



MONTHLY ECONOMIC INDICATORS


June/July 2002


HIGHLIGHTS


 **Output surged by 0.8% in April, the seventh consecutive monthly advance. This points to continued strong growth in the second quarter.**

 **66,000 jobs, mostly full-time, were created in June, bringing the unemployment rate down to 7.5%.**

 **While employment has risen by a record 303,000 jobs so far this year in Canada, it has declined by 150,000 in the U.S.**

 **Consumer spending remains robust amid rising income and confidence, although the housing sector is cooling down.**

 **Consistent with these developments, the Bank of Canada has raised its overnight rate twice already to 2.5%, but the U.S. Federal Reserve kept its federal funds rate at 1.75%.**

 **A widening spread between Canadian and U.S. interest rates helped boost the Canadian dollar.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	966.3	0.8	3.0	April
Goods	307.5	1.6	1.7	April
Services	658.8	0.4	3.6	April
Composite Index	176.4	0.7	6.3	May
Employment (000's)	15,394	0.4	2.1	June
Full-time	12,537	0.5	1.7	June
Part-time	2,857	0.2	4.0	June
Unemployment* (%)	7.5	7.7	7.1	June
Youth*	13.5	14.2	12.3	June
Adult*	6.3	6.5	6.1	June
CPI inflation*	1.0	1.7	3.9	May
Retail Sales (\$M)	25,453	1.0	5.5	April
Housing Starts (000's)	202.1	-0.6	13.5	June
Trade Balance* (\$M)	5,230	4,712	6,362	April
Exports	34,335	2.9	-9.0	April
Imports	29,106	1.6	-4.2	April
M&E	8,693	1.0	-13.7	April
3-mth Corp. paper* (%)	2.78	2.68	4.38	June 26
Long bond yield* (%)	5.37	5.49	5.73	June 26
Canadian dollar* (US¢)	65.29	65.95	66.05	July 3

*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.



Industry
Canada

Industrie
Canada

Canada

MONTHLY ECONOMIC INDICATORS

June/July 2002

CONTENTS

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

This report uses data available as of July 8, 2002. It has been prepared by Stéphane Crépeau, Anik Dufour, Joseph Macaluso, Arif Mahmud, Patrick Taylor and Jeff Waring of the Micro-Economic Analysis Directorate, under the direction of Hossein Rostami. Translation has been provided by Pierre Ouimet 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 Hossein Rostami at 613-995-8452 or through the Internet at rostami.hossein@ic.gc.ca.



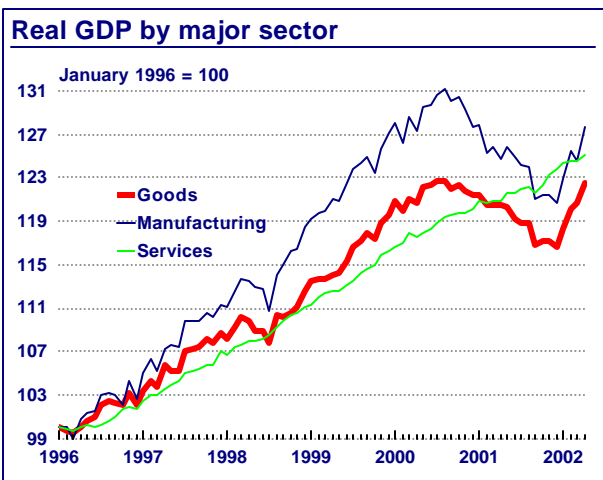
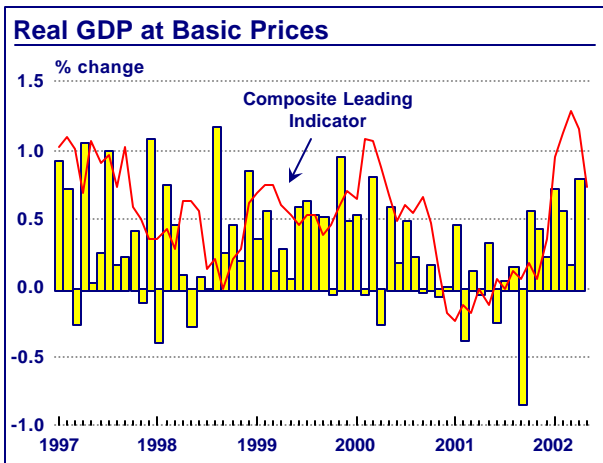
Real GDP by Industry

Output surged by 0.8% in April...

- The Canadian economy continued its good performance in April as real GDP at basic prices surged 0.8% during the month, following revised increases of 0.2% in March (up from 0.1%) and 0.6% in February (up from 0.5%). This was the seventh consecutive monthly advance and the highest monthly gain since March 2000. Output in April was up 4.5% (annual rate) from its first quarter level. This, together with continued increase in Composite Leading Index in May, suggests that the economy continued to grow at a robust pace in the second quarter.

...supported by strong gains in the manufacturing sector

- Goods production increased by 1.6% in April, the fourth consecutive monthly increase. Output in this sector has now fully recovered from a year and a half long slump that began in mid-2000. Manufacturing was the main driving force behind April's increase, more than offsetting a small decrease in March. Nonetheless, manufacturing output remained 2.7% below its peak in August 2000. All sectors of manufacturing registered gains, while higher sales of cars and trucks and the temporary elimination of softwood lumber duties accelerated production of motor vehicles & parts and wood products. Production in the Construction sector edged down 0.8% but remained 3.8% higher than the same month last year.
- Service output rose by 0.4% in April, after posting little growth in the previous two months. Wholesale Trade recorded the largest gain, continuing its upward trend from last summer. Improved consumer confidence led to higher activity in the travel-related industries. Reflecting the strike by Ontario provincial employees, output in the Public Administration sector declined by 1.8%.



Real GDP at Basic Prices (1997 dollars)

April 2002

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	966,298	7,640	0.8	3.0
Business Sector	822,348	8,333	1.0	3.2
Goods-producing	307,545	4,988	1.6	1.7
Agri., Forest, Fish, Hunt*	21,878	726	3.4	0.4
Mining & Oil & Gas Extraction	37,198	219	0.6	-4.3
Utilities	28,883	465	1.6	3.7
Construction	52,003	-398	-0.8	3.8
Manufacturing	167,583	3,976	2.4	2.3
Services-producing	658,753	2,652	0.4	3.6
Wholesale Trade	59,809	1,183	2.0	8.1
Retail Trade	53,570	148	0.3	4.6
Transportation & Warehousing	43,627	752	1.8	-0.1
Information & Cultural	45,991	168	0.4	7.2
FIRE**	189,944	529	0.3	4.3
Professional***	41,476	233	0.6	2.2
Admin & Waste Mgmt	20,974	39	0.2	3.5
Education	43,564	215	0.5	1.7
Health & Social	54,637	48	0.1	2.7
Arts, Entertain. & Recreation	9,164	56	0.6	9.6
Accommodation & Food	22,264	207	0.9	-1.4
Other	21,241	34	0.2	2.3
Public Administration	52,492	-960	-1.8	0.3

*Agriculture, forestry, fishing & hunting

**Finance, Insurance & Real Estate

***Professional, scientific & technical

THE ECONOMY

Consumer Spending and Attitudes



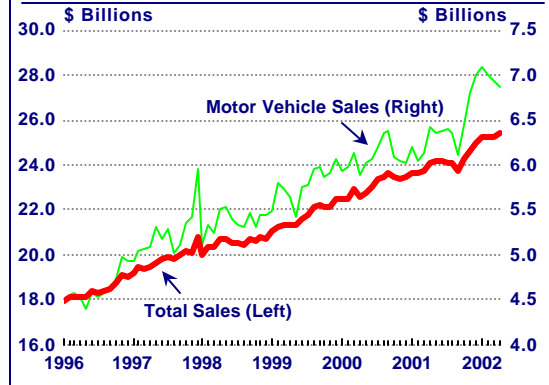
Consumer spending remained robust in the first quarter

- Real consumer spending rose 2.5% (annual rate) in the first quarter of this year compared to a 4.1% (annual rate) gain in the fourth quarter.
- The slower pace of consumer spending in the first quarter was largely due to lower growth in durable goods, including home furnishings & appliances and motor vehicles, which rose sharply in the previous quarter.

...and is increasing further amid rising income and confidence

- Personal disposable income rose 4.5% in the first quarter after 5.2% gain in the fourth. Given the strong employment figures, personal income is expected to remain robust in the second quarter. Consumer confidence rose 0.7 point to 128.4 in June, the highest level in 15 years.
- Monthly retail sales rose 1.0% in April after remaining essentially flat in February and March. Auto sales rebounded 1.7% in April and preliminary results from the industry indicate similar growth for May.
- These factors point to continued growth in consumer spending in the second quarter.

Total Retail and Motor Vehicle Sales



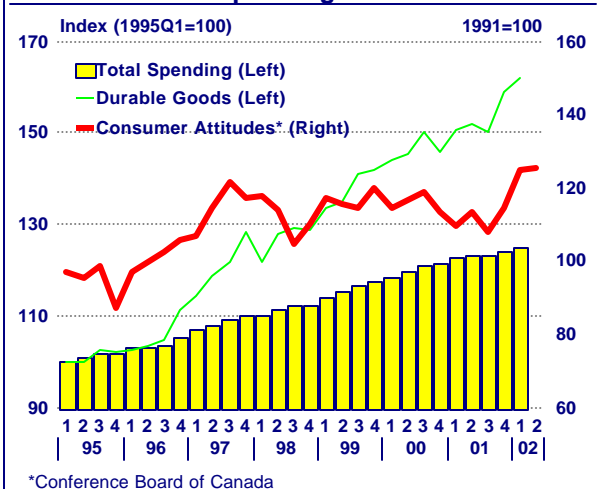
Retail Sales and Consumer Credit

	April 2002 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	25,453	1.0	5.5
Food	5,477	0.5	4.4
Drug Stores	1,281	-0.7	8.2
Clothing	1,397	3.9	2.2
Furniture	1,507	1.5	14.3
Automotive	10,249	0.9	5.1
General Merch. Stores	2,820	1.2	4.8
All other Stores	2,722	0.8	6.5
Total ex. motor vehicles	18,576	1.6	4.9
Consumer Credit	211	0.9	5.9

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	2000	2001	2001 Q4	2002 Q1
Real Consumption (97\$)	565,487	579,999	584,710	588,331
% change	3.7	2.6	4.1	2.5
Durable Goods	82,234	85,939	89,262	91,100
% change	6.1	4.5	24.7	8.5
Semi-Durable Goods	50,440	52,360	53,253	54,261
% change	4.5	3.8	10.4	7.8
Non-Durable Goods	131,791	133,186	133,341	133,946
% change	2.2	1.1	0.8	1.8
Services	301,173	308,888	309,512	309,841
% change	3.7	2.6	-0.2	0.4
Disposable Income	637,673	665,924	674,124	681,528
% change	6.9	4.4	5.2	4.5
Saving Rate (%)	4.8	4.6	4.8	4.7
Debt-to-Income Ratio (%)	94.4	95.2	95.9	96.3

Real Consumer Spending and Attitudes



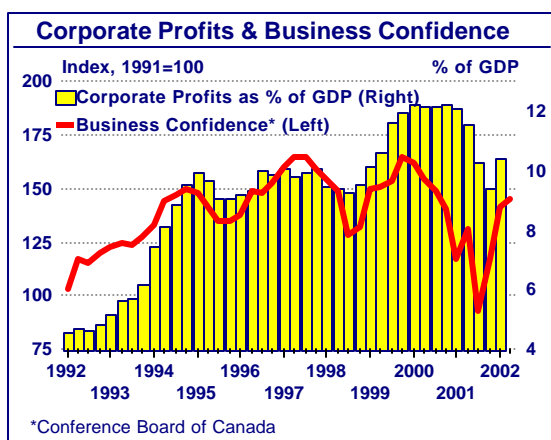
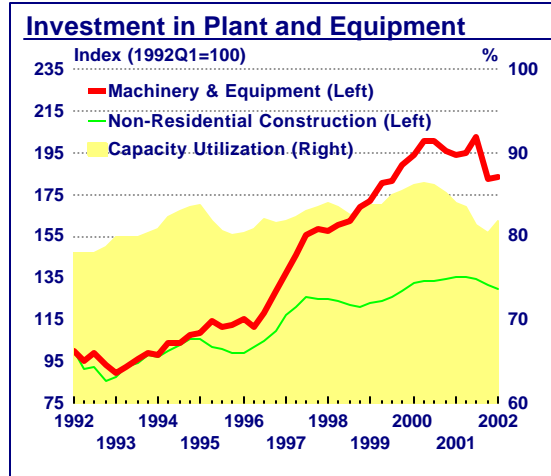


Business investment remained weak in the first quarter

- Business investment in Machinery & Equipment (M&E) rose by 2.6% (annualized) in the first quarter from the sharp 34.5% drop in the fourth quarter and business investment in non-residential construction fell by 6.9%, the third straight quarterly decrease.

...but prospects are improving

- There are some encouraging signs pointing to improving conditions for a recovery in business investment:
 - strength in manufacturing led to a gain in capacity utilization in the first quarter following six straight quarterly declines;
 - corporate operating profits rebounded in the first quarter after four consecutive quarterly decreases;
 - the Conference Board's Index of Business Confidence rose sharply in the first quarter and remained strong in the second;
 - and, imports of M&E rose in April for the first time in nine months.



Business Investment and Corporate Finances						
\$ Millions, SAAR (unless otherwise noted)						
	2000	2001	2001 Q2	2001 Q3	2001 Q4	2002 Q1
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	89,094	87,145	87,732	91,295	82,118	82,650
<i>% change</i>	9.3	-2.2	1.4	17.3	-34.5	2.6
Non-residential Construction (1997\$)	47,762	48,126	48,644	48,165	47,230	46,392
<i>% change</i>	6.4	0.8	1.5	-3.9	-7.5	-6.9
Capacity Utilization (% , Non-farm goods)	86.0	82.3	83.4	81.4	80.4	81.7
Capacity Utilization (Mfg. sector)	86.0	80.9	81.9	80.0	78.8	80.6
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	173,029	147,758	155,352	142,688	127,248	138,752
<i>% change</i>	28.5	-14.6	-22.8	-28.8	-36.8	41.4
Profits - Non-financial industries	136,086	113,095	118,968	104,704	97,968	107,660
<i>% change</i>	35.6	-16.9	-31.4	-40.0	-23.4	45.8
Profits - Financial industries	36,944	34,662	36,384	37,984	29,276	31,096
<i>% change</i>	7.9	-6.2	16.7	18.8	-64.7	27.3
Business Credit	791,376	832,992	825,237	838,360	848,371	849,308
<i>% change</i>	6.9	5.3	2.6	6.5	4.9	0.4



Housing activity rose sharply in the first quarter...

- Residential construction surged 35.5% in the first quarter, the third straight quarterly increase following a fourth quarter gain of 23.9%. The strong performance of the housing sector was in part due to milder than usual weather.

...but shows signs of cooling off

- Following strong activity in the first quarter, signs of cooling were evident in the second quarter. Housing starts, moderated further in June and were down 3.7% in the second quarter. Sales of existing homes were also down in April and May. Residential construction activity fell 1.4% in April. Another indication of slowing housing activity was a sharp 12.6% drop in residential building permits in May due mainly to lower multi-family dwelling permits, following a 1.2% decline in April.
- However, housing activity should remain high given healthy employment growth, higher consumer confidence, and still low mortgage rates.

Housing Activity



Monthly Housing Indicators

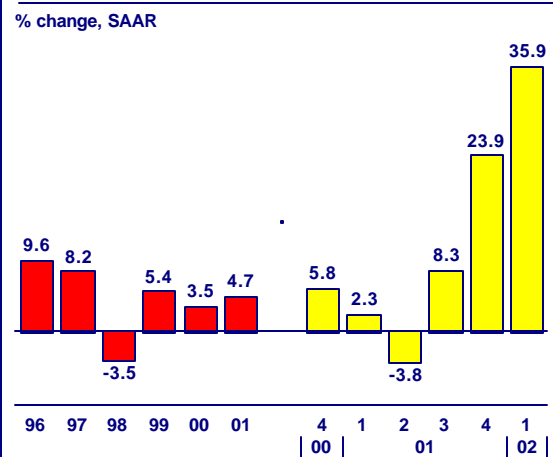
	levels	Change since	
		last month	last year
Residential Construction (1) (\$97M, basic prices)	16,363	-1.4%	16.2%
Building Permits, \$M (2)	2,332	-12.6%	30.0%
Sales of Existing Homes (2) (# of units)	23,927	-1,512	1,807
Housing Starts, # of units (3)	202,100	-1,200	24,100
Newfoundland	1,700	-600	400
Prince Edward Island	400	-700	200
Nova Scotia	3,300	-100	500
New Brunswick	2,900	600	1,000
Quebec	32,000	1,300	9,900
Ontario	76,900	-5,400	-6,400
Manitoba	2,100	-200	600
Saskatchewan	1,600	-100	-300
Alberta	33,900	1,900	9,800
British Columbia	21,400	2,100	3,700

1 - April data; 2 - May data; 3 - June 2002 data
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

Real Investment in Residential Structures

	\$97 Millions, SAAR (unless otherwise noted)			
	2000	2001	2001 Q4	2002 Q1
Construction by Business sector	45,796	47,967	50,288	54,293
% change	3.5	4.7	23.9	35.9
New Housing	22,475	23,866	25,345	28,002
% change	0.7	6.2	33.6	49.0
Alterations & Improvements	16,521	16,529	16,492	16,916
% change	9.3	0.0	1.2	10.7
Ownership & Transfer Costs	7,050	7,754	8,548	9,392
% change	5.0	10.0	39.9	45.7
Residential Construction	46,043	48,201	50,489	54,473
% change	3.4	4.7	23.1	35.5

Growth in Real Residential Construction





Trade and Competitiveness

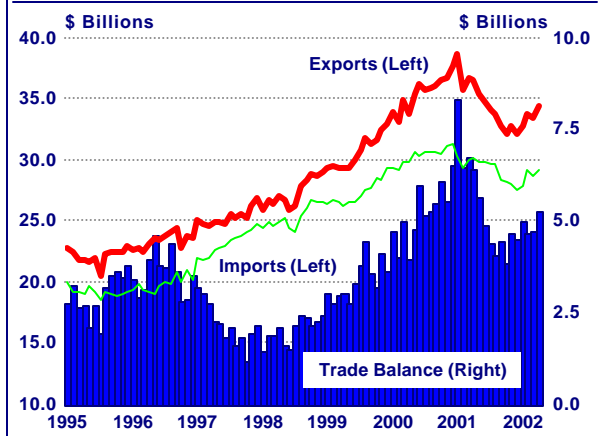
Exports rose faster than imports in April...

- Exports rose 2.9% in April, continuing the upward trend started at the beginning of the year. Nonetheless, merchandise exports are still 11.1% below their peak of January 2001. The rise of April exports was led by Agriculture & Fishing products, Industrial Goods & Materials, Automotive products and Machinery & Equipment.
- After decreasing through 2001, imports increased for the third time in four months in April (+1.6%). Imports rose in 5 of the 7 principal groupings, led by imports of Energy products and Industrial Goods & Material.

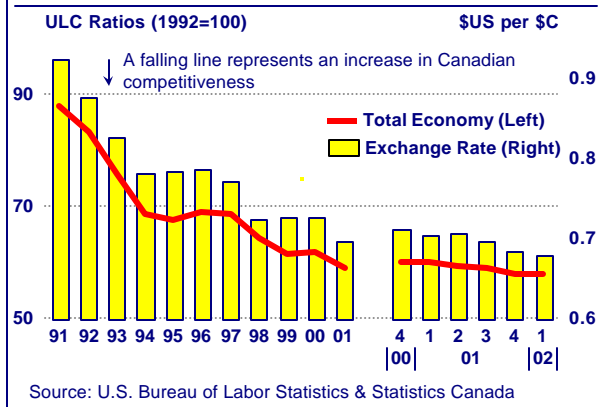
...resulting in higher trade surplus

- As exports increased at almost twice the pace of imports, Canada's merchandise trade surplus rose from \$4.7 billion in March to \$5.2 billion in April, the highest trade surplus since May 2001.
- Canada's trade surplus with the U.S. rose by \$627 million to \$8.3 billion in April, while the trade deficit with all other trading partners increased \$109 million to \$3.1 billion.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



Source: U.S. Bureau of Labor Statistics & Statistics Canada

Merchandise Trade

April 2002	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)	% Change	
	March 2002	April 2002	Jan.-Apr. 2001	Jan.-Apr. 2002	Mar. to Apr. 2002	Mar. to Apr. 2002	Jan.-Apr. 2001 to Jan.-Apr. 2002
Exports	33,362	34,335	147,445	134,188	973	2.9	-9.0
to United States	28,472	29,168	125,001	113,736	696	2.4	-9.0
Imports	28,649	29,106	119,624	114,630	457	1.6	-4.2
from United States	20,819	20,888	87,142	82,974	69	0.3	-4.8
Trade Balance	4,712	5,230	27,821	19,558	518		
with United States	7,653	8,280	37,859	30,762	627		
Exports by Commodity							
Agriculture/Fishing Products	2,479	2,664	10,007	10,390	185	7.5	3.8
Energy Products	4,191	4,050	25,069	14,428	-141	-3.4	-42.4
Forestry Products	3,178	3,180	13,556	12,595	2	0.1	-7.1
Industrial Goods & Materials	5,378	5,770	22,545	22,637	392	7.3	0.4
Machinery & Equipment	7,607	7,808	35,393	31,802	201	2.6	-10.1
Automotive Products	7,890	8,214	30,517	31,736	324	4.1	4.0
Other Consumer Goods	1,427	1,433	5,389	5,784	6	0.4	7.3
Imports by Commodity							
Agriculture/Fishing Products	1,791	1,776	6,630	7,157	-15	-0.8	7.9
Energy Products	1,154	1,339	6,720	4,760	185	16.0	-29.2
Forestry Products	241	268	985	1,010	27	11.2	2.5
Industrial Goods & Materials	5,484	5,616	23,666	22,540	132	2.4	-4.8
Machinery & Equipment	8,611	8,693	39,829	34,370	82	1.0	-13.7
Automotive Products	6,578	6,665	23,230	25,740	87	1.3	10.8
Other Consumer Goods	3,731	3,716	14,105	14,858	-15	-0.4	5.3

LABOUR MARKET TRENDS



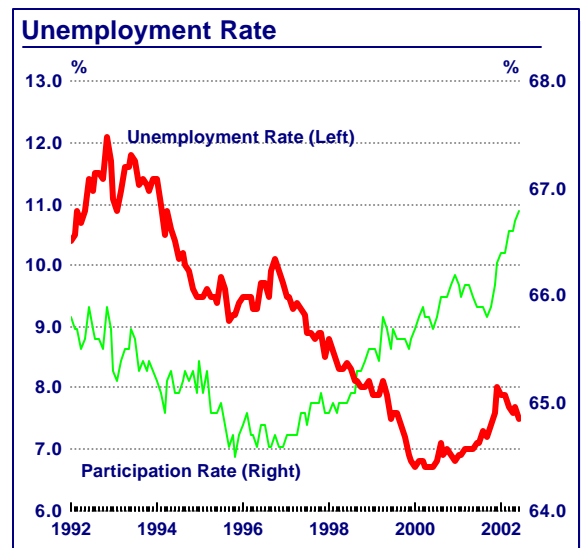
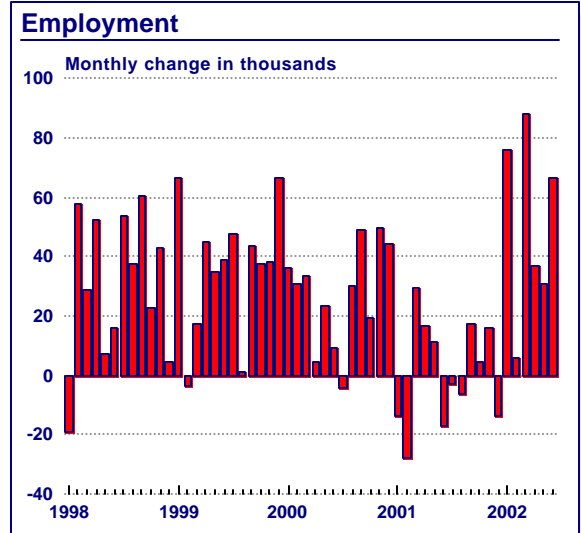
Employment and Unemployment

Employment continued to increase in June...

- Employment rose 66,000 in June, bringing total gains since December to 303,000, the largest six-month gain on record. Most of the gains were concentrated in full-time employment (+60,000). The strengthening of the Canadian labour market observed so far this year is in contrast to the U.S. where employment (-150,000) is down slightly over the same period.
- Strong employment performance has resulted in the employment rate rising to 61.7 %, the highest since December 2000.
- Total hours worked increased 1.1% in the second quarter of 2002, suggesting that the Canadian economy continued to post solid performance.

...reducing the unemployment rate to 7.5%

- The national unemployment rate declined to 7.5% in June, down from a peak of 8.0% in December 2001 but still up from a low of 6.7% in mid 2000.
- Youth employment increased by 11,000 in June and is up 54,000 since the start of the year. The unemployment rate for this group decreased 0.7 percentage point to 13.5% in June. Adult employment increased 55,000, bringing gains to 249,000 since December.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2001 June	2002 May	2002 June	last month	last year	year-to-date	last month	last year
Employment	15,075.6	15,327.2	15,393.6	66.4	318.0	303.4	0.4	2.1
Full-time	12,328.6	12,476.4	12,536.6	60.2	208.0	199.4	0.5	1.7
Part-time	2,747.0	2,850.8	2,857.0	6.2	110.0	104.0	0.2	4.0
Youth 15-24	2,309.0	2,342.9	2,354.3	11.4	45.3	54.0	0.5	2.0
Adult 25+	12,766.7	12,984.4	13,039.3	54.9	272.6	249.4	0.4	2.1
Self-employed	2,310.9	2,327.3	2,344.4	17.1	33.5	62.8	0.7	1.4
Unemployment	1,148.5	1,283.7	1,252.6	-31.1	104.1	-66.2	-2.4	9.1
Unemployment Rate	7.1	7.7	7.5	-0.2	0.4	-0.5		
Youth 15-24	12.3	14.2	13.5	-0.7	1.2	-0.5		
Adult 25+	6.1	6.5	6.3	-0.2	0.2	-0.6		
Labour Force	16,224.2	16,611.0	16,646.2	35.2	422.0	237.2	0.2	2.6
Participation Rate	65.9	66.7	66.8	0.1	0.9	0.5		
Employment Rate	61.3	61.5	61.7	0.2	0.4	0.8		



Industry Overview

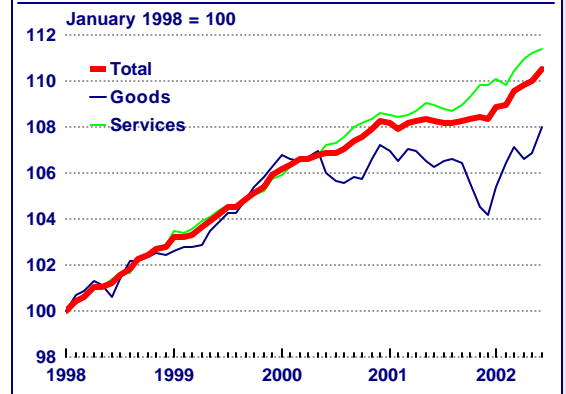
Strong employment gains in the Goods sector...

- Employment in the Goods sector increased by 41,000 in June, after a gain of 9,000 in May for a total gain in the first half of the year of 136,000. The Manufacturing sector created 30,000 jobs in June for a total gain to date in 2002 of 113,000. Employment in this sector is back to the peak reached in December 2000. Transportation Equipment and Food registered the largest gains. Construction gained 11,000 jobs in June, bringing the total jobs gained so far this year to 30,000. Employment in natural resources, despite a small gain in June, has declined by 26,000 since the beginning of 2002.

...and Services continues upward trend

- Employment in Services rose by 25,000 in June for total job gains of 167,000 so far this year. Six of the 11 industries posted gains in June, led by Finance, Insurance, Real Estate & Leasing (+22,000), Health Care & Social Assistance (+14,000) and Management, Administrative & Other Support (+12,000). The largest losses in June were posted by Trade (-17,000) and Accommodation & Food Services (-12,000).
- Self-employment increased by 17,000 in June, bringing the gains for the first six months of the year to 63,000.

Employment by major sector



Employment growth by worker category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2001 June	2002 May	2002 June	last month	last year	year-to- date	last month	last year
Goods-producing	3,867.0	3,886.5	3,927.6	41.1	60.6	136.2	1.1	1.6
Agriculture	327.2	318.3	321.9	3.6	-5.3	9.2	1.1	-1.6
Natural Resources*	288.3	262.5	264.6	2.1	-23.7	-26.3	0.8	-8.2
Utilities	125.2	136.8	131.4	-5.4	6.2	9.7	-3.9	5.0
Construction	854.9	868.4	878.9	10.5	24.0	30.3	1.2	2.8
Manufacturing	2,271.4	2,300.4	2,330.8	30.4	59.4	113.4	1.3	2.6
Services-producing	11,208.6	11,440.8	11,466.0	25.2	257.4	167.2	0.2	2.3
Trade	2,377.3	2,450.4	2,433.5	-16.9	56.2	1.0	-0.7	2.4
Transportation*	776.8	745.9	748.1	2.2	-28.7	2.4	0.3	-3.7
FIRE*	882.1	889.6	911.4	21.8	29.3	38.6	2.5	3.3
Professional/Scientific	1,005.0	989.5	993.7	4.2	-11.3	24.0	0.4	-1.1
Management/Administrative	547.7	588.7	601.1	12.4	53.4	32.1	2.1	9.7
Educational Services	961.5	1,019.9	1,019.6	-0.3	58.1	48.9	-0.0	6.0
Health Care/Social Assistance	1,529.5	1,577.2	1,591.3	14.1	61.8	26.5	0.9	4.0
Information/Culture/Recreation	704.4	705.5	715.3	9.8	10.9	18.5	1.4	1.5
Accommodation & Food	975.3	1,003.6	991.2	-12.4	15.9	0.0	-1.2	1.6
Other Services	681.5	699.1	694.3	-4.8	12.8	-3.9	-0.7	1.9
Public Administration	767.5	771.4	766.5	-4.9	-1.0	-21.0	-0.6	-0.1

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

LABOUR MARKET TRENDS



Provincial Overview

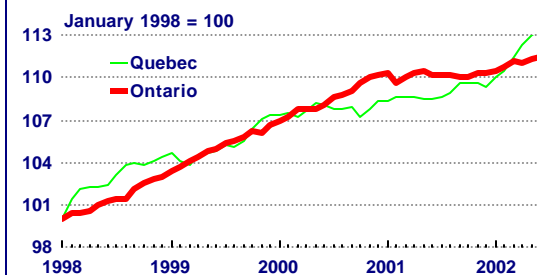
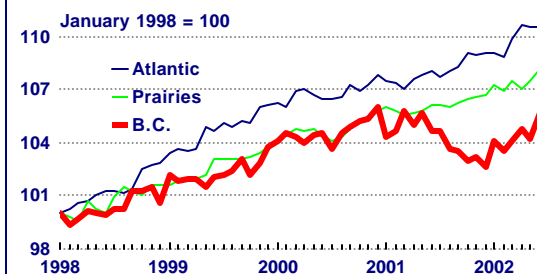
B.C., Ontario and Alberta created most of the jobs in June

- B.C. (+27,000 or 1.4%) job gains in June were mostly in the Services sector. Two thirds of the 56,000 jobs created in the first half of 2002 were in Vancouver (+36,000). B.C.'s unemployment rate fell 0.8 of a percentage point to 8.7%. Ontario gained 12,000 jobs in June (+0.2%), and 67,000 for the last six months. Employment rose by 11,000 in Alberta, mostly in Manufacturing and Construction, and the unemployment rate fell 0.3 points to 5.6%.
- The only provinces posting job losses were Nova Scotia, New Brunswick and P.E.I. The largest job gains so far in 2002 have been posted by Quebec (155,000), helping to reduce its unemployment rate to 8.2% in June from 9.7% in December.

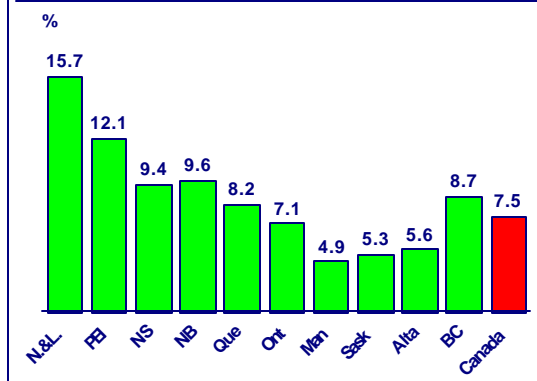
The unemployment rate decreased in all provinces, except P.E.I. and Ontario

- Newfoundland posted the largest unemployment rate decrease in June (-1.1 percentage points to 15.7%), but still had the highest unemployment rate in Canada. The rates of Nova Scotia and New Brunswick decreased due to a fall in the labour force. Manitoba's unemployment rate fell to 4.9%, the lowest in Canada.
- The unemployment rate in P.E.I. increased 0.7 point to 12.1%, while in Ontario's rate edged up by 0.1 point to 7.1%.

Regional employment patterns

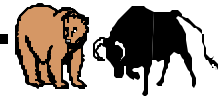


Unemployment Rates -- June 2002



Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment rate (%)			
	Levels	Change since last month		Change since last year		Levels	Change since	
	2002 June	(000's)	%	(000's)	%	last month	last year	
Canada	15,393.6	66.4	0.4	318.0	2.1	7.5	-0.2	0.4
Newfoundland & Labrador	218.5	3.9	1.8	2.6	1.2	15.7	-1.1	0.3
P.E.I.	66.6	-0.1	-0.1	0.6	0.9	12.1	0.7	1.9
Nova Scotia	428.7	-2.4	-0.6	8.4	2.0	9.4	-0.4	-0.7
New Brunswick	344.7	-1.3	-0.4	11.3	3.4	9.6	-0.2	-1.2
Quebec	3,614.6	7.8	0.2	154.8	4.5	8.2	-0.1	-0.6
Ontario	6,036.7	12.0	0.2	69.9	1.2	7.1	0.1	1.0
Manitoba	567.9	5.2	0.9	13.9	2.5	4.9	-0.5	-0.5
Saskatchewan	481.7	2.9	0.6	11.6	2.5	5.3	-0.6	-0.4
Alberta	1,665.3	11.2	0.7	26.4	1.6	5.6	-0.3	1.0
B.C.	1,968.9	27.2	1.4	18.4	0.9	8.7	-0.8	1.5



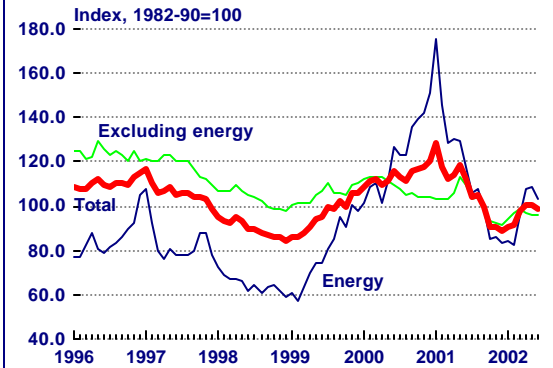
Inflation slows to 1.0% in May...

- On a year-over-year basis, CPI (Consumer Price Index) inflation was 1.0% in May, down from 1.7% in April. This was driven by sharp declines in natural gas and gasoline prices from peak levels last May. Excluding energy, inflation moderated to 2.3% from 2.4% in April.
- On a monthly basis, the CPI rose 0.2% in May, down from a 0.6% rise in April when transportation and cigarette cost rose sharply. Energy prices fell for the first time in five months on lower gasoline prices.

...and the "core" rate remains within the midpoint of the official target range

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, was 2.2% in May, unchanged from April and within the 1%-3% target range.
- In June, commodity prices fell 2.2% from May, but they were still up more than 9% from their October lows. The decline largely reflected a 4.8% drop in energy prices, the first monthly fall since February.

Commodity Prices (\$U.S. basis)



Consumer Prices

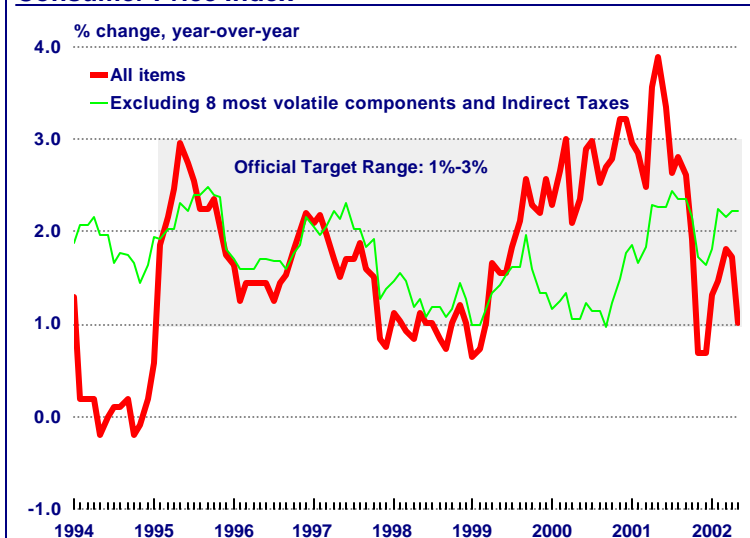
May 2002

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	118.6	0.2	1.0
Food	120.4	-0.4	2.1
Shelter	113.1	0.3	-0.6
Household operations	113.8	-0.1	1.4
Clothing & Footwear	104.6	-1.9	-0.3
Transportation	134.1	0.2	0.1
Health & Personal Care	115.7	0.3	1.1
Recreation, Educ. & Reading	126.8	1.7	1.2
Alcohol & Tobacco	118.8	1.7	12.9
Excl. 8 Most Volatile/Indirect Taxes	119.5	0.3	2.2
Energy	128.4	-0.8	-10.5

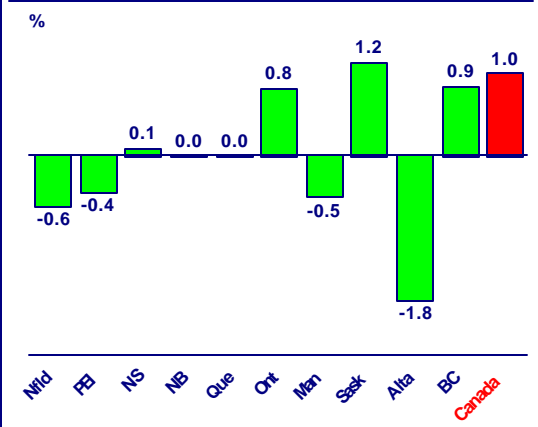
Commodity Prices (June 2002)

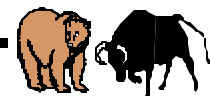
Index, 1982-90=100	98.5	-2.2	-17.0
Excluding Energy	95.7	-0.6	-15.2
Energy	103.6	-4.8	-20.1

Consumer Price Index



Provincial CPI Inflation -- May 2002



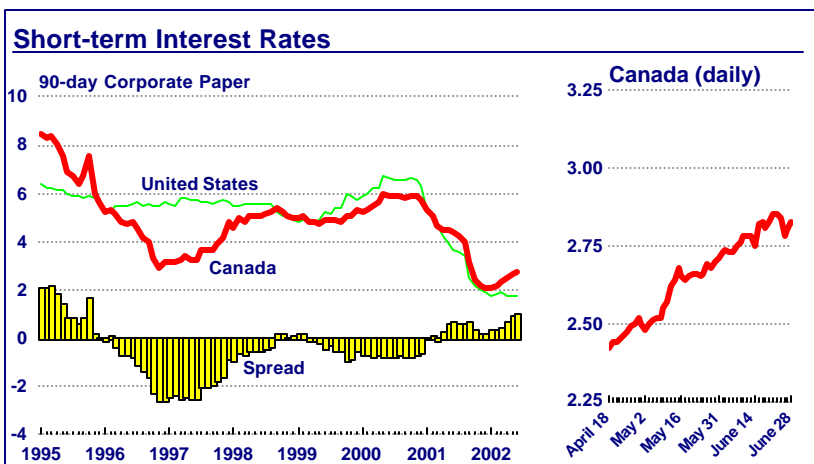


The Bank of Canada raises interest rates, while the Federal Reserve leaves U.S. rates unchanged

- As the Canadian economy gained momentum faster than anticipated, the Bank of Canada has moved to a less accommodative stance, raising its overnight rate by 25 basis points (bps) in mid-April and again on June 4, to 2.5% from a 40-year low of 2.0%. In the U.S., uncertainty over the strength of the recovery has led the Federal Reserve to keep its rate steady at 1.75%. Analysts expect the Bank of Canada to raise its rate again at its July 16 announcement date and the Federal Reserve to keep its federal funds rate unchanged on August 13.
- In line with these developments, Canadian interest rates, including prime lending rates and commercial paper rates, have risen in recent months. The Canada-U.S. short-term rate spread has widened further to 103 bps in late June from 91 bps in May and about 30 bps at the beginning of this year.

Long-term bond yields retreat

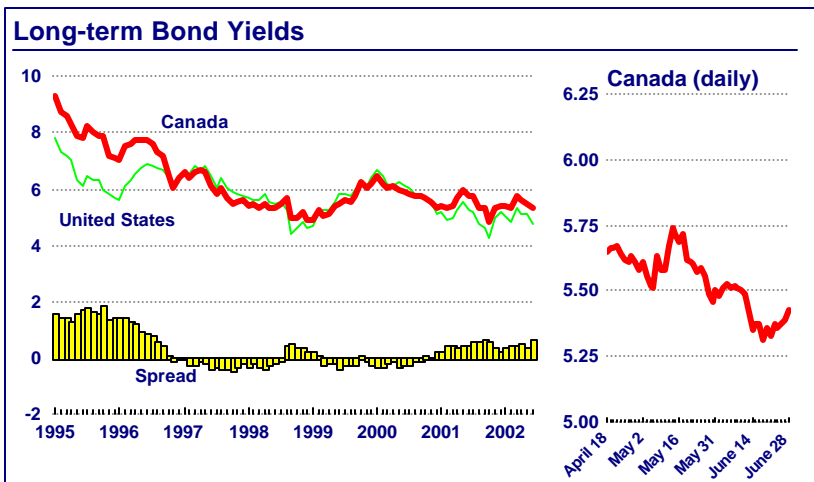
- Long-term bond yields have been declining through most of the second quarter, reflecting a shift in financial flows to safer securities amid dual concerns about the prospects for a sustained recovery in profits and corporate accounting scandals.
- The Canadian 10-year bond yield fell from 5.8% in late March to 5.4% in late June. Nonetheless, the spread with its U.S. counterpart has widened to about 80 bps in late June from 40 bps in March.



Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2000	5.71	-0.60	5.35	0.24
2001	2.08	0.19	5.44	0.22
Jan 2002	2.07	0.31	5.42	0.40
Feb	2.16	0.34	5.31	0.47
Mar	2.36	0.42	5.79	0.44
Apr	2.46	0.69	5.64	0.53
May	2.68	0.91	5.49	0.38
Jun	2.78	1.03	5.37	0.83
June 26	2.78	1.03	5.37	0.83

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



Key Lending Rates

(end of period)	Overnight Rate	Prime Lending Rate	Mortgage Rate	
			1 year	5 year
2000	5.80	7.50	7.70	7.95
2001	2.24	4.00	4.60	6.85
Jan 2002	1.99	3.75	4.55	7.00
Feb	1.99	3.75	4.55	6.85
Mar	1.99	3.75	5.30	7.30
Apr	2.24	4.00	5.40	7.45
May	2.25	4.00	5.55	7.40
Jun	2.50	4.25	5.55	7.25
July 3	2.50	4.25	5.55	7.25

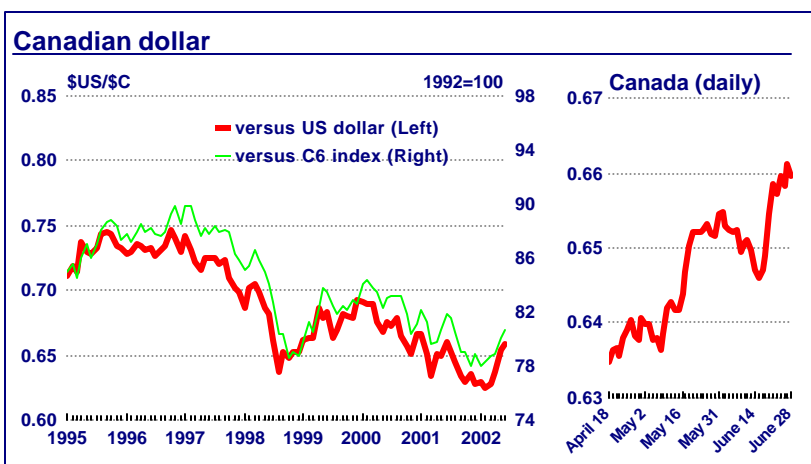


The Canadian dollar benefits from good economic news and higher interest rates

- The Canadian dollar reached US¢66.1 on June 27, its highest level in almost a year and more than four US cents above its record low in mid-January. However, it has subsequently fallen back to below the US¢66 mark.
- A widening of the spread between Canadian interest rates and their U.S. counterparts and rising commodity prices have helped bolster the Canadian currency in recent months. The Canadian dollar has also benefited from the general weakness of the U.S. dollar against major currencies. Both currencies have depreciated against the euro and the yen since April.

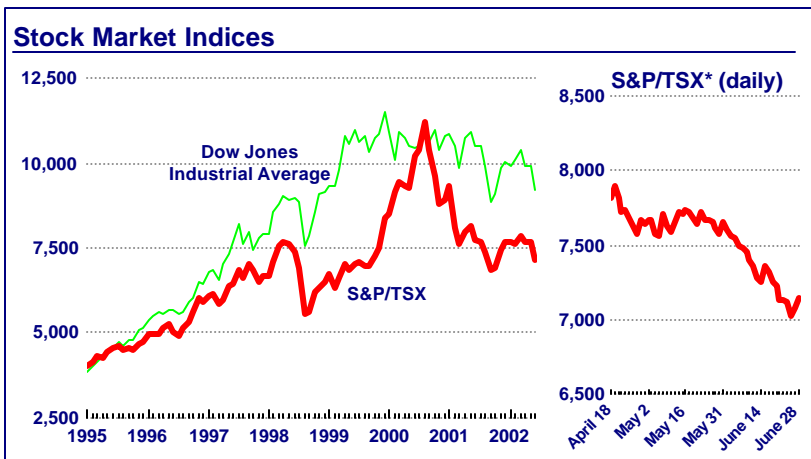
Equity markets slump on concerns about corporate earnings

- North American indices tumbled in June to their lowest levels in eight month as corporate earnings reports were worse-than-expected and concern about corporate accounting practices were stirred up by more accounting scandals (including WorldCom). Technology sector securities suffered the most, pulling tech-heavy indices down to their 1997 levels.
- The S&P/TSX * lost more than 900 points (-11.8%) from March's highs to close out at 7024 on July 3 while the Dow Jones was down almost 1600 points (-14.9%) to 9055.



The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	\$Cdn vs. EURO	yen vs. \$Cdn
2000	0.6669	81.19	1.370	73.64
2001	0.6278	78.95	1.387	80.76
Jan 2002	0.6300	78.05	1.414	82.89
Feb	0.6242	78.38	1.390	83.71
Mar	0.6273	78.69	1.392	82.51
Apr	0.6376	78.89	1.401	82.69
May	0.6545	80.15	1.421	81.51
Jun	0.6595	80.73	1.465	80.46
July 3	0.6529	80.55	1.501	78.33



Key Stock Market Indexes

	June Close	% change from	
		last month	last year
S&P/TSX *	7,146	-6.7	-7.6
Oil & Gas	10,375	-0.4	19.0
Metals & Minerals	4,531	-2.2	3.1
Utilities	9,198	-7.4	-34.6
Paper & Forest	5,851	3.7	23.5
Merchandising	7,654	-3.7	28.2
Financial Services	10,661	-7.4	-0.3
Gold	6,373	-13.7	40.5
S&P 500	989.8	-7.2	-19.2
Dow Jones	9,243	-6.9	-12.0

* On May 1st, Canada's main composite index was renamed S&P/TSX. More recently, some securities were delisted to reflect the Toronto stock exchange's new requirements, including criteria such as the stock's liquidity.

THE UNITED STATES ECONOMY



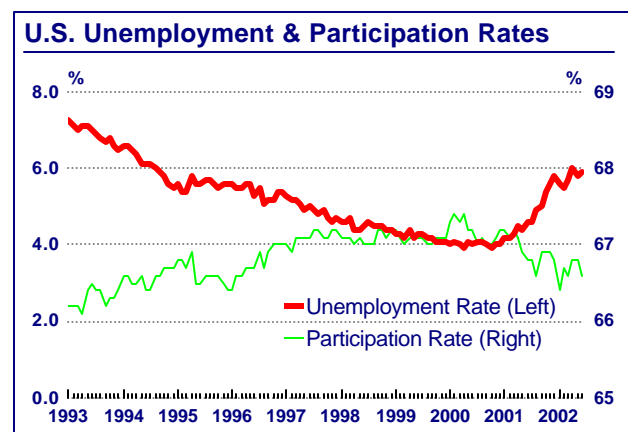
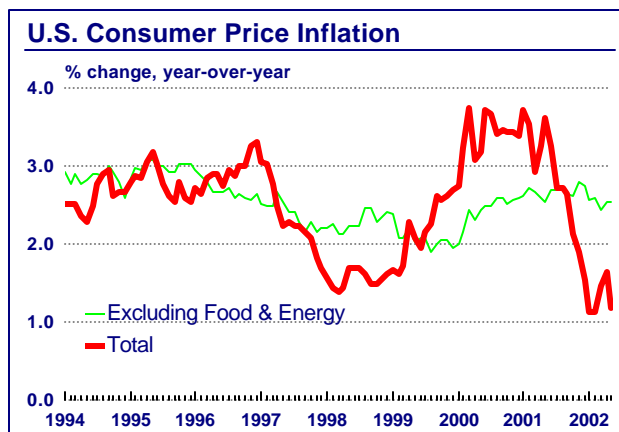
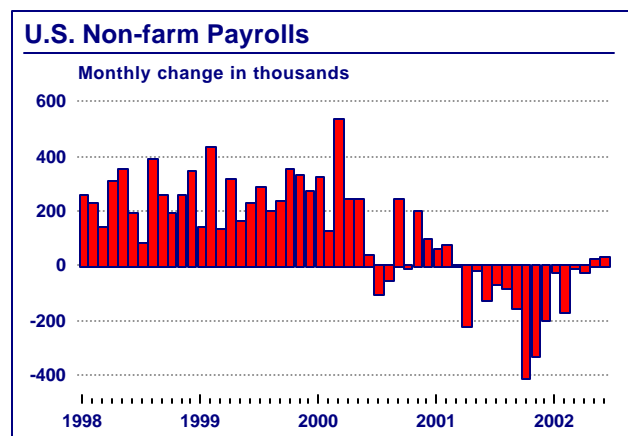
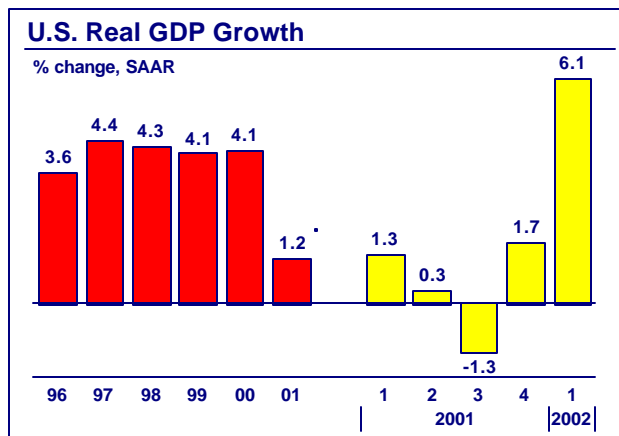
U.S. Economic Trends

The U.S. economy rose 6.1% in the first quarter

- According to final estimates, real GDP rose 6.1% (annualized) in the first quarter, up from a preliminary estimate of 5.6%. This was the largest increase since the fourth quarter of 1999. Recent indicators point to slower growth in the second quarter. Real consumer spending was flat in May after rising by only 0.1% in April. The average of the first two months is only up 1.6% (annual rate) relative to the first quarter when consumption grew by 3.3%. Moreover, information on business inventories suggests that changes in inventories, which contributed 3.4% to growth in the first quarter, will not add to growth in the second quarter.
- There are increasing signs of a slow recovery in the manufacturing sector. The Institute for Supply Management (ISM) reported that its manufacturing index rose to 56.2% in June (the highest rate since February 2000) from 55.7% in May. A reading over 50% indicates growth in the sector.

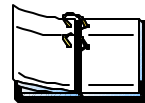
Employment conditions appear to be stabilizing in the second quarter

- The unemployment rate rose by 0.1% in June to 5.9%. Non-farm payroll employment rose by only 36,000 in June, following little changes in the previous three months. Employment in the manufacturing sector continued to fall (23,000) in June, but at a much slower pace than earlier this year and last year. This is consistent with a slow recovery in the manufacturing sector.
- Helped by lower energy prices, year-over-year CPI inflation moderated to 1.2% in May, but core inflation remained at 2.5%.



COMING UP

Key Future Data Releases and Planned Events



CANADA

Bank of Canada (key policy interest rate announcement)	July 16
Survey of Manufacturing - May	July 17
International Trade - May	July 19
Consumer Price Index - June	July 23
Private and Public Investment (revised intentions) - 2002	July 24
Real GDP by industry - May	July 31
Business Conditions Survey - July	August 2
Labour Force Survey - July	August 9

UNITED STATES

Consumer Price Index - June	July 19
International Trade in Goods and Services - May	July 19
GDP - 2nd Quarter, 2002 (advance)	July 31
The Employment Situation - July	August 2
Federal Open Market Committee meeting	August 13

Note: the June/July 2002 MEI uses data available as of July 8, 2002