

MONTHLY ECONOMIC INDICATORS

August 2001

HIGHLIGHTS

-  **Employment falls for the second straight month in July. The rate of unemployment holds steady at 7.0%.**
-  **Output growth picks up in May, with Manufacturing rebounding to post its strongest advance in a year.**
-  **Exports and imports fall in May, leaving the trade surplus little changed.**
-  **Inflation falls back to 3.3% in June, with core inflation well within the official target band.**
-  **The Bank of Canada cuts its key interest rate on July 17, citing concern over the impact of the weak U.S. economy on the domestic outlook.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	798.8	0.3	1.7	May
Goods	256.3	0.0	-0.9	May
Services	542.5	0.4	3.0	May
Composite Index	166.3	0.1	1.8	June
Employment (000's)	15,082	-0.1	1.4	July
Full-time	12,324	-0.1	1.1	July
Part-time	2,758	-0.1	2.3	July
Unemployment* (%)	7.0	7.0	6.8	July
Youth*	12.4	12.0	12.7	July
Adult*	6.0	6.0	5.7	July
CPI inflation*	3.3	3.9	2.9	June
Retail Sales (\$M)	24,271	0.2	6.2	May
Housing Starts (000's)	151.8	-13.4	-8.3	July
Trade Balance* (\$M)	6,965	6,897	4,687	May
Exports	37,089	-0.9	4.9	May
Imports	30,124	-1.4	-1.8	May
M&E	9,945	-3.6	-9.0	May
3-mth Corp. paper* (%)	4.11	4.22	5.88	Aug 8
Long bond yield* (%)	5.84	5.94	5.55	Aug 8
Canadian dollar* (US¢)	64.92	65.25	67.25	Aug 10

*Data in levels only – % change not reported.

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html.



Industry
Canada

Industrie
Canada

Canada

MONTHLY ECONOMIC INDICATORS

August 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 August 10, 2001. It has been prepared by Anik Dufour, Joe Macaluso, Arif Mahmud, and Kiran Patel 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.

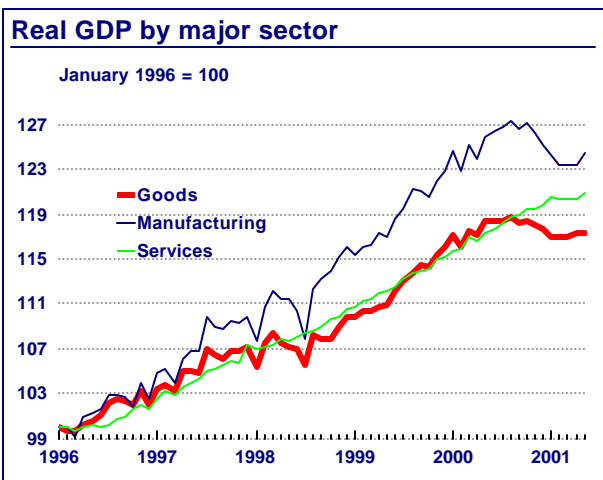
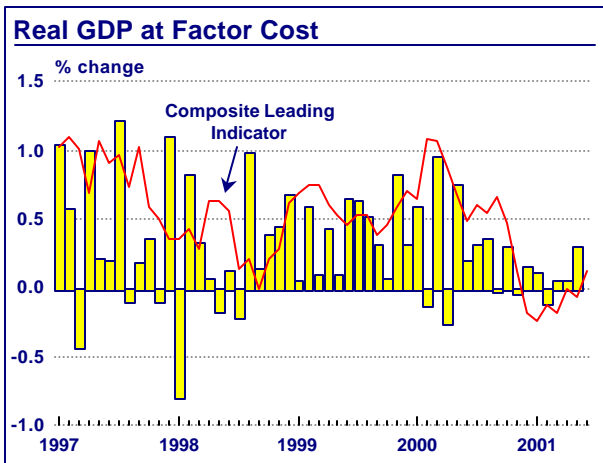


Output growth picks up in May...

- Real GDP at factor cost increased 0.3% in May, the largest gain in seven months. Boosted by a strong housing sector and an upturn in the U.S. leading index, Statistics Canada's composite leading indicator edged up 0.1% in June, the first increase since last December.

...led by a surge in Manufacturing

- Output in the Goods sector was little changed in May. Manufacturing experienced its strongest gain in twelve months, as a surge in auto production contributed to a 0.9% increase in output. However, these gains were offset by losses elsewhere. Mining output fell sharply as drilling and rigging returned to normal levels following a surge in the previous month, and striking workers resulted in a drop in Construction activity.
- Services output rose 0.4% in May, boosted by the end of strikes in Education Services and Government Services (the latter also benefited from activity related to Census 2001). Increased stock market activity led to higher output in Finance industries, but losses in Wholesale Trade reflect continued weak demand for computers.



Real GDP at Factor Cost (1992 dollars)

May 2001

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	798,821	2,379	0.3	1.7
Business sector	667,083	981	0.1	1.5
Goods	256,275	119	0.0	-0.9
Agriculture	12,724	36	0.3	-3.4
Fishing & Trapping	664	38	6.1	-13.1
Logging & Forestry	4,294	-87	-2.0	-14.1
Mining*	28,637	-547	-1.9	3.2
Manufacturing	141,735	1,247	0.9	-1.1
Construction	41,960	-345	-0.8	0.3
Other Utilities	26,261	-223	-0.8	-2.4
Services	542,546	2,260	0.4	3.0
Transport & Storage	37,077	354	1.0	1.5
Communications	31,756	-9	-0.0	6.8
Wholesale Trade	50,641	-252	-0.5	0.2
Retail Trade	52,723	-127	-0.2	4.7
Finance & Insurance	44,706	570	1.3	2.5
Real Estate & Ins. Agent	84,947	246	0.3	3.3
Business services	51,837	-63	-0.1	6.0
Government services	49,314	626	1.3	5.1
Education	41,399	665	1.6	1.5
Health & Social Services	46,445	62	0.1	0.0
Accommodation & Food	21,548	124	0.6	2.8
Other	30,153	64	0.2	1.4

*Includes Quarrying and Crude Petroleum & Natural Gas

THE ECONOMY

Consumer Spending and Attitudes



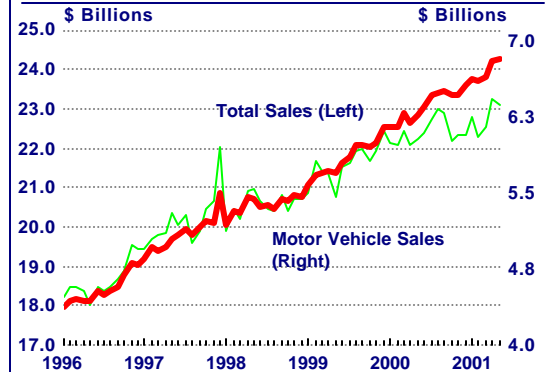
Consumer spending picks up in the first quarter...

- Consumer spending advanced by a solid 3.6% (annual rate) in the first quarter, rebounding from a weak fourth quarter.
- Auto sales rebounded following a sharp drop in the previous period. Purchases of other big-ticket items such as furniture and appliances were boosted by the active housing market.

...and appears set for a further gain

- Despite lower consumer confidence, improved household finances continue to bolster spending. Personal disposable income rose 6.3% in the first quarter, and recent tax cuts as well as lower interest rates should support future demand.
- Retail sales were up in May for the third straight month, posting a 0.2% gain. In real terms, however, sales fell 0.3%.
- Early indicators for June are mixed. Employment was down, but preliminary data point to increased auto sales. Housing starts rebounded in June, and further cuts in lending rates may stimulate demand.

Total Retail and Motor Vehicle Sales



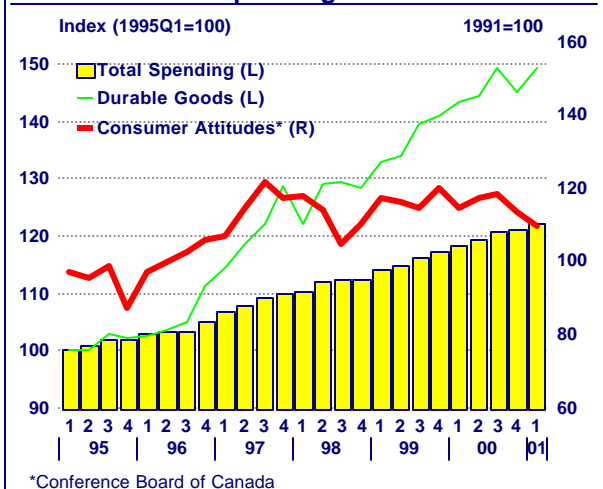
Retail Sales and Consumer Credit

	May 2001 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	24,271	0.2	6.2
Food	5,311	1.0	5.6
Drug Stores	1,208	1.2	8.0
Clothing	1,336	-3.2	6.4
Furniture	1,310	-0.0	3.9
Automotive	9,812	0.0	7.1
General Merch. Stores	2,701	-0.4	4.5
All other Stores	2,594	1.5	6.0
Total ex. motor vehicles	17,904	0.6	6.5
Consumer Credit (unadjusted)	199	0.9	7.1

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)		2000 Q4	2001 Q1
	1999	2000		
Real Consumption (92\$)	546,451	566,229	572,190	577,239
% change	3.4	3.6	1.2	3.6
Durable Goods	76,956	81,882	81,657	83,929
% change	7.5	6.4	-10.4	11.6
Semi-Durable Goods	48,212	50,476	51,220	51,889
% change	3.0	4.7	0.9	5.3
Non-Durable Goods	128,133	130,347	131,607	131,876
% change	2.0	1.7	3.5	0.8
Services	293,192	303,674	307,784	309,776
% change	3.1	3.6	3.3	2.6
Disposable Income	597,710	631,023	644,964	654,868
% change	5.0	5.6	9.3	6.3
Saving Rate (%)	4.2	3.9	4.0	4.4
Debt-to-Income Ratio (%)	96.1	94.4	94.0	93.7

Real Consumer Spending and Attitudes



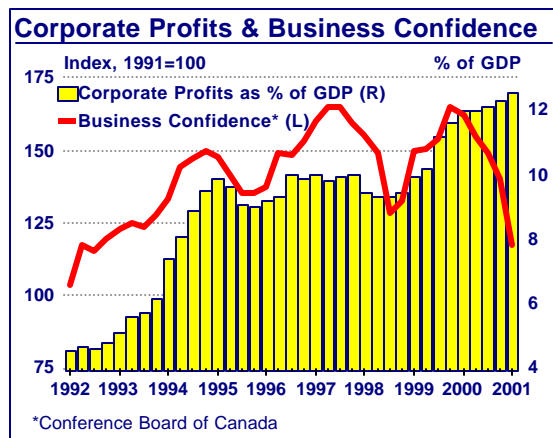
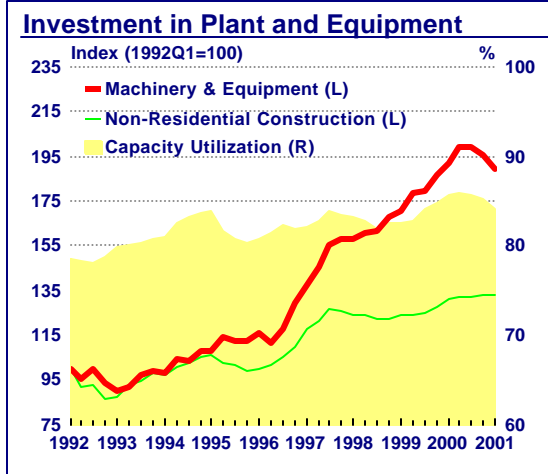


Business investment falls further in the first quarter...

- Business investment in M&E fell 12.0% (annual rate) in the first quarter, nearly twice the rate of decline of the previous quarter. Losses were widespread, with notable declines for industrial machinery, automobiles, other transportation equipment and telecommunications equipment.
- Non-residential construction edged up in the first quarter. Declining building construction largely offset increased activity in the oil and gas sector.

...and the outlook remains uncertain

- Overall corporate profits increased in the first quarter of 2001 – mainly due to gains in the energy sector – but operating profits were down for the second straight quarter. Business confidence dropped steadily throughout 2000 and fell sharply again in the first quarter of this year.
- Imports of M&E declined sharply in May, pointing to further reductions in business investment. Monthly GDP data also suggest that non-residential construction fell in April and May. Non-residential building permits, however, are up 16.6% in the first six months of the year compared to a year ago.



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1999	2000	2000 Q2	2000 Q3	2000 Q4	2001 Q1
BUSINESS INVESTMENT						
Machinery & Equipment (1992\$)	80,703	88,550	89,788	89,756	88,135	85,355
% change	10.5	9.7	16.0	-0.1	-7.0	-12.0
Non-residential Construction (1992\$)	44,873	47,274	47,315	47,252	47,566	47,623
% change	1.8	5.3	3.0	-0.5	2.7	0.5
Capacity Utilization (% , Non-farm goods)	83.5	85.6	85.8	85.7	85.1	84.1
Capacity Utilization (Mfg. sector)	84.5	85.8	85.9	86.1	85.2	83.5
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	168,323.0	197,733.0	201,620.0	197,740.0	192,832.0	179,472.0
% change	20.3	17.5	5.9	-7.5	-9.6	-25.0
Profits - Non-financial industries	118,153.0	139,248.0	140,480.0	141,100.0	139,252.0	135,724.0
% change	27.0	17.9	13.3	1.8	-5.1	-9.8
Profits - Financial industries	50,169.0	58,488.0	61,144.0	56,644.0	53,584.0	43,748.0
% change	6.8	16.6	-8.9	-26.3	-19.9	-55.6
Business Credit	734,457.8	786,243.6	783,305.7	791,953.0	804,826.7	810,833.7
% change	5.8	7.1	10.0	4.5	6.7	3.0



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

- Business investment in residential construction increased 6.4% (annual rate) in the first quarter, supported by the largest jump in new housing construction since the end of 1999.
- Renovation activity also advanced strongly on the quarter, and the resale market remains firm.

...but may cool in subsequent periods

- Residential construction activity in April and May was 1.2% below the first quarter average. Sales of existing homes were very strong, and housing starts were up 0.3% in the second quarter before falling sharply in July. Residential building permits are up 9.1% in the first six months of 2001.
- Despite the slowing economy, lower mortgage rates and strong income gains are expected to support the housing market. However, the Canada Mortgage and Housing Corporation expects demand to slow next year.

Housing Activity



Monthly Housing Indicators

	levels	Change since	
		last month	last year
Residential Construction (1) (\$92M, factor cost basis)	13,945	-1.0%	1.7%
Building Permits, \$M (2)	1,923	6.5%	11.1%
Sales of Existing Homes (2) (# of units)	22,401	127	
Housing Starts, # of units (3)	151,800	-23,500	-13,700
Newfoundland	1,100	-100	-200
Prince Edward Island	600	400	200
Nova Scotia	2,900	100	-600
New Brunswick	1,800	0	0
Quebec	22,000	600	700
Ontario	58,400	-23,100	-22,200
Manitoba	2,300	800	800
Saskatchewan	2,400	500	200
Alberta	22,000	-2,000	2,200
British Columbia	15,800	-1,900	4,600

1 - May data; 2 - June data; 3 - July data

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

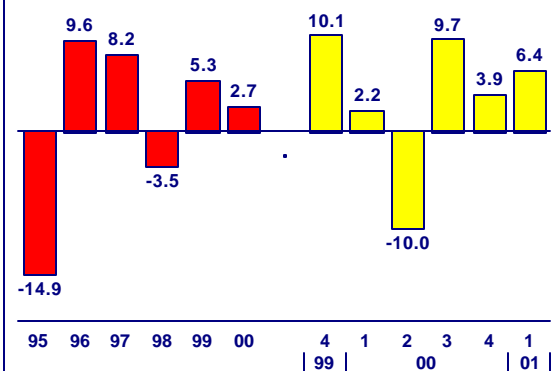
Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1999	2000	2000 Q4	2001 Q1
Residential Construction	44,466	45,643	46,228	46,874
% change	5.3	2.6	4.2	5.7
Construction by Business sector	44,222	45,399	45,946	46,661
% change	5.3	2.7	3.9	6.4
New Housing	22,322	22,857	22,874	23,752
% change	7.7	2.4	2.1	16.3
Alterations & Improvements	15,117	15,809	16,364	16,036
% change	2.0	4.6	10.8	-7.8
Ownership & Transfer Costs	6,705	6,976	7,000	7,072
% change	0.7	4.0	-3.1	4.2

Growth in Real Residential Construction, Business Sector

% change, SAAR





Trade and Competitiveness

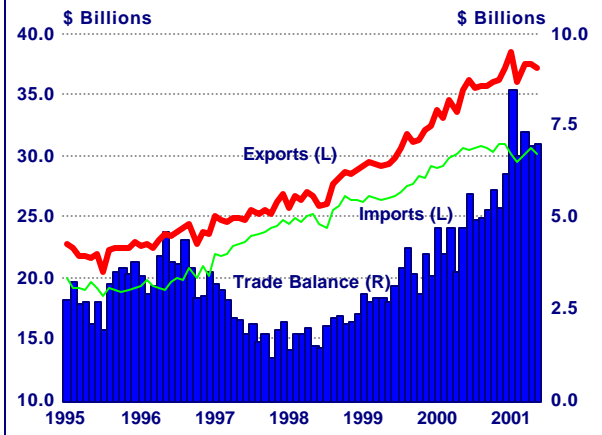
Imports and exports both decrease in May...

- Broadly based declines led to a 0.9% fall in exports in May. M&E exports fell sharply for the second straight month, with continuing weak demand for high-tech equipment. Exports of Energy Products also declined, due mainly to lower prices and reduced demand for natural gas. The lone bright spot was exports of Agriculture & Fishing Products, which hit a record high.
- Imports decreased 1.4% on the month. Reflecting low levels of investment, imports of M&E remained weak, and are down 34.6% from their record high in December 2000. Imports of Automotive Products also declined, following two solid months of growth.

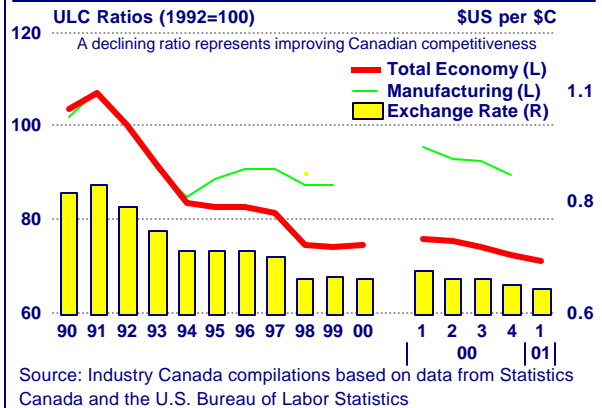
...and the trade surplus is little changed

- Canada's merchandise trade surplus edged up to \$7.0 billion in May. The cumulative surplus for the first five months of the year was \$36.3 billion, \$14.8 billion higher than last year. Nearly all of this improvement is due to a larger surplus on trade in Energy Products.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



Merchandise Trade

May 2001	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)	% Change	
	April 2001	May 2001	2000 Jan-May	2001 Jan-May		Apr to May 2001	Apr to May 2001
Exports	37,438	37,089	170,203	186,499	-349	-0.9	4.9
to United States	31,909	31,563	144,065	159,142	-346	-1.1	5.5
Imports	30,541	30,124	148,680	150,189	-417	-1.4	-1.8
from United States	22,304	22,069	110,437	109,699	-235	-1.1	-1.2
Trade Balance	6,897	6,965	21,523	36,310	68		
with United States	9,605	9,494	33,628	49,443	-111		
Exports by Commodity							
Agriculture/Fishing Products	2,604	2,669	11,140	12,675	65	2.5	13.7
Energy Products	6,610	6,527	18,330	33,701	-83	-1.3	62.4
Forestry Products	3,390	3,350	17,746	16,628	-40	-1.2	-6.2
Industrial Goods & Materials	5,747	5,639	26,941	28,168	-108	-1.9	-0.1
Machinery & Equipment	8,463	8,297	42,431	43,673	-166	-2.0	-10.2
Automotive Products	7,964	7,934	41,568	38,433	-30	-0.4	-1.3
Other Consumer Goods	1,364	1,372	5,973	6,761	8	0.6	8.6
Imports by Commodity							
Agriculture/Fishing Products	1,708	1,672	7,519	8,323	-36	-2.1	9.8
Energy Products	1,638	1,753	6,882	8,518	115	7.0	17.7
Forestry Products	253	243	1,265	1,246	-10	-4.0	-5.4
Industrial Goods & Materials	5,921	6,056	29,034	29,764	135	2.3	1.9
Machinery & Equipment	9,945	9,588	49,502	49,703	-357	-3.6	-9.0
Automotive Products	6,276	6,119	32,919	29,374	-157	-2.5	-6.4
Other Consumer Goods	3,594	3,486	16,234	17,623	-108	-3.0	5.5

LABOUR MARKET TRENDS



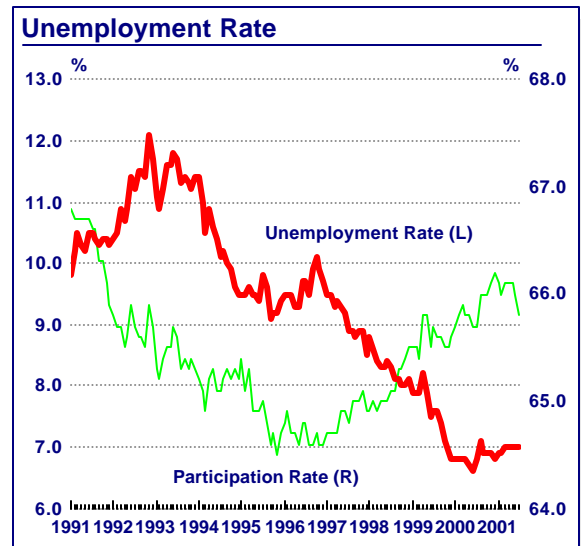
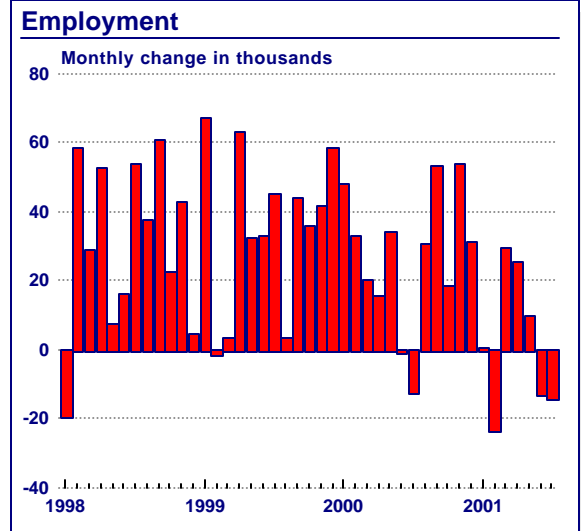
Employment and Unemployment

Employment falls in July...

- Labour market conditions remain weak. Employment fell by 14,000 in July, the second drop in as many months. Employment is up only 15,000 in the first seven months of the year, compared with a net gain of 138,000 jobs over the same period last year.
- Full-time employment was down 12,000 in July, and part-time employment was little changed. Job gains since the start of the year reflect an increase in part-time work only, as full-time employment is down 33,000.

...but the unemployment rate holds steady at 7.0%

- The national unemployment rate was unchanged at 7.0% for the fifth straight month in July. Job losses were partly offset by a reduction in the labour force.
- Despite the addition of 8,000 jobs, the youth unemployment rate rose owing to a larger increase in the labour force. The adult unemployment rate remained at 6.0%.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2000 July	2001 June	2001 July	last month	last year	year-to-date	last month	last year
Employment	14,879.6	15,095.7	15,081.7	-14.0	202.1	15.0	-0.1	1.4
Full-time	12,184.8	12,336.4	12,324.1	-12.3	139.3	-33.4	-0.1	1.1
Part-time	2,694.7	2,759.3	2,757.6	-1.7	62.9	48.4	-0.1	2.3
Youth 15-24	2,279.9	2,312.4	2,320.2	7.8	40.3	-24.2	0.3	1.8
Adult 25+	12,599.6	12,783.3	12,761.5	-21.8	161.9	39.2	-0.2	1.3
Self-employed	2,408.2	2,313.4	2,310.2	-3.2	-98.0	-53.6	-0.1	-4.1
Unemployment	1,087.2	1,132.1	1,140.7	8.6	53.5	37.4	0.8	4.9
Unemployment Rate	6.8	7.0	7.0	0.0	0.2	0.2		
Youth 15-24	12.7	12.0	12.4	0.4	-0.3	-0.1		
Adult 25+	5.7	6.0	6.0	0.0	0.3	0.3		
Labour Force	15,966.7	16,227.8	16,222.4	-5.4	255.7	52.4	0.0	1.6
Participation Rate	65.7	66.0	65.8	-0.2	0.1	-0.4		
Employment Rate	61.2	61.4	61.2	-0.2	0.0	-0.5		



Industry Overview

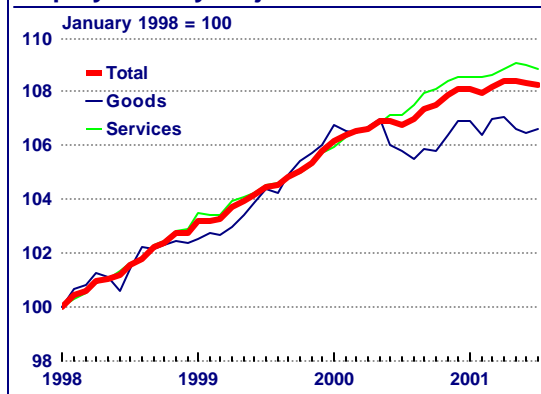
Employment in Manufacturing rises in July...

- Employment in the Goods sector was up 6,000 overall in July. The Manufacturing sector posted a gain of 12,000 jobs, lowering this sector's job losses in the first seven months of the year to 41,000. Gains were concentrated in automotive, aircraft equipment and related plastics and fabricated metal products, but employment was down in computer and electronic product manufacturing. Construction also registered its first significant decline of the year.

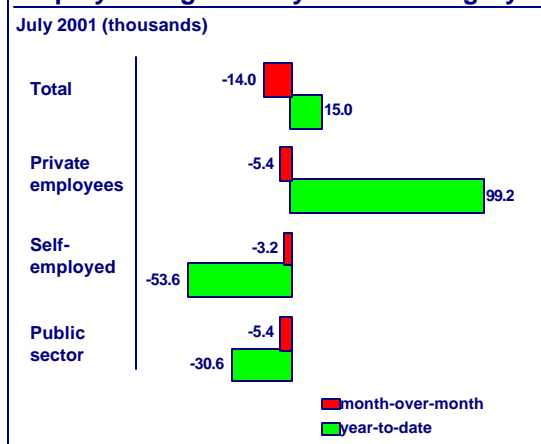
...but Services industries post a second consecutive loss

- Employment in Services industries fell by 20,000 in July, including a loss of 36,000 in Professional, Scientific & Technical Services (which has shed 15,000 jobs so far this year, mainly in advertising). Job losses in Public Administration were largely due to a decline in the number of temporary Census workers. However, Management, Administrative & Other Support Services gained 19,000 jobs in July while Information, Culture & Recreation gained 15,000 jobs.

Employment by major sector



Employment growth by worker category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2000 July	2001 June	2001 July	last month	last year	year-to-date	last month	last year
Goods-producing	3,850.0	3,873.7	3,879.8	6.1	29.8	-10.6	0.2	0.8
Agriculture	367.2	327.3	332.6	5.3	-34.6	-14.9	1.6	-9.4
Natural Resources*	284.6	289.0	295.0	6.0	10.4	17.2	2.1	3.7
Utilities	115.9	125.8	125.3	-0.5	9.4	7.6	-0.4	8.1
Construction	826.5	856.1	839.3	-16.8	12.8	20.5	-2.0	1.5
Manufacturing	2,255.8	2,275.5	2,287.5	12.0	31.7	-41.2	0.5	1.4
Services-producing	11,029.5	11,222.0	11,201.9	-20.1	172.4	25.7	-0.2	1.6
Trade	2,316.9	2,379.5	2,390.7	11.2	73.8	36.0	0.5	3.2
Transportation	774.0	779.7	775.9	-3.8	1.9	-12.0	-0.5	0.2
FIRE*	876.2	885.1	874.7	-10.4	-1.5	-7.3	-1.2	-0.2
Professional/Scientific	949.8	1,010.1	973.9	-36.2	24.1	-14.8	-3.6	2.5
Management/Administrative	551.8	541.5	560.9	19.4	9.1	1.7	3.6	1.6
Educational Services	962.8	960.6	970.0	9.4	7.2	17.8	1.0	0.7
Health Care/Social Assistance	1,518.2	1,530.1	1,524.5	-5.6	6.3	0.6	-0.4	0.4
Information/Culture/Recreation	668.2	706.9	721.8	14.9	53.6	21.1	2.1	8.0
Accommodation & Food	967.3	976.3	983.9	7.6	16.6	18.1	0.8	1.7
Other Services	700.5	682.3	672.8	-9.5	-27.7	-25.7	-1.4	-4.0
Public Administration	744.0	769.8	752.8	-17.0	8.8	-9.7	-2.2	1.2

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



Provincial Overview

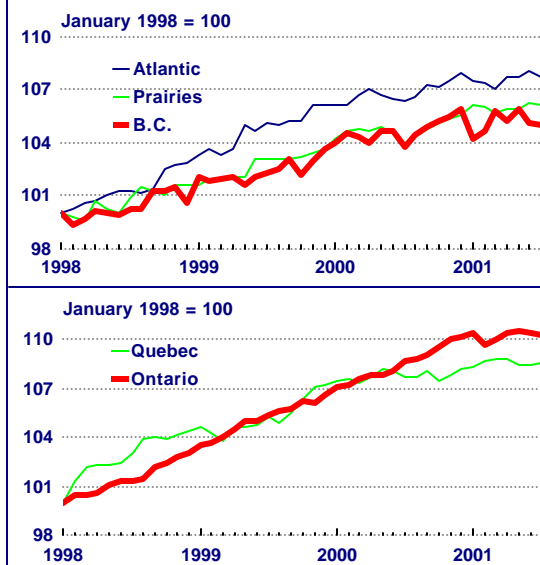
Seven of ten provinces post job losses in July...

- Ontario's unemployment rate rose 0.3 percentage points to 6.3% in July, due to the loss of 7,000 jobs and an increased labour force. After strong growth in 2000, employment is up only 9,000 so far this year.
- Employment fell by 6,000 in Newfoundland, limiting gains over the first seven months of the year to 6,000 and pushing the unemployment rate up 0.4 points to 15.6%.
- The loss of 6,000 jobs in Alberta was more than offset by a larger decrease in the labour force, lowering the unemployment rate 0.2 points to 4.4%.
- The largest unemployment rate increases were posted by P.E.I. (+1.6 points to 11.6%) and New Brunswick (+1.4 points to 11.9%). Both cases could be explained by falling employment but more importantly strong growth in the number of job seekers.

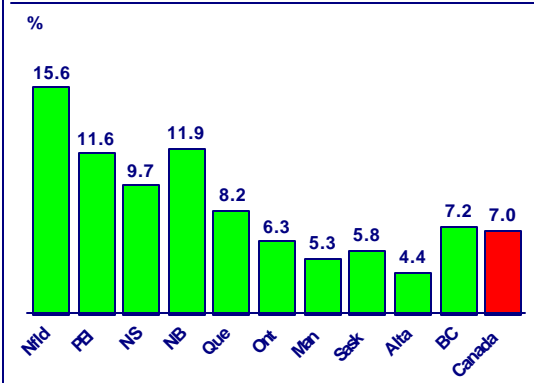
...with only Nova Scotia, Saskatchewan and Quebec registering increases

- Employment in Quebec edged higher in July, and its unemployment rate fell 0.6 points due to a declining labour force. Job gains lowered the Nova Scotia rate by 0.4 points in July, but in Saskatchewan a larger rise in the labour force led to an increase of 0.2 points to 5.3%.

Regional employment patterns



Unemployment Rates -- July 2001



Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment rate (%)			
	Levels 2001 July	Change since last month		Change since last year		Levels	Change since	
		(000's)	%	(000's)	%		last month	last year
Canada	15,081.7	-14.0	-0.1	202.1	1.4	7.0	0.0	0.2
Newfoundland	210.3	-6.1	-2.8	8.5	4.2	15.6	0.4	-0.6
P.E.I.	65.8	-0.1	-0.2	1.9	3.0	11.6	1.6	-0.9
Nova Scotia	424.5	4.9	1.2	4.9	1.2	9.7	-0.4	0.4
New Brunswick	331.3	-2.3	-0.7	-2.7	-0.8	11.9	1.4	1.6
Quebec	3,463.2	2.1	0.1	25.6	0.7	8.2	-0.6	-0.6
Ontario	5,969.0	-7.2	-0.1	87.8	1.5	6.3	0.3	0.9
Manitoba	554.1	-0.2	-0.0	-0.1	-0.0	5.3	-0.1	0.2
Saskatchewan	473.0	2.7	0.6	-10.3	-2.1	5.8	0.2	0.4
Alberta	1,635.1	-5.8	-0.4	63.5	4.0	4.4	-0.2	-0.8
B.C.	1,955.3	-2.1	-0.1	22.8	1.2	7.2	0.2	0.0



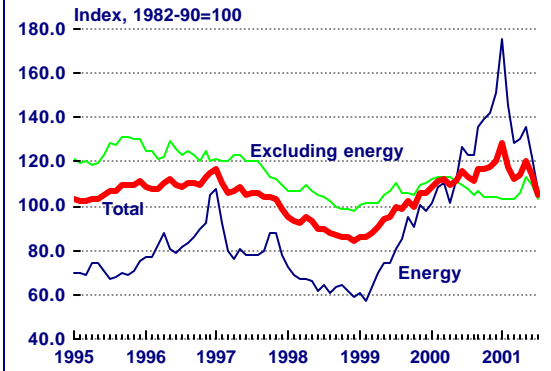
Inflation slows to 3.3% in June...

- Consumer price inflation slowed to 3.3% in June, down from a ten-year high of 3.9% in May.
- Higher food and energy prices each accounted for more than one-quarter of the overall increase. A 62% surge in natural gas prices drove up the energy price index by 10.4% on a year-over-year basis, but this is down from 16.0% recorded in May.

...and the "core" rate stays near the mid-point of the official target range

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, stood at 2.3% in June, unchanged from the previous month. This is slightly above the mid-point of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- In July, commodity prices were down 7.6% compared to a year ago, as both energy and non-energy commodity prices declined. Following two years of steady increases, commodity prices have dropped on a year-over-year basis for two straight months, suggesting easing inflationary pressures.

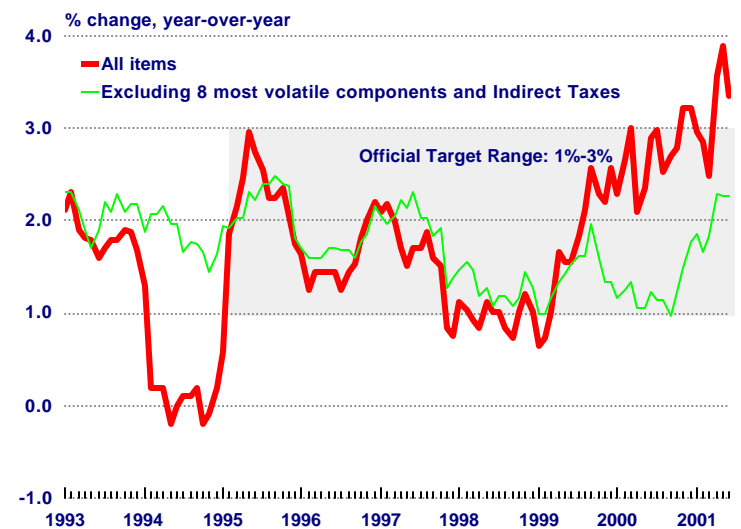
Commodity Prices (\$U.S. basis)



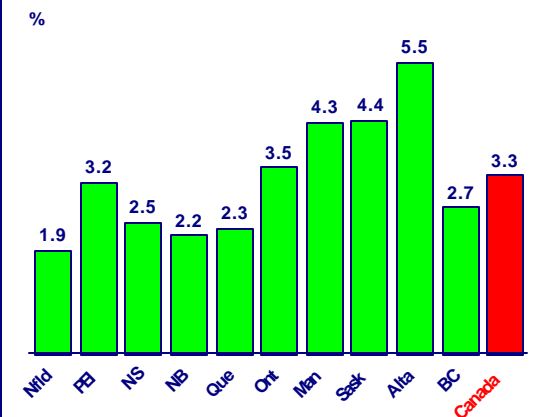
Consumer Prices

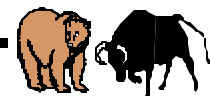
	Index (1992=100)	% Change since	
		last month	last year
June 2001			
All items CPI	117.5	0.1	3.3
Food	118.1	0.2	4.6
Shelter	114.2	0.4	5.6
Household operations	112.4	0.2	2.3
Clothing & Footwear	104.5	-0.4	-0.1
Transportation	133.0	-0.7	0.9
Health & Personal Care	114.9	0.4	2.7
Recreation, Educ. & Reading	125.6	0.2	1.4
Alcohol & Tobacco	105.4	0.2	7.7
Excl. 8 Most Volatile/Indirect Taxes	117.2	0.3	2.3
Energy	141.7	-1.3	10.4
Commodity Prices (July)			
Index, 1982-90=100	104.6	-8.2	-7.6
Excluding Energy	103.4	-5.7	-4.3
Energy	107.0	-12.2	-13.0

Consumer Price Index



Provincial CPI Inflation -- June 2001



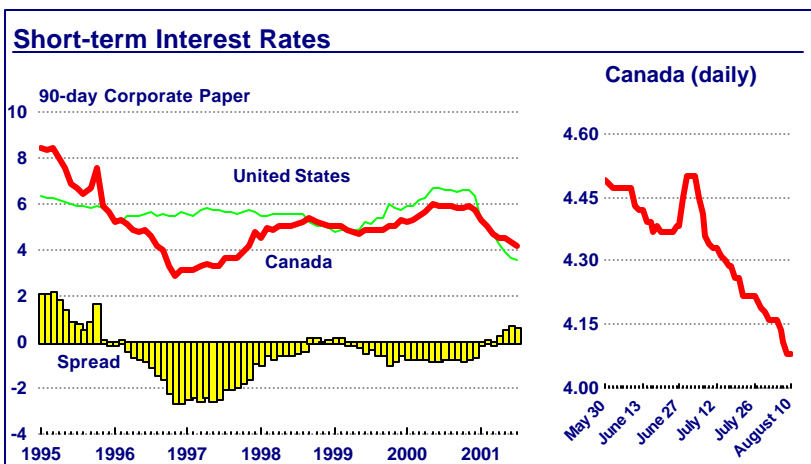


A slower-than-expected recovery in North America...

- Short-term yields fell steadily throughout July in anticipation of further easing by the Bank of Canada. Indeed, a quarter-point rate cut was announced on July 17, bringing the total reduction so far this year to one-and-a-half percentage points. To better facilitate international comparisons, it was also announced that the Overnight Rate would replace the Bank Rate as the official target for monetary policy.
- Rising uncertainty about the timing and strength of a recovery in the U.S. economy has reduced prospects for a quick turnaround in Canada but at the same time lowered inflationary pressures. Canadian short rates stood at 4.11% as of August 8, down from June's close but 57 basis points above comparable U.S. rates.

...drives more investors into fixed income markets

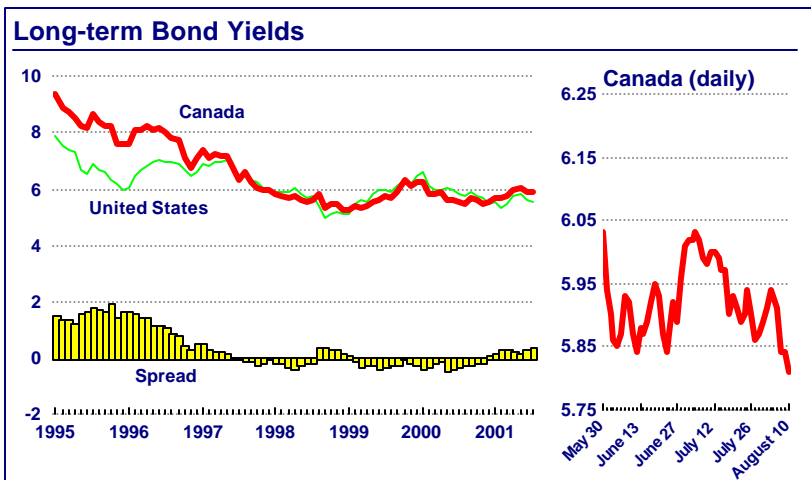
- North American bond markets rallied in July, as investors switched to the relative safety of money market securities in light of deteriorating global economic conditions and rising financial tensions in emerging economies. Indications of spreading weakness in the U.S. put further downward pressure on long yields in early August. The lower bond rates triggered reductions in prime and mortgage lending rates.



Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1999	5.27	-0.49	6.23	-0.22
2000	5.71	-0.60	5.56	0.11
Feb 2001	5.05	0.11	5.66	0.32
March	4.66	-0.08	5.79	0.32
April	4.49	0.25	5.97	0.19
May	4.49	0.55	6.03	0.17
June	4.38	0.70	5.89	0.27
July	4.22	0.61	5.94	0.36
August 8	4.11	0.57	5.84	0.32

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



Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1999	5.00	6.50	7.35	8.25
2000	6.00	7.50	7.70	7.95
Feb 2001	5.75	7.25	7.20	7.75
March	5.25	6.75	6.70	7.25
April	5.00	6.50	6.80	7.50
May	4.75	6.25	6.70	7.75
June	4.75	6.25	6.70	7.75
July	4.50	6.00	6.45	7.75
August 8	4.50	6.00	6.45	7.75

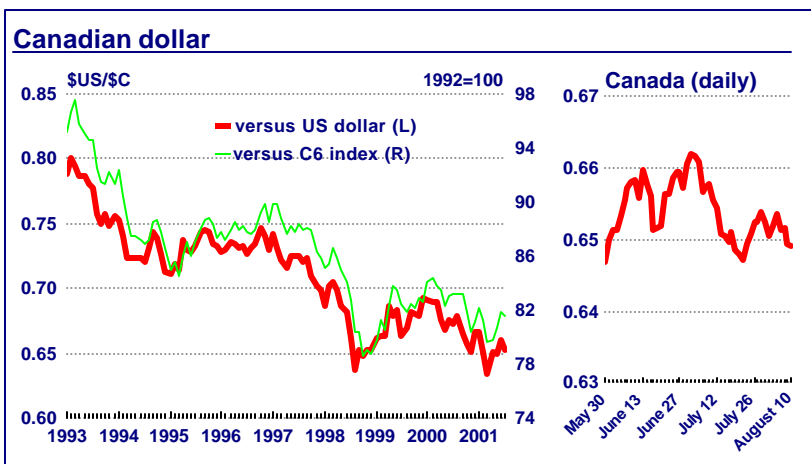


The Canadian dollar holds steady through much of July...

- Since Canada's economy has held up better than that of the U.S., the Canadian currency has remained relatively stable against the U.S. dollar despite declining commodity prices.
- The Canadian dollar rose above US¢66 early in July, but then fell back to around US¢65. It held relatively steady against the U.S. currency though, closing at US¢64.92 on August 10.

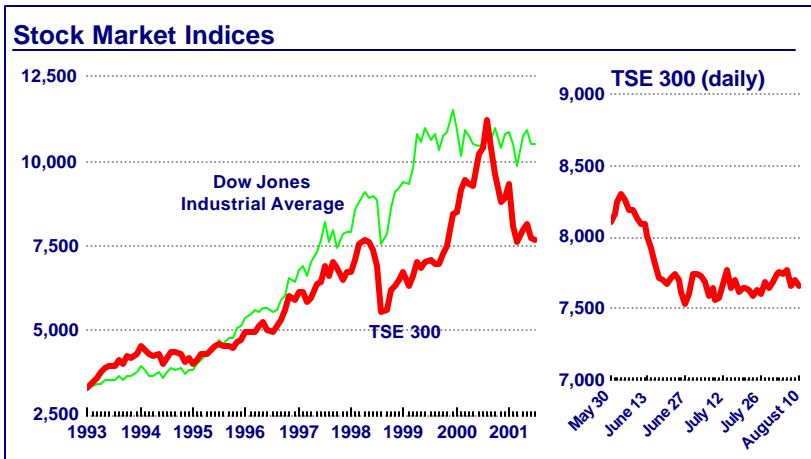
...as North American stock investors remain on the sidelines

- Activity in equity markets slowed in July (as is typically the case), with little sustained momentum in either direction. The TSE 300 index closed out the month at 7690, down 0.6% from June.
- Canadian stock prices showed signs of bottoming out this month, following a ten-month decline from a peak of 11,400 last September. Investors were kept at bay by the absence of any convincing indication of a recovery in earnings and improved economic conditions. Stock market activity is also typically slower during the summer.



The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1999	0.6929	82.67	1.313	69.66
2000	0.6669	81.19	1.433	73.64
Feb 2001	0.6510	81.26	1.396	76.36
March	0.6344	79.62	1.382	77.95
April	0.6508	79.85	1.406	79.44
May	0.6500	80.73	1.451	78.93
June	0.6605	81.82	1.504	80.24
July	0.6525	81.51	1.483	81.35
August 10	0.6492			



Key Stock Market Indexes

	July Close	% change from	
		last month	last year
TSE 300	7,690	-0.6	-26.1
Oil & Gas	8,804	1.0	25.3
Metals & Minerals	4,094	-6.8	20.7
Utilities	13,542	-3.6	-5.0
Paper & Forest	4,824	1.9	-1.7
Merchandising	6,208	4.0	17.8
Financial Services	11,045	3.3	29.5
Gold	4,496	-0.9	13.6
Price-Earnings Ratio*			
	26.0	-0.3	-4.3
S&P 500	1,211	-1.1	-15.3
Dow Jones	10,523	0.2	0.0

*columns 2 & 3 reflect change in levels



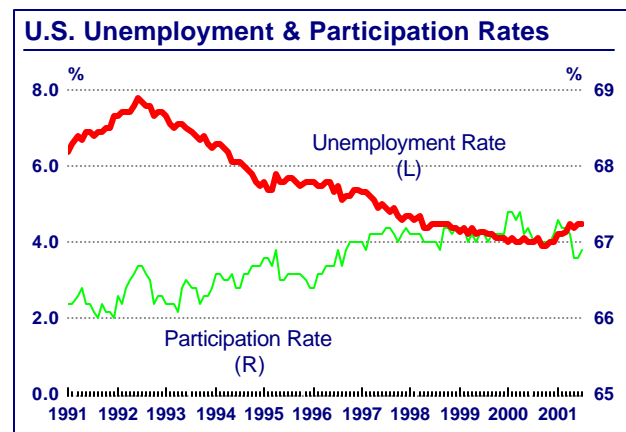
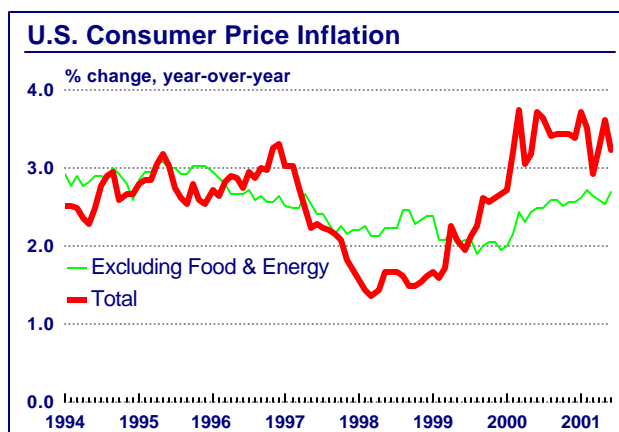
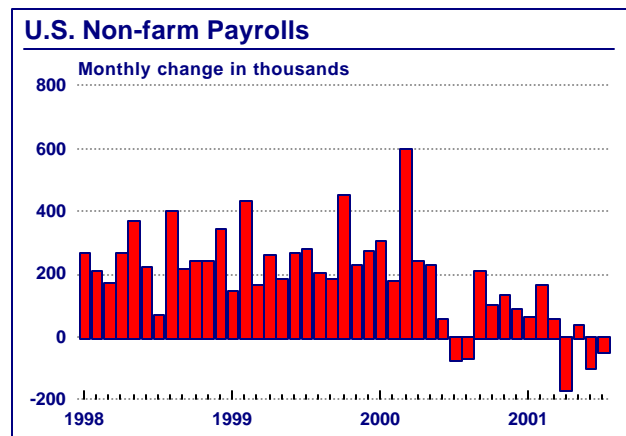
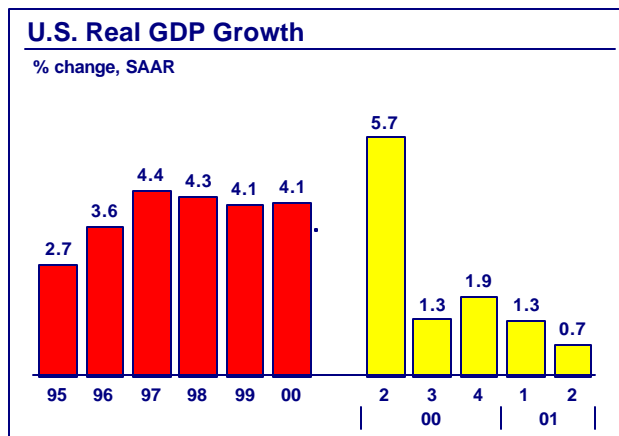
U.S. Economic Trends

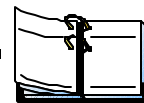
The U.S. economy slows in the second quarter...

- Advance estimates suggest that U.S. real GDP grew 0.7% (annual rate) in the second quarter of 2001, the lowest rate since 1993. Growth was slowed mainly by a record plunge in high-tech investment, but household and government spending continue to support the struggling economy.
- Despite a 42,000 decline in non-farm payrolls, the U.S. unemployment rate was unchanged at 4.5% in July. Most of the losses were concentrated in Manufacturing, where employment fell for the twelfth consecutive month and is down 632,000 jobs since the beginning of the year. The outlook for this sector remains poor, as industrial output declined for the ninth straight month and new factory orders fell 2.4% in June.

...while productivity growth surges

- Non-farm labour productivity increased 2.5% in the second quarter. As output growth was very weak, the increase can be largely attributed to a sharp drop in hours worked caused by decreased employment.
- CPI inflation slowed to 3.2% in June on a year-over-year basis, as falling energy prices helped contain inflation. Core inflation rose to 2.7% on the month.





CANADA

Survey of Manufacturing – June	August 16
International Trade – June	August 17
Consumer Price Index – July	August 21
Next scheduled date for a bank rate announcement	August 28
Financial Statistics For Enterprises – 2nd Quarter 2001	August 30
GDP at factor cost – June	August 31
National Economic & Financial Accounts – 2nd Quarter 2001	August 31
Balance of International Payments – 2nd Quarter 2001	August 31
Labour Force Survey – August	September 7
Capacity Utilization Rates – 2nd Quarter 2001	September 12
Business Conditions Survey – October	November 1

UNITED STATES

Consumer Price Index – July	August 16
International Trade – June	August 17
Federal Open Market Committee meeting	August 21
GDP – 2nd Quarter 2001, Preliminary	August 29
Employment Situation – August	September 7

Note: the August MEI uses data available as of August 10, 2001