, Insurance & Real Estate and Accommodation & Food Services. The largest losses were posted by Public Administration, Transportation & Warehousing and Professional, Scientific & Technical Services.

...essentially in the private sector

- The number of paid employees in the private sector rose by 2,000 and the number of self-employed by 6,000 in August.
- Public sector employment declined by 14,000 in August, following seven consecutive monthly increases. Employment in Public Administration fell in August below the level of a year ago.

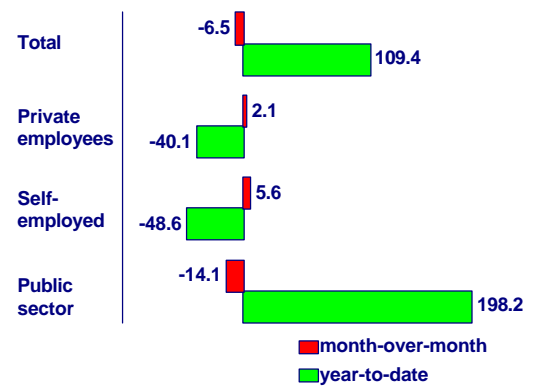
Employment by major sector

January 1997 = 100



Employment growth by worker category

August 1999 (thousands)



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1998 August	1999 July	1999 August	last month	last year	year-to- date	last month	last year
Goods-producing	3,731.6	3,835.4	3,801.9	-33.5	70.3	39.7	-0.9	1.9
Agriculture	423.7	399.4	393.4	-6.0	-30.3	-18.8	-1.5	-7.2
Other Primary*	295.9	254.4	257.0	2.6	-38.9	-23.0	1.0	-13.1
Utilities	111.1	136.5	132.8	-3.7	21.7	17.6	-2.7	19.5
Construction	766.4	765.4	757.6	-7.8	-8.8	-55.5	-1.0	-1.1
Manufacturing	2,134.5	2,279.8	2,261.2	-18.6	126.7	119.5	-0.8	5.9
Service-producing	10,594.4	10,843.8	10,870.9	27.1	276.5	69.7	0.2	2.6
Trade	2,191.4	2,276.4	2,266.9	-9.5	75.5	25.8	-0.4	3.4
Transportation	666.8	782.5	768.8	-13.7	102.0	38.1	-1.8	15.3
FIRE*	839.9	887.3	900.7	13.4	60.8	2.6	1.5	7.2
Professional/Scientific	930.0	913.7	901.0	-12.7	-29.0	-35.6	-1.4	-3.1
Management/Administrative	493.6	538.9	534.2	-4.7	40.6	47.1	-0.9	8.2
Educational Services	951.9	957.5	994.6	37.1	42.7	55.3	3.9	4.5
Health Care/Social Assistance	1,476.1	1,480.2	1,484.6	4.4	8.5	-6.1	0.3	0.6
Information/Culture/Recreation	635.3	642.1	647.8	5.7	12.5	4.5	0.9	2.0
Accommodation & Food	898.5	917.2	929.9	12.7	31.4	-2.6	1.4	3.5
Other Services	716.4	689.0	703.6	14.6	-12.8	-28.3	2.1	-1.8
Public Administration	794.6	758.9	738.8	-20.1	-55.8	-31.1	-2.6	-7.0

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

LABOUR MARKET TRENDS



Provincial Overview

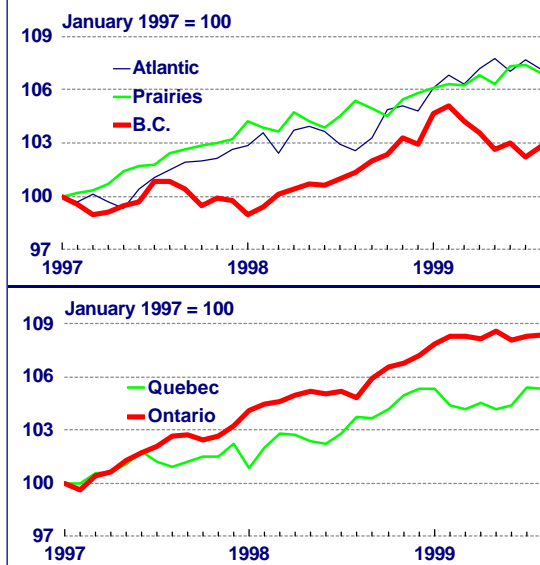
Alberta and Newfoundland account for most of the job losses in August...

- Employment was lower in most provinces. The largest job losses were posted by Alberta (-11,000) and Newfoundland (-7,000).
- Following the loss of 15,000 jobs in July, British Columbia's employment grew by 12,000 in August. Other provinces posting an increase in jobs included New Brunswick, Ontario and Manitoba, but their gains were small.

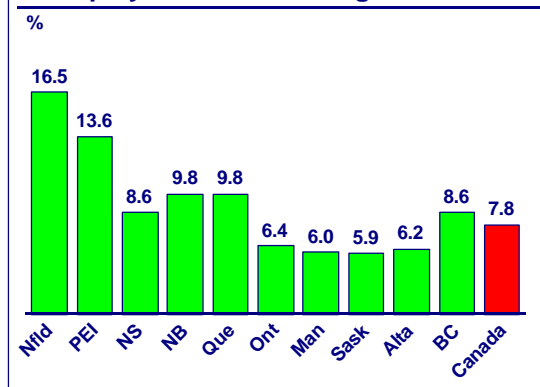
...but unemployment rates are up in half of the provinces.

- Quebec, Manitoba and Alberta experienced significant increases (0.4%) in their unemployment rates. Unemployment rates also rose in New Brunswick and Saskatchewan, albeit by smaller amounts.
- Four provinces posted lower unemployment rates in August. Decreases were reported in Nova Scotia, Ontario, P.E.I. and Newfoundland. The unemployment rate was unchanged in B.C.

Regional employment patterns



Unemployment Rates -- August 1999



Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment rate (%)			
	Levels 1999 August	Change since last month		Change since last year		Levels	Change since last month	
		(000's)	%	(000's)	%		last month	last year
Canada	14,672.8	-6.5	-0.0	346.8	2.4	7.8	0.1	-0.5
Newfoundland	205.0	-6.5	-3.1	14.8	7.8	16.5	-0.1	-2.7
P.E.I.	60.7	-0.5	-0.8	0.0	0.0	13.6	-0.2	-0.2
Nova Scotia	416.2	-0.6	-0.1	13.6	3.4	8.6	-0.3	-2.2
New Brunswick	336.8	1.9	0.6	14.7	4.6	9.8	0.1	-2.0
Quebec	3,397.3	-2.3	-0.1	51.0	1.5	9.8	0.4	-0.7
Ontario	5,769.3	1.5	0.0	187.2	3.4	6.4	-0.2	-0.8
Manitoba	557.7	0.5	0.1	7.9	1.4	6.0	0.4	0.2
Saskatchewan	480.8	-2.0	-0.4	1.5	0.3	5.9	0.1	-0.7
Alberta	1,556.4	-10.6	-0.7	28.1	1.8	6.2	0.4	0.6
B.C.	1,892.7	12.2	0.6	28.2	1.5	8.6	0.0	-0.1

PRICES and FINANCIAL MARKETS

Consumer and Commodity Prices



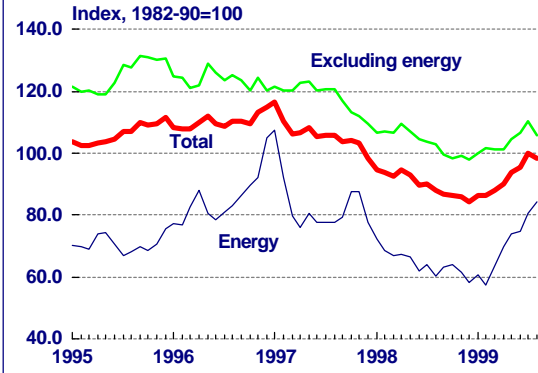
Inflation edges up in July...

- The year-over-year rate of CPI inflation was 1.8% in July, following an increase of 1.6% in June.
- Higher transportation costs accounted for just over one-third of July's annual increase in the CPI. Gasoline prices were up along with those of new vehicle and air transportation. Lower prices for computer equipment and supplies and telephone services partly offset these increases.
- Commodity prices fell back in August after a sharp increase in July as a drop in non-energy prices more than offset an increase in energy prices. Nonetheless, commodity prices were up 12% on a year-over-year basis.

...but remains well within the Bank of Canada's target range

- After hovering around the lower bound target of 1% since the end of 1997, inflation has picked up in recent months. Since April, the annual CPI inflation rate has averaged approximately 1.7%.
- The "core" inflation rate – excluding the volatile food and energy components as well as the impact of indirect taxes – remained steady at 1.7% in July, keeping within the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.

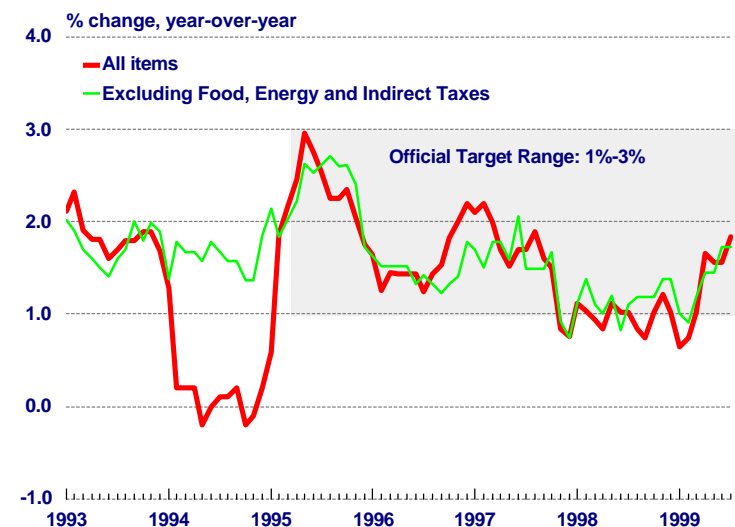
Commodity Prices (\$U.S. basis)



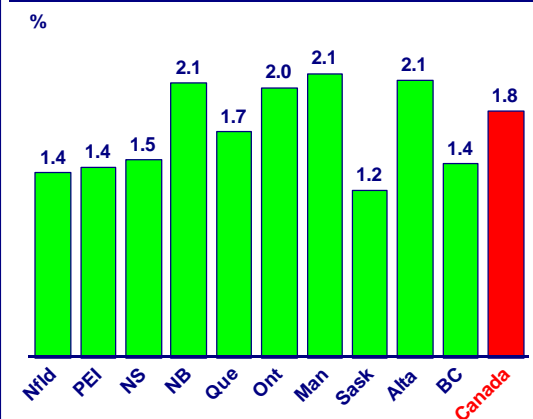
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
July 1999			
All items CPI	110.8	0.3	1.8
Food	111.3	-0.2	1.3
Shelter	104.8	0.1	1.2
Household operations	109.2	0.0	1.1
Clothing & Footwear	104.5	0.0	1.9
Transportation	124.9	1.0	3.7
Health & Personal Care	110.5	0.0	1.9
Recreation, Educ. & Reading	121.6	0.8	1.8
Alcohol & Tobacco	94.7	0.0	2.0
Excl. Food/Energy/Indirect Taxes	112.2	0.2	1.7
Energy	109.9	2.1	5.5
Commodity Prices (August)			
Index, 1982-90=100	98.4	-1.6	11.8
Excluding Energy	106.0	-4.0	3.2
Energy	84.2	4.6	39.4

Consumer Price Index



Provincial CPI Inflation -- July 1999



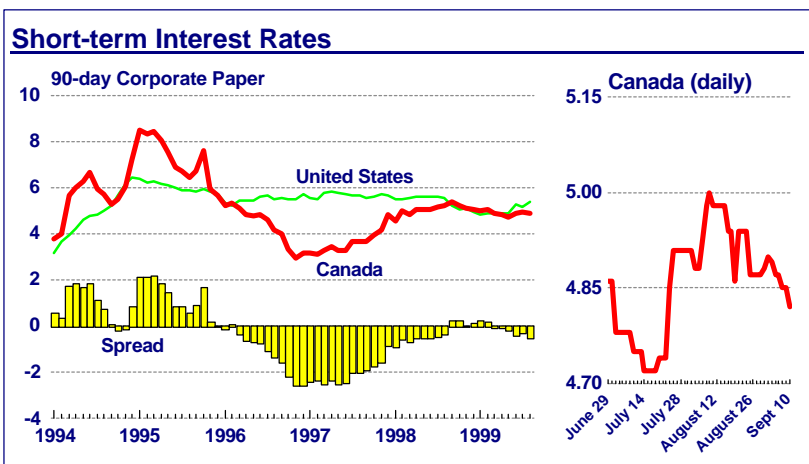


Interest rates declined in August...

- The Bank of Canada did not match the August Fed's increase and short-term interest rates in Canada finished the period down from their peak in July. Fears of a further U.S. rate hike eased with the release of recent reports showing lower-than-expected U.S. employment and inflation figures.
- Long-term rates in Canada also moved in response to information influencing the likelihood of U.S. monetary action. Long-term yields finished the month down from their peak in early August.

...and the gap between Canadian and U.S. short-term interest rates edges up

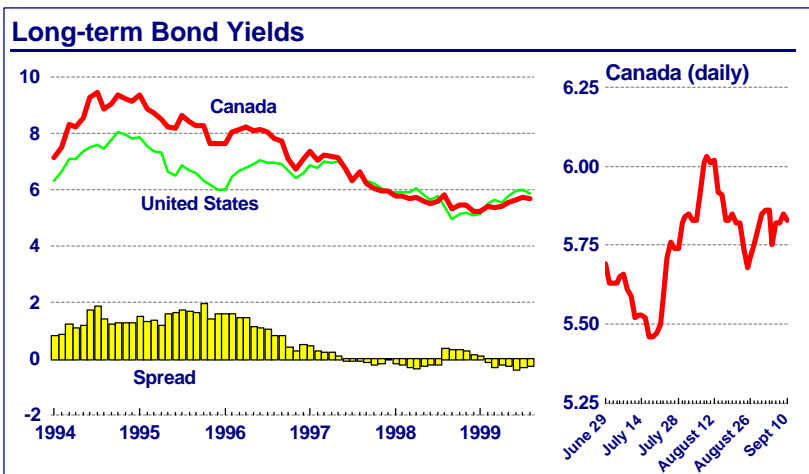
- As a result, the spread on short-term interest rates widened in August by about 25 basis points while it was virtually unchanged for long-term rates. As of September 8th, Canadian short and long term rates were 53 and 25 basis points lower than the U.S.



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
Mar 1999	4.85	-0.04	5.36	-0.27
April	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	4.91	-0.26	5.74	-0.27
August	4.87	-0.50	5.68	-0.19
Sept 8	4.85	-0.53	5.82	-0.25

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
Mar 1999	5.00	6.75	6.45	6.95
April	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	4.75	6.25	7.05	7.75
August	4.75	6.25	7.05	7.80
Sept 8	4.75	6.25	7.05	7.80

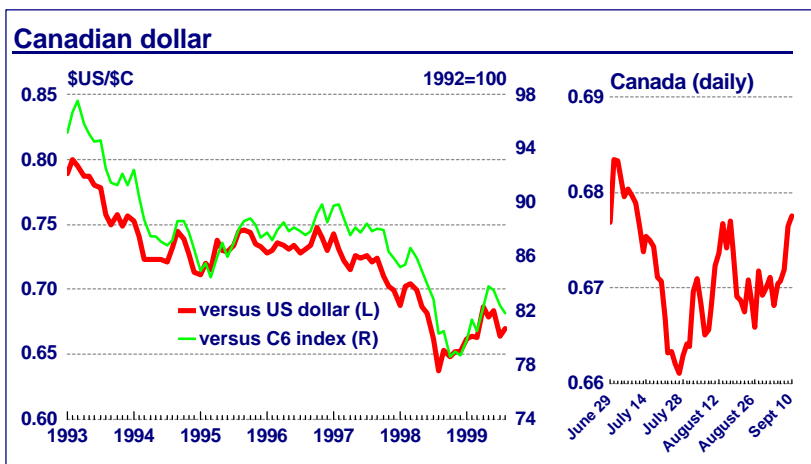


Stock prices rally in early September...

- After dipping in late July/early August, stock prices appear to be on the way to a recovery, but continue to fluctuate in line with fears of interest rate hikes in the U.S. Markets on both sides of the border suffered a setback following the August 24th Federal Reserve rate increase. They subsequently strengthened following the release of modest U.S. employment figures in early September.

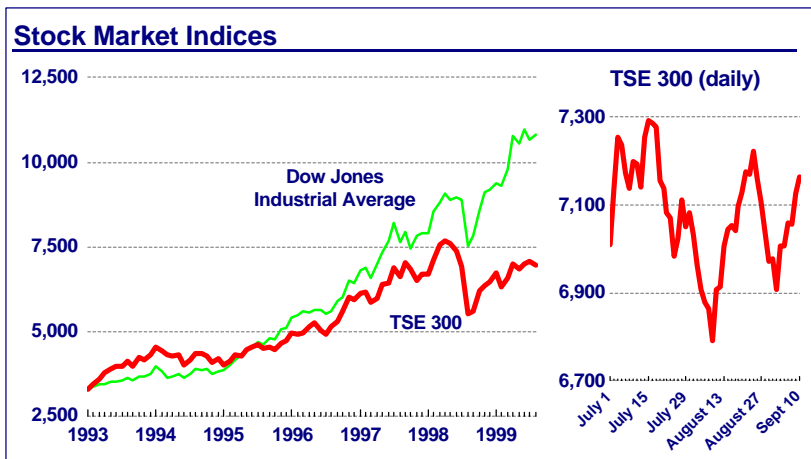
...while the Canadian dollar posts a modest recovery

- Interest rate fears and a strengthening international economy exerted their influence over the Canadian dollar, which weakened in the second half of August against major foreign currencies. Improving economic conditions in Asia and Europe have had a mixed impact on the Canadian dollar. Investors are shifting money out of North American currencies and into the Euro, while at the same time, the recovery in Asia is leading to a firming of commodity and energy prices, which exerts a positive pressure on the dollar. The dollar closed at a high of 67.75 US cents on September 10, on the strength of positive economic news out of Japan, supporting a continuous firming of commodity prices.



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
Mar 1999	0.6628	80.51	1.184	78.71
April	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	0.6639	82.39	1.267	80.13
August	0.6700	81.79	1.236	75.80
Sept 10	0.6775			



Key Stock Market Indexes

	August Close	% change from	
		last month	last year
TSE 300	6,971	-1.6	26.0
Oil & Gas	6,580	3.3	49.6
Metals & Minerals	4,049	7.5	62.0
Utilities	7,717	-6.7	20.6
Paper & Forest	4,963	-0.9	56.0
Merchandising	5,212	-2.0	5.0
Financial Services	7,029	-4.4	3.9
Goods	5,177	2.7	22.4
Price-Earnings Ratio*	34.9	0.8	11.6
S&P 500	1,320	-0.6	37.9
Dow Jones	10,829	1.6	43.6

*columns 2 & 3 reflect change in levels



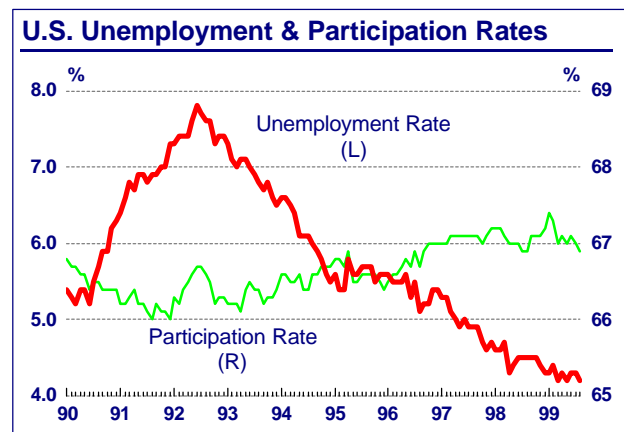
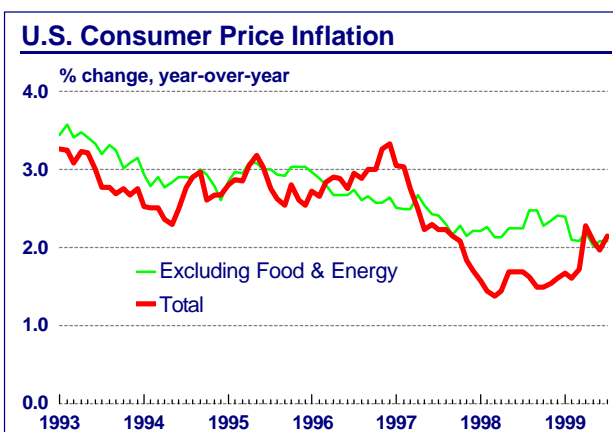
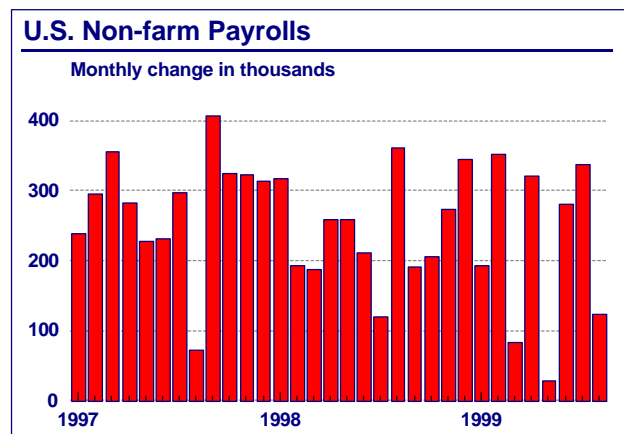
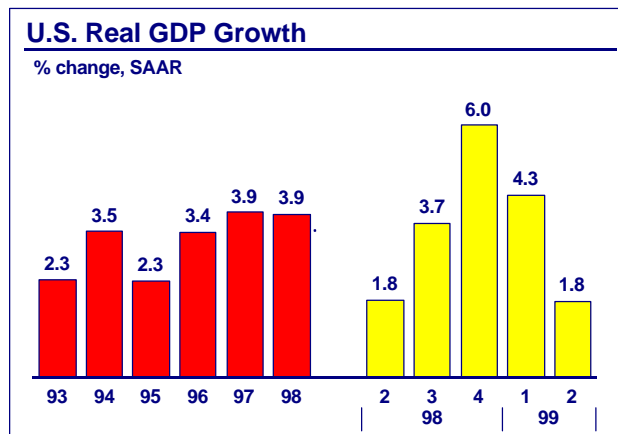
U.S. Economic Trends

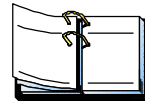
The U.S. economy slows considerably ...

- Preliminary estimates for the second quarter indicate that the U.S. economy recorded its slowest growth in a year. Real GDP increased 1.8% (annual rate), down from 4.3% in the first quarter. Lower inventory investment and strong import growth moderated the overall gain.
- The slowdown of economic activity was widely expected, as the U.S. trade deficit widened to a record \$24.6 billion in June. Imports surged to \$103 billion (+3.9%), but exports increased slightly to \$78.4 billion (+0.5%).
- Employment increased modestly in August (+124,000), led by a sizeable gain in the Service-producing industries (+219,000). Lower employment in Manufacturing (-63,000) and Construction (-29,000) held back overall employment growth. The unemployment rate edged down to 4.2% in August.

... nevertheless the Fed increases rates

- As expected, the Federal Reserve Board raised its key federal funds rate by a quarter point to 5.25% on August 24 to prevent the emergence of inflationary pressures. The Fed subsequently adopted a neutral stance, but did not rule out a future interest rate increase. Although recent CPI figures have been tame, average hourly earnings, an important inflation signal, rose 0.4% in August. Also, productivity growth slowed sharply to 0.6% in the second quarter, down from 3.6% in the first quarter.





Key Future Data Releases and Planned Events**CANADA**

Financial Statistics For Enterprises – 2nd Quarter 1999	September 15
Survey of Manufacturing – July	September 16
Consumer Price Index – August	September 17
International Trade – July	September 21
GDP at factor cost – July	September 30
Labour Force Survey – September	October 8
Business Conditions Survey – October	November 2
National Economic & Financial Accounts – 3rd Quarter 1999	November 30
Balance of International Payments – 3rd Quarter 1999	November 30
Capacity Utilization Rates – 3rd Quarter 1999	December 7

UNITED STATES

Consumer Price Index – August	September 15
International Trade – July	September 21
GDP – 2nd Quarter 1999, Final	September 30
Federal Open Market Committee meeting	October 5
Employment Situation – September	October 8

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