

# MONTHLY ECONOMIC INDICATORS

## December 2000

### HIGHLIGHTS

-  **The economy's strong performance extends into the third quarter, with output rising an annualized 4.8%.**
-  **Employment increases in November, accompanied by solid growth in the labour force.**
-  **Despite slowing U.S. demand, Canada's trade surplus remains high due to our improving terms of trade.**
-  **The Bank of Canada holds rates steady as core inflation stays below the midpoint of the official target band.**
-  **The Canadian dollar falls to a two-year low in November, but rebounds on positive economic news.**

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	792.6	-0.0	4.1	Sept
Goods	259.0	-0.5	3.6	Sept
Services	533.6	0.2	4.4	Sept
Composite Index	167.6	0.7	9.0	Oct
Employment (000's)	15,036	0.4	2.4	Nov
Full-time	12,343	0.6	2.6	Nov
Part-time	2,693	-0.8	1.4	Nov
Unemployment* (%)	6.9	6.9	6.9	Nov
Youth*	12.6	12.9	13.1	Nov
Adult*	5.8	5.7	5.7	Nov
CPI inflation*	2.8	2.7	2.3	Oct
Retail Sales (\$M)	23,549	0.4	6.0	Sept
Housing Starts (000's)	155.8	-5.5	-2.6	Nov
Trade Balance* (\$M)	4,299	4,063	2,878	Sept
Exports	34,948	0.1	14.1	Sept
Imports	30,649	-0.7	10.4	Sept
M&E	10,508	0.5	15.9	Sept
3-mth Corp. paper* (%)	5.78	5.85	5.05	Dec 6
Long bond yield* (%)	5.52	5.61	6.10	Dec 6
Canadian dollar* (US¢)	65.90	65.68	67.82	Dec 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

## December 2000

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This report uses data available as of December 8, 2000. It has been prepared by Éric Chalifoux, Joe Macaluso, Arif Mahmud and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Reynald 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).



### Strong growth continues in the third quarter...

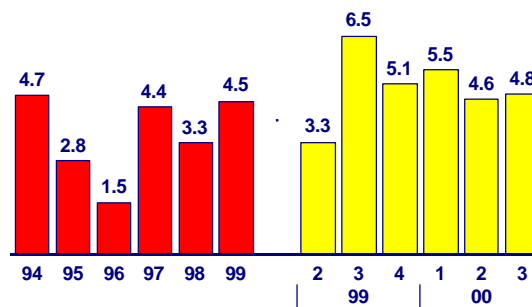
- Real GDP rose 4.8% (annual rate) in the third quarter of 2000, sustaining the strong pace of the past two years. This extends the string of uninterrupted output gains to 21 quarters, the longest since the 1960's.
- Final domestic demand advanced a solid 5.9% (annual rate) in the third quarter, supported by increases in consumer spending and housing, and continued strength in business investment.
- An inventory buildup provided a major boost to third-quarter results, representing 40% of total output gains.
- Real exports of goods and services edged down 0.5% (annual rate) in the third quarter, the first decline in nearly four years. This reflects weaker demand in the U.S., as exports were dampened by lower shipments of automotive products and energy products.

### ...but growth in personal income and corporate profits slows

- Growth in personal income slowed to an annual rate of 3.2% in the third quarter. Strong income gains in the first half of the year were affected by special factors, including federal pay equity payments.
- The personal saving rate fell to an all-time low of 2.3% in the third quarter, while the household debt-to-income ratio reached a near-record 96.3%.
- Corporate profits increased by 4.2% (annual rate) in the third quarter of 2000. After rising 24% overall in 1999, profit gains have slowed considerably in the last two quarters.

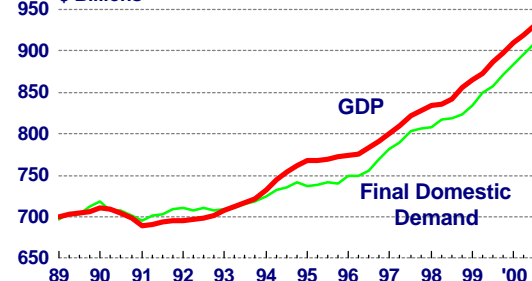
### Growth in Real Gross Domestic Product

% change, SAAR



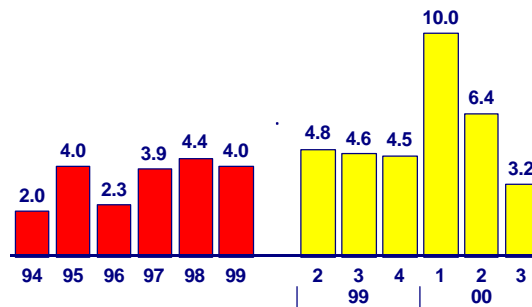
### GDP and Final Domestic Demand

\$ Billions

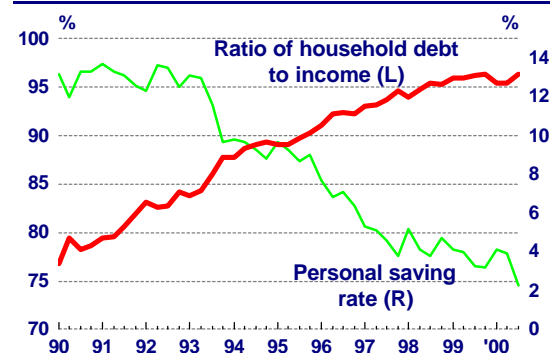


### Growth in Personal Income

% change, SAAR



### Personal Debt and Saving Rate



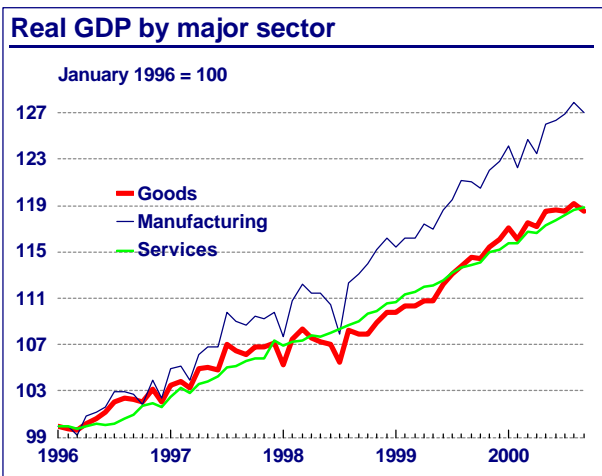
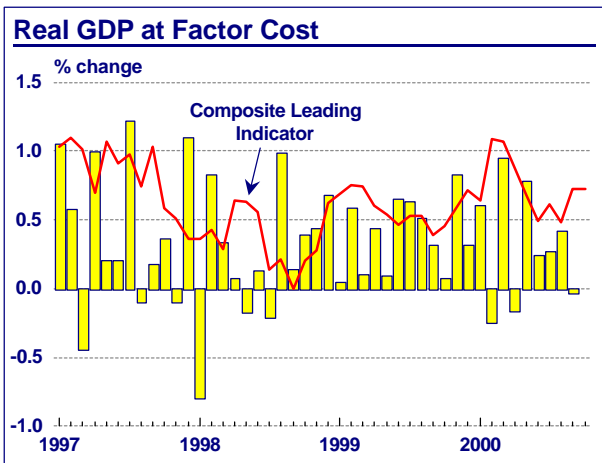


### The economy pauses in September...

- Real GDP was flat in September, following a four-month string of solid gains. Losses in Manufacturing were largely responsible for the slowdown.

### ...held back by losses in Manufacturing

- Output in the Goods sector fell 0.5% in September. Losses in Manufacturing were broadly based, as production of electrical and electronic goods was scaled back for the first time this year, and production difficulties and softer U.S. demand affected auto assembly. While the impact of losses in Manufacturing dominated overall results, most other major industry groups in the Goods sector also weakened.
- Services-producing industries expanded output by 0.2% in September, with notable gains in Business Services, Government Services and Accommodation & Food. Demand for computer services remained very robust, accounting for about half of the increased activity in Business Services. Wholesaling activity declined, reflecting slower sales for distributors of automotive products, food products and building materials.



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

#### September 2000

	\$ millions	monthly change	% Change since last month	% Change since last year
<b>Total Economy</b>	<b>792,604</b>	<b>-248</b>	<b>-0.0</b>	<b>4.1</b>
<b>Business sector</b>	<b>663,275</b>	<b>-525</b>	<b>-0.1</b>	<b>4.7</b>
<b>Goods</b>	<b>259,036</b>	<b>-1,372</b>	<b>-0.5</b>	<b>3.6</b>
Agriculture	12,899	-4	-0.0	-4.2
Fishing & Trapping	672	-6	-0.9	-0.6
Logging & Forestry	4,777	-141	-2.9	-2.8
Mining*	27,164	-53	-0.2	3.9
Manufacturing	144,529	-1,074	-0.7	4.9
Construction	42,708	26	0.1	3.7
Other Utilities	26,287	-120	-0.5	1.4
<b>Services</b>	<b>533,568</b>	<b>1,124</b>	<b>0.2</b>	<b>4.4</b>
Transport & Storage	36,971	-33	-0.1	4.3
Communications	30,690	-10	-0.0	9.7
Wholesale Trade	50,228	-274	-0.5	4.5
Retail Trade	51,673	101	0.2	6.3
Finance & Insurance	43,703	111	0.3	5.9
Real Estate & Ins. Agent	83,207	164	0.2	2.7
Business services	50,893	556	1.1	10.8
Government services	47,518	266	0.6	2.8
Education	40,940	-11	-0.0	0.5
Health & Social Services	46,429	2	0.0	0.4
Accommodation & Food	21,301	196	0.9	5.3
Other	30,015	56	0.2	1.8

\*Includes Quarrying and Crude Petroleum & Natural Gas

# THE ECONOMY

## Consumer Spending and Attitudes

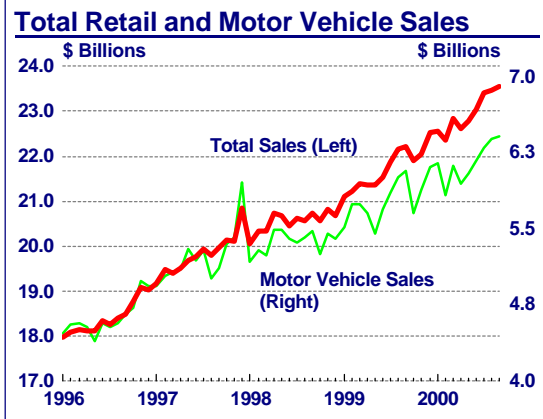


### Consumer spending strengthens in the third quarter...

- Consumer spending posted its biggest increase in over two years in the third quarter, rising 5.5% (annual rate).
- While spending was up across all major categories, purchases of consumer durables jumped 16.3%, as motor vehicle sales were boosted by generous manufacturers' incentives.

### ...but may slow in the fourth quarter

- Disposable income rose more slowly in the third quarter, as growth in transfers to governments outpaced income growth in the quarter. After adjusting for inflation, personal disposable income fell 1.5% (annual rate), the first quarterly drop in four years.
- Household finances remain vulnerable, with a low personal saving rate and high household debt levels. Higher disposable incomes and solid job growth are required to sustain further increases in consumer spending.
- Motor vehicle sales, a large component of retail sales, should weaken as the recent surge has been boosted by generous financial incentives.



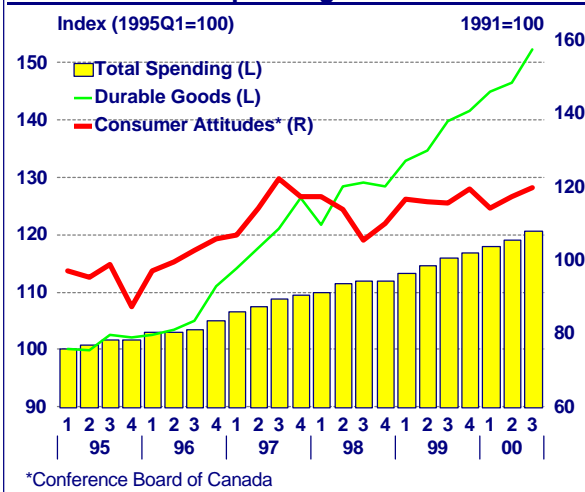
### Retail Sales and Consumer Credit

	September 2000 \$ millions	% Change since	
		last month	last year
<b>Total Retail Sales (S.A.)</b>	23,549	0.4	6.0
Food	5,127	-0.1	4.3
Drug Stores	1,153	1.6	3.2
Clothing	1,297	3.3	10.9
Furniture	1,292	2.2	11.7
Automotive	9,592	0.5	7.6
General Merch. Stores	2,588	-1.1	0.4
All other Stores	2,500	-0.1	6.1
Total ex. motor vehicles	17,145	0.4	6.2
<b>Consumer Credit (unadjusted)</b>	189	1.1	10.8

### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	1998	1999	2000 Q2	2000 Q3
<b>Real Consumption (92\$)</b>	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
<b>Disposable Income</b>	567,960	590,608	622,172	624,300
% change	3.9	4.0	5.2	1.4
<b>Saving Rate (%)</b>	4.5	3.7	3.9	2.3
<b>Debt-to-Income Ratio (%)</b>	94.9	96.1	95.4	96.3

### Real Consumer Spending and Attitudes





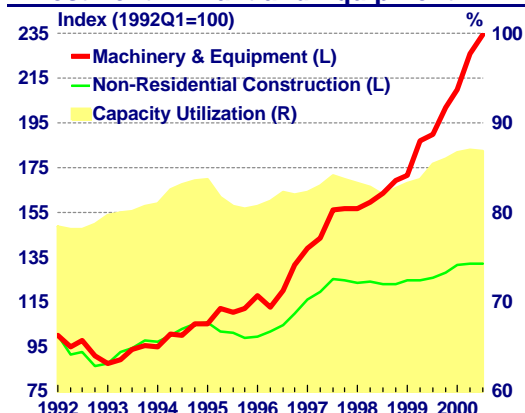
### Business investment remains robust in the third quarter...

- Business investment in M&E remains very strong, rising 16.0% (annual rate) in the third quarter. Purchases of telecommunications equipment led the third quarter advance, but spending on autos, furniture, computers and other office equipment was also higher.
- Non-Residential Construction activity edged lower, following a marked deceleration in growth in the previous quarter. Non-residential building was flat, and exploration activity in the oil and gas sector has been constrained by bad weather and shortages of equipment and personnel.

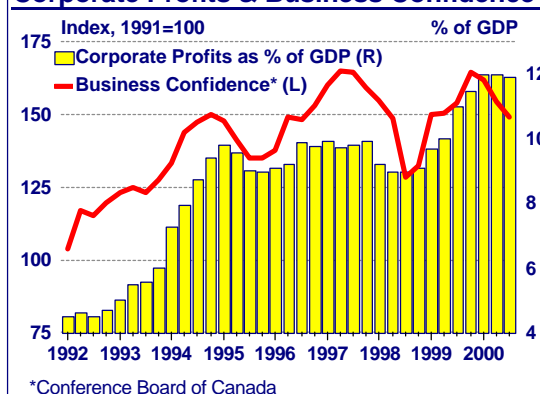
### ...but may slow in upcoming quarters

- Additional production capacity and slower output growth (induced by falling exports) led to a slight fall in overall capacity utilization in the third quarter.
- Slowing growth and a sluggish profit performance may dampen future business investment.

### 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
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1992\$)</b>	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
<b>Non-residential Construction (1992\$)</b>	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
<b>Capacity Utilization (% , Non-farm goods)</b>	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
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
<b>Corporate Operating Profits</b>	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
<b>Business Credit</b>	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 rebounded partly from the previous quarter's decline, rising 6.0% (annual rate).
- The ongoing 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 renovation activity.

### ...and continues to be healthy in the fourth quarter

- Recent trends point to further increases in housing market activity. Although housing starts declined to an annualized 155,800 units in November, this is from a very high level in the previous month (the fourth highest since 1994).
- Higher mortgage rates contributed to the weak housing market in the first half of the year. Rates have been relatively stable in recent months, and dropped 10-15 basis points across all maturities early in December.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	14,305	0.6%	4.3%
<b>Building Permits, \$M (2)</b>	1,730	5.5%	-2.5%
<b>Sales of Existing Homes (2)</b> (# of units)	19,922	-81	
<b>Housing Starts, # of units (3)</b>	155,800	-9,100	-4,200
Newfoundland	900	-500	-300
Prince Edward Island	400	-300	0
Nova Scotia	1,900	100	-1,100
New Brunswick	2,500	600	400
Quebec	23,700	2,200	4,000
Ontario	67,300	-6,200	-800
Manitoba	1,300	-300	-200
Saskatchewan	1,800	0	200
Alberta	23,600	2,800	2,800
British Columbia	11,200	-7,500	-5,900

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

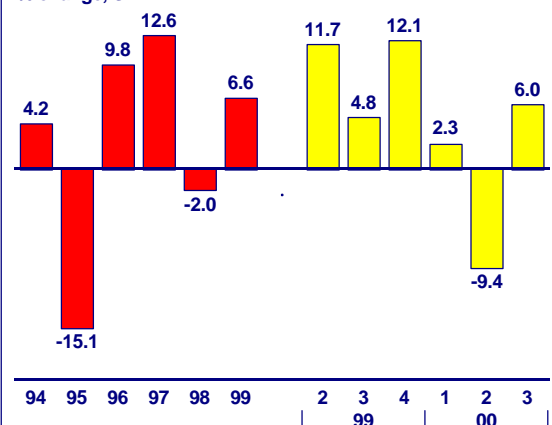
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1998	1999	2000 Q2	2000 Q3
<b>Residential Construction</b>	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

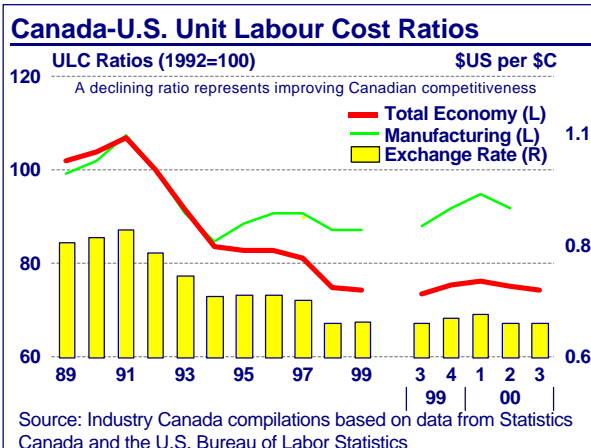
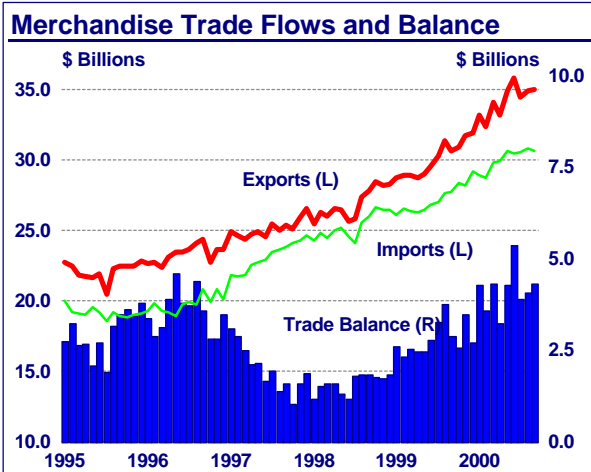


### Exports edge higher as imports decline...

- Exports edged up 0.1% in September, remaining sluggish after reaching a record level in July. Higher exports of Energy Products -- due mainly to higher prices rather than increased volumes -- offset lower exports of Automotive Products and M&E.
- Imports fell 0.7% in September, with Automotive Products falling back from an all-time high in August. This drop also reflected weaker imports of auto parts resulting from reduced U.S. demand for motor vehicles.

### ...boosting Canada's trade surplus

- Given higher exports and lower imports, Canada's trade surplus improved to \$4.3 billion in September.
- The cumulative trade surplus over the first nine months of 2000 is 50% higher than last year, owing to a sharp improvement in Canada's terms of trade. The key factors are higher export prices for petroleum products and natural gas, and lower prices for imports of high-tech equipment.



### Merchandise Trade

September 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	August 2000	September 2000	1999 Jan-Sept.	2000 Jan-Sept.	Aug. to Sept. 2000	Aug. to Sept. 2000	Sept. 1999 to Sept. 2000	
<b>Exports</b>	<b>34,915</b>	<b>34,948</b>	<b>266,144</b>	<b>307,721</b>	<b>33</b>	<b>0.1</b>	<b>14.1</b>	
to United States	30,005	30,183	228,509	264,255	178	0.6	14.8	
<b>Imports</b>	<b>30,852</b>	<b>30,649</b>	<b>241,090</b>	<b>270,462</b>	<b>-203</b>	<b>-0.7</b>	<b>10.4</b>	
from United States	22,600	22,372	184,883	199,472	-228	-1.0	6.1	
<b>Trade Balance</b>	<b>4,063</b>	<b>4,299</b>	<b>25,054</b>	<b>37,259</b>	<b>236</b>			
with United States	7,405	7,811	43,626	64,783	406			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,356	2,307	19,024	20,624	-49	-2.1	6.5	
Energy Products	4,241	4,516	21,104	35,938	275	6.5	48.3	
Forestry Products	3,356	3,431	28,978	31,330	75	2.2	3.3	
Industrial Goods & Materials	5,367	5,364	42,298	48,056	-3	-0.1	13.0	
Machinery & Equipment	9,028	8,972	63,167	77,360	-56	-0.6	22.9	
Automotive Products	8,028	7,817	71,125	72,384	-211	-2.6	0.2	
Other Consumer Goods	1,207	1,233	10,083	10,796	26	2.2	12.0	
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,584	1,591	13,157	13,715	7	0.4	9.1	
Energy Products	1,606	1,641	7,211	13,154	35	2.2	54.1	
Forestry Products	265	263	2,033	2,289	-2	-0.8	11.4	
Industrial Goods & Materials	5,825	5,846	45,650	52,631	21	0.4	10.8	
Machinery & Equipment	10,458	10,508	79,938	90,907	50	0.5	15.9	
Automotive Products	6,677	6,323	56,473	58,471	-354	-5.3	-2.5	
Other Consumer Goods	3,364	3,367	27,364	29,510	3	0.1	7.0	



# LABOUR MARKET TRENDS



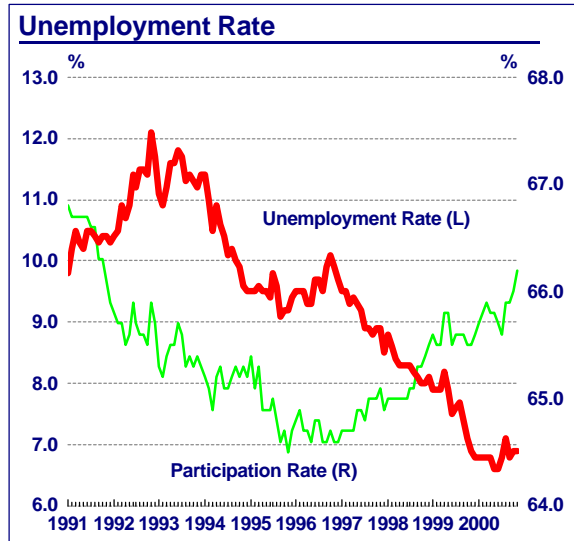
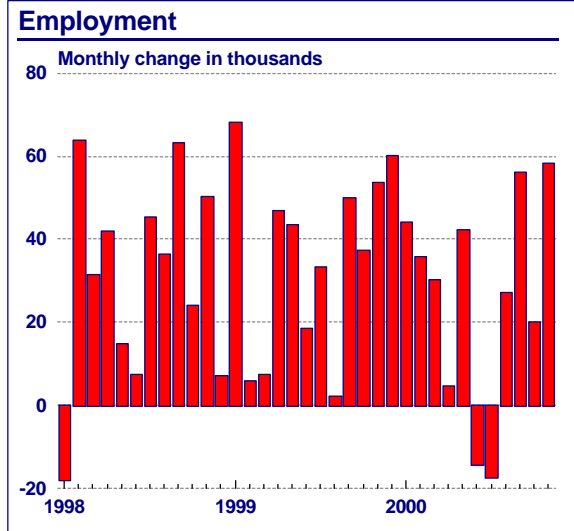
## Employment and Unemployment

### Job growth picks up in November...

- Employment rose by 58,000 in November, the fourth straight increase and the biggest monthly gain since last January.
- All of this increase was in full-time work (+79,000), as the number of part-time jobs fell by 21,000 in November. Compared to last year, full-time employment is up 2.6%, nearly double the growth in part-time work.

### ...but Canada's unemployment rates holds at 6.9%

- As job gains were matched by growth in the labour force, the unemployment rate was unchanged at 6.9% in November. The adult unemployment rate edged up to 5.8%, but this was offset by a lower rate for youth.
- Employment has increased by 288,000 in the first eleven months of 2000, but the unemployment rate is little changed on a year-to-date basis. Strong job gains over the past three years have raised the participation rate to its highest level since the early 1990s.



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 November	2000 October	2000 November	last month	last year	year-to- date	last month	last year
<b>Employment</b>	14,687.4	14,977.3	15,035.6	58.3	348.2	288.1	0.4	2.4
<b>Full-time</b>	12,030.7	12,263.4	12,342.6	79.2	311.9	247.2	0.6	2.6
<b>Part-time</b>	2,656.8	2,713.9	2,693.0	-20.9	36.2	40.9	-0.8	1.4
<b>Youth 15-24</b>	2,241.8	2,316.2	2,325.1	8.9	83.3	71.0	0.4	3.7
<b>Adult 25+</b>	12,445.7	12,661.1	12,710.5	49.4	264.8	217.2	0.4	2.1
<b>Self-employed</b>	2,449.0	2,366.1	2,359.6	-6.5	-89.4	-149.4	-0.3	-3.7
<b>Unemployment</b>	1,093.0	1,113.3	1,112.8	-0.5	19.8	37.9	-0.0	1.8
<b>Unemployment Rate</b>	6.9	6.9	6.9	0.0	0.0	0.1		
<b>Youth 15-24</b>	13.1	12.9	12.6	-0.3	-0.5	-0.5		
<b>Adult 25+</b>	5.7	5.7	5.8	0.1	0.1	0.2		
<b>Labour Force</b>	15,780.4	16,090.6	16,148.4	57.8	368.0	326.1	0.4	2.3
<b>Participation Rate</b>	65.5	66.0	66.2	0.2	0.7	0.6		
<b>Employment Rate</b>	61.0	61.4	61.6	0.2	0.6	0.4		



## Industry Overview

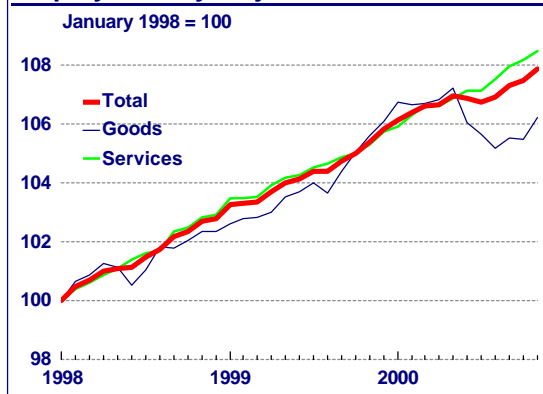
### The Goods and Services sectors both contribute to job growth....

- Solid gains in Construction and Manufacturing helped Goods-producing industries post their biggest overall increase in over two years. Still, this was only the second increase in the past six months, and industries related to Agriculture continued to shed jobs.
- Within Services, Transportation & Warehousing and Finance, Insurance & Real Estate registered the biggest gains, but employment in Professional, Scientific & Technical Services also advanced strongly. Employment in Health Care & Social Assistance fell for the fourth time in six months.

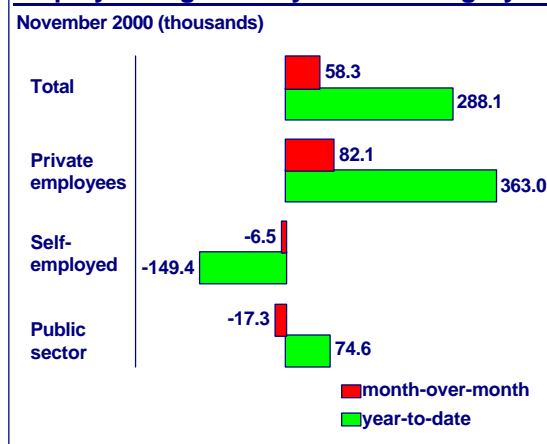
### ...but employment in the public sector falls

- The private sector accounted for all net employment gains on the month. Following gains in 1999 and early 2000, public sector employment has fallen back since July.
- Self-employment fell 7,000 in November, remaining weak following several years of strong growth.

### Employment by major sector



### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 November	2000 October	2000 November	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,848.6	3,843.1	3,870.7	27.6	22.1	5.4	0.7	0.6
Agriculture	404.9	355.3	349.4	-5.9	-55.5	-49.7	-1.7	-13.7
Natural Resources*	270.8	285.8	286.3	0.5	15.5	11.0	0.2	5.7
Utilities	114.4	115.6	118.0	2.4	3.6	2.6	2.1	3.1
Construction	803.6	800.7	817.1	16.4	13.5	9.7	2.0	1.7
Manufacturing	2,255.0	2,285.8	2,299.9	14.1	44.9	31.7	0.6	2.0
<b>Services-producing</b>	10,838.8	11,134.2	11,164.9	30.7	326.1	282.7	0.3	3.0
Trade	2,260.5	2,341.2	2,337.0	-4.2	76.5	65.3	-0.2	3.4
Transportation	764.3	779.1	796.5	17.4	32.2	32.3	2.2	4.2
FIRE*	863.1	869.7	884.5	14.8	21.4	19.2	1.7	2.5
Professional/Scientific	911.5	974.4	985.5	11.1	74.0	59.0	1.1	8.1
Management/Administrative	515.6	567.2	569.4	2.2	53.8	51.9	0.4	10.4
Educational Services	993.7	969.4	974.4	5.0	-19.3	-27.3	0.5	-1.9
Health Care/Social Assistance	1,475.5	1,529.0	1,509.4	-19.6	33.9	37.5	-1.3	2.3
Information/Culture/Recreation	638.6	685.7	695.8	10.1	57.2	59.6	1.5	9.0
Accommodation & Food	938.3	956.5	948.1	-8.4	9.8	-2.5	-0.9	1.0
Other Services	713.1	696.6	696.6	0.0	-16.5	-12.3	0.0	-2.3
Public Administration	764.6	765.5	767.9	2.4	3.3	0.1	0.3	0.4

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



## Provincial Overview

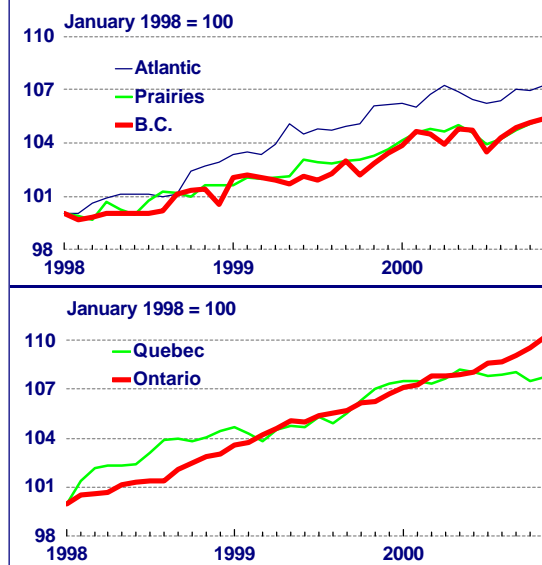
### Ontario leads November job gains...

- Job growth remains strong in Ontario, rising by 35,000 in November. Still, while Ontario led all provinces in percentage growth -- both on a monthly and year-over-year basis -- growth in the labour force has been even faster and the unemployment rate has risen slightly.
- In B.C., employment gains and a large drop in the labour force pushed down the jobless rate by 0.7 percentage points to 7.0% in November. A similar pattern also led to lower unemployment in Saskatchewan. Quebec was the only other province registering a drop in its unemployment rate.

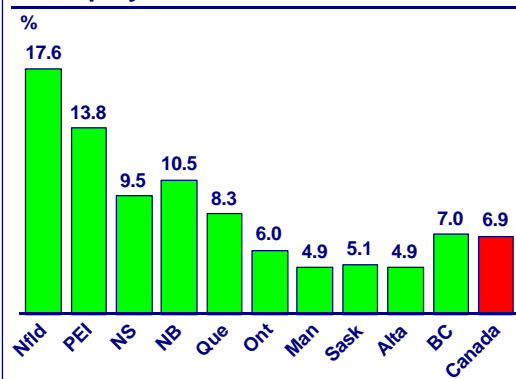
### ...as employment edges lower in Manitoba, PEI and Newfoundland

- Manitoba, P.E.I. and Newfoundland all registered modest declines in employment in November. The biggest jump in unemployment rates in these three provinces was in Newfoundland, where the rate rose one full point to 17.6%.
- Elsewhere, modest job gains were more than offset by growth in the labour force, leading to higher unemployment rates. Of particular note is a sharp 0.8 point increase in New Brunswick.

### Regional employment patterns



### Unemployment Rates -- November 2000



### Provincial Employment and Unemployment Trends

	Levels 2000 November	Employment (thousands)				Unemployment rate (%)		
		Change since last month		Change since last year		Levels	Change since	
		(000's)	%	(000's)	%		last month	last year
Canada	15,035.6	58.3	0.4	348.2	2.4	6.9	0.0	0.0
Newfoundland	205.4	-0.3	-0.1	-6.0	-2.8	17.6	1.0	1.9
P.E.I.	63.5	-0.5	-0.8	0.6	1.0	13.8	0.3	0.6
Nova Scotia	420.2	1.8	0.4	8.6	2.1	9.5	0.2	0.0
New Brunswick	338.9	1.6	0.5	7.7	2.3	10.5	0.8	0.9
Quebec	3,437.5	9.2	0.3	23.8	0.7	8.3	-0.2	0.0
Ontario	5,961.8	35.4	0.6	215.6	3.8	6.0	0.1	0.3
Manitoba	555.0	-0.7	-0.1	7.9	1.4	4.9	0.3	-0.3
Saskatchewan	484.8	0.6	0.1	1.2	0.2	5.1	-0.4	-0.2
Alberta	1,604.5	7.0	0.4	41.6	2.7	4.9	0.2	-0.5
B.C.	1,964.1	4.3	0.2	47.3	2.5	7.0	-0.7	-1.0

# PRICES and FINANCIAL MARKETS

## Consumer and Commodity Prices



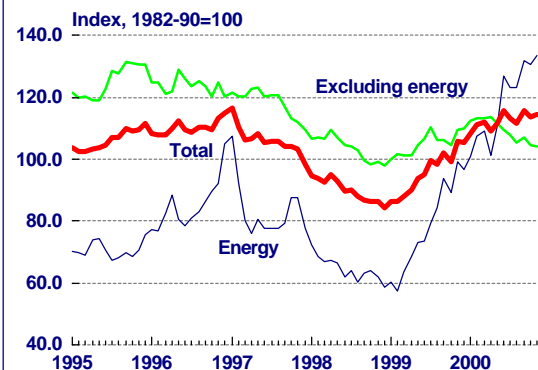
### Inflation reaches 2.8% in October...

- The annual rate of CPI inflation rose to 2.8% in October. Higher energy prices remain the most important factor behind rising prices, accounting for about half of the year-over-year increase. Higher costs for mortgage interest, restaurant food, telephone services and rent also contributed.
- Motor vehicle prices have fallen due to generous financial incentives offered by automakers to reduce inventories. Lower prices for computer equipment and childcare expenses also placed downward pressure on inflation in October.

### ...but the "core" rate remains below the midpoint of the official target range

- Excluding energy, food and indirect taxes, the "core" rate of inflation rose 0.2 points to 1.5% in October, within the bottom half of the 1-3% target range set jointly by the Bank of Canada and Department of Finance.
- Commodity prices were up 8.0% in November compared to last year, solely on the strength of higher energy prices. Non-energy prices were down almost 5% on a year-over-year basis.

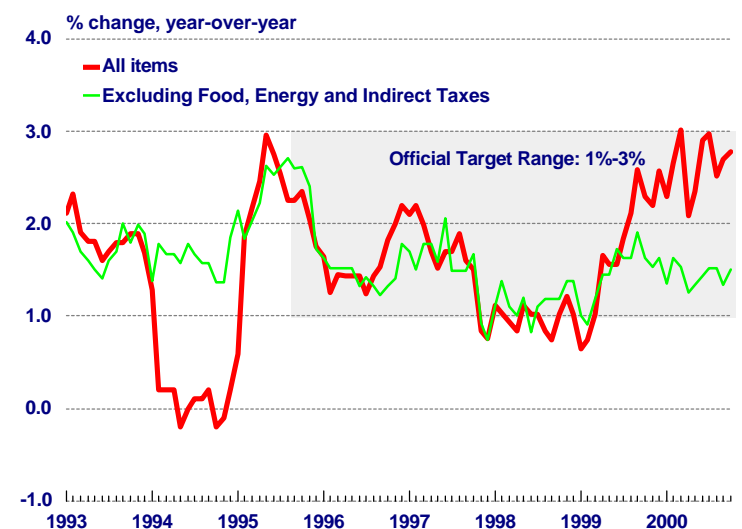
### Commodity Prices (\$U.S. basis)



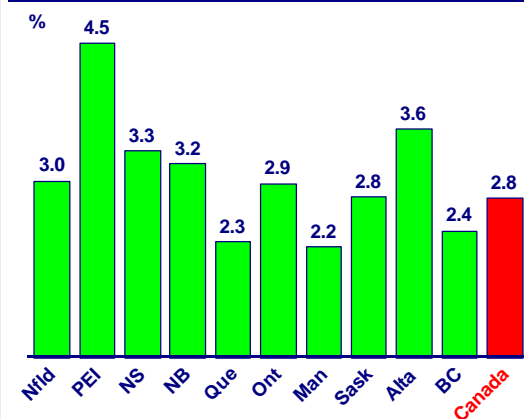
### Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
<b>October 2000</b>			
All items CPI	114.6	0.2	2.8
Food	112.0	-0.2	1.9
Shelter	110.6	0.9	4.5
Household operations	110.7	0.2	1.0
Clothing & Footwear	107.5	0.1	0.2
Transportation	131.5	-0.3	3.5
Health & Personal Care	112.8	0.4	2.0
Recreation, Educ. & Reading	124.4	-0.4	2.0
Alcohol & Tobacco	98.1	-0.3	3.7
<b>Excl. Food/Energy/Indirect Taxes</b>	<b>114.3</b>	<b>0.1</b>	<b>1.5</b>
Energy	134.6	1.4	15.2
<b>Commodity Prices (November)</b>			
Index, 1982-90=100	114.3	0.6	8.0
Excluding Energy	104.1	-0.5	-4.8
Energy	133.3	2.1	34.5

### Consumer Price Index



### Provincial CPI Inflation -- October 2000



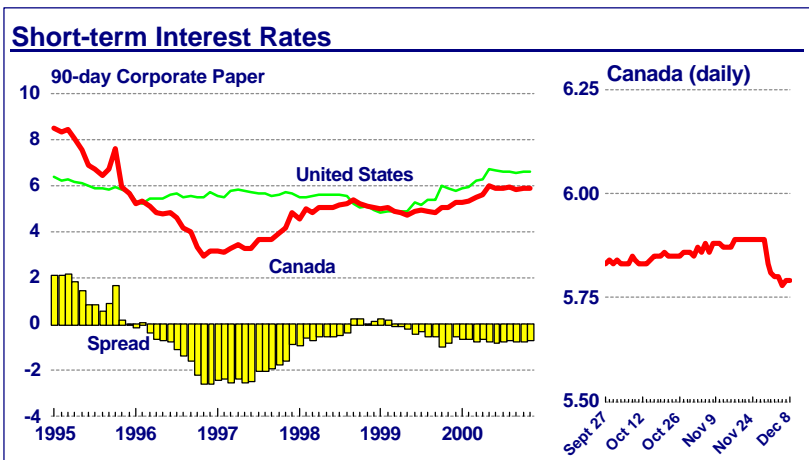


### The Bank of Canada holds the line on interest rates...

- Market-determined short rates rose steadily over the course of November, based on sentiment that the Bank of Canada might raise rates to support the dollar. However, indications of a sharper-than-expected slowdown in the United States lowered rates suddenly at the end of the month.
- Against this backdrop, the Bank of Canada announced on December 5th that it would hold the Bank Rate steady at 6.0%. The Bank pointed to robust domestic demand, and served notice that it would be looking for signs that higher energy prices were being passed through to other areas of the economy.

### ...but lower bond yields provide some rate relief

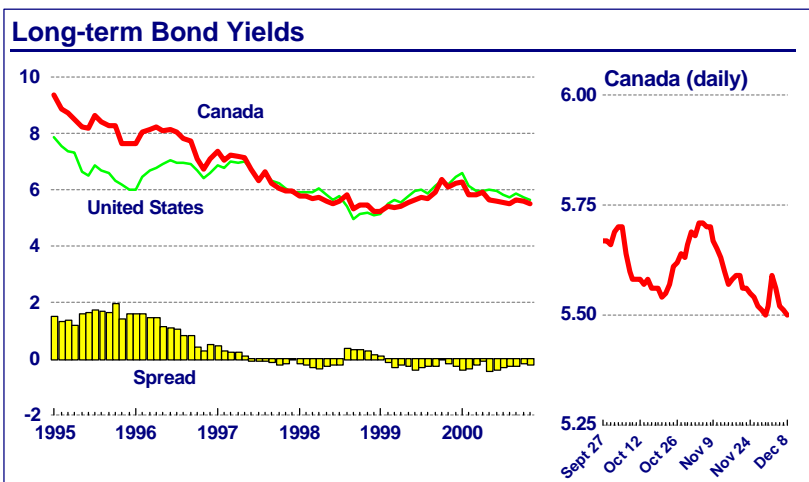
- Slower growth in the U.S. eased inflation fears and put downward pressure on North American bond yields in November. Recent sharp losses in the stock market also raised the demand for bonds. Accordingly, Canadian long-term bond yields fell 10 basis points in November. Bond yields fell even faster in the U.S., eliminating the gap between Canadian and U.S. yields as of December 6th.
- While major banks have not lowered their prime lending rates in response to falling bond yields, mortgage rates fell 10-15 basis points in early December.



### 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
June 2000	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	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 6	5.78	-0.78	5.52	0.00

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
June 2000	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	6.00	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	6.00	7.50	7.80	8.10

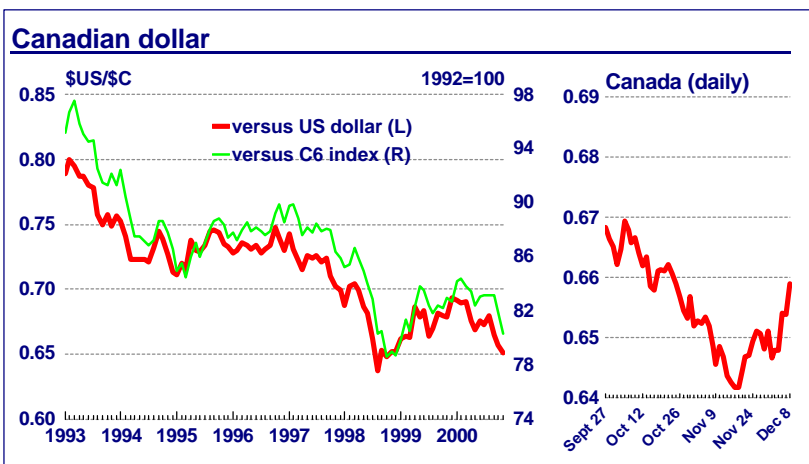


### Canadian stock prices fall for the third straight month...

- The TSE continued its slide in November, closing the month down 8.5% and bringing losses since August to more than 20%. Lower-than-expected profits in key sectors and weak prices for non-energy commodities contributed to the widespread declines in November. Even with recent losses, however, the TSE 300 ended November up 17.2% compared to a year ago.
- The U.S. stock market also performed poorly in November, with the S&P 500 falling 8% and the Dow Jones losing 5%. In contrast to the Canadian market, however, both major U.S. indexes are down on a year-over-year basis.

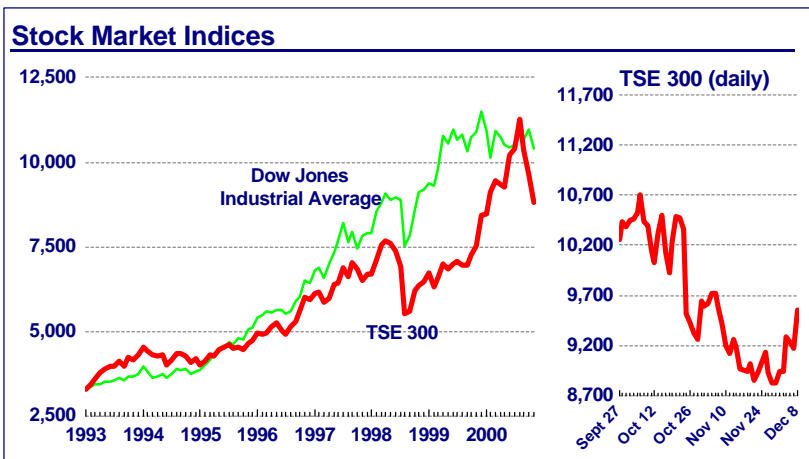
### ...as the dollar hits a two-year low before regaining some strength

- The Canadian dollar fell to US¢64.17 on November 17, its lowest level in more than two years. The Federal Reserve's decision not to lower U.S. rates was an important factor behind this weakness, but low non-energy commodity prices and deteriorating corporate profit performances also contributed.
- The dollar subsequently regained some lost ground, closing November above US¢65 and approaching the US¢66 level by December 8th. Evidence that the Canadian economy was continuing to grow at a fast pace as the U.S. economy was slowing provided support.



### 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
June 2000	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	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 8	0.6590			



### Key Stock Market Indexes

	November Close	% change from	
		last month	last year
<b>TSE 300</b>	<b>8,820</b>	<b>-8.5</b>	<b>17.2</b>
Oil & Gas	7,531	2.6	31.6
Metals & Minerals	3,429	-2.8	-9.9
Utilities	15,237	-1.9	52.8
Paper & Forest	4,539	-4.1	-4.4
Merchandising	5,534	0.7	13.6
Financial Services	9,843	-2.8	34.2
Gold	4,081	11.2	-21.4
Price-Earnings Ratio*	24.9	-2.6	-11.8
<b>S&amp;P 500</b>	<b>1,315</b>	<b>-8.0</b>	<b>-5.3</b>
<b>Dow Jones</b>	<b>10,415</b>	<b>-5.1</b>	<b>-4.3</b>

\*columns 2 & 3 reflect change in levels



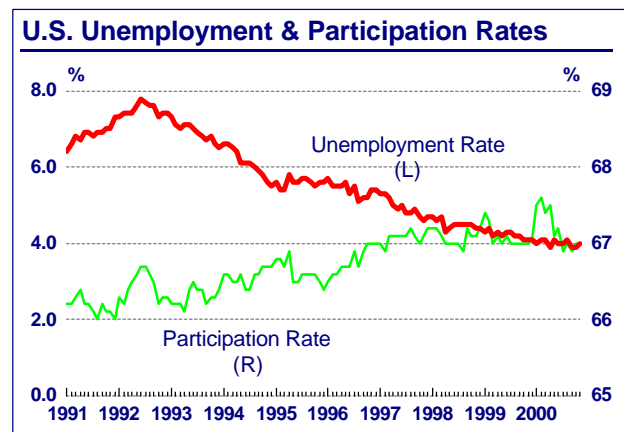
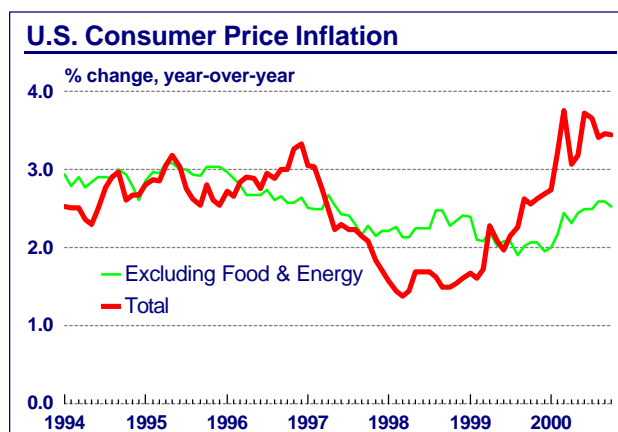
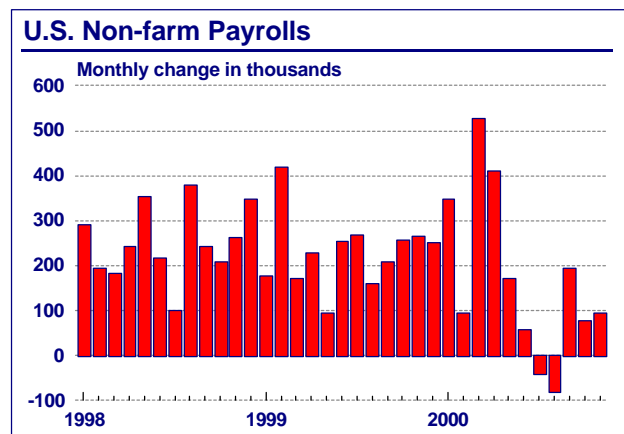
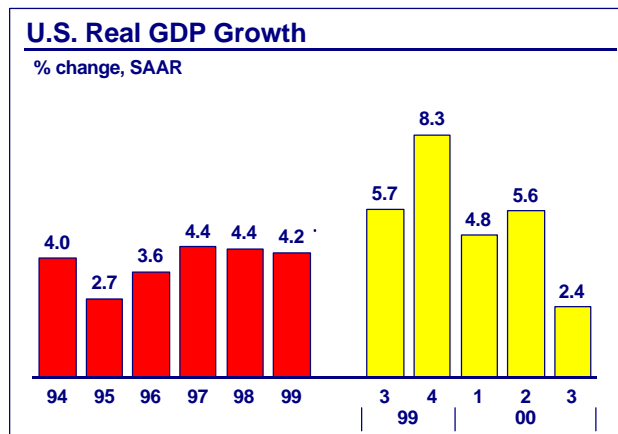
## U.S. Economic Trends

### *The U.S. economy slows considerably in the third quarter...*

- Preliminary estimates indicate that U.S. real GDP growth slowed to 2.4% (annual rate) in the third quarter of 2000, the weakest rise since the third quarter of 1996. Consumer spending remained strong but import growth jumped sharply in the quarter.
- The U.S. trade deficit widened to \$34.3 billion in September. Rising imports fuelled the higher deficit, as exports decreased slightly.
- The U.S. labour market continues to soften, with employment up only 94,000 in November. Private sector employment rose by 148,000, but this was partly offset by fewer government jobs. The U.S. unemployment rate edged up to 4.0%, compared to October's 3.9%.

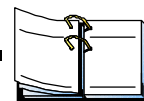
### *...and the Fed leaves interest rates unchanged*

- Despite the softening in demand, the Federal Reserve maintained the existing stance of monetary policy at its November 15 meeting, keeping its target for the federal funds rate at 6.5%.
- On a year-over-year basis, U.S. consumer prices were up 3.4% in October. Although it has risen through much of 2000, core inflation fell to 2.5%. Producer prices were up 3.6% on a year-over-year basis.



## COMING UP

### Key Future Data Releases and Planned Events



#### CANADA

Consumer Price Index – November .....	December 14
Survey of Manufacturing – October .....	December 18
International Trade – October .....	December 19
GDP at factor cost – October .....	December 22
Labour Force Survey – December .....	January 5
Business Conditions Survey – January .....	February 1
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 – November .....	December 15
International Trade – October .....	December 19
Federal Open Market Committee meeting .....	December 19
GDP – 3rd Quarter 2000, Final .....	December 21
Employment Situation – December .....	January 5

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