

MONTHLY ECONOMIC INDICATORS

January 2001

HIGHLIGHTS

-  **Output rebounds in October, leaving the economy on track for growth of 5% overall in 2000.**
-  **December job gains lower the unemployment rate to 6.8%.**
-  **Supported by higher energy prices, Canada's trade surplus remains high even as export growth slows.**
-  **The weakening U.S. economy prompts a cut in U.S. rates, pointing to lower rates in Canada.**
-  **The Canadian dollar strengthens in December and early January.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	797.0	0.5	4.6	Oct
Goods	260.8	0.7	4.3	Oct
Services	536.2	0.4	4.7	Oct
Composite Index	168.0	0.3	8.7	Nov
Employment (000's)	15,067	0.2	2.2	Dec
Full-time	12,359	0.1	2.2	Dec
Part-time	2,708	0.6	2.1	Dec
Unemployment* (%)	6.8	6.9	6.8	Dec
Youth*	12.5	12.6	13.1	Dec
Adult*	5.7	5.8	5.6	Dec
CPI inflation*	3.2	2.8	2.2	Nov
Retail Sales (\$M)	23,293	-0.9	6.3	Oct
Housing Starts (000's)	148.0	-4.9	-7.1	Dec
Trade Balance* (\$M)	4,561	4,562	2,563	Oct
Exports	35,090	0.1	13.5	Oct
Imports	30,529	0.1	7.7	Oct
M&E	10,373	-0.9	8.8	Oct
3-mth Corp. paper* (%)	5.70	5.89	5.27	Jan 3
Long bond yield* (%)	5.63	5.51	6.23	Jan 3
Canadian dollar* (US¢)	66.72	65.10	69.29	Jan 5

*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.



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MONTHLY ECONOMIC INDICATORS

January 2001

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 January 5, 2001. It has been prepared by Éric Chalifoux, 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.

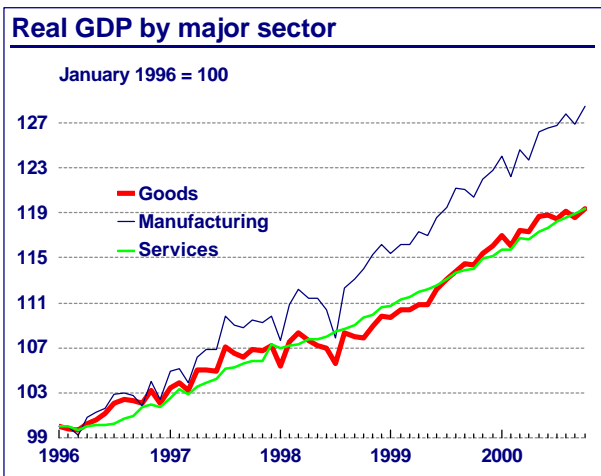
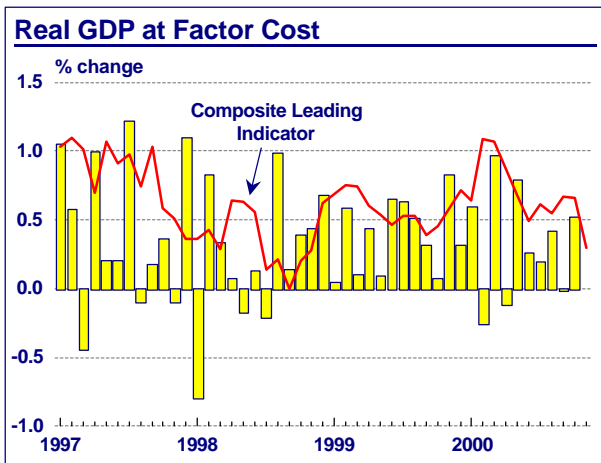


Output regains strength in October...

- After pausing in September, real GDP at factor cost advanced 0.5% in October. The economy is on track for growth of just under 5% overall in 2000.

...with healthy gains in both Goods and Services

- Output in the Goods sector increased by 0.7% in October. This was due largely to a rebound in Manufacturing, where gains were broadly based, but led by the electrical and electronic equipment industry. Elsewhere, Construction activity eased back slightly, while a sharp rise in drilling and rigging activity boosted output in the Mining sector. Slower housing demand in the U.S. contributed to a further drop in the Logging & Forestry Industry.
- The Services sector expanded 0.4% in October. Wholesale Trade rebounded strongly following two weak months, while architectural, engineering and scientific services boosted output of Business Services. The only decline among the major Service groups was in Retail Trade, which experienced a sharp reduction in auto sales.



Real GDP at Factor Cost (1992 dollars)

October 2000

	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	796,986	4,153	0.5	4.6
Business sector	667,398	3,873	0.6	5.2
Goods	260,755	1,764	0.7	4.3
Agriculture	12,875	-14	-0.1	-4.8
Fishing & Trapping	661	-11	-1.6	-6.4
Logging & Forestry	4,676	-125	-2.6	-2.5
Mining*	27,428	236	0.9	5.1
Manufacturing	146,308	1,822	1.3	6.7
Construction	42,639	-70	-0.2	1.9
Other Utilities	26,168	-74	-0.3	1.2
Services	536,231	2,389	0.4	4.7
Transport & Storage	36,976	33	0.1	4.4
Communications	30,962	292	1.0	11.1
Wholesale Trade	51,353	689	1.4	5.2
Retail Trade	51,337	-265	-0.5	6.7
Finance & Insurance	44,232	327	0.7	8.0
Real Estate & Ins. Agent	83,368	261	0.3	2.8
Business services	51,411	669	1.3	11.0
Government services	47,645	119	0.3	2.8
Education	40,984	59	0.1	0.5
Health & Social Services	46,486	64	0.1	0.4
Accommodation & Food	21,383	55	0.3	4.5
Other	30,094	86	0.3	1.7

*Includes Quarrying and Crude Petroleum & Natural Gas

THE ECONOMY

Consumer Spending and Attitudes



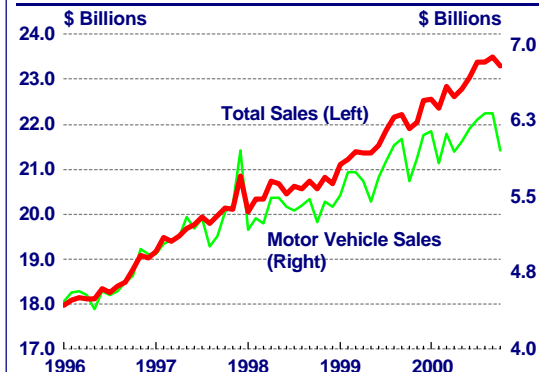
Consumer spending maintains strength in the third quarter...

- Consumer spending posted its strongest increase in over two years in the third quarter.
- While spending was up across all major categories, purchases of consumer durables jumped 16.3% (annualized), as motor vehicle sales were boosted by generous manufacturers' incentives.

...but may slow in the fourth quarter

- Disposable income rose at a slower rate than personal income in the third quarter (1.4%), with growth in transfers to governments outpacing income growth. After adjusting for inflation, personal disposable income fell 1.5%, the first quarterly drop in four years.
- Employment growth has been strong and consumer confidence remains high, but retail sales fell 0.9% in October. This decline was led by lower sales of motor vehicles, which had previously been boosted by generous incentives. Excluding motor vehicles, sales were up 0.9% on the month. More recent data point to a slight recovery in auto sales for November, but lower department store sales.

Total Retail and Motor Vehicle Sales



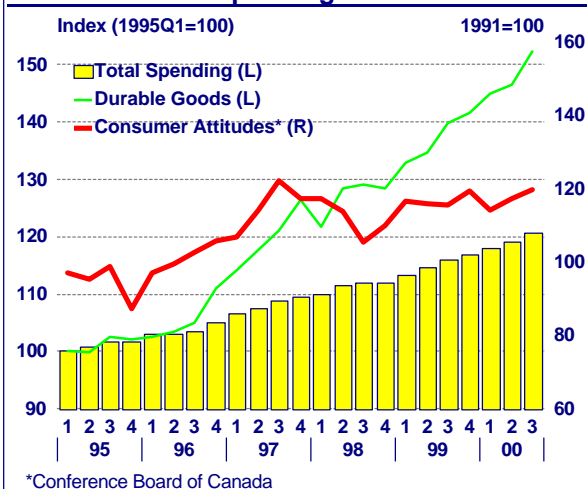
Retail Sales and Consumer Credit

	October 2000 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	23,293	-0.9	6.3
Food	5,163	0.6	5.2
Drug Stores	1,151	0.5	3.1
Clothing	1,282	-1.4	5.4
Furniture	1,288	-0.5	7.3
Automotive	9,222	-3.3	8.3
General Merch. Stores	2,659	3.1	3.1
All other Stores	2,527	0.9	6.4
Total ex. motor vehicles	17,339	0.9	6.7
Consumer Credit (unadjusted)	188	0.9	9.2

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	1998	1999	2000 Q2	2000 Q3
Real Consumption (92\$)	487,866	504,763	522,044	529,036
% change	2.9	3.5	3.6	5.5
Durable Goods	66,487	71,859	76,776	79,724
% change	5.9	8.1	4.8	16.3
Semi-Durable Goods	45,751	47,103	48,976	50,000
% change	4.4	3.0	3.2	8.6
Non-Durable Goods	120,795	123,344	125,572	126,084
% change	1.7	2.1	1.9	1.6
Services	254,833	262,457	270,720	273,228
% change	2.5	3.0	4.1	3.8
Disposable Income	567,960	590,608	622,172	624,300
% change	3.9	4.0	5.2	1.4
Saving Rate (%)	4.5	3.7	3.9	2.3
Debt-to-Income Ratio (%)	94.9	96.1	95.4	96.3

Real Consumer Spending and Attitudes



*Conference Board of Canada



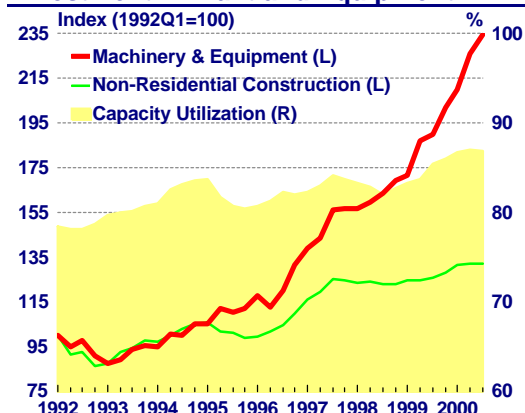
Business investment is strong in the third quarter...

- Business investment in M&E remains very strong, rising 16.0% (annual rate) in the third quarter. Purchase of telecommunications equipment led the third quarter advance.
- Non-Residential Construction activity edged lower. Non-residential building was flat, and exploration activity in the oil and gas sector has been constrained by poor weather and shortages of equipment and personnel.

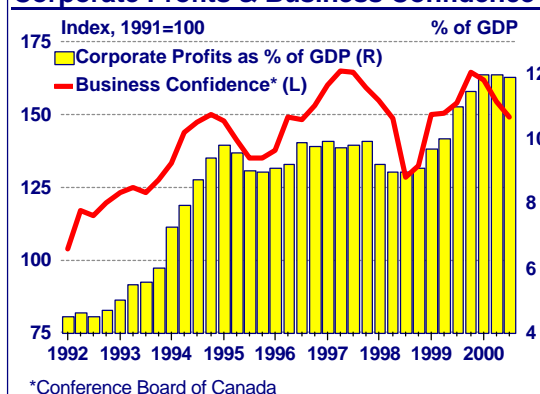
...but may slow over the near term

- Slowing growth and a sluggish profit performance may dampen future business investment.
- Indeed, total imports of M&E fell in October, despite increased purchases of communication equipment and computers. Non-residential building activity fell for the third consecutive month in October, but oil and gas drilling activity picked up with more favourable weather conditions.

Investment in Plant and Equipment



Corporate Profits & Business Confidence



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q4	2000 Q1	2000 Q2	2000 Q3
BUSINESS INVESTMENT						
Machinery & Equipment (1992\$)	65,357	75,557	81,248	84,616	91,036	94,472
% change	9.0	15.6	27.2	17.6	34.0	16.0
Non-residential Construction (1992\$)	39,502	40,288	41,040	42,056	42,348	42,296
% change	1.7	2.0	8.6	10.3	2.8	-0.5
Capacity Utilization (% Non-farm goods)	82.8	84.6	86.0	86.8	87.0	86.9
Capacity Utilization (Mfg. sector)	83.8	85.7	86.6	87.1	87.1	87.5
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	142,296.0	174,317.0	189,792.0	204,916.0	209,996.0	210,212.0
% change	-13.3	22.5	19.0	35.9	10.3	0.4
Profits - Non-financial industries	94,891.0	123,372.0	135,332.0	139,896.0	145,836.0	148,632.0
% change	-13.6	30.0	18.4	14.2	18.1	7.9
Profits - Financial industries	47,406.0	50,945.0	54,460.0	65,016.0	64,160.0	61,580.0
% change	-12.5	7.5	20.5	103.1	-5.2	-15.1
Business Credit	693,247.3	729,422.8	746,826.3	758,165.0	775,813.7	785,092.3
% change	10.7	5.2	6.4	6.2	9.6	4.9



The housing market recovers in the third quarter...

- Business investment in Residential Construction rose 6.0%, partly offsetting a decline in the previous quarter.
- The continuing recovery from a Spring strike by cement truck drivers in Toronto contributed greatly to this advance, leading to higher investment in new housing. Sales of existing homes were also up on the quarter along with an increase in the pace of renovation activity.

...but weakens in the fourth quarter

- Most indicators point to a weaker fourth quarter. Residential construction was down 0.2% in October, although this follows strong gains in the previous three months. Housing starts declined in November and December, and fell 0.3% overall in the fourth quarter.
- Mortgage rates dropped 20-30 basis points across the board in December, which may support future activity in the sector. Residential building permits also remain firm.

Housing Activity



Monthly Housing Indicators

	levels	Change since	
		last month	last year
Residential Construction (1) (\$92M, factor cost basis)	14,266	-0.2%	1.4%
Building Permits, \$M (1)	1,730	5.5%	-2.5%
Sales of Existing Homes (2) (# of units)	20,884	890	
Housing Starts, # of units (3)	148,000	-7,600	-11,300
Newfoundland	1,100	200	200
Prince Edward Island	600	200	300
Nova Scotia	3,300	1,400	800
New Brunswick	1,200	-1,300	-400
Quebec	18,800	-4,900	-1,300
Ontario	65,900	-1,300	-2,700
Manitoba	1,500	200	-100
Saskatchewan	800	-1,000	-1,000
Alberta	22,600	-900	1,200
British Columbia	11,000	-200	-5,000

1 - October data; 2 - November data; 3 - December data
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

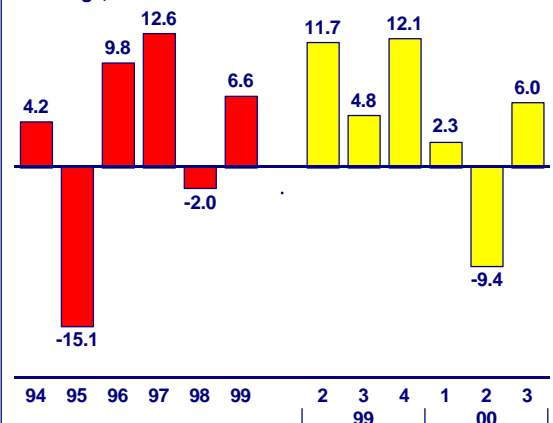
Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1998	1999	2000 Q2	2000 Q3
Residential Construction	41,523	44,259	44,912	45,564
% change	-2.0	6.6	-9.3	5.9
Construction by Business sector	41,277	43,983	44,640	45,292
% change	-2.0	6.6	-9.4	6.0
New Housing	20,701	22,258	21,968	22,268
% change	-3.5	7.5	-17.8	5.6
Alterations & Improvements	13,640	14,399	15,380	15,644
% change	2.4	5.6	2.6	7.0
Ownership & Transfer Costs	7,182	7,259	7,564	7,652
% change	-5.7	1.1	-5.5	4.7

Growth in Real Residential Construction

% change, SAAR



THE ECONOMY

Trade and Competitiveness



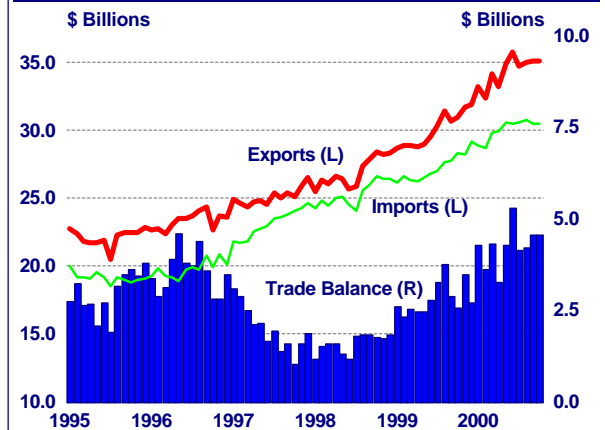
Exports and imports are little changed in October...

- Exports edged up 0.1% in October. Exports of Automotive Products increased substantially, but this was offset by a sharp drop in Energy Products exports.
- Imports also edged up 0.1%, as a rebound in imports of Automotive Products was partly offset by declines in Industrial Goods & Materials and M&E.

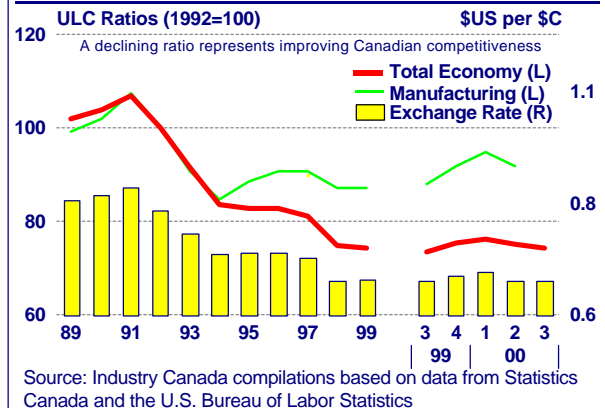
...leaving Canada's trade surplus unchanged

- With only a small increase in both exports and imports, Canada's trade surplus was unchanged at \$4.6 billion in October.
- The cumulative trade surplus over the first ten months of the year was \$42.5 billion, up \$14.9 billion on a year-to-date basis. Two-thirds of this improvement is due to a higher surplus on Energy Products, which has been boosted by higher prices.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



Merchandise Trade

October 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)	% Change	
	September 2000	October 2000	1999 Jan-Oct.	2000 Jan-Oct.		Sept. to Oct. 2000	Sept. to Oct. 2000
Exports	35,067	35,090	297,059	343,392	23	0.1	13.5
to United States	30,284	30,516	255,080	295,377	232	0.8	14.8
Imports	30,505	30,529	269,442	300,874	24	0.1	7.7
from United States	22,380	22,387	206,251	221,881	7	0.0	4.8
Trade Balance	4,562	4,561	27,617	42,518	-1		
with United States	7,904	8,129	48,829	73,496	225		
Exports by Commodity							
Agriculture/Fishing Products	2,307	2,223	21,180	22,835	-84	-3.6	3.1
Energy Products	4,604	4,158	23,924	40,492	-446	-9.7	47.4
Forestry Products	3,425	3,408	32,311	34,716	-17	-0.5	2.3
Industrial Goods & Materials	5,382	5,470	47,253	53,564	88	1.6	10.4
Machinery & Equipment	8,977	9,138	70,607	86,575	161	1.8	22.8
Automotive Products	7,843	8,206	79,099	80,716	363	4.6	2.9
Other Consumer Goods	1,236	1,256	11,207	12,062	20	1.6	11.7
Imports by Commodity							
Agriculture/Fishing Products	1,595	1,607	14,691	15,315	12	0.8	4.8
Energy Products	1,504	1,525	8,275	14,501	21	1.4	43.3
Forestry Products	263	253	2,260	2,535	-10	-3.8	11.5
Industrial Goods & Materials	5,864	5,747	50,982	58,354	-117	-2.0	7.8
Machinery & Equipment	10,462	10,373	89,471	101,326	-89	-0.9	8.8
Automotive Products	6,331	6,479	62,931	64,991	148	2.3	0.3
Other Consumer Goods	3,388	3,477	30,519	33,029	89	2.6	10.2

LABOUR MARKET TRENDS



Employment and Unemployment

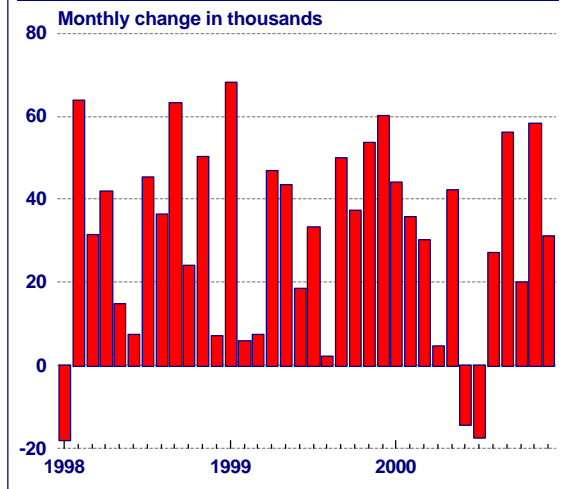
Job gains in December...

- Employment rose by 31,000 in December, with gains split fairly evenly between full-time and part-time work.
- The labour market has bounced back strongly following some weakness in the summer months. Employment rose 319,000 overall in 2000, building on an increase of 427,000 net new jobs in 1999.
- Job gains over the past year were especially strong for youth and adult women.

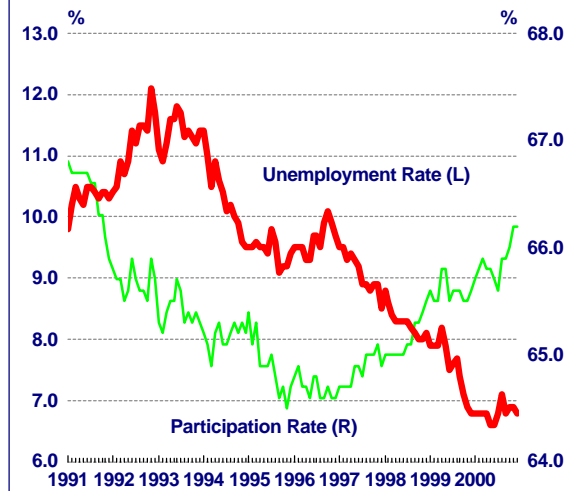
...lower the unemployment rate to 6.8%

- Although the labour force also increased, December job gains lowered the national unemployment rate by 0.1 percentage points to 6.8%. This is the same rate as at the end of last year.
- Job growth was matched by increases in the labour force over the course of the year. The participation rate is now 66.2%, the highest level since the early 1990s.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 December	2000 November	2000 December	last month	last year	year-to- date	last month	last year
Employment	14,747.5	15,035.6	15,066.7	31.1	319.2	319.2	0.2	2.2
Full-time	12,095.4	12,342.6	12,358.7	16.1	263.3	263.3	0.1	2.2
Part-time	2,652.1	2,693.0	2,708.0	15.0	55.9	55.9	0.6	2.1
Youth 15-24	2,254.1	2,325.1	2,344.4	19.3	90.3	90.3	0.8	4.0
Adult 25+	12,493.3	12,710.5	12,722.3	11.8	229.0	229.0	0.1	1.8
Self-employed	2,509.0	2,359.6	2,363.3	3.7	-145.7	-145.7	0.2	-5.8
Unemployment	1,074.9	1,112.8	1,103.7	-9.1	28.8	28.8	-0.8	2.7
Unemployment Rate	6.8	6.9	6.8	-0.1	0.0	0.0		
Youth 15-24	13.1	12.6	12.5	-0.1	-0.6	-0.6		
Adult 25+	5.6	5.8	5.7	-0.1	0.1	0.1		
Labour Force	15,822.3	16,148.4	16,170.4	22.0	348.1	348.1	0.1	2.2
Participation Rate	65.6	66.2	66.2	0.0	0.6	0.6		
Employment Rate	61.2	61.6	61.7	0.1	0.5	0.5		



Industry Overview

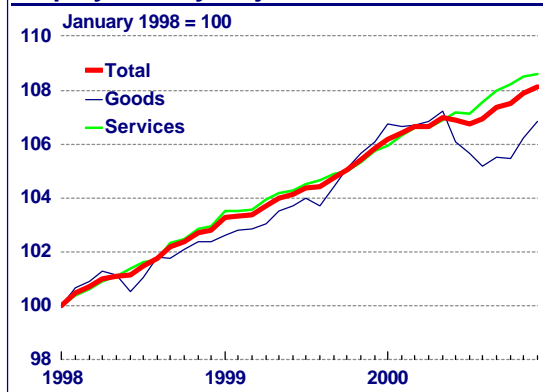
Services pace job growth in 2000...

- The Manufacturing sector posted the biggest net job gain in December, sustaining the recent pickup in this industry following a weak third quarter. For the year as a whole, labour market conditions were weaker in the Goods sector, due to a marked decline in Agricultural employment and a marginal advance in Natural Resource-based industries.
- Although Manufacturing was key to the December advance, broad-based gains in Services-producing industries were the main source of job growth in 2000. However, a notable job loss in Education Services offset gains in the previous year.

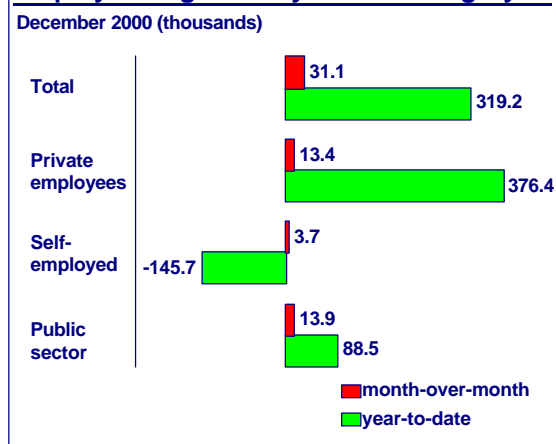
...but self-employment drops for first time since the mid-1980s

- Paid employment in the private sector was the main source of growth, the public sector contributed to job gains in 2000 for the second year in a row.
- Despite a modest increase in December, self-employment fell by 146,000 overall in 2000, the first annual drop since 1986.

Employment by major sector



Employment growth by worker category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 December	2000 November	2000 December	last month	last year	year-to- date	last month	last year
Goods-producing	3,865.3	3,870.7	3,891.8	21.1	26.5	26.5	0.5	0.7
Agriculture	399.1	349.4	347.5	-1.9	-51.6	-51.6	-0.5	-12.9
Natural Resources*	275.3	286.3	277.7	-8.6	2.4	2.4	-3.0	0.9
Utilities	115.4	118.0	117.7	-0.3	2.3	2.3	-0.3	2.0
Construction	807.4	817.1	820.6	3.5	13.2	13.2	0.4	1.6
Manufacturing	2,268.2	2,299.9	2,328.4	28.5	60.2	60.2	1.2	2.7
Services-producing	10,882.2	11,164.9	11,174.9	10.0	292.7	292.7	0.1	2.7
Trade	2,271.7	2,337.0	2,354.4	17.4	82.7	82.7	0.7	3.6
Transportation	764.2	796.5	787.8	-8.7	23.6	23.6	-1.1	3.1
FIRE*	865.3	884.5	881.9	-2.6	16.6	16.6	-0.3	1.9
Professional/Scientific	926.5	985.5	988.6	3.1	62.1	62.1	0.3	6.7
Management/Administrative	517.5	569.4	559.2	-10.2	41.7	41.7	-1.8	8.1
Educational Services	1,001.7	974.4	952.1	-22.3	-49.6	-49.6	-2.3	-5.0
Health Care/Social Assistance	1,471.9	1,509.4	1,523.7	14.3	51.8	51.8	0.9	3.5
Information/Culture/Recreation	636.2	695.8	700.6	4.8	64.4	64.4	0.7	10.1
Accommodation & Food	950.6	948.1	965.7	17.6	15.1	15.1	1.9	1.6
Other Services	708.9	696.6	698.4	1.8	-10.5	-10.5	0.3	-1.5
Public Administration	767.8	767.9	762.4	-5.5	-5.4	-5.4	-0.7	-0.7

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



Provincial Overview

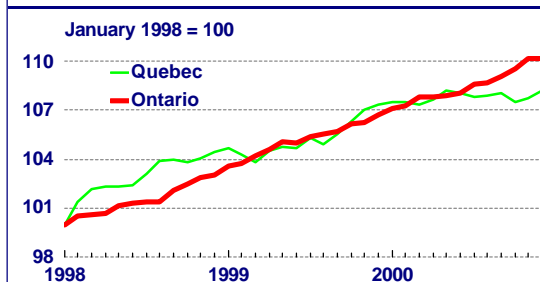
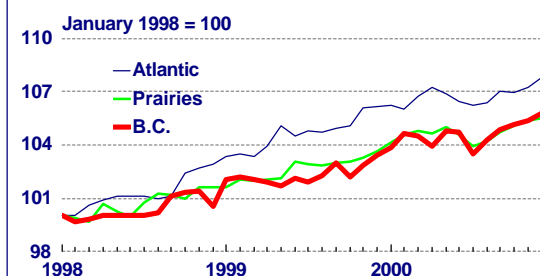
While Quebec leads December job growth...

- Quebec led all provinces in job growth in December. Its unemployment rate fell to 8.0%, the lowest rate since 1976.
- In percentage terms, sizeable employment gains were also registered in Prince Edward Island and Nova Scotia, leading to lower employment rates.

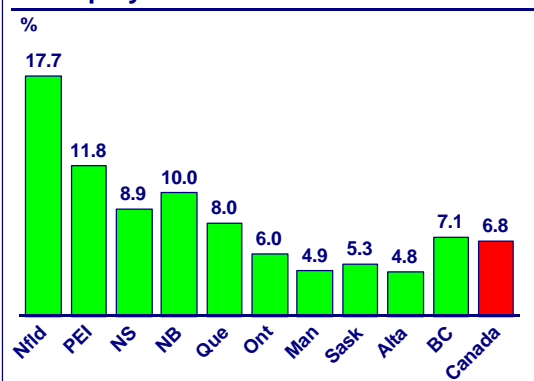
...most provinces register gains on the year, led by Ontario

- Employment in Ontario paused in December, but this province led the country in job growth on the year in both absolute and percentage terms. Growth in the labour force was even stronger, however, leading to a 0.5 point rise in the unemployment rate.
- Saskatchewan and Newfoundland both registered job losses in December and on the year. Job losses in Newfoundland, which raised the unemployment rate 3.6 points on the year, follow three years of strong growth spurred by energy-related projects. In Saskatchewan, the unemployment rate was unchanged from the previous year due to a matching drop in the labour force.
- In all other provinces, employment was up and unemployment was down in 2000.

Regional employment patterns



Unemployment Rates -- December 2000



Provincial Employment and Unemployment Trends

	Levels 2000 December	Employment (thousands)				Unemployment rate (%)		
		Change since last month		Change since last year		Levels	Change since last month	last year
		(000's)	%	(000's)	%			
Canada	15,066.7	31.1	0.2	319.2	2.2	6.8	-0.1	0.0
Newfoundland	204.7	-0.7	-0.3	-6.5	-3.1	17.7	0.1	3.6
P.E.I.	65.3	1.8	2.8	1.6	2.5	11.8	-2.0	-0.9
Nova Scotia	425.6	5.4	1.3	11.7	2.8	8.9	-0.6	-0.7
New Brunswick	338.3	-0.6	-0.2	8.9	2.7	10.0	-0.5	-0.2
Quebec	3,451.4	13.9	0.4	25.8	0.8	8.0	-0.3	-0.1
Ontario	5,960.4	-1.4	-0.0	186.4	3.2	6.0	0.0	0.5
Manitoba	556.3	1.3	0.2	10.3	1.9	4.9	0.0	-0.3
Saskatchewan	479.2	-5.6	-1.2	-4.7	-1.0	5.3	0.2	0.0
Alberta	1,613.0	8.5	0.5	41.3	2.6	4.8	-0.1	-0.6
B.C.	1,972.5	8.4	0.4	44.3	2.3	7.1	0.1	-0.7

PRICES and FINANCIAL MARKETS

Consumer and Commodity Prices



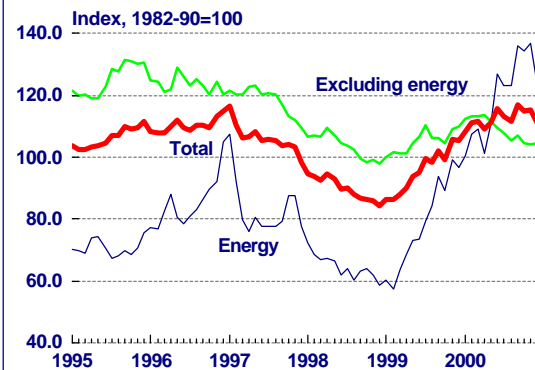
Inflation rises above 3% in November...

- The annual rate of CPI inflation rose to 3.2% in November, the highest level in nine years. Higher energy prices have pushed up costs for transportation and shelter, and account for just under half of the overall rise in the general price level.
- Lower prices for computer equipment and supplies, child care and video equipment moderated the rise in inflation.

...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 edged up to 1.8% in November, remaining 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 5.7% in December compared to a year ago. Prices for Energy commodities surged 28.5%, while non-energy commodities prices decreased 5.1%.

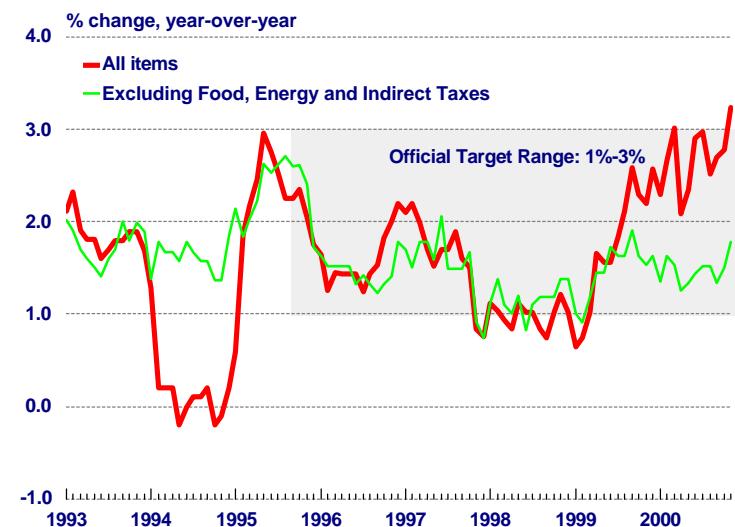
Commodity Prices (\$U.S. basis)



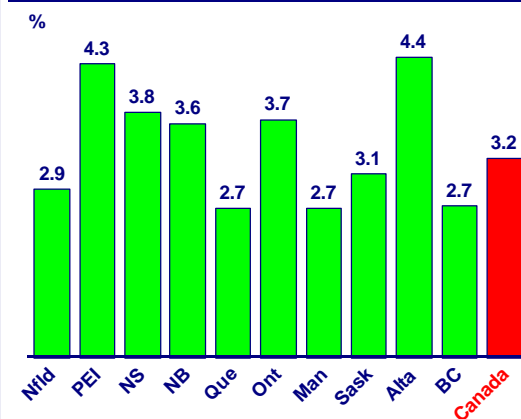
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
November 2000			
All items CPI	115.0	0.3	3.2
Food	112.9	0.8	2.1
Shelter	111.2	0.5	5.0
Household operations	110.7	0.0	1.1
Clothing & Footwear	105.4	-2.0	0.0
Transportation	134.0	1.9	5.3
Health & Personal Care	112.9	0.1	2.2
Recreation, Educ. & Reading	122.4	-1.6	1.7
Alcohol & Tobacco	98.6	0.5	3.7
Excl. Food/Energy/Indirect Taxes	114.4	0.1	1.8
Energy	136.6	1.5	18.0
Commodity Prices (December)			
Index, 1982-90=100	111.3	-3.6	5.7
Excluding Energy	104.4	0.3	-5.1
Energy	124.1	-9.3	28.5

Consumer Price Index



Provincial CPI Inflation -- November 2000



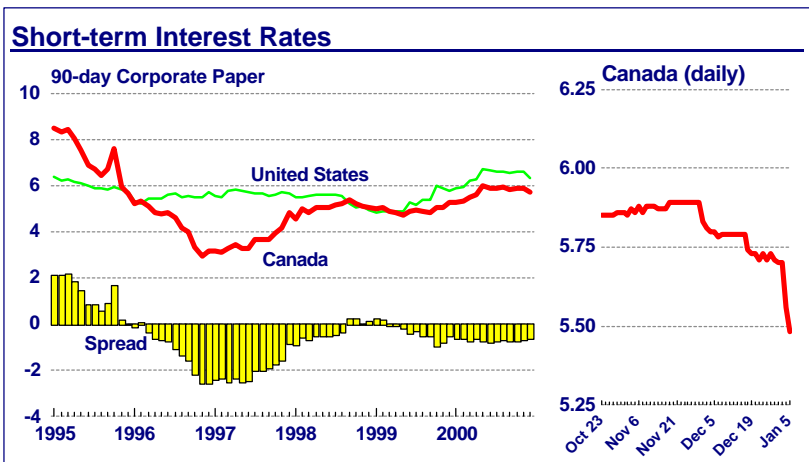


Short term interest rates fall as U.S. rates drop...

- Market-determined short-term interest rates fell throughout December, pushed down by weak equity markets and expectations of a cut in U.S. interest rates.
- Even though the Bank of Canada did not immediately follow suit, the 50-basis point rate cut in the U.S. Federal Reserve's federal funds rate on January 3 dropped Canadian money market rates to their lowest level since April.

...but long-term yields rise

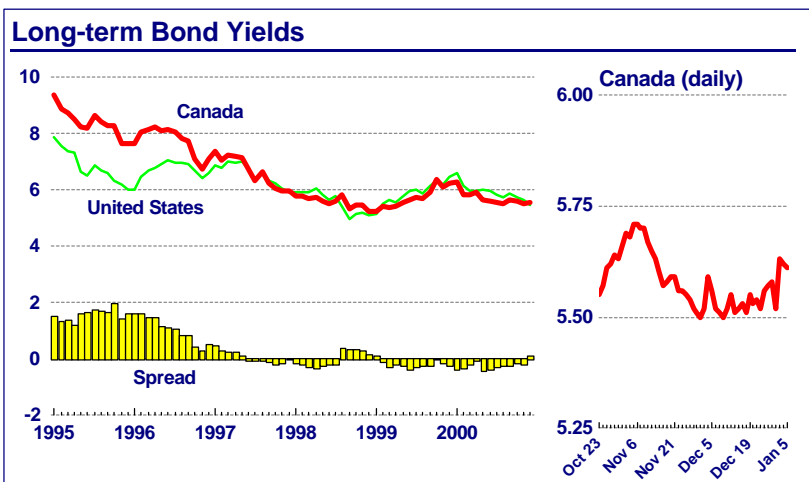
- After falling through November, bond yields stabilized in December before jumping up near the end of the month in anticipation of the U.S. Fed's move. Long-term rates rose faster in Canada, raising domestic rates above their U.S. counterparts for the first time in over a year.
- Mortgage rates decreased for both one and five year terms in December, reflecting previous declines in long-term interest 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
July 2000	5.88	-0.71	5.55	-0.27
August	5.90	-0.67	5.51	-0.23
Sept	5.83	-0.72	5.67	-0.23
Oct	5.85	-0.75	5.61	-0.14
Nov	5.89	-0.68	5.51	-0.15
Dec	5.71	-0.60	5.56	0.11
Jan 3	5.70	-0.42	5.63	0.14

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
July 2000	6.00	7.50	7.90	8.25
August	6.00	7.50	7.90	8.25
Sept	6.00	7.50	7.90	8.25
Oct	6.00	7.50	7.90	8.25
Nov	6.00	7.50	7.90	8.25
Dec	6.00	7.50	7.70	7.95
Jan 3	6.00	7.50	7.70	7.95

PRICES and FINANCIAL MARKETS

Exchange Rates and Stock Prices

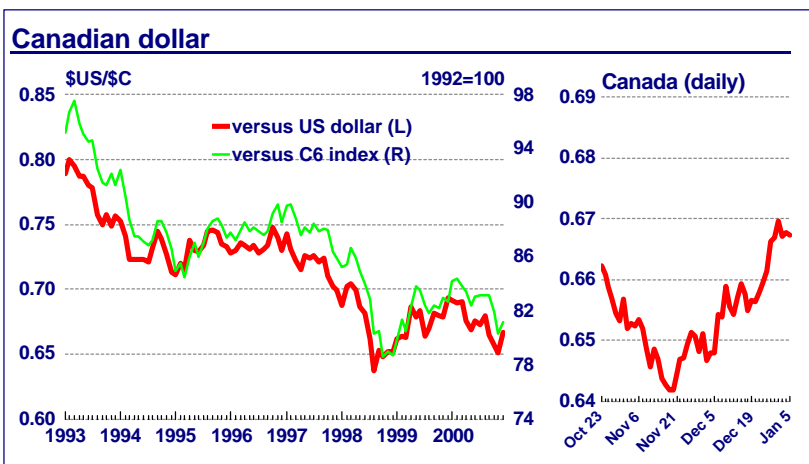


The dollar gains strength ...

- The Canadian dollar appreciated in December, indications of continuing strong growth at home but weaker conditions in the U.S. gave rise to expectations that the Bank of Canada would not lower domestic rates as quickly as U.S. rates. The loonie ended the month up a cent and a half from November's close, and continued to rise early in January, closing just under US ¢67.0 on January 2.

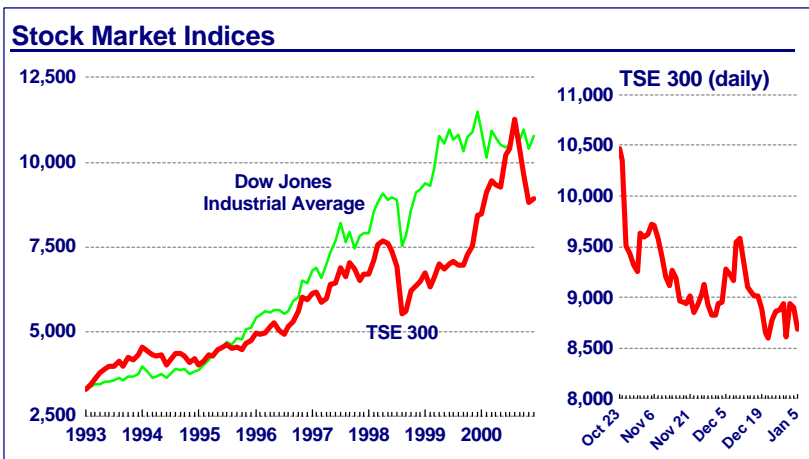
...but stock prices are volatile

- Positive economic news propelled the TSE 300 higher at the beginning of December, but increasing concerns over a sharper-than-expected U.S. slowdown and lower corporate profits contributed to a downward slide later in the month. Still, the TSE 300 index closed the month up 1.3%, and 6.2% overall in 2000 despite a major correction late in the year.
- Although expectations of lower interest rates provided a lift to the U.S. S&P 500 and Dow Jones indexes in December, both posted losses on the year.



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
July 2000	0.6725	83.17	1.410	73.23
August	0.6796	83.13	1.459	72.86
Sept	0.6651	83.16	1.513	71.88
Oct	0.6568	81.87	1.517	71.70
Nov	0.6510	80.34	1.485	70.75
Dec	0.6669	81.19	1.433	73.64
Jan 5	0.6672			



Key Stock Market Indexes

	December Close	% change from	
		last month	last year
TSE 300	8,934	1.3	6.2
Oil & Gas	8,576	13.9	46.3
Metals & Minerals	3,747	9.3	-16.3
Utilities	15,963	4.8	27.1
Paper & Forest	4,828	6.4	-7.8
Merchandising	5,522	-0.2	8.0
Financial Services	10,957	11.3	47.9
Gold	4,341	6.4	-11.0
Price-Earnings Ratio*	23.0	-1.9	-17.0
S&P 500	1,320	0.4	-10.1
Dow Jones	10,787	3.6	-6.2

*columns 2 & 3 reflect change in levels



U.S. Economic Trends

Signs of a cooling U.S. economy...

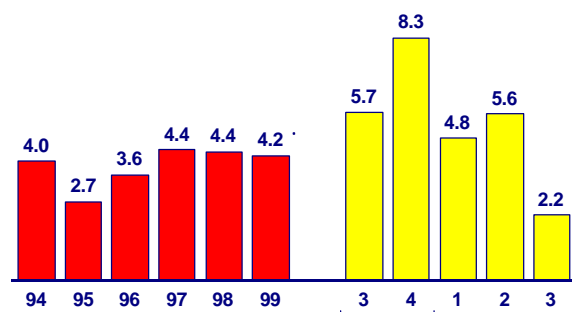
- Final estimates show that the U.S. economy expanded at an annual pace of 2.2% in the third quarter of 2000, down from 5.6% in the second quarter. Declining government spending, inventory investment and residential investment contributed to the slower output growth.
- U.S. employment increased by 105,000 in December, led by a sizeable gain in the Service-producing industries. Lower employment in Manufacturing and Construction held back overall job growth. The unemployment rate was unchanged at 4.0 %.
- U.S. consumer prices were up 3.4% in November on a year-over-year basis, but only 2.6% excluding food and energy prices. Compared to November 1999, producer prices were up 3.7%.

...prompt a cut in interest rates

- On January 3, the Federal Reserve surprised markets with a 50 basis point drop in the key federal funds rate, the biggest reduction since July 1992. This move was prompted by growing indications of a marked slowdown in the U.S. economy, including weakness in the manufacturing sector and retail sales. The rate cut was announced four weeks ahead of the next scheduled meeting on January 30-31, where analysts widely predict a further interest rate cut will be announced.

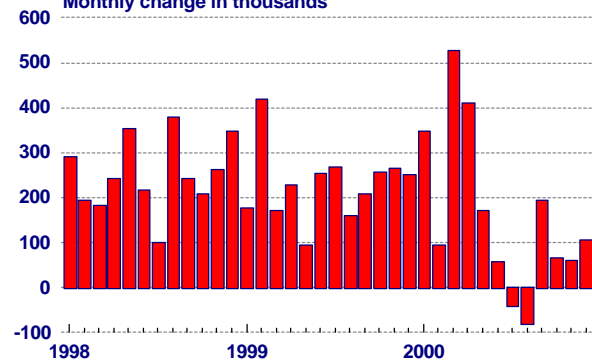
U.S. Real GDP Growth

% change, SAAR



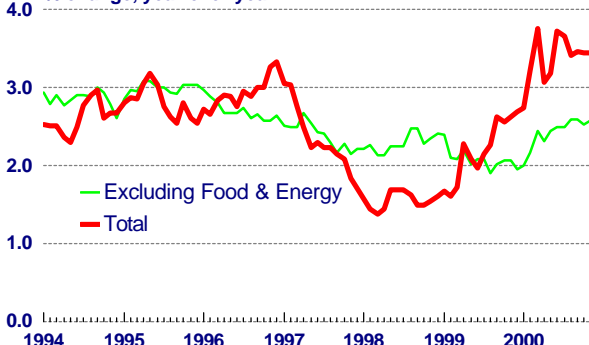
U.S. Non-farm Payrolls

Monthly change in thousands

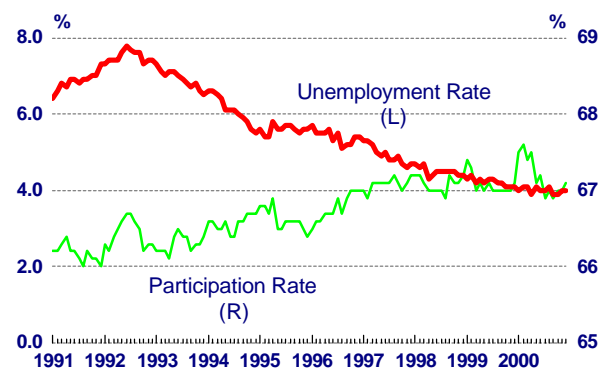


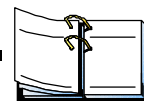
U.S. Consumer Price Inflation

% change, year-over-year



U.S. Unemployment & Participation Rates





CANADA

Consumer Price Index – December	January 18
International Trade – November	January 19
Survey of Manufacturing – November	January 22
GDP at factor cost – November	January 31
Business Conditions Survey – January	February 1
Labour Force Survey – January	February 9
Private and Public Investment Intentions – 2001	February 21
Financial Statistics For Enterprises – 4th Quarter 2000	February 27
National Economic & Financial Accounts – 4th Quarter 2000	February 28
Balance of International Payments – 4th Quarter 2000	February 28
Capacity Utilization Rates – 4th Quarter 2000	March 9

UNITED STATES

Consumer Price Index – December	January 17
International Trade – November	January 19
Federal Open Market Committee meeting	January 30, 31
GDP – 4th Quarter 2000, Advance estimate	January 31
Employment Situation – January	February 2

Note: the January MEI uses data available as of January 5, 2001