



MONTHLY ECONOMIC INDICATORS


August 2002


HIGHLIGHTS


 **Real GDP paused in May, after recording robust growth for seven consecutive months. The average output for April and May is up 4.5 % from the first quarter.**

 **Other recent indicators, including retail sales, exports and housing activity, also point to moderation in growth in the second quarter.**

 **23 000 more jobs were created in July, bringing the total jobs gains to 326 000 so far this year.**

 **Employment growth remained anaemic in the U.S. in July, and real GDP growth fell sharply to 1.1% in the second quarter.**

 **In line with these developments, the Bank of Canada raised the overnight rate by a further 25 basis points in July to 2.75%, while the Federal Reserve kept its policy rate unchanged at 1.75 %.**

 **The Canadian dollar has retreated to around US¢64, reflecting in part heightened uncertainty in global financial markets.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	966.7	0.0	2.6	May
Goods	305.2	-0.5	1.1	May
Services	661.5	0.3	3.3	May
Composite Index	177.3	0.5	6.7	June
Employment (000's)	15,417	0.1	2.3	July
Full-time	12,572	0.3	2.0	July
Part-time	2,844	-0.4	3.4	July
Unemployment* (%)	7.6	7.5	7.1	July
Youth*	13.4	13.5	12.6	July
Adult*	6.5	6.3	6.0	July
CPI inflation*	1.3	1.0	3.3	June
Retail Sales (\$M)	25,103	-1.3	3.8	May
Housing Starts (000's)	200.3	-0.2	34.9	July
Trade Balance* (\$M)	4,542	5,525	5,599	May
Exports	33,910	-1.9	-8.1	May
Imports	29,369	1.2	-3.7	May
M&E	8,732	0.5	-12.4	May
3-mth Corp. paper* (%)	2.86	2.88	4.14	Aug 7
Long bond yield* (%)	5.10	5.23	5.71	Aug 7
Canadian dollar* (US¢)	63.96	63.18	65.14	Aug 14

*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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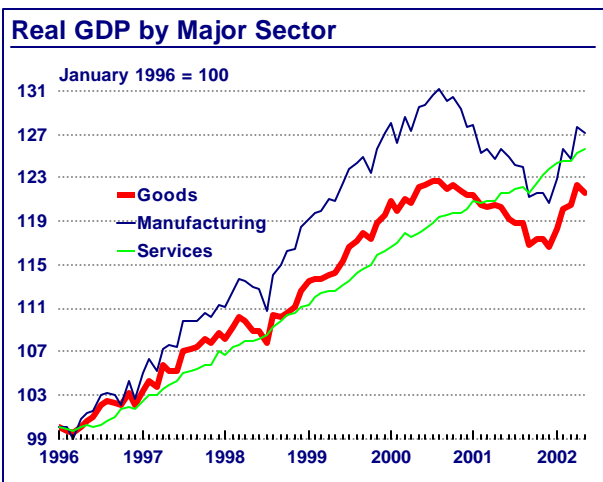
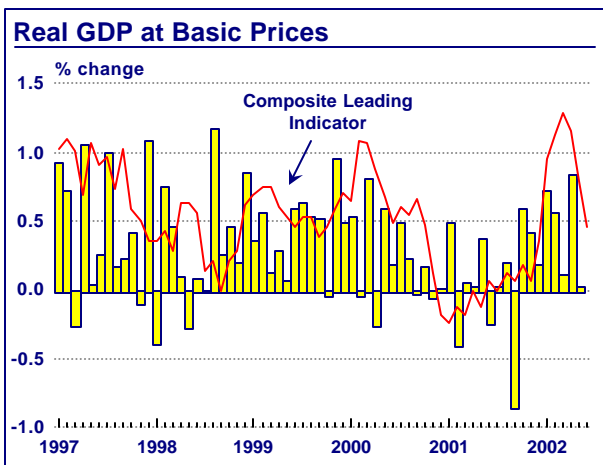


Output growth pauses in May...

- Following a 0.8% surge in April, real GDP at basic prices was unchanged in May, ending a string of seven consecutive monthly advances. Nonetheless, output in the first two months of the second quarter is up 4.5% (annual rate) from the first quarter. This points to continued output growth in the second quarter, albeit at a slower pace than the 6.0% growth in the first quarter.

...as declines in the Goods-producing industries offset gains in Services

- Output in the Goods-producing industries fell 0.5% in May, contrasting with the significant increases recorded since January. Production in Mining, Oil & Gas extraction fell as a result of lower drilling activity and temporary reductions in synthetic oil production. Manufacturing also recorded large losses, with output in the motor vehicles and lumber industries — following the imposition of softwood lumber duties — both falling. Activity in the Construction sector recovered.
- Output in the Service sector increased 0.3% in May, with 8 of the 13 major sectors recording higher output levels. Most gains took place in Public Administration, as Ontario's government employees returned to work after a strike in April, and in Arts, Entertainment & Recreation. Notable declines were reported in Retail Trade, as consumers reduced their spending on non-house-related purchases, and in Transportation & Warehousing.



Real GDP at Basic Prices (1997 dollars)

May 2002

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	966,685	252	0.0	2.6
Business Sector	820,745	-1,719	-0.2	2.8
Goods-producing	305,165	-1,547	-0.5	1.1
Agri., Forest, Fish, Hunt*	21,592	55	0.3	-0.6
Mining & Oil & Gas Extraction	36,141	-810	-2.2	-4.0
Utilities	28,354	-164	-0.6	2.7
Construction	52,112	162	0.3	4.7
Manufacturing	166,966	-790	-0.5	1.1
Services-producing	661,520	1,799	0.3	3.3
Wholesale Trade	60,114	-49	-0.1	7.1
Retail Trade	53,004	-560	-1.0	3.6
Transportation & Warehousing	43,453	-406	-0.9	-0.6
Information & Cultural	46,764	297	0.6	8.2
FIRE**	189,620	-226	-0.1	3.5
Professional***	41,515	128	0.3	2.2
Admin & Waste Mgmt	21,095	99	0.5	3.8
Education	43,667	78	0.2	0.8
Health & Social	54,879	179	0.3	2.7
Arts, Entertain. & Recreation	10,036	804	8.7	17.5
Accommodation & Food	22,131	-103	-0.5	-2.9
Other	21,279	32	0.2	2.2
Public Administration	53,963	1,526	2.9	1.9

*Agriculture, forestry, fishing & hunting

**Finance, Insurance & Real Estate

***Professional, scientific & technical

THE ECONOMY

Consumer Spending and Attitudes



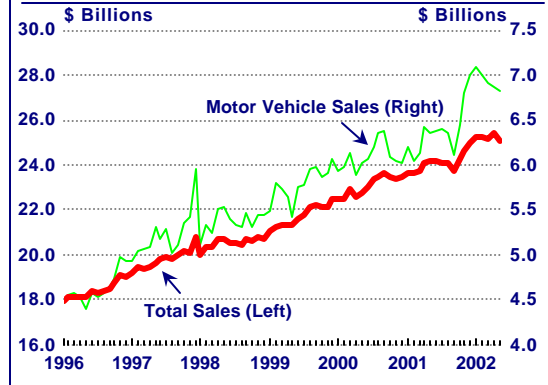
Consumer spending appears to be slowing further in the second quarter

- Retail sales fell 1.3% in May, following a 1.0% gain in April. The decline was fairly widespread, with sales of drugs and furniture posting the only increases. In particular, auto sales fell for the fourth consecutive month after several months of strong performance amid generous incentives, including offers of 0% financing by dealers. Average retail sales for April and May were 0.2% above its first quarter level, down from a 2.6% gain in the first quarter.
- Auto sales fell by 2.0% in June, following a 2.2% increase in May, resulting in sales posting a decline of 0.2% in the second quarter compared to a gain of 1.5% in the first quarter. These developments point to further slowing of real consumer spending, which grew by 2.5% in the first quarter.

...but consumer fundamentals remain strong

- Despite a recent slowing of consumer spending, which has been a major impetus to overall growth, most analysts expect consumer spending to remain robust given rising disposable income resulting from strong employment growth, still low interest rates, and high consumer confidence.

Total Retail and Motor Vehicle Sales



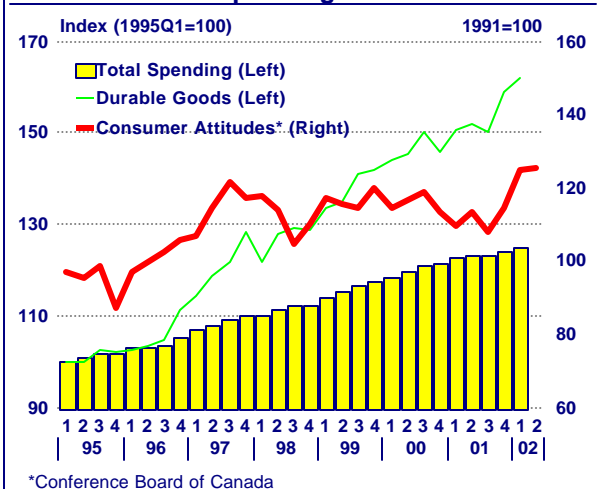
Retail Sales and Consumer Credit

May 2002	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	25,103	-1.3	3.8
Food	5,457	-0.4	3.0
Drug Stores	1,313	2.4	9.5
Clothing	1,308	-5.3	-0.7
Furniture	1,526	0.9	15.3
Automotive	10,093	-1.6	3.2
General Merch. Stores	2,780	-1.5	3.5
All other Stores	2,625	-2.7	1.5
Total ex. motor vehicles	18,281	-1.6	2.5
Consumer Credit	211	0.7	5.2

Real Consumer Spending and Household Finances

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

Real Consumer Spending and Attitudes



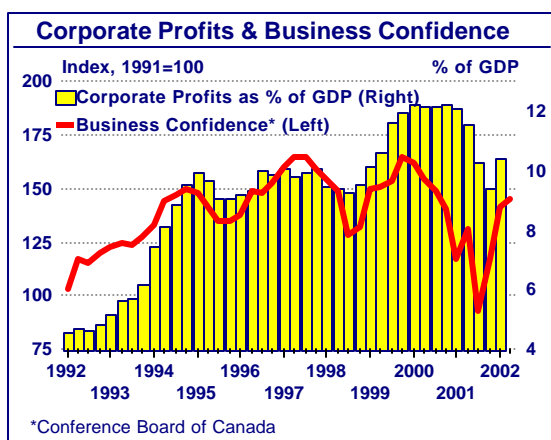
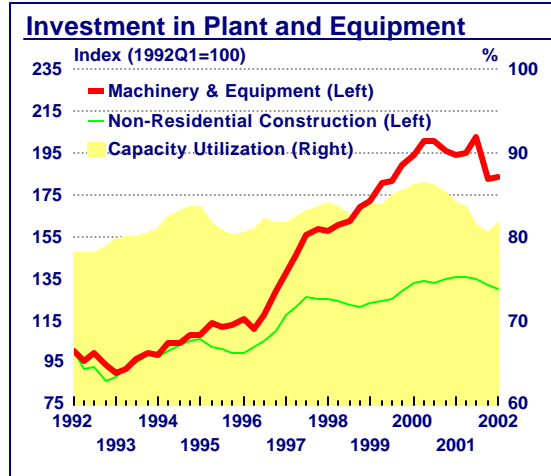


Business investment appears to be on a recovery path

- Following a partial recovery in the first quarter, business investment in M&E may have risen further in the second quarter. Imports of M&E rose for the second consecutive month in May with the average for April and May 1.9% higher than that of the first quarter.

...amid, rising business confidence

- The Conference Board's Index of Business Confidence increased for the third straight quarter, rising from 141.5 in the first quarter to 145.2 in the second quarter (the highest level in seven quarters). This, together with a recovery in the capacity utilization rate and corporate profits in the first quarter, augurs well for a sustained recovery in investment.



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2000	2001	2001 Q2	2001 Q3	2001 Q4	2002 Q1
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	89,094	87,145	87,732	91,295	82,118	82,650
% change	9.3	-2.2	1.4	17.3	-34.5	2.6
Non-residential Construction (1997\$)	47,762	48,126	48,644	48,165	47,230	46,392
% change	6.4	0.8	1.5	-3.9	-7.5	-6.9
Capacity Utilization (% , Non-farm goods)	86.0	82.3	83.4	81.4	80.4	81.7
Capacity Utilization (Mfg. sector)	86.0	80.9	81.9	80.0	78.8	80.6
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	173,029	147,758	155,352	142,688	127,248	138,752
% change	28.5	-14.6	-22.8	-28.8	-36.8	41.4
Profits - Non-financial industries	136,086	113,095	118,968	104,704	97,968	107,660
% change	35.6	-16.9	-31.4	-40.0	-23.4	45.8
Profits - Financial industries	36,944	34,662	36,384	37,984	29,276	31,096
% change	7.9	-6.2	16.7	18.8	-64.7	27.3
Business Credit	790,360	831,826	824,074	837,197	847,200	848,151
% change	6.9	5.2	2.6	6.5	4.9	0.4



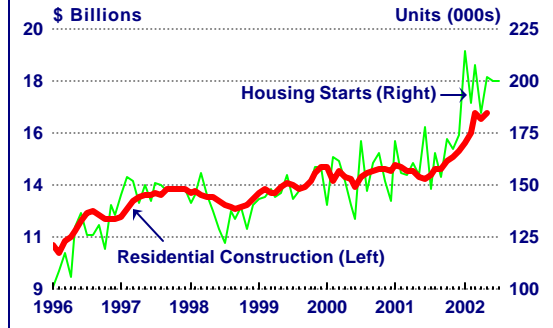
The red-hot housing sector slows in the second quarter

- Following a very strong first quarter performance, the housing sector has cooled in the second quarter. For example, housing starts were off 4.0% in the second quarter from the first quarter, while second quarter existing home sales were down 13.3%. Average residential construction for April and May was only 4.1% higher than its first quarter level, down sharply from the 35.5% increase from the fourth to the first quarter level.

...but the outlook remains positive

- Recent indicators point to continued strength in housing activity. In July, housing starts were essentially flat, but remained near the record level of over 200,000 units. Moreover, despite a 3.5% decline in residential building permits in June, the average second quarter level was 1.4% higher than the record level obtained in the first quarter.
- Analysts expect housing activity to remain healthy in the near term given strong employment conditions, higher incomes, and still low mortgage rates.

Housing Activity



Monthly Housing Indicators

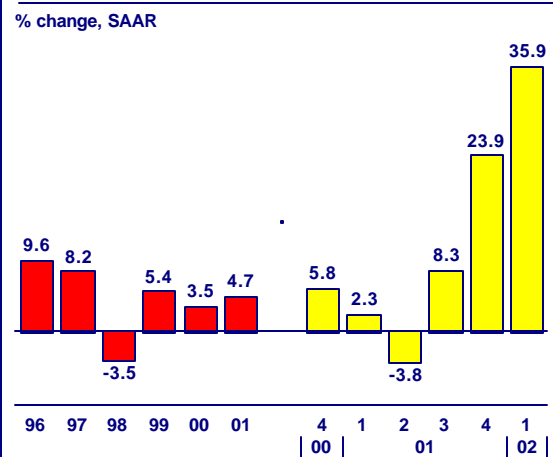
	Levels	Change since	
		Last month	Last year
Residential Construction (1) (\$97M, basic prices)	16,632	1.3%	20.1%
Building Permits, \$M (2)	2,273	-3.5%	17.2%
Sales of Existing Homes (3) (# of units)	22,471	-88	670
Housing Starts, # of units (3)	200,300	-500	51,800
Newfoundland	1,700	-600	400
Prince Edward Island	400	-700	200
Nova Scotia	3,300	-100	500
New Brunswick	2,900	600	1,000
Quebec	32,100	1,300	10,000
Ontario	76,900	-5,000	-6,400
Manitoba	2,100	-200	600
Saskatchewan	1,600	-200	-300
Alberta	33,900	1,600	9,800
British Columbia	21,500	1,600	3,800

1 - May data; 2 - June data; 3 - July data (urban & rural);
 Provincial data for final June data (urban centres, 10,000+ pop.)
 Sources: Statistics Canada; Canadian Real Estate Association;
 Canada Mortgage and Housing Corporation

Real Investment in Residential Structures

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

Growth in Real Residential Construction





Trade and Competitiveness

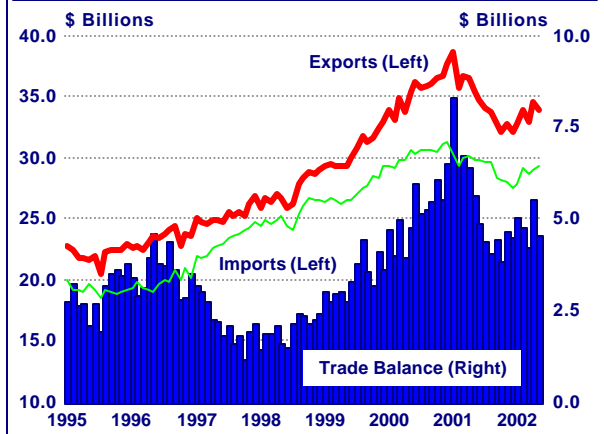
Exports fell, while imports rose in May...

- Exports were down 1.9% in May, with most sectors recording declines. Lower demand for natural gas in the United States contributed to a 6.2% decline in exports of Energy products. Exports of Industrial Goods & Materials, up 0.3%, were the sole source of strength. Despite the decline, exports were still up 5.9% since the low reached in October 2001.
- Imports of goods and services increased 1.2%, driven by imports of Energy products, which have surged 30.1% since February largely due to rising prices. Forestry and Automotive products were the only sectors to record losses.

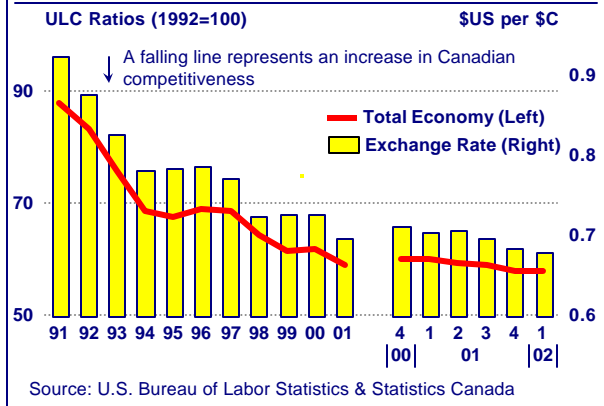
...resulting in a lower trade surplus

- The merchandise trade surplus fell almost \$1 billion to \$4.5 billion in May. This represents the largest single monthly drop since February 2001.
- Canada's trade surplus with the U.S. was down more than \$800 million to \$7.8 billion in May, while the trade deficit with all other trading partners increased less than \$200 million to \$3.2 billion.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



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

Merchandise Trade

May 2002	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	April 2002	May 2002	Jan.-May 2001	Jan.-May 2002	Apr. to May 2002	Apr. to May 2002	Jan.-May 2001 to Jan.-May 2002	
Exports	34,556	33,910	182,849	167,976	-646	-1.9	-8.1	
to United States	29,444	28,975	154,856	142,667	-469	-1.6	-7.9	
Imports	29,032	29,369	149,428	143,959	337	1.2	-3.7	
from United States	20,832	21,189	108,917	104,167	357	1.7	-4.4	
Trade Balance	5,525	4,542	33,421	24,017	-983			
with United States	8,612	7,786	45,939	38,500	-826			
Exports by Commodity								
Agriculture/Fishing Products	2,540	2,419	12,594	12,662	-121	-4.8	0.5	
Energy Products	4,320	4,052	29,986	18,418	-268	-6.2	-38.6	
Forestry Products	3,237	3,234	16,963	15,948	-3	-0.1	-6.0	
Industrial Goods & Materials	5,766	5,786	28,138	28,390	20	0.3	0.9	
Machinery & Equipment	7,795	7,646	43,737	39,446	-149	-1.9	-9.8	
Automotive Products	8,235	8,219	38,482	39,966	-16	-0.2	3.9	
Other Consumer Goods	1,429	1,389	6,730	7,150	-40	-2.8	6.2	
Imports by Commodity								
Agriculture/Fishing Products	1,774	1,782	8,302	8,934	8	0.5	7.6	
Energy Products	1,290	1,417	8,461	6,137	127	9.8	-27.5	
Forestry Products	269	260	1,224	1,271	-9	-3.3	3.8	
Industrial Goods & Materials	5,622	5,680	29,690	28,224	58	1.0	-4.9	
Machinery & Equipment	8,687	8,732	49,221	43,103	45	0.5	-12.4	
Automotive Products	6,657	6,644	29,299	32,405	-13	-0.2	10.6	
Other Consumer Goods	3,721	3,766	17,639	18,618	45	1.2	5.6	

LABOUR MARKET TRENDS



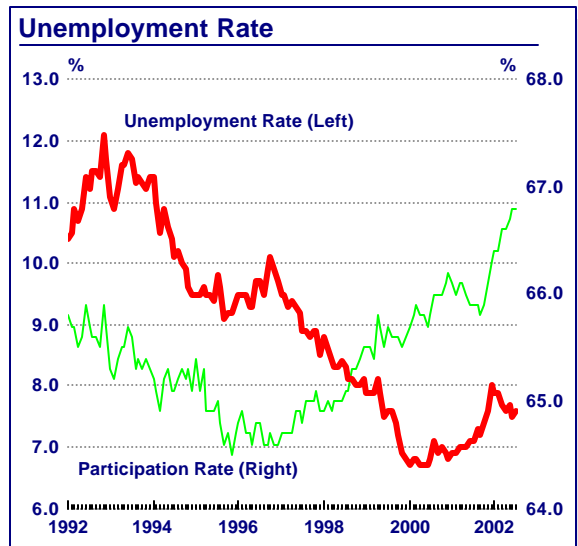
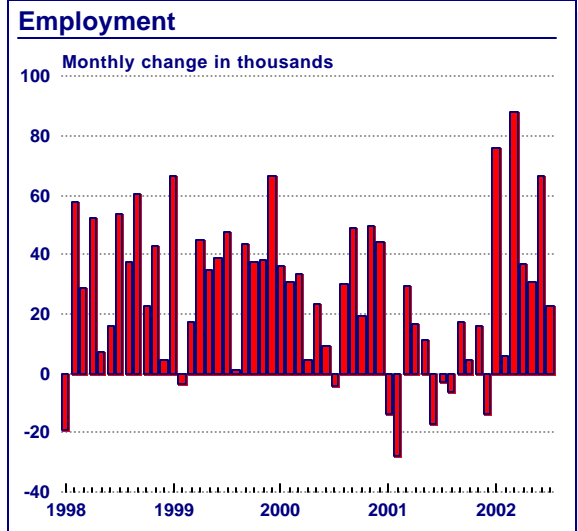
Employment and Unemployment

Employment increased further in July...

- Employment rose by 23 000 in July, following a gain of 66 000 jobs in June and an average monthly gain of 47 000 since last December. Since the beginning of the year, 326 000 jobs have been created in Canada which contrasts with the U.S. situation where 116 000 jobs have been lost over the same period.
- All the increase in July was in full-time employment (+36 000) while part-time jobs declined (-13 000). So far this year, full-time jobs have represented more than 70% (+235 000) of the employment increase.
- The employment rate continued to increase in July, reaching 61.8%, the highest level recorded in 12 years .

...but the unemployment rate edged up to 7.6%

- The national unemployment rate edged up 0.1 percentage point to 7.6% in July, as the labour force increased at a faster pace than employment. However, the unemployment rate was still below the recent peak of 8.0% recorded in December 2001.
- Adult employment increased 15 000 and is up 265,000 since the start of the year, while youth employment rose by 8 000 for a gain of 62 000 since December.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2001 July	2002 June	2002 July	last month	last year	year-to-date	last month	last year
Employment	15,072.6	15,393.6	15,416.6	23.0	344.0	326.4	0.1	2.3
Full-time	12,322.4	12,536.6	12,572.2	35.6	249.8	235.0	0.3	2.0
Part-time	2,750.1	2,857.0	2,844.4	-12.6	94.3	91.4	-0.4	3.4
Youth 15-24	2,315.9	2,354.3	2,362.3	8.0	46.4	62.0	0.3	2.0
Adult 25+	12,756.7	13,039.3	13,054.4	15.1	297.7	264.5	0.1	2.3
Self-employed	2,308.9	2,344.4	2,357.9	13.5	49.0	76.3	0.6	2.1
Unemployment	1,152.1	1,252.6	1,268.8	16.2	116.7	-50.0	1.3	10.1
Unemployment Rate	7.1	7.5	7.6	0.1	0.5	-0.4		
Youth 15-24	12.6	13.5	13.4	-0.1	0.8	-0.6		
Adult 25+	6.0	6.3	6.5	0.2	0.5	-0.4		
Labour Force	16,224.6	16,646.2	16,685.5	39.3	460.9	276.5	0.2	2.8
Participation Rate	65.9	66.8	66.8	0.0	0.9	0.5		
Employment Rate	61.2	61.7	61.8	0.1	0.6	0.9		



Industry Overview

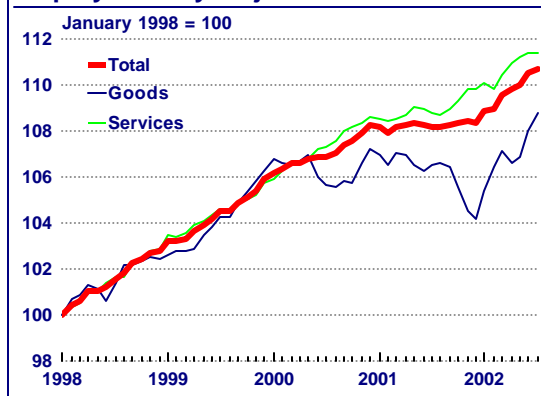
Employment in the Goods sector continued its upward trend...

- Employment in the Goods sector increased by 30 000 in July, following a gain of 41 000 in June. The largest employment gain came from the Manufacturing sector (+14 000), where 128 000 jobs have been created since December. Despite small gains in the last three months, employment in the Natural Resources sector is down 21 000 so far this year. Consistent with slowing housing activity, employment gains in the Construction sector moderated (+3 000). Nonetheless, employment in this sector is up 33 000 since December. Employment in Agriculture (+6 000) and Utilities (+1 400) also increased in July.

...while it edged down in Services

- Employment in Services edged down by 7 000 in July, following an increase of 25 000 in June. The largest employment loss was recorded in the Trade sector (-23 000). Since April, this industry has lost almost 50 000 jobs. Jobs in the Health Care & Social Assistance (+35 000) and Transportation & Warehousing (+20 000) industries posted the strongest growth.
- Self-employment rose by 14 000, bringing gains since March to 69 000. This recent strength follows a period of steady declines that began in February 2000 and resulted in more than 240 000 job losses.

Employment by Major Sector



Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2001 July	2002 June	2002 July	last month	last year	year-to- date	last month	last year
Goods-producing	3,874.8	3,927.6	3,957.3	29.7	82.5	165.9	0.8	2.1
Agriculture	331.5	321.9	328.1	6.2	-3.4	15.4	1.9	-1.0
Natural Resources*	295.5	264.6	269.7	5.1	-25.8	-21.2	1.9	-8.7
Utilities	125.0	131.4	132.8	1.4	7.8	11.1	1.1	6.2
Construction	837.8	878.9	881.6	2.7	43.8	33.0	0.3	5.2
Manufacturing	2,285.0	2,330.8	2,345.0	14.2	60.0	127.6	0.6	2.6
Services-producing	11,197.8	11,466.0	11,459.4	-6.6	261.6	160.6	-0.1	2.3
Trade	2,389.0	2,433.5	2,410.6	-22.9	21.6	-21.9	-0.9	0.9
Transportation*	772.9	748.1	768.1	20.0	-4.8	22.4	2.7	-0.6
FIRE*	875.2	911.4	902.5	-8.9	27.3	29.7	-1.0	3.1
Professional/Scientific	974.0	993.7	992.3	-1.4	18.3	22.6	-0.1	1.9
Management/Administrative	559.3	601.1	587.9	-13.2	28.6	18.9	-2.2	5.1
Educational Services	969.2	1,019.6	1,014.2	-5.4	45.0	43.5	-0.5	4.6
Health Care/Social Assistance	1,529.3	1,591.3	1,626.5	35.2	97.2	61.7	2.2	6.4
Information/Culture/Recreation	718.6	715.3	717.7	2.4	-0.9	20.9	0.3	-0.1
Accommodation & Food	981.6	991.2	979.8	-11.4	-1.8	-11.4	-1.2	-0.2
Other Services	675.3	694.3	686.4	-7.9	11.1	-11.8	-1.1	1.6
Public Administration	753.3	766.5	773.5	7.0	20.2	-14.0	0.9	2.7

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



Provincial Overview

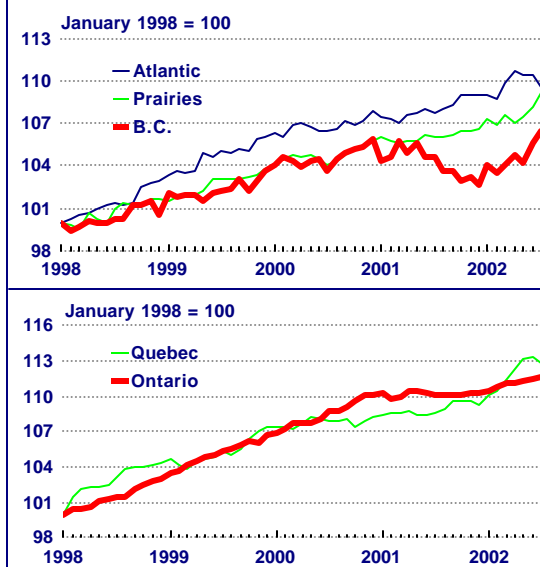
Alberta and British Columbia created most of the jobs in July

- Alberta (+26 000) recorded the strongest employment growth among the provinces in July, mostly in the Services and Natural Resources industries. Employment rose strongly in British Columbia (+16 000), pushing the unemployment rate down to 8.2%. With this increase, employment in this province surpassed its previous peak reached in December 2000.
- Employment declined by 15 000 in Quebec, following six consecutive monthly increases totalling 128 000. Losses were concentrated in the Trade (-18 000) and Manufacturing (-10 000) sectors. Employment rose slightly in Ontario (+6 500) as 19 000 jobs were created in the manufacturing sector, which accounts for nearly all employment gains (72 000 out of 73 000) so far this year.

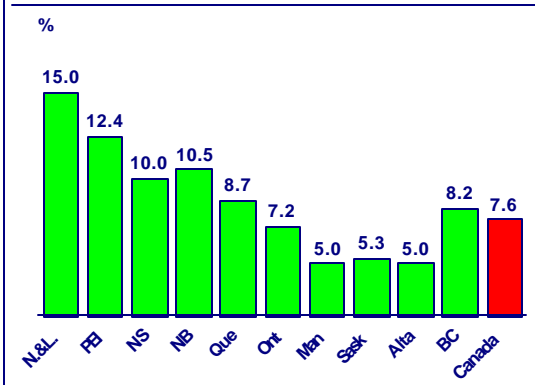
The unemployment rate increased in most provinces

- Employment continued to decrease in the Atlantic provinces, pushing up the unemployment rates to 12.4% in P.E.I., 10.0% in Nova Scotia and 10.5% in New Brunswick. The unemployment rate decreased to 15.0% in Newfoundland & Labrador as the labour force contracted more than employment.
- The unemployment rate in Manitoba edged up 0.1 percentage point to 5.0%, still the lowest unemployment rate in Canada, along with that in Alberta.

Regional employment patterns

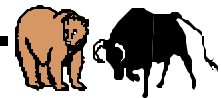


Unemployment Rates -- July 2002



Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment Rate (%)			
	Levels	Change since last month		Change since last year		Levels	Change since	
	2002 July	(000's)	%	(000's)	%	2002 July	last month	last year
Canada	15,416.6	23.0	0.1	344.0	2.3	7.6	0.1	0.5
Newfoundland & Labrador	216.7	-1.8	-0.8	7.0	3.3	15.0	-0.7	-0.7
P.E.I.	66.4	-0.2	-0.3	0.5	0.8	12.4	0.3	0.7
Nova Scotia	423.6	-5.1	-1.2	-1.6	-0.4	10.0	0.6	0.3
New Brunswick	343.4	-1.3	-0.4	12.1	3.7	10.5	0.9	-1.3
Quebec	3,599.6	-15.0	-0.4	133.5	3.9	8.7	0.5	0.4
Ontario	6,043.2	6.5	0.1	80.3	1.3	7.2	0.1	0.8
Manitoba	568.4	0.5	0.1	13.7	2.5	5.0	0.1	-0.4
Saskatchewan	479.4	-2.3	-0.5	6.5	1.4	5.3	0.0	-0.5
Alberta	1,691.3	26.0	1.6	57.1	3.5	5.0	-0.6	0.6
B.C.	1,984.8	15.9	0.8	35.1	1.8	8.2	-0.5	0.8



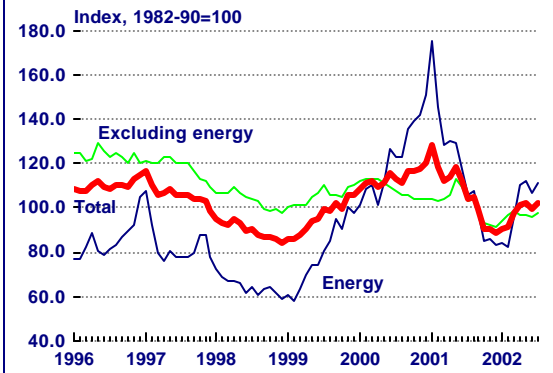
Inflation increased to 1.3% in June...

- On a year-over-year basis, consumer price inflation was 1.3% in June, up from 1.0% in May. An increase in cigarette taxes in New Brunswick, Quebec and Ontario, and higher prices for private transportation and food contributed to the rise in inflation. The 10.4% decline in energy prices in June followed a drop of the same size in May, helping contain inflation in the low range. Total inflation excluding the energy components increased from 2.3% in May to 2.6% in June.
- On a monthly basis, the CPI edged up 0.3% in June, compared with 0.2% in May as a result of higher food prices and cigarette taxes. Prices have slowed in May and June after rising by 0.6% on average in the previous three months.

...and the "core" rate remained close to the midpoint of the official target range

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, inched down to 2.1% in June from 2.2% in May, remaining close to the midpoint of the 1%-3% target range.
- In July, commodity prices were up 2.5% from June, more than offsetting the 2.2% decline in the previous month. Commodity prices have stabilized in recent months, after climbing up from their recent lows at the end of 2001.

Commodity Prices (\$U.S. basis)



Consumer Prices

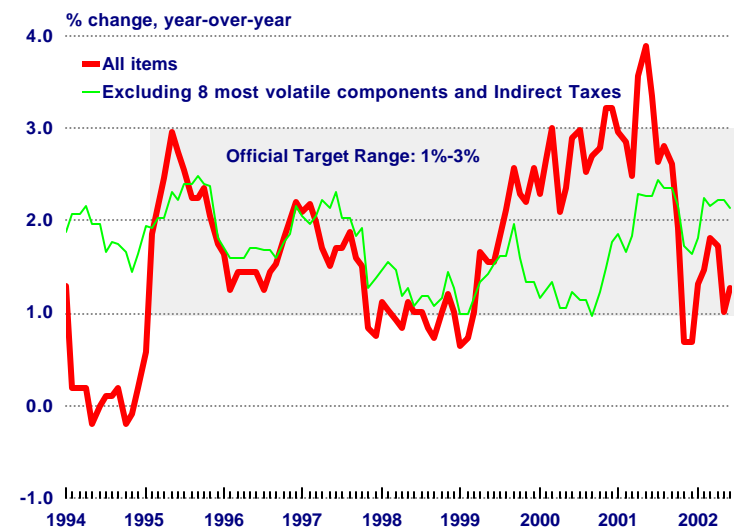
June 2002

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	119.0	0.3	1.3
Food	120.9	0.4	2.4
Shelter	113.1	0.0	-1.0
Household operations	114.0	0.2	1.4
Clothing & Footwear	104.2	-0.4	-0.3
Transportation	134.0	-0.1	0.8
Health & Personal Care	115.9	0.2	0.9
Recreation, Educ. & Reading	127.2	0.3	1.3
Alcohol & Tobacco	124.1	4.5	17.7
Excl. 8 Most Volatile/Indirect Taxes	119.7	0.2	2.1
Energy	127.0	-1.1	-10.4

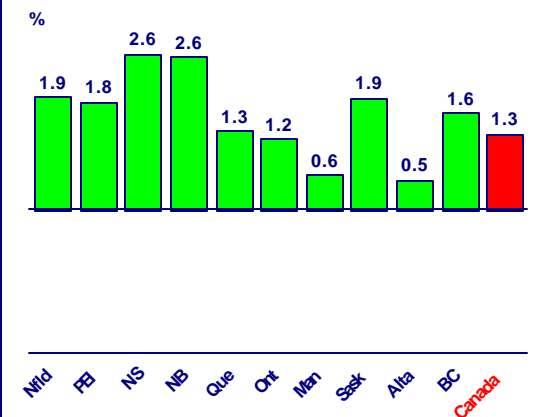
Commodity Prices (July 2002)

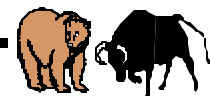
Index, 1982-90=100	102.3	2.5	-2.0
Excluding Energy	97.8	2.0	-5.4
Energy	110.9	3.5	4.5

Consumer Price Index



Provincial CPI Inflation -- June 2002



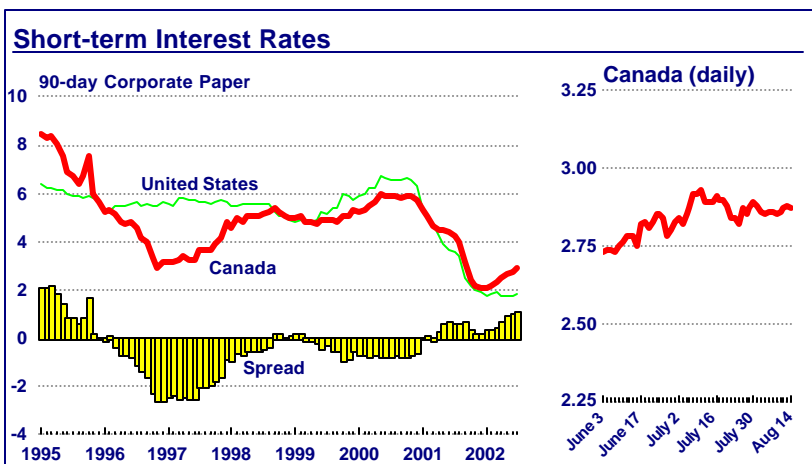


The Bank of Canada raises the overnight rate for the third time this year while the Federal Reserve remains on the sideline

- The Bank of Canada has raised its key lending rate by 25 basis points (bps) in April, June and again in July in light of indications that Canada's economic performance remains fairly robust. This brought the overnight rate to 2.75%, a full percentage point above its U.S. counterpart, which has remained unchanged at 1.75% so far this year. By contrast, the U.S. Federal Reserve decided to keep policy rates unchanged on August 13, but left the door open for lowering the rates should the recent economic weakness continue.

Long-term bond yields drop on flight-to-safety flows

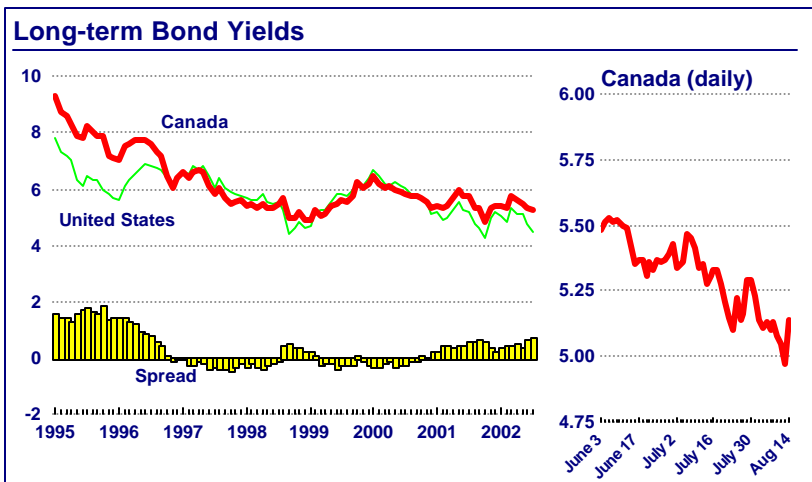
- The pace of decline in long-term bond yields accelerated in recent weeks as investors sought refuge from increased uncertainties associated with the recent global corporate and financial market developments.
- The Canadian 10-year bond yield dropped from 5.4% in late June to 5.2% at the end of July. With their U.S. counterpart falling even more, the Canada-U.S. yield spread has widened to about 72 bps in late July from 62 bps in late June. Lower bond yields have enticed the chartered banks to lower their mortgage rates by about 20 percentage bps.



Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2000	5.71	-0.60	5.35	0.24
2001	2.08	0.19	5.44	0.22
Feb 2002	2.16	0.34	5.31	0.47
March	2.36	0.42	5.79	0.44
April	2.46	0.69	5.64	0.53
May	2.68	0.91	5.49	0.38
June	2.78	1.03	5.37	0.62
July	2.88	1.06	5.23	0.72
Aug 7	2.86	1.15	5.10	0.75

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



Key Lending Rates

(end of period)	Overnight Lending Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
2000	5.75	7.50	7.70	7.95
2001	2.25	4.00	4.60	6.85
Feb 2002	2.00	3.75	4.55	6.85
March	2.00	3.75	5.30	7.30
April	2.25	4.00	5.40	7.45
May	2.25	4.00	5.55	7.40
June	2.50	4.25	5.55	7.25
July	2.75	4.50	5.35	7.05
Aug 14	2.75	4.50	5.35	6.80

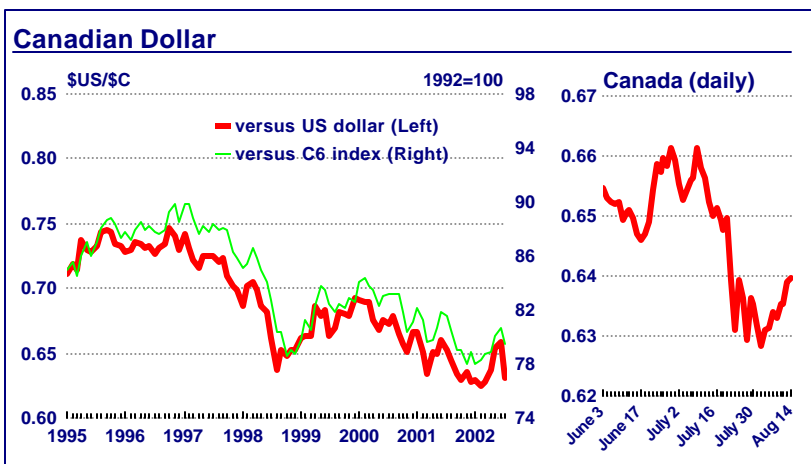


The Canadian dollar suffers from increased global financial market volatility

- The Canadian dollar closed at US¢64.08 on August 15, down from a peak of US¢66.1 five weeks before, but still up from the recent low of US¢62.9 in late July. The recent decline in the dollar reflects increased volatility in global financial markets amid deteriorating investor sentiment strained by further corporate accounting scandals. Softer commodity prices resulting from deteriorating economic prospects in the U.S. have also weighed on the currency.

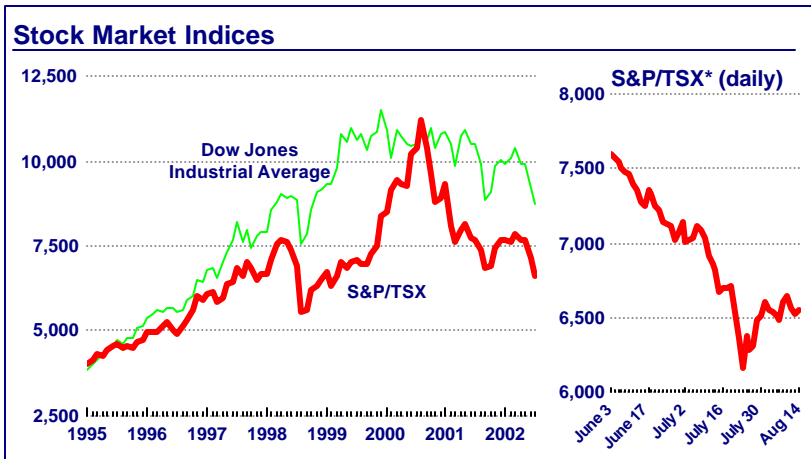
Shaken investor confidence causes more volatility in equity markets

- North American indices suffered major losses in July, hitting lows last seen four years ago. More disclosures of unacceptable accounting practices together with an uncertain corporate profit outlook sapped investor confidence, prompting a sell-off in favour of assets with more predictable returns. While all the major indices have partially recovered early in August, markets remain highly volatile.
- The S&P/TSX and the Dow Jones hit their lowest level since 1998 late in July, falling to 6161 and 7702 respectively before rebounding late in the month. For July as a whole, the TSX lost 540 points (-7.6%) to 6605 and the Dow Jones lost 507 points (-5.5%) to 8737. On August 15, the TSX closed at 6558 and the Dow Jones at 8818.



The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	\$Cdn vs. EURO	yen vs. \$Cdn
2000	0.6669	81.19	1.370	73.64
2001	0.6278	78.95	1.387	80.76
Feb 2002	0.6242	78.38	1.390	83.71
March	0.6273	78.69	1.392	82.51
April	0.6376	78.89	1.401	82.69
May	0.6545	80.15	1.421	81.51
June	0.6595	80.73	1.465	80.46
July	0.6318	79.53	1.535	76.25
Aug 14	0.6396	78.55	1.544	74.46



Key Stock Market Indexes

	July Close	% change from	
		last month	last year
S&P/TSX *	6,605	-7.6	-14.1
Oil & Gas	9,906	-4.5	12.5
Metals & Minerals	3,621	-20.1	-11.6
Utilities	8,816	-4.1	-34.9
Paper & Forest	5,185	-11.4	7.5
Merchandising	7,090	-7.4	14.2
Financial Services	10,108	-5.2	-8.5
Goods	5,377	-15.6	19.6
S&P 500	911.6	-7.9	-24.7
Dow Jones	8,737	-5.5	-17.0

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

THE UNITED STATES ECONOMY



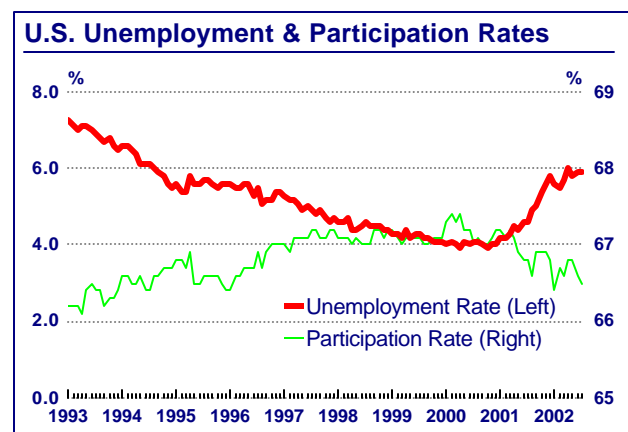
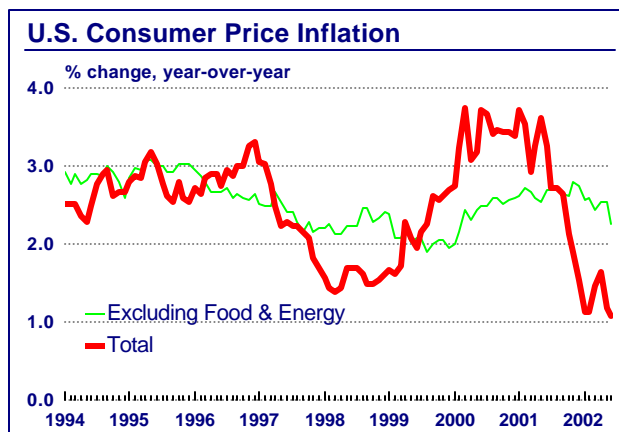
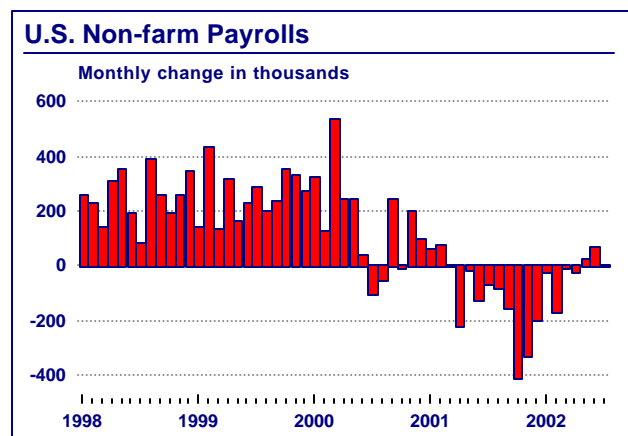
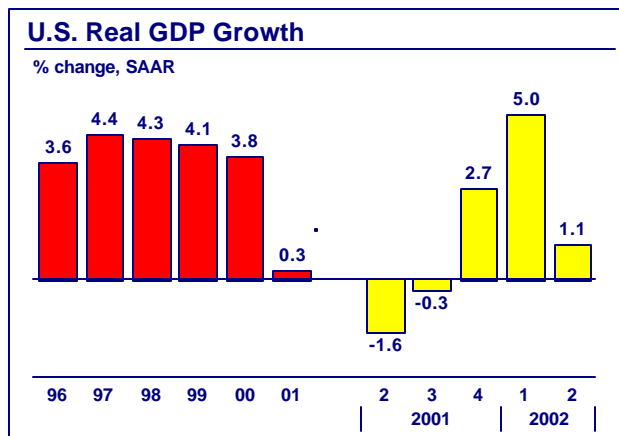
U.S. Economic Trends

The U.S. economy is slowing down.

- According to advance estimates, real GDP increased by 1.1% (annualized) in the second quarter, down from a downwardly revised 5.0% growth in the first quarter. The report also included historical revisions, now showing that the economy endured a longer and deeper recession than estimated earlier (see annex). Consumer spending and changes in inventories continued to contribute to growth in the second quarter, but at a much slower pace, while a sharp rise in imports dragged growth down (-2.8%).
- Recent indicators provide a mixed picture, raising concern about the durability and strength of the recovery. In July, the Institute for Supply Management (ISM) stated that its manufacturing index declined to 50.5% compared to 56.2% in June, and the non-manufacturing ISM index dropped to 53.1% (57.2% in June). Consumer confidence fell to 97.1 from 106.3 in June, the worst drop since October of 2001. Retail sales, however, were up in July (+1.2%) as the auto industry revived sales incentives.

Employment conditions remained weak in July.

- The U.S. unemployment rate remained stable at 5.9%, while total non-farm payroll employment rose only 6 000 in July, following a revised 66 000 in June. So far this year, employment has declined by 116 000, compared to total job losses of over 1.4 million in 2001. Job losses have been concentrated in the manufacturing sector, which now appears to be stabilizing.
- On a year-over-year basis, the Consumer Price Index rose 1.1% and core inflation stood at 2.3% in June, compared with 2.5% in May.





Annex

Historical Revisions of U.S. GDP

- Revisions are made each July to U.S. GDP estimates, incorporating more comprehensive data and improved estimation techniques. Beginning in 1999, revisions were made to current-dollar GDP, national income, disposition of personal income, and productivity. The most significant differences between the previously published and revised estimates for 1999-2001 are:
- From 1998 to 2001, real GDP grew at 2.7% (annualized) down from 3.1%.
- For 2001, revised estimates revealed much slower growth in real GDP (+0.3%) compared to previous estimates (+1.2%). Growth for first quarter of this year was also revised down from 6.1% to 5.0%. Furthermore, the revisions exposed a much longer downturn in the economy as the first three quarters of 2001 reported consecutive negative growth rates.
- Revisions were also incorporated in productivity estimates from 1998-2002. Annual rates of productivity in the non-farm business sector were revised down in 2000 and 2001, from 3.3% and 1.9% to 2.9% and 1.1% respectively. Productivity growth for the first quarter of this year was revised up to 8.6% from 8.4%, the best performance since the second quarter of 1983. However, with output growth estimated to have decelerated, productivity growth fell sharply to 1.1% in the second quarter.

Revised U.S. Data Estimates

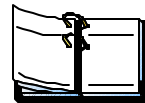
	Seasonal Adjusted at Annual Rates								
	1998	1999	2000	2001	2001				2002
					Q1	Q2	Q3	Q4	Q1
GDP	4.3	4.1	3.8	0.3	-0.6	-1.6	-0.3	2.7	5.0
previous	4.3	4.1	4.1	1.2	1.3	0.3	-1.3	1.7	6.1
Productivity*	n.a.	2.4	2.9	1.1	-1.5	-0.1	2.1	7.3	8.6
previous	n.a.	2.3	3.3	1.9	-0.1	2.1	1.1	5.5	8.4

Source: Bureau of Labour Statistics, Bureau of Economic Analysis

*Non-farm business productivity

COMING UP

Key Future Data Releases and Planned Events



CANADA

Survey of Manufacturing - June	August 19
International Trade - June	August 20
Consumer Price Index - July	August 21
Financial Statistics for Enterprises - 2nd Quarter	August 29
Real GDP by industry - June	August 30
Balance of International Payments - 2nd Quarter	August 30
National Economic and Financial Accounts - 2nd Quarter	August 30
Bank of Canada (key policy interest rate announcement)	September 4
Labour Force Survey - August	September 6

UNITED STATES

Consumer Price Index - July	August 16
International Trade in Goods and Services - June	August 20
GDP - 2nd Quarter (preliminary)	August 29
The Employment Situation - August	September 6
Federal Open Market Committee meeting	September 24

Note: The August 2002 MEI uses data available as of August 15, 2002