






# MONTHLY ECONOMIC INDICATORS

## September 2000

### HIGHLIGHTS

-  **Real GDP advances 4.7% in the second quarter, boosted by strength in the high-tech sector.**
-  **Although employment rebounds in August, Canada's unemployment rate rises to 7.1%.**
-  **CPI inflation hits 3.0% in July, with higher energy prices accounting for over half of the overall increase.**
-  **Canada's trade surplus reaches a record high in June, aided by higher energy prices.**
-  **Broad-based gains propel the TSE 300 to new highs in August.**

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	783.3	0.4	4.7	June
Goods	263.0	0.4	5.9	June
Services	520.3	0.4	4.1	June
Composite Index	163.8	0.4	8.0	July
Employment (000's)	14,901	0.2	2.4	Aug
Full-time	12,182	0.0	3.0	Aug
Part-time	2,718	0.9	-0.2	Aug
Unemployment* (%)	7.1	6.8	7.7	Aug
Youth*	13.0	12.6	13.5	Aug
Adult*	5.9	5.6	6.6	Aug
CPI inflation*	3.0	2.9	1.8	July
Retail Sales (\$M)	22,893	0.8	6.3	June
Housing Starts (000's)	146.0	-11.8	-0.5	Aug
Trade Balance* (\$M)	4,955	4,035	2,758	June
Exports	35,341	2.3	19.5	June
Imports	30,386	-0.4	13.3	June
M&E	10,212	-2.5	13.0	June
3-mth Corp. paper* (%)	5.86	5.88	4.87	Sept 6
Long bond yield* (%)	5.51	5.55	5.68	Sept 6
Canadian dollar* (US¢)	67.69	67.25	67.00	Sept 8

\*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

## September 2000

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This report uses data available as of September 8, 2000. It has been prepared by Eric Chalifoux, Julie Dubois, Joe Macaluso, Arif Mahmud 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 expands at a solid pace in the second quarter...*

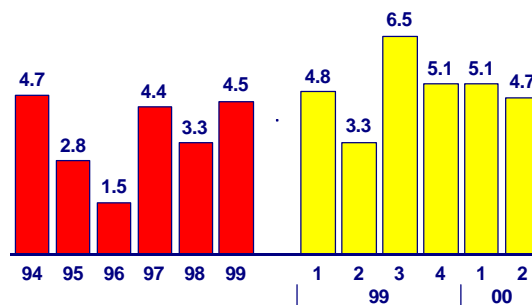
- Real GDP rose a stronger-than-expected 4.7% (annual rate) in the second quarter of 2000. This marks the 20th straight quarterly increase in output, and represents the longest consecutive string of gains since the 1960's.
- The high-tech sector was a major source of strength for the economy, accounting for roughly half of the total increase in output.
- Final domestic demand posted another solid advance, with particularly strong growth in investment in high-tech equipment. Consumer spending was also strong, supported by high levels of consumer confidence.
- Exports advanced at a healthy pace, rising 8.5% (annual rate) in the second quarter. With imports growing at an even faster pace (+10.2%), however, Canada's real trade surplus fell.

### *...supporting growth in personal income and corporate profits*

- Personal income was up sharply in the second quarter, boosted by a 10.4% surge in labour income. Federal pay equity payments accounted for just under half of the overall increase in labour income.
- Higher incomes raised the saving rate to 4.4%, up from a revised 3.9% in the first quarter of the year. Although the household debt-to-income ratio edged down to 95.1% in the second quarter, household debt levels still remain high.
- Growth in corporate operating profits slowed to 6.8% (annual rate) in the second quarter, following average gains of just over 30% in the previous six quarters. Higher commodity prices and strong demand for manufacturing products continue to support profit growth.

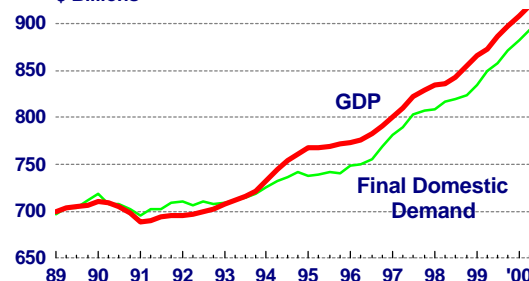
### Growth in Real Gross Domestic Product

% change, SAAR



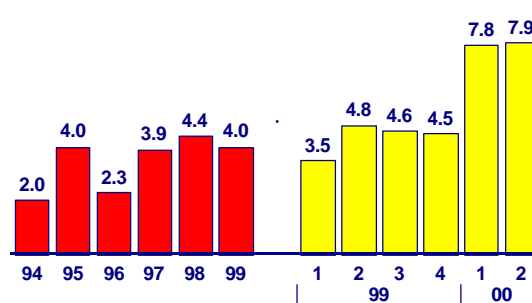
### GDP and Final Domestic Demand

\$ Billions

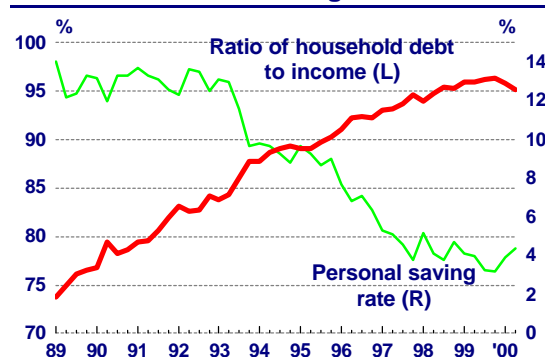


### Growth in Personal Income

% change, SAAR



### Personal Debt and Saving Rate



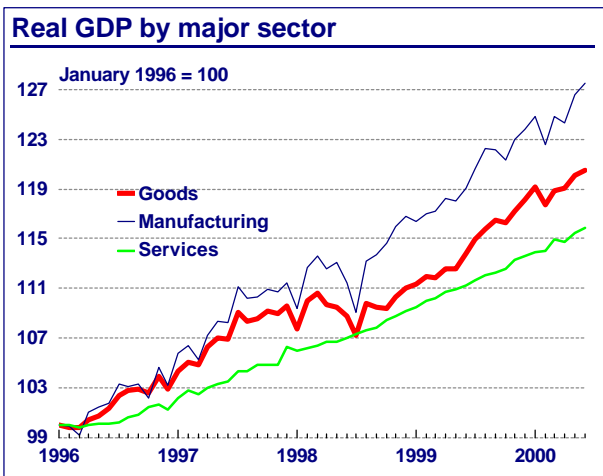
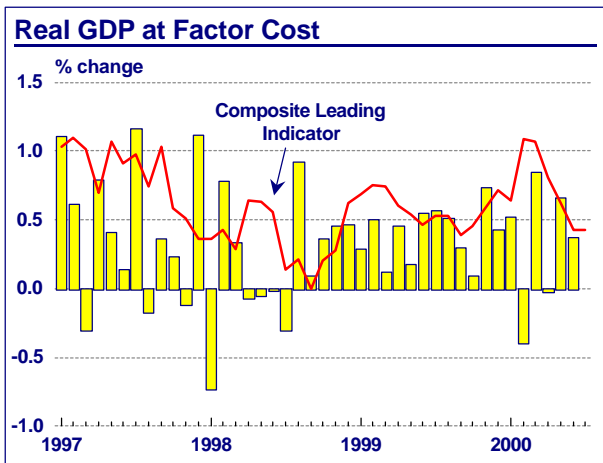


### Output growth slows in June...

- Real GDP at factor cost increased 0.4% in June, down from growth of 0.7% in May. Excluding the manufacturing and wholesaling of computers and peripheral equipment, output growth would have been a more modest 0.2%.

### ...led by sharp gains in Manufacturing and Wholesaling

- The 0.4% increase in Goods production reflects mainly a sharp rise in Manufacturing, which benefited from strong foreign demand for electrical & electronic goods, and motor vehicle parts. The settlement of a strike by Toronto cement truck drivers gave rise to a 0.6% rebound in Construction output.
- Total output in the Services sector rose 0.4% in June. A strong gain in Wholesaling resulted from a sharp rise in computer and software distribution, while continued strong growth in Business Services also contributed to growth. Declining output in Finance industries was associated with lower stock market activity.



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

#### June 2000

	\$ millions	monthly change	% Change since last month	% Change since last year
<b>Total Economy</b>	<b>783,300</b>	<b>2,865</b>	<b>0.4</b>	<b>4.7</b>
<b>Business sector</b>	<b>653,196</b>	<b>2,791</b>	<b>0.4</b>	<b>5.5</b>
<b>Goods</b>	<b>263,025</b>	<b>962</b>	<b>0.4</b>	<b>5.9</b>
Agriculture	13,858	8	0.1	2.4
Fishing & Trapping	727	-29	-3.8	-11.3
Logging & Forestry	4,549	-164	-3.5	-3.7
Mining*	29,089	31	0.1	10.3
Manufacturing	145,340	1,046	0.7	7.0
Construction	42,951	248	0.6	3.1
Other Utilities	26,511	-178	-0.7	4.5
<b>Services</b>	<b>520,275</b>	<b>1,903</b>	<b>0.4</b>	<b>4.1</b>
Transport & Storage	36,499	118	0.3	4.7
Communications	30,048	254	0.9	13.1
Wholesale Trade	48,432	776	1.6	5.0
Retail Trade	48,464	192	0.4	4.9
Finance & Insurance	44,005	-401	-0.9	6.0
Real Estate & Ins. Agent	81,274	131	0.2	2.4
Business services	46,889	400	0.9	8.2
Government services	46,241	-11	-0.0	1.8
Education	40,613	29	0.1	0.5
Health & Social Services	47,272	52	0.1	1.1
Accommodation & Food	20,198	151	0.8	3.4
Other	30,340	212	0.7	2.3

\*Includes Quarrying and Crude Petroleum & Natural Gas

# THE ECONOMY

## Consumer Spending and Attitudes

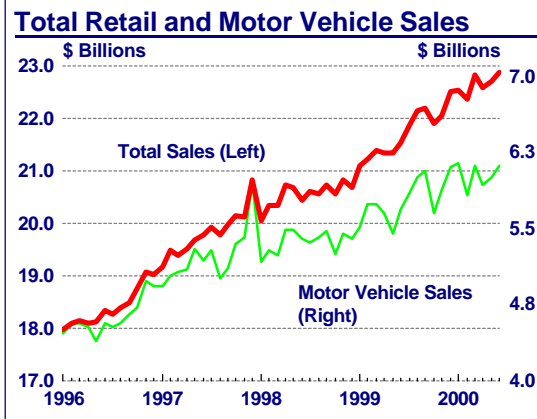


### Consumer spending is strong in the second quarter...

- Real consumption rose 3.6% (annual rate) in the second quarter of 2000, in line with growth in the previous two quarters.
- Spending on services experienced a substantial boost on the quarter. However, growth in purchases of interest-sensitive durable and semi-durable goods slowed considerably from the previous period.

### ...and is expected to remain so

- Continuing income gains and higher consumer confidence should support further increases in household spending. Although employment growth slowed in the second quarter, personal disposable income surged 8.1% (annual rate), boosted by federal pay equity payments.
- Although household finances have improved somewhat over the past three quarters, the personal saving rate is still low and household debt levels remain high. A return to solid job growth may therefore be required to sustain further increases in consumer spending.



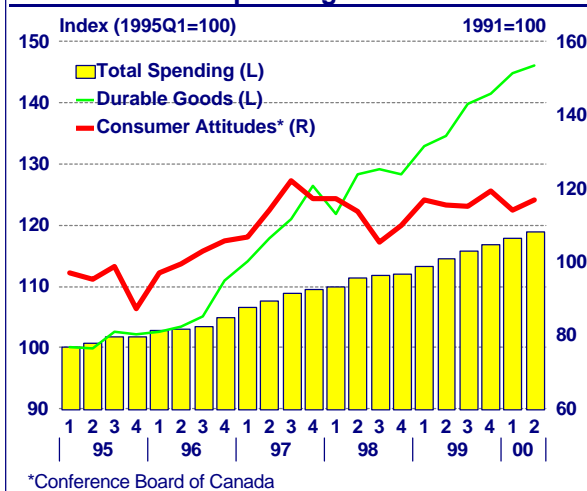
### Retail Sales and Consumer Credit

	\$ millions	% Change since	
		last month	last year
<b>Total Retail Sales (S.A.)</b>	22,893	0.8	6.3
Food	5,028	0.2	2.8
Drug Stores	1,129	0.6	2.2
Clothing	1,248	0.9	6.4
Furniture	1,247	-1.0	8.1
Automotive	9,213	1.5	9.8
General Merch. Stores	2,588	0.9	3.9
All other Stores	2,441	0.6	4.5
Total ex. motor vehicles	16,773	0.4	5.8
<b>Consumer Credit (unadjusted)</b>	181,530	1.0	9.1

### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	1998	1999	2000 Q1	2000 Q2
<b>Real Consumption (92\$)</b>	487,866	504,763	516,732	521,312
% change	2.9	3.5	3.4	3.6
Durable Goods	66,487	71,859	75,824	76,504
% change	5.9	8.1	9.4	3.6
Semi-Durable Goods	45,751	47,103	48,572	48,728
% change	4.4	3.0	8.9	1.3
Non-Durable Goods	120,795	123,344	125,028	125,464
% change	1.7	2.1	1.4	1.4
Services	254,833	262,457	267,308	270,616
% change	2.5	3.0	1.7	5.0
<b>Disposable Income</b>	567,960	590,608	611,864	623,912
% change	3.9	4.0	7.7	8.1
<b>Saving Rate (%)</b>	4.5	3.7	3.9	4.4
<b>Debt-to-Income Ratio (%)</b>	94.9	96.1	95.8	95.1

### Real Consumer Spending and Attitudes



\*Conference Board of Canada



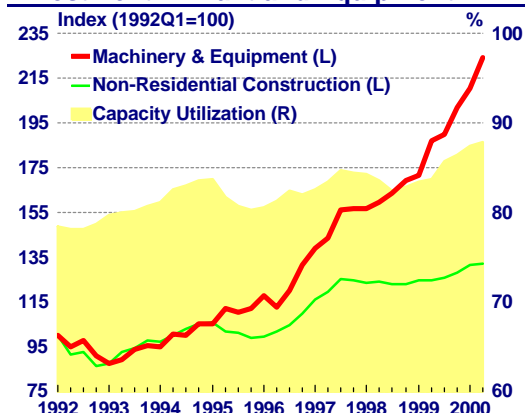
### Business investment rises faster in the second quarter...

- Business investment recorded another solid advance in the second quarter, extending its recent string of sharp gains. Spending on Machinery & Equipment (M&E) soared 28.5% (annual rate), due mainly to higher purchases of computers and other office equipment. Increased purchases of transportation equipment by the oil and gas sector also played a role.
- Growth in Non-Residential Construction slowed to 2.9% (annual rate), following an increase of 10.2% in the first quarter.

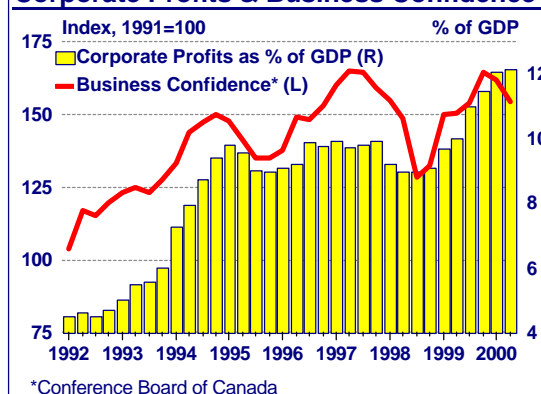
### ...and should be strong for the rest of the year

- The investment outlook remains positive, given recent gains in corporate profits and rising capacity utilization rates.
- Indeed, capacity utilization reached 87.9% in the second quarter, its highest rate since the mid-1960s. While capacity use in most major industry groups was up, Manufacturing and Mining posted particularly sharp increases.

### Investment in Plant and Equipment



### Corporate Profits & Business Confidence



### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q3	1999 Q4	2000 Q1	2000 Q2
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1992\$)</b>	65,357	75,557	76,508	81,248	84,704	90,184
% change	9.0	15.6	6.0	27.2	18.1	28.5
<b>Non-residential Construction (1992\$)</b>	39,502	40,288	40,200	41,040	42,052	42,352
% change	1.7	2.0	2.5	8.6	10.2	2.9
<b>Capacity Utilization (% , Non-farm goods)</b>	83.3	84.9	85.7	86.5	87.5	87.9
Capacity Utilization (Mfg. sector)	83.8	85.7	86.7	87.0	87.8	88.4
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
<b>Corporate Operating Profits</b>	142,296.0	174,317.0	181,716.0	189,792.0	204,288.0	207,660.0
% change	-13.3	22.5	28.2	19.0	34.2	6.8
Profits - Non-financial industries	94,891.0	123,372.0	129,740.0	135,332.0	140,360.0	147,312.0
% change	-13.6	30.0	47.5	18.4	15.7	21.3
Profits - Financial industries	47,406.0	50,945.0	51,976.0	54,460.0	63,928.0	60,348.0
% change	-12.5	7.5	-7.8	20.5	89.9	-20.6
<b>Business Credit</b>	694,677.7	729,727.8	735,011.7	746,400.0	755,693.0	771,550.3
% change	10.6	5.0	7.6	6.3	5.1	8.7



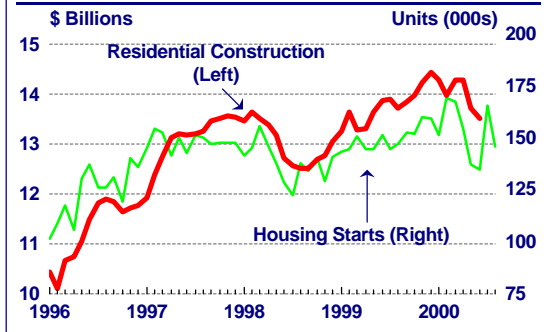
### *The housing market has weakened considerably in the first half of 2000...*

- Business investment in Residential Construction fell 11.0% in the second quarter, after registering only a slight advance in the first quarter.
- A strike by cement truck drivers in Toronto contributed greatly to this slump, leading to lower investment in new housing. However, sales of existing homes were also down on the quarter, and the pace of renovation activity slowed.

### *...and may remain weak in the last half of the year*

- The settlement of the cement truck drivers' strike resulted in a sharp rebound in housing starts in July. However, housing starts subsequently fell back in August, marking the sixth decline in the past eight months.
- Higher mortgage rates have been a major factor behind the recent weakness in the housing market. The Canada Mortgage and Housing Corporation expects that mortgage rates will decline in coming months, which could support future activity in the sector.

### Housing Activity



### Monthly Housing Indicators

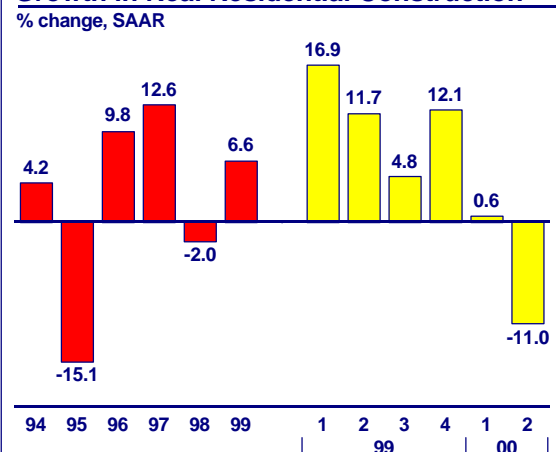
	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	13,510	-1.5%	-2.6%
<b>Building Permits, \$M (2)</b>	1,701	-1.6%	-1.8%
<b>Sales of Existing Homes (2)</b> (# of units)	18,897	-387	
<b>Housing Starts, # of units (3)</b>	146,000	-19,600	-800
Newfoundland	900	-500	0
Prince Edward Island	500	100	200
Nova Scotia	4,100	400	2,800
New Brunswick	1,600	-300	-100
Quebec	23,300	1,900	6,200
Ontario	62,100	-18,700	-500
Manitoba	2,000	500	0
Saskatchewan	2,300	100	100
Alberta	19,300	-700	-5,100
British Columbia	8,900	-2,400	-4,600

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

	\$92 Millions, SAAR (unless otherwise noted)			
	1998	1999	2000 Q1	2000 Q2
<b>Residential Construction</b>	41,523	44,259	45,832	44,528
% change	-2.0	6.6	0.6	-10.9
Construction by Business sector	41,277	43,983	45,560	44,256
% change	-2.0	6.6	0.6	-11.0
New Housing	20,701	22,258	22,996	21,800
% change	-3.5	7.5	-7.9	-19.2
Alterations & Improvements	13,640	14,399	15,212	15,328
% change	2.4	5.6	10.2	3.1
Ownership & Transfer Costs	7,182	7,259	7,624	7,400
% change	-5.7	1.1	10.3	-11.2

### Growth in Real Residential Construction



# THE ECONOMY

## Trade and Competitiveness

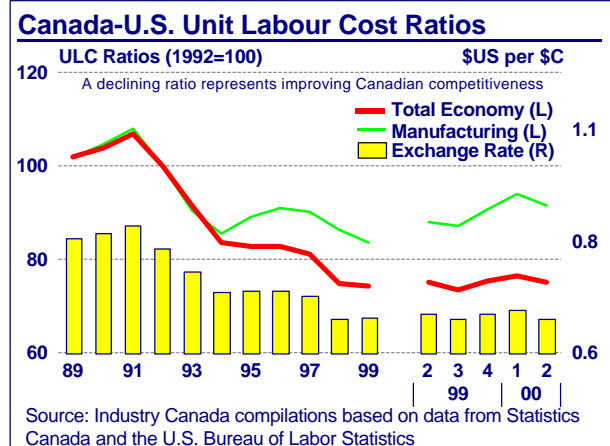
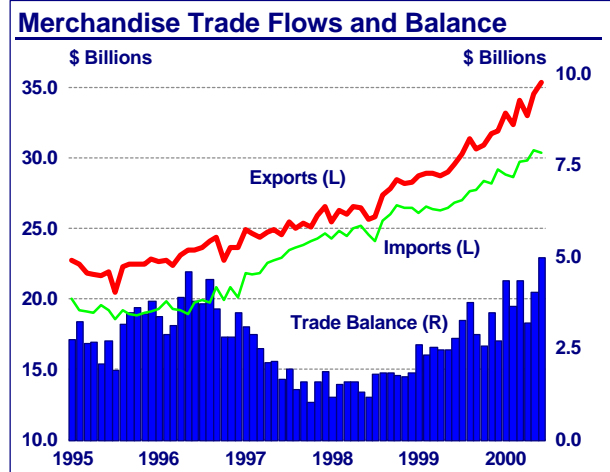


### Strong export growth in June...

- Exports rose 2.3% in June, led by gains in Energy Products and Automotive Products. Energy exports were boosted by higher prices for natural gas and crude petroleum.
- Imports edged down 0.4%, with lower imports of M&E and Other Consumer Goods.

### ...leads to a record high trade surplus

- The surge in exports in combination with lower imports lifted Canada's merchandise trade surplus to a record \$5.0 billion in June.
- Recent increases in the trade surplus are due mainly to higher export prices for energy and metal products. Lower prices for imports, associated with falling computer prices, have also boosted the value of Canada's trade surplus.



### Merchandise Trade

June 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)	% Change	
	May 2000	June 2000	1999 Jan-June	2000 Jan-June	May to June 2000	May to June 2000	June 99 to June 2000
<b>Exports</b>	<b>34,537</b>	<b>35,341</b>	<b>173,848</b>	<b>202,458</b>	<b>804</b>	<b>2.3</b>	<b>19.5</b>
to United States	29,537	30,318	148,938	173,558	781	2.6	19.5
<b>Imports</b>	<b>30,502</b>	<b>30,386</b>	<b>158,689</b>	<b>177,924</b>	<b>-116</b>	<b>-0.4</b>	<b>13.3</b>
from United States	22,280	22,507	122,060	132,244	227	1.0	10.5
<b>Trade Balance</b>	<b>4,035</b>	<b>4,955</b>	<b>15,159</b>	<b>24,534</b>	<b>920</b>		
with United States	7,257	7,811	26,878	41,314	554		
<b>Exports by Commodity</b>							
Agriculture/Fishing Products	2,372	2,301	12,579	13,510	-71	-3.0	8.4
Energy Products	3,523	4,144	12,656	21,747	621	17.6	66.8
Forestry Products	3,549	3,508	18,873	21,098	-41	-1.2	11.0
Industrial Goods & Materials	5,507	5,486	27,813	31,784	-21	-0.4	15.6
Machinery & Equipment	9,167	9,267	41,248	50,944	100	1.1	30.9
Automotive Products	7,969	8,176	47,058	48,974	207	2.6	6.1
Other Consumer Goods	1,212	1,215	6,734	7,094	3	0.2	7.9
<b>Imports by Commodity</b>							
Agriculture/Fishing Products	1,513	1,509	8,762	8,991	-4	-0.3	5.2
Energy Products	1,464	1,502	4,399	8,297	38	2.6	74.9
Forestry Products	259	259	1,335	1,519	0	0.0	14.1
Industrial Goods & Materials	5,979	6,086	30,122	35,135	107	1.8	21.3
Machinery & Equipment	10,469	10,212	52,811	59,453	-257	-2.5	13.0
Automotive Products	6,451	6,503	37,025	38,670	52	0.8	4.9
Other Consumer Goods	3,307	3,253	18,069	19,463	-54	-1.6	7.8



# LABOUR MARKET TRENDS



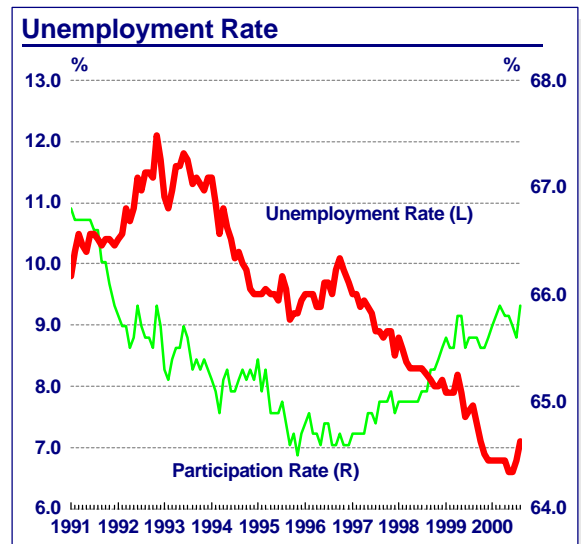
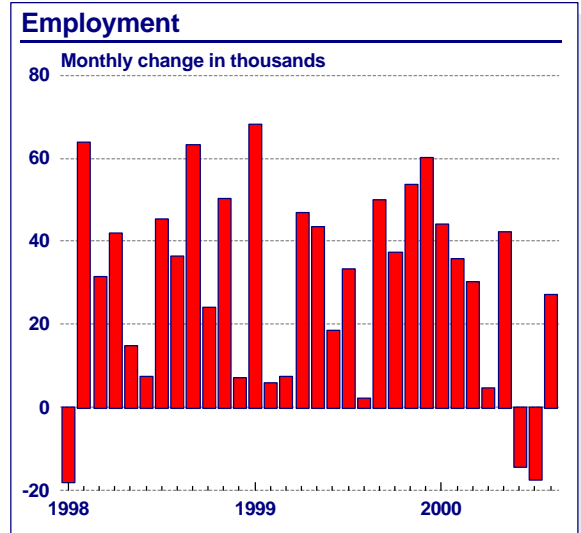
## Employment and Unemployment

### Despite higher employment in August...

- Employment rose by 27,000 in August, rebounding from modest declines in the previous two months. Even with this increase, the pace of job creation has slowed considerably over the past five months.
- An increased number of part-time jobs (+24,000) accounted for most of the overall gain, as full-time employment was up only slightly.

### ...a surge in the labour force raises the unemployment rate to 7.1%

- Despite higher employment, the national unemployment rate increased 0.3 percentage points to 7.1% in August, owing to a sharp rise in the number of job seekers (+86,000). The labour force participation rate rose to 65.9%, the same as in March and the highest rate since 1991.
- Employment was up for adult men, adult women and youth, but in all three groups an increase in the labour force led to higher unemployment rates.



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 August	2000 July	2000 August	last month	last year	year-to-date	last month	last year
<b>Employment</b>	14,546.3	14,873.5	14,900.8	27.3	354.5	153.3	0.2	2.4
<b>Full-time</b>	11,822.9	12,179.2	12,182.4	3.2	359.5	87.0	0.0	3.0
<b>Part-time</b>	2,723.4	2,694.3	2,718.4	24.1	-5.0	66.3	0.9	-0.2
<b>Youth 15-24</b>	2,196.1	2,274.7	2,278.5	3.8	82.4	24.4	0.2	3.8
<b>Adult 25+</b>	12,350.2	12,598.8	12,622.3	23.5	272.1	129.0	0.2	2.2
<b>Self-employed</b>	2,450.9	2,409.1	2,387.5	-21.6	-63.4	-121.5	-0.9	-2.6
<b>Unemployment</b>	1,215.4	1,077.1	1,135.7	58.6	-79.7	60.8	5.4	-6.6
<b>Unemployment Rate</b>	7.7	6.8	7.1	0.3	-0.6	0.3		
<b>Youth 15-24</b>	13.5	12.6	13.0	0.4	-0.5	-0.1		
<b>Adult 25+</b>	6.6	5.6	5.9	0.3	-0.7	0.3		
<b>Labour Force</b>	15,761.7	15,950.6	16,036.5	85.9	274.8	214.2	0.5	1.7
<b>Participation Rate</b>	65.6	65.6	65.9	0.3	0.3	0.3		
<b>Employment Rate</b>	60.6	61.2	61.2	0.0	0.6	0.0		



## Industry Overview

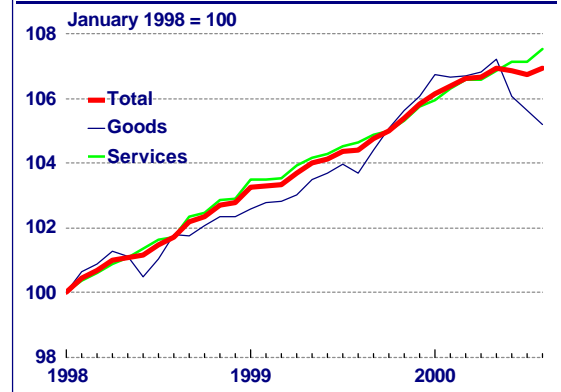
### Employment in the Goods-producing industries continues to fall...

- Employment was down 17,000 in the Goods sector in August, the fourth straight monthly decline. Job losses were reported in all major categories except Manufacturing, but the Construction industry accounted for most of the overall decrease. Employment has fallen by 33,000 since the beginning of the year in the Goods sector.
- Employment in Services rose 44,000 on the month, bringing gains so far this year to 186,000. Sizeable gains in Trade, Other Services and Health Care & Social Assistance offset a large decline for Accommodation & Food Services.

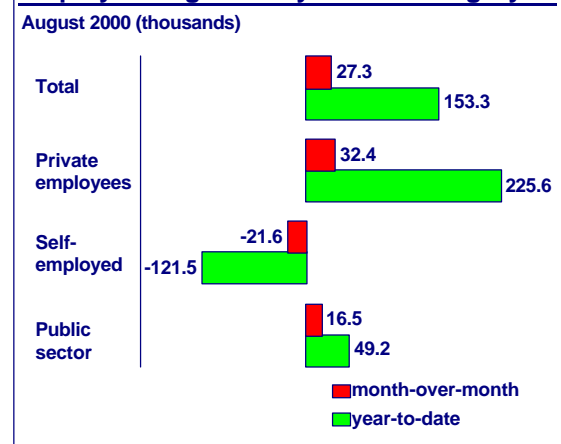
### ...along with the number of self-employed

- Paid employment in the private sector was up 32,000 in August, while public sector employment increased by 17,000. These gains were partly offset by a drop of 22,000 in the number of self-employed, bringing year-to-date losses to 122,000.

### Employment by major sector



### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 August	2000 July	2000 August	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,777.5	3,849.1	3,832.4	-16.7	54.9	-32.9	-0.4	1.5
Agriculture	405.9	368.9	367.9	-1.0	-38.0	-31.2	-0.3	-9.4
Natural Resources*	256.8	284.9	282.4	-2.5	25.6	7.1	-0.9	10.0
Utilities	116.5	115.8	115.5	-0.3	-1.0	0.1	-0.3	-0.9
Construction	764.7	825.4	806.4	-19.0	41.7	-1.0	-2.3	5.5
Manufacturing	2,233.6	2,254.1	2,260.1	6.0	26.5	-8.1	0.3	1.2
<b>Services-producing</b>	10,768.8	11,024.4	11,068.4	44.0	299.6	186.2	0.4	2.8
Trade	2,256.6	2,311.9	2,341.2	29.3	84.6	69.5	1.3	3.7
Transportation	749.6	777.1	767.9	-9.2	18.3	3.7	-1.2	2.4
FIRE*	867.0	876.5	865.4	-11.1	-1.6	0.1	-1.3	-0.2
Professional/Scientific	908.1	948.4	947.3	-1.1	39.2	20.8	-0.1	4.3
Management/Administrative	522.1	551.9	559.3	7.4	37.2	41.8	1.3	7.1
Educational Services	990.7	961.1	957.2	-3.9	-33.5	-44.5	-0.4	-3.4
Health Care/Social Assistance	1,447.3	1,518.6	1,537.4	18.8	90.1	65.5	1.2	6.2
Information/Culture/Recreation	630.6	664.7	676.4	11.7	45.8	40.2	1.8	7.3
Accommodation & Food	918.0	970.8	939.7	-31.1	21.7	-10.9	-3.2	2.4
Other Services	711.3	700.3	722.3	22.0	11.0	13.4	3.1	1.5
Public Administration	767.6	743.2	754.4	11.2	-13.2	-13.4	1.5	-1.7

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



## Provincial Overview

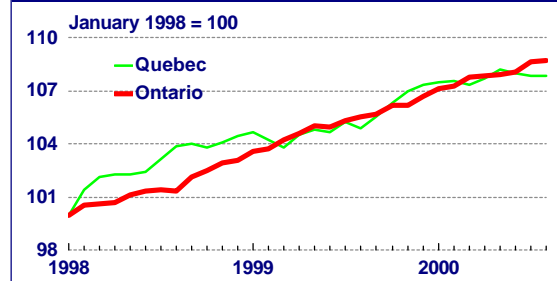
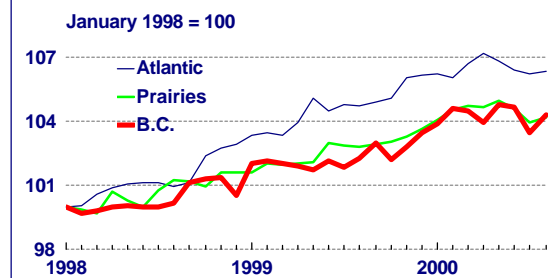
### British Columbia leads August job gains...

- Employment was up in 7 of 10 provinces in August, with British Columbia accounting for just over half of the overall gain. Job losses were posted by Saskatchewan, Nova Scotia and PEI.

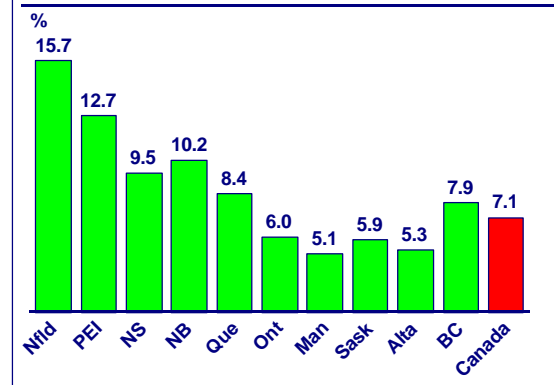
### ...but unemployment rises in most provinces

- While employment was up strongly in British Columbia, a much larger increase in the labour force drove up the unemployment rate 0.8 percentage points to 7.9% in August. Ontario's unemployment rate was up 0.7 points to 6.0%, also reflecting a sharp increase in its labour force.
- All three provinces posting job losses – Saskatchewan, Nova Scotia and P.E.I. – registered higher unemployment rates in August.
- Quebec, Newfoundland and New Brunswick were the only provinces with lower unemployment rates. The unemployment rate was unchanged in Manitoba.
- There is considerable variation in unemployment rates across provinces. At 5.1%, Manitoba has the lowest provincial unemployment rate, while Newfoundland has the highest rate at 15.7%

### Regional employment patterns



### Unemployment Rates -- August 2000



### Provincial Employment and Unemployment Trends

	Levels 2000 August	Employment (thousands)				Unemployment rate (%)		
		Change since last month		Change since last year		Levels	Change since last month last year	
		(000's)	%	(000's)	%			
Canada	14,900.8	27.3	0.2	354.5	2.4	7.1	0.3	-0.6
Newfoundland	203.5	2.0	1.0	-0.7	-0.3	15.7	-0.4	-1.3
P.E.I.	63.8	-0.1	-0.2	2.8	4.6	12.7	0.4	-0.8
Nova Scotia	416.3	-3.4	-0.8	6.2	1.5	9.5	0.3	0.3
New Brunswick	336.1	2.7	0.8	7.3	2.2	10.2	-0.1	1.1
Quebec	3,441.0	0.6	0.0	95.2	2.8	8.4	-0.4	-1.4
Ontario	5,880.9	4.8	0.1	172.6	3.0	6.0	0.7	-0.1
Manitoba	558.2	3.9	0.7	14.2	2.6	5.1	0.0	-1.2
Saskatchewan	479.5	-4.3	-0.9	-2.2	-0.5	5.9	0.6	-0.1
Alberta	1,577.6	6.2	0.4	21.7	1.4	5.3	0.1	-0.8
B.C.	1,943.9	14.9	0.8	37.6	2.0	7.9	0.8	-1.0



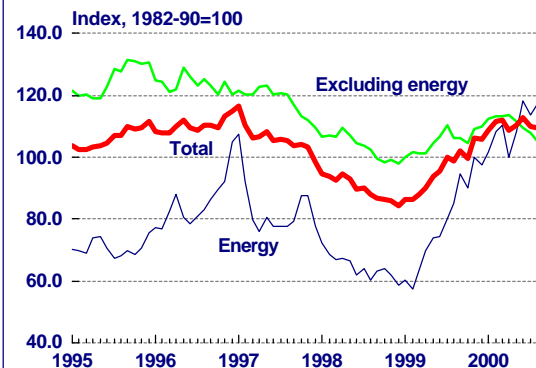
### Inflation rises to 3.0% in July...

- Consumer prices were up 3.0% in July on a year-over-year basis, with higher energy prices accounting for half of the overall rise. Increased costs for mortgage interest and tuition fees also contributed, but prices were lower for automotive vehicles, computer equipment & supplies, and clothing.
- On a monthly basis, consumer prices were up 0.4% in July, following an increase of 0.6% the previous month.

### ...but the "core" rate remains in the bottom half of the official target range

- Excluding energy, food and indirect taxes, the "core" rate of inflation was 1.5% in July, well within the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices were up 10.8% in August on a year-over-year basis. This can be attributed to higher energy prices (+37.4%), as prices for non-energy commodities fell 0.6%.

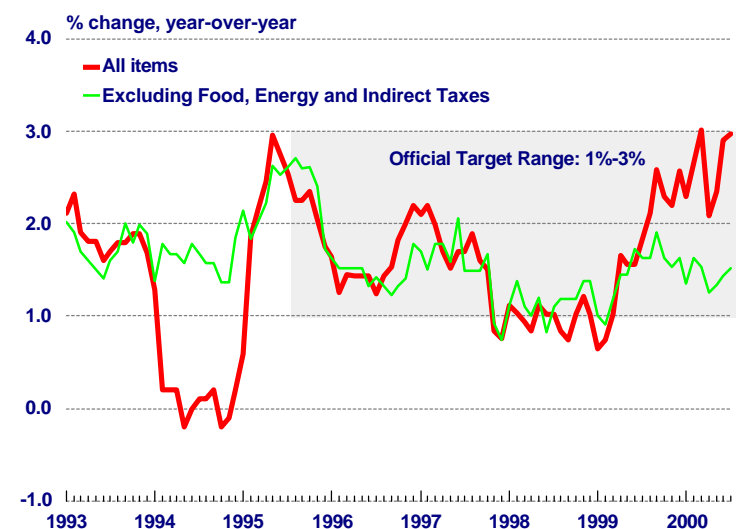
### Commodity Prices (\$U.S. basis)



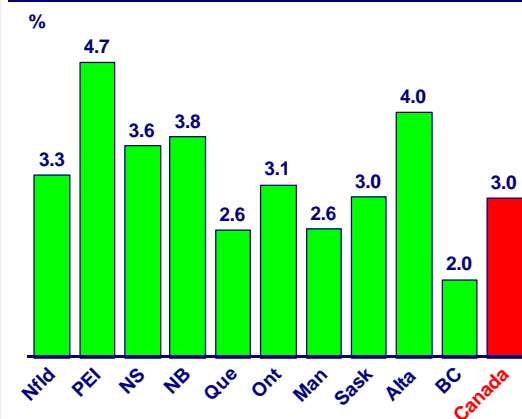
### Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
<b>July 2000</b>			
<b>All items CPI</b>	114.1	0.4	3.0
Food	113.4	0.4	1.9
Shelter	108.7	0.6	3.7
Household operations	110.5	0.5	1.2
Clothing & Footwear	104.7	0.1	0.2
Transportation	131.2	-0.5	5.2
Health & Personal Care	112.0	0.1	1.4
Recreation, Educ. & Reading	124.9	0.8	2.7
Alcohol & Tobacco	98.0	0.1	3.5
<b>Excl. Food/Energy/Indirect Taxes</b>	113.8	0.2	1.5
Energy	129.5	0.9	17.8
<b>Commodity Prices (August)</b>			
Index, 1982-90=100	109.5	-0.5	10.8
Excluding Energy	105.5	-2.3	-0.6
Energy	117.1	3.2	37.4

### Consumer Price Index



### Provincial CPI Inflation -- July 2000



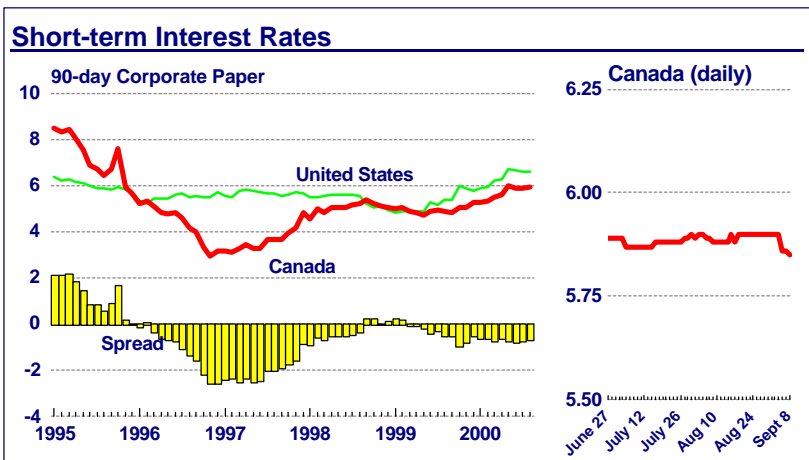


### Short term interest rates are virtually unchanged in August...

- The Bank of Canada's trendsetting Bank Rate held steady at 6.0% in August. The last increase in the Bank Rate was in May.
- Market-determined short-term interest rates have also been quite stable, hovering around the 5.9% mark since June. Canadian short-term interest rates closed 67 basis points below comparable U.S. rates on September 6.

### ...but long-term yields edge lower

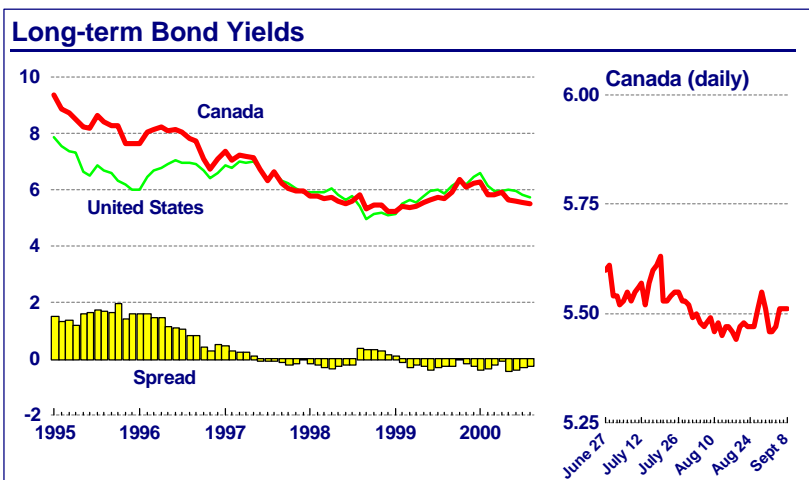
- Indications of a moderate slowdown and higher productivity growth (particularly in the U.S. economy), helped push Canadian bond yields down to their lowest levels of the year in August. The long-term interest rate fell to 5.44% on August 18, but subsequently rose above 5.5% later in the month.
- The gap between Canadian and U.S. long term interest rates narrowed slightly in August. As of September 6, Canadian rates stood 23 basis points below comparable U.S. yields. Domestic long rates also remain below domestic short rates.



#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
Mar 2000	5.46	-0.72	5.84	-0.15
April	5.62	-0.64	5.92	-0.03
May	5.98	-0.74	5.63	-0.39
June	5.89	-0.78	5.61	-0.36
July	5.88	-0.71	5.55	-0.27
August	5.90	-0.67	5.51	-0.23
Sept 6	5.86	-0.67	5.51	-0.23

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
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
Mar 2000	5.50	7.00	7.70	8.35
April	5.50	7.00	7.70	8.35
May	6.00	7.50	8.30	8.75
June	6.00	7.50	8.10	8.45
July	6.00	7.50	7.90	8.25
August	6.00	7.50	7.90	8.25
Sept 6	6.00	7.50	7.90	8.25

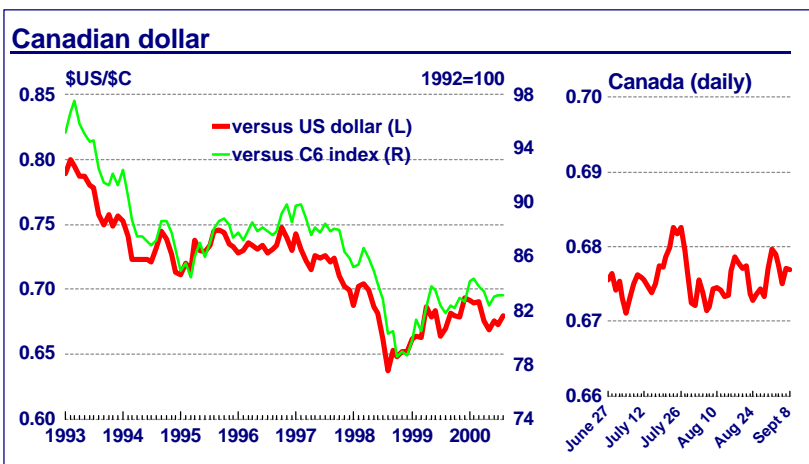


### The TSE 300 hits a new record...

- Strength across several sectors, including Paper & Forest, Oil & Gas and Financial Services, lifted the TSE 300 to a 8.1% gain in August. This advance propelled the TSE to a record high close of 11,389 on September 1. However, the TSE subsequently fell back sharply, with heavy losses in technology companies.
- U.S. stocks continue to underperform Canadian stocks, with the Dow Jones Industrial Average rising 6.6% and the S&P 500 gaining 6.1% in August. On a year-over-year basis, the TSE 300 was 61.4% higher in August, making it one of the best-performing stock markets in the world.

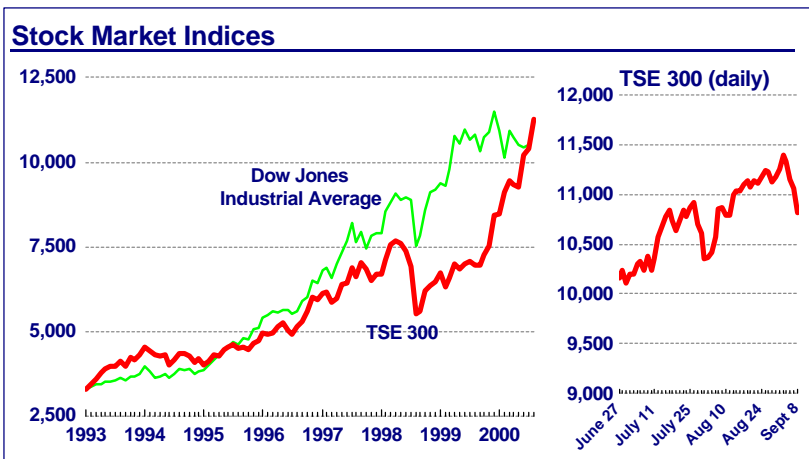
### ...and the Canadian dollar is up

- The Canadian dollar was volatile for much of August, but reached \$US 0.6796 on September 1. Stronger-than-expected growth in the second quarter and Canada's second consecutive current account surplus supported the dollar. The currency later retreated, however, pulled down by strong international demand for the U.S. currency. Still, the dollar closed out September 8 at \$US0.6769, nearly half a cent higher than at the end of July.



### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
Mar 2000	0.6899	83.84	1.388	72.77
April	0.6756	83.47	1.409	71.90
May	0.6682	82.37	1.442	72.41
June	0.6754	83.06	1.393	71.84
July	0.6725	83.17	1.410	73.23
August	0.6796	83.13	1.459	72.86
Sept 8	0.6769			



### Key Stock Market Indexes

	August Close	% change from	
		last month	last year
<b>TSE 300</b>	<b>11,248</b>	<b>8.1</b>	<b>61.4</b>
Oil & Gas	7,659	9.0	16.4
Metals & Minerals	3,635	7.2	-10.2
Utilities	14,130	-0.8	83.1
Paper & Forest	5,425	10.5	9.3
Merchandising	5,316	0.9	2.0
Financial Services	9,277	8.8	32.0
Gold	4,085	3.2	-21.1
Price-Earnings Ratio*	37.9	7.6	3.1
<b>S&amp;P 500</b>	<b>1,518</b>	<b>6.1</b>	<b>14.9</b>
<b>Dow Jones</b>	<b>11,215</b>	<b>6.6</b>	<b>3.6</b>

\*columns 2 & 3 reflect change in levels



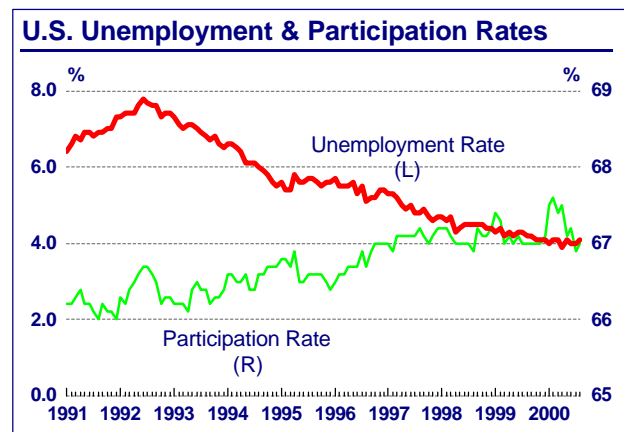
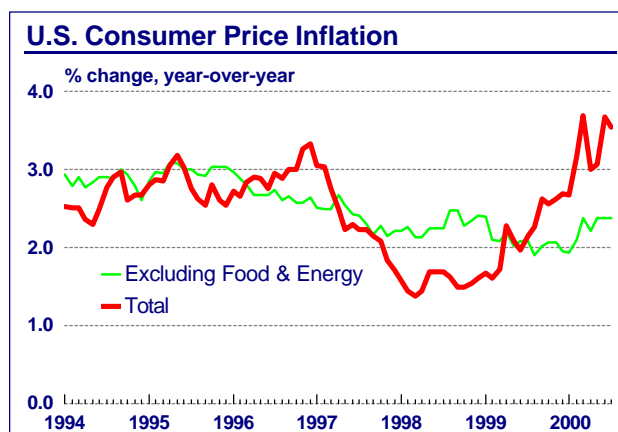
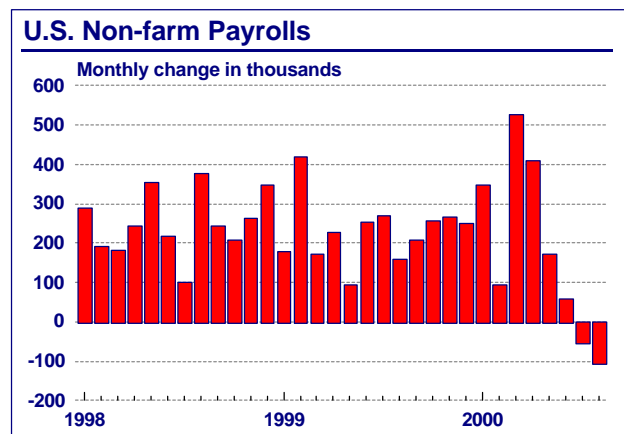
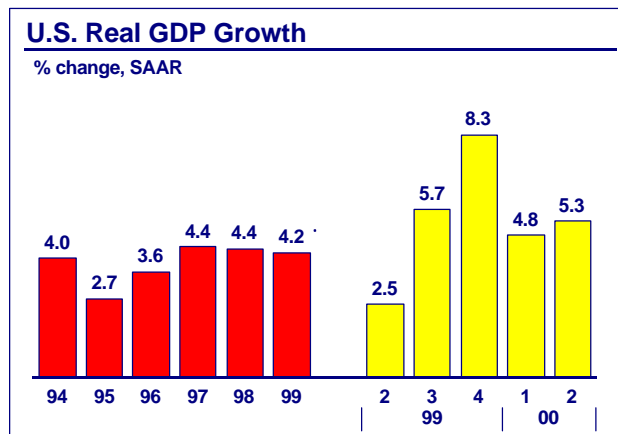
## U.S. Economic Trends

### The U.S. economy grows strongly in the second quarter...

- Preliminary estimates indicate that U.S. real GDP surged 5.3% (annual rate) in the second quarter of 2000. Solid gains in non-residential fixed investment, consumer spending on services, and inventory investment more than offset strong import growth and a slowdown in purchases of durable goods.
- However, employment fell by 105,000 in August, reflecting in large part a decline in government employment attributed to the departure of temporary Census workers and a strike in the communications industry. The U.S. unemployment rate edged up to 4.1%.
- The U.S. trade deficit soared to a record \$30.6 billion in June, up slightly from May's revised deficit of \$30.3 billion. A jump in imports (4.6%), led by crude oil, widened the deficit despite strong export growth (3.7%).

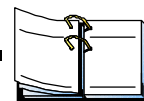
### ... but the Fed leaves interest rates unchanged

- In a widely anticipated move, the Federal Reserve left interest rates unchanged at its August 22 meeting. The Fed seems generally content with the current expansion of the economy, especially with productivity growth revised up to 5.7% (annual rate) in the second quarter. However, noting that risks are weighted mainly toward increased inflationary pressures, the Fed adopted a bias toward future tightening.



## COMING UP

### Key Future Data Releases and Planned Events



#### CANADA

Consumer Price Index – August .....	September 14
Survey of Manufacturing – July .....	September 19
International Trade – July .....	September 20
GDP at factor cost – July .....	September 29
Labour Force Survey – September .....	October 6
Business Conditions Survey – October .....	November 2
Financial Statistics For Enterprises – 3rd Quarter 2000 .....	November 24
National Economic & Financial Accounts – 3rd Quarter 2000 .....	November 30
Balance of International Payments – 3rd Quarter 2000 .....	November 30
Capacity Utilization Rates – 3rd Quarter 2000 .....	December 7

#### UNITED STATES

Consumer Price Index – August .....	September 15
International Trade – July .....	September 20
GDP – 2nd Quarter 2000, Final .....	September 28
Federal Open Market Committee meeting .....	October 3
Employment Situation – September .....	October 6

Note: the September MEI uses data available as of September 8, 2000