



Industry
Canada

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Monthly Economic Indicators

August 2003

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


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MONTHLY ECONOMIC INDICATORS


August 2003

HIGHLIGHTS


 **Real Gross Domestic Product (GDP) edged up 0.1% in May following declines in March and April.**

 **This, combined with other indicators (including retail sales and exports) suggests that the economy posted no growth in the second quarter.**

 **Employment decreased by 13,000 in July, all in part-time jobs, with losses concentrated in the services sector.**

 **On the positive side, the housing sector remains robust, with housing starts rising by 8.5% in July. Moreover, the United States (U.S.) economy grew by 2.4% in the second quarter and more recent indicators point to further improvements.**

 **Inflation fell for the fourth consecutive month, reaching 2.6% in June.**

 **The Canadian dollar has retreated to about US¢72.0 from its high of US¢75.0 around mid-June, still showing an appreciation of about 15% so far this year.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	992.5	0.1	1.8	May
Goods	303.1	-0.2	0.7	May
Services	689.8	0.2	2.4	May
Composite Index	181.5	0.3	2.3	June
Employment (000's)	15,721	-0.1	1.9	July
Full-time	12,759	0.0	1.5	July
Part-time	2,962	-0.6	3.6	July
Unemployment* (%)	7.8	7.7	7.6	July
Youth*	14.1	13.9	13.5	July
Adult*	6.5	6.5	6.5	July
CPI inflation*	2.6	2.9	1.3	June
Retail Sales (\$M)	26,243	0.3	4.0	May
Housing Starts (000's)**	223.5	8.5	11.4	July
Trade Balance* (\$M)	3,562	3,948	3,665	June
Exports	31,560	-3.1	-6.5	June
Imports	27,998	-2.2	-7.0	June
M&E	8,035	1.5	-11.9	June

		July	
		August 13***	2003
3-mth Corp. paper (%)*	2.88	2.89	2.88
Long bond yield (%)*	5.05	4.78	5.23
Canadian dollar (US¢)*	72.49	71.18	63.18

*Data in levels only – % change not reported

**Canada Mortgage and Housing Corporation

***Bank of Canada's Weekly Financial Statistics

All other data from Statistics Canada

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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

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Sources of information include, primarily, Statistics Canada, as well as the Bank of Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Conference Board of Canada, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics. Unless cited otherwise, data contained in graphs and tables are derived from Statistics Canada.

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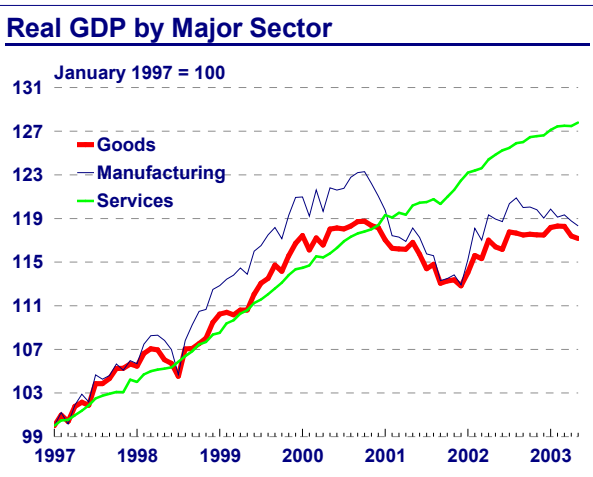
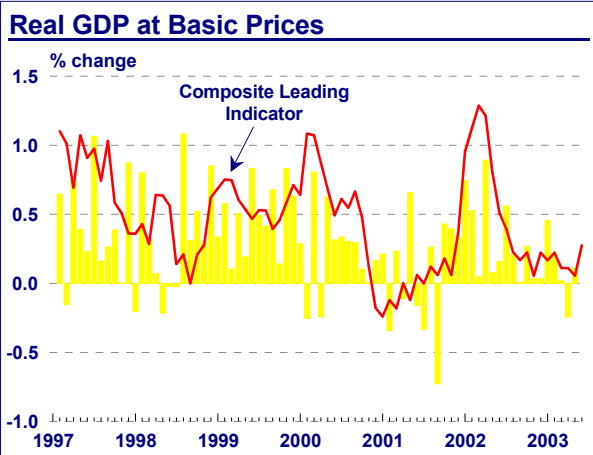
Real GDP by Industry

Real Gross Domestic Product edged up in May...

- Economic activity edged up 0.1% in May after declining 0.2% in April. Surging motor vehicle sales due to generous incentives offered by North American vehicle manufacturers contributed strongly to the advance. However, output growth was hampered by lower activity levels in industrial production (Manufacturing, Mining and Utilities), Transportation (negatively impacted by SARS) and Education services. These developments point to a slowdown in growth in the second quarter as the average real GDP for April and May was virtually unchanged from its first quarter level.

...as activity levels in the Services sector increased

- Output in the Goods sector retracted 0.2% in May after declining 0.8% in April. Ongoing weakness in industrial production led to a reduction in activities in the Goods sector. However, gains in non-residential and engineering construction boosted Construction activity, and output in Agriculture, Forestry, Fishing & Hunting advanced 0.9%.
- Services output rose 0.2% in May supported by strong sales of motor vehicles which buoyed Wholesale and Retail Trade. The Finance, Insurance & Real Estate sector benefited from the stock market's recovery and the strong resale housing market.



Real GDP at Basic Prices (1997 chained dollars)

May 2003	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	992,487	1,096	0.1	1.8
Business Sector	840,870	984	0.1	1.8
Goods-producing	303,064	-600	-0.2	0.7
Agri., Forest, Fish, Hunt*	22,003	193	0.9	6.3
Mining & Oil & Gas Extraction	37,538	-97	-0.3	1.1
Utilities	27,277	-69	-0.3	-2.7
Construction	52,767	29	0.1	3.9
Manufacturing	163,092	-629	-0.4	-0.5
Service-producing	689,759	1,712	0.2	2.4
Wholesale Trade	62,183	379	0.6	6.6
Retail Trade	55,532	382	0.7	3.3
Transportation & Warehousing	44,280	-595	-1.3	-1.9
Information & Cultural	47,521	249	0.5	4.5
FIRE**	197,785	727	0.4	1.7
Professional***	46,985	161	0.3	3.4
Admin. & Waste Mgmt	21,874	31	0.1	4.4
Education	44,758	-83	-0.2	1.0
Health & Social	59,183	81	0.1	4.1
Arts, Entertain. & Recreation	9,639	34	0.4	-1.0
Accommodation & Food	22,115	167	0.8	-4.9
Other	22,527	47	0.2	2.0
Public Administration	56,451	159	0.3	2.8

*Agriculture, Forestry, Fishing & Hunting

**Finance, Insurance & Real Estate

***Professional, Scientific & Technical services

THE ECONOMY



Consumer Spending and Attitudes

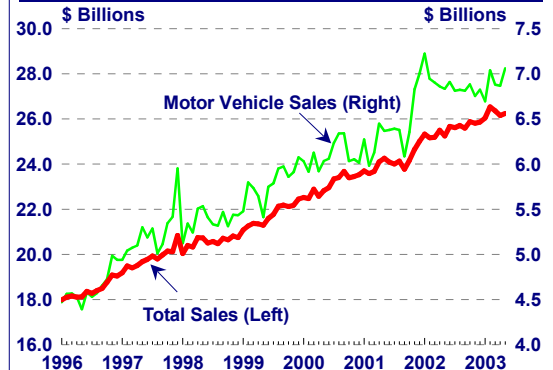
Consumer spending appears to have slowed in the second quarter

- Following two consecutive monthly declines, including a 0.2% decrease in April, real retail sales rose 0.7% in May with notable increases for general merchandise stores, clothing, and furniture retailers which were adversely affected by the recent SARS epidemic. The average real retail sales value for April and May was up 0.1% from the first quarter, when sales rose by 1.3% over the previous quarter.
- New motor vehicle sales fell 10.2% in June, following an increase of 9.1% the previous month. The number of new motor vehicles sold in the second quarter of 2003 edged down 0.9% from the first quarter, when it had dropped 6.2%.

Consumer attitudes improved in July

- The July consumer attitudes survey of the Conference Board of Canada indicates a slight improvement in confidence (the index rose 1.6 basis points to 120.6). This glimmer of optimism is largely due to low interest rates, as there are growing concerns regarding job market prospects for the coming months.
- Improved consumer confidence and easing concerns about SARS and mad cow disease could help bolster consumer spending in the coming months.

Total Retail and Motor Vehicle Sales



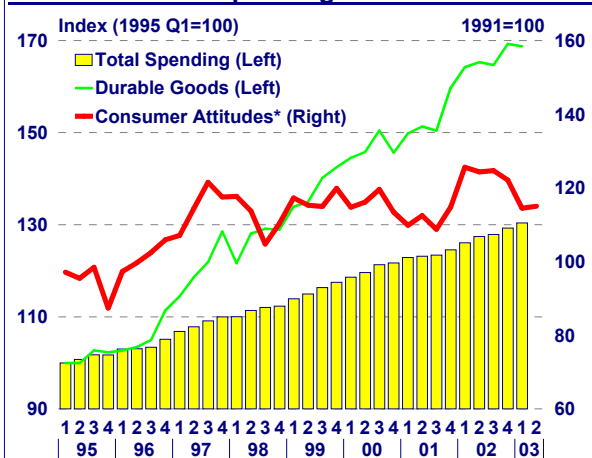
Retail Sales and Consumer Credit

	May 2003 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	26,243	0.3	4.0
Food	5,796	-2.2	5.0
Drug Stores	1,338	0.6	2.7
Clothing	1,375	2.0	4.8
Furniture	1,592	1.9	4.0
Automotive	10,512	0.9	3.9
General Merch. Stores	2,909	2.3	4.2
All other Stores	2,721	-0.2	2.1
Total ex. motor vehicles	19,180	-0.6	4.2
Consumer Credit	234	0.8	8.6

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	2001	2002	2002 Q4	2003 Q1
Real Consumption (97\$)	581,590	601,198	608,753	614,015
% change	2.6	3.4	4.4	3.5
Durable Goods	85,958	93,294	95,208	94,913
% change	4.2	8.5	11.6	-1.2
Semi-Durable Goods	52,310	54,341	54,809	55,549
% change	3.8	3.9	6.1	5.5
Non-Durable Goods	133,791	136,534	138,052	139,828
% change	1.2	2.1	4.8	5.2
Services	309,887	317,885	321,628	324,529
% change	2.7	2.6	2.2	3.7
Disposable Income	667,376	698,479	707,092	713,828
% change	4.4	4.7	3.7	3.9
Saving Rate (%)	4.5	4.2	3.2	2.6
Debt-to-Income Ratio (%)	95.9	97.3	98.4	99.0

Real Consumer Spending and Attitudes



*Conference Board of Canada



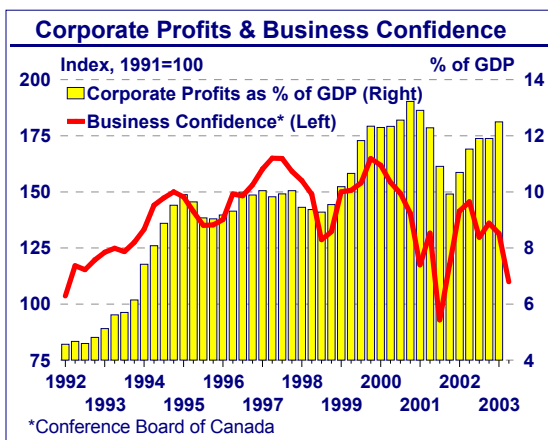
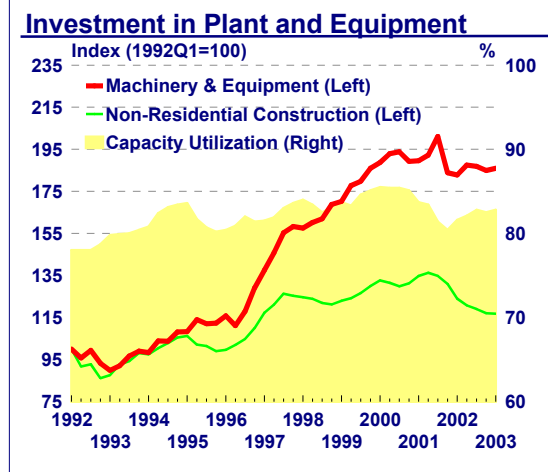
Business Investment

The recovery in business investment may have continued...

- Real Business investment in Machinery & Equipment (M&E) appears to have risen further in the second quarter.
 - Real imports of M&E, which accounts for a large share of investment, rose by 3.5% in the second quarter after falling 3.7% in the first.

...amid improving profits and higher dollar

- Corporate balance sheets have improved, translating into quarterly gains in corporate operating profits since the beginning of 2002.
- Capacity utilization rates remain slightly higher than their 10-year average.
- The recent appreciation of the Canadian dollar reduces the cost of M&E investment which is largely imported.
- Moreover, there are signs that U.S. recovery is gaining momentum which would bode well for growth in Canada. However, after numerous false starts, managers may still adopt a wait-and-see approach in boosting capital spending in the near future.



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2001	2002	2002 Q2	2002 Q3	2002 Q4	2003 Q1
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	86,494	83,720	84,606	84,340	83,453	83,915
% change	0.3	-3.2	10.7	-1.3	-4.1	2.2
Non-residential Construction (1997\$)	48,047	43,044	43,231	42,631	41,920	41,830
% change	2.2	-10.4	-10.1	-5.4	-6.5	-0.9
Capacity Utilization (% , Non-farm goods)	82.2	82.3	82.1	82.8	82.5	82.8
Capacity Utilization (Mfg. sector)	81.9	83.5	83.5	84.3	84.1	84.1
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	138,563	146,312	144,740	149,624	155,212	171,716
% change	-16.1	5.6	29.5	14.2	15.8	49.8
Profits - Non-financial industries	102,845	113,379	111,200	117,980	120,892	134,764
% change	-19.0	10.2	33.5	26.7	10.2	54.4
Profits - Financial industries	35,718	32,934	33,540	31,644	34,320	36,952
% change	-6.3	-7.8	17.2	-20.8	38.4	34.4
Business Credit	853,492	884,363	881,927	886,554	891,536	899,374
% change	5.4	3.6	2.1	2.1	2.3	3.6



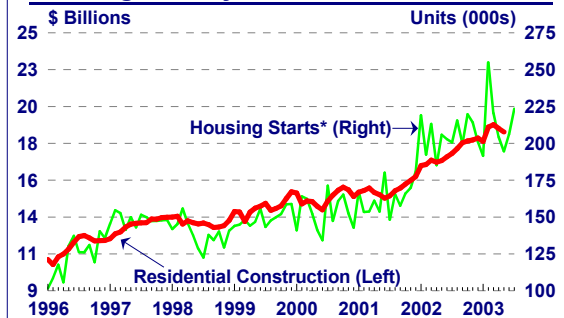
The housing market remains strong...

- Housing starts were up from 205,900 in June to 223,500 in July, an increase of 8.5%. This represents a year-over-year gain of 11.4%. So far, the 2003 average of 213,600 units is 3.8% higher than last year.
- Sales of existing homes increased 4.3% (annual rate) in the second quarter and average residential construction for April and May was up 1.0% (annual rate) compared to the first quarter level.
- Residential building permits for the second quarter were 2.3% lower than the first quarter of 2003. On a year-over-year basis, the number of residential building permits increased 1.4% in the second quarter.

...and fundamentals are still looking good

- The housing sector continues to show solid performance despite slowing of economic and employment conditions. This reflects still a high level of housing affordability as lower mortgage rates counterbalance rising house prices. Moreover, the higher return on housing investment than other assets in the past couple of years and high level of consumer confidence should continue to support demand for housing in the near future.

Housing Activity



*Canada Mortgage and Housing Corporation

Monthly Housing Indicators

	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	18,690	-1.2%	10.3%
Building Permits, \$M (2)*	2,586	4.6%	10.1%
Sales of Existing Homes (3)** (# of units)	30,281	3,837	7,523
Housing Starts, (3)*** (# of units, SAAR)	223,500	17,600	22,900
Newfoundland & Labrador	2,100	-600	-300
Prince Edward Island	1,000	-800	-200
Nova Scotia	5,400	100	1,900
New Brunswick	4,600	400	1,800
Quebec	49,300	6,100	7,800
Ontario	84,900	200	-6,900
Manitoba	4,000	0	700
Saskatchewan	3,200	-200	500
Alberta	39,000	4,500	8,400
British Columbia	30,000	7,900	9,200

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

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

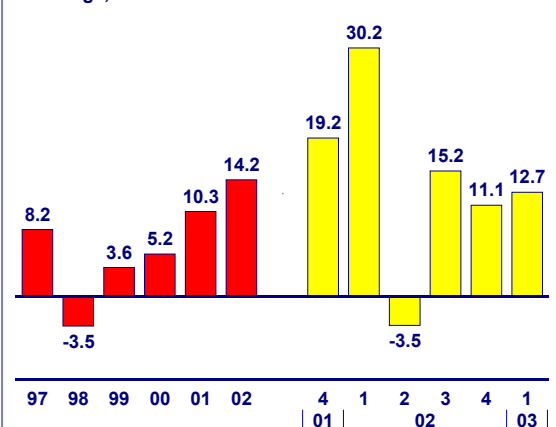
Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)

	2001	2002	2002 Q4	2003 Q1
Construction by Business sector	50,456	57,614	59,664	61,470
% change	10.3	14.2	11.1	12.7
New Housing	23,374	28,782	30,631	31,407
% change	5.7	23.1	15.8	10.5
Alterations & Improvements	19,629	20,605	21,028	21,788
% change	16.1	5.0	7.4	15.3
Ownership & Transfer Costs	7,748	8,484	8,248	8,504
% change	11.2	9.5	-0.4	13.0
Residential Construction	50,705	57,854	59,868	61,648
% change	10.3	14.1	10.4	12.4

Growth in Real Residential Construction

% change, SAAR





Trade and Competitiveness

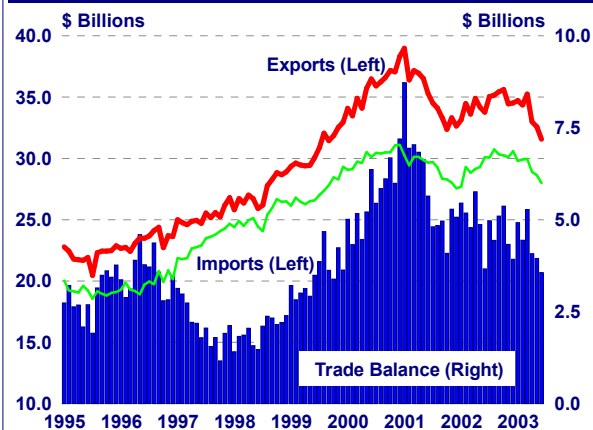
Exports drop more than imports in June

- Merchandise exports fell 3.2% to \$31.6 billion in June, the lowest level since September 1999. This was due to declines in exports of Machinery & Equipment (particularly aircraft), Automotive, and agricultural exports (as 34 countries closed their borders to Canadian beef due to the "mad cow disease"). Exports to all the principal trading partners decreased, except Japan (+2.3%). Exports to the U.S. fell 1.6%.
- Merchandise imports fell 2.2% to \$28.0 billion. All sectors, except Energy, Machinery & Equipment and Forestry Products, posted declines. The largest drops were posted by Automotive Products, and Industrial Goods & Materials. Imports from all principal trading partners decreased, except for Japan (+21.0%) and other OECD countries (+2.2%). Imports from the U.S. (-3.8%) led the decline.

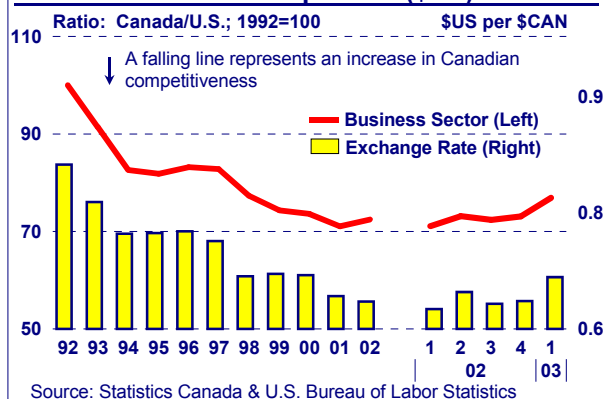
...and the trade surplus fell sharply

- The merchandise trade surplus fell by \$0.4 billion to \$3.6 billion in June, its lowest level since October 1999 and the third consecutive monthly decline. The trade surplus with the U.S. increased \$0.3 billion to \$7.2 billion and the deficit with other countries widened by \$0.7 billion to \$3.6 billion.

Merchandise Trade Flows and Balance



Unit Labour Cost Comparison (\$US)



Merchandise Trade

June 2003	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	May 2003	June 2003	Jan.-June 2002	Jan.-June 2003	May to June 2003	May to June 2003	Jan.-June 2002 to Jan.-June 2003
Exports	32,586	31,560	204,075	201,433	-1,026	-3.1	-1.3
to United States	26,879	26,456	171,023	167,429	-423	-1.6	-2.1
Imports	28,640	27,998	174,363	175,205	-642	-2.2	0.5
from United States	20,045	19,282	125,581	122,572	-763	-3.8	-2.4
Trade Balance	3,948	3,562	29,712	26,228	-386		
with United States	6,834	7,174	45,442	44,857	340		
Exports by Commodity							
Agriculture/Fishing Products	2,299	2,152	15,470	14,361	-147	-6.4	-7.2
Energy Products	4,774	4,735	22,097	32,085	-39	-0.8	45.2
Forestry Products	2,752	2,624	18,976	16,738	-128	-4.7	-11.8
Industrial Goods & Materials	5,428	5,289	34,918	32,972	-139	-2.6	-5.6
Machinery & Equipment	7,566	7,192	48,539	45,726	-374	-4.9	-5.8
Automotive Products	7,289	7,097	48,184	44,243	-192	-2.6	-8.2
Other Consumer Goods	1,420	1,414	8,687	8,639	-6	-0.4	-0.6
Imports by Commodity							
Agriculture/Fishing Products	1,853	1,815	10,716	11,079	-38	-2.1	3.4
Energy Products	1,521	1,592	7,399	10,315	71	4.7	39.4
Forestry Products	248	248	1,538	1,530	0	0.0	-0.5
Industrial Goods & Materials	5,577	5,298	34,051	33,563	-279	-5.0	-1.4
Machinery & Equipment	7,918	8,035	52,390	49,637	117	1.5	-5.3
Automotive Products	6,673	6,266	39,439	39,837	-407	-6.1	1.0
Other Consumer Goods	3,872	3,776	22,661	23,412	-96	-2.5	3.3



Employment and Unemployment

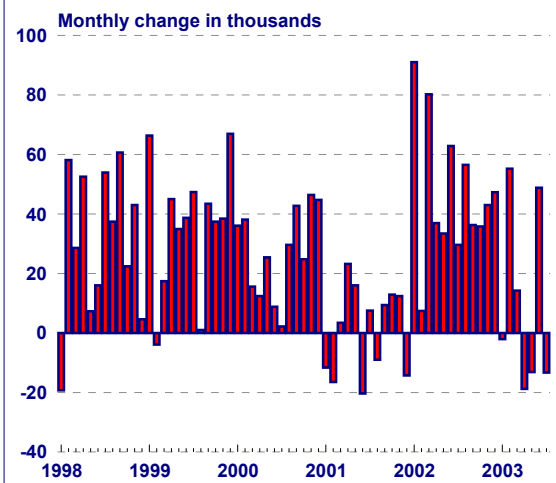
Employment decreased in July...

- Canada's employment edged down 13,000 in July, following an increase of 49,000 the previous month. Since the beginning of the year, employment has grown 0.5% (+71,000), much slower than the 2.3% (+341,000) growth observed over the same period in 2002.
- Employment losses were all in part-time (-18,000), while full-time employment increased slightly (+4,000). So far this year, all employment gains have been recorded in full-time jobs (+85,000).

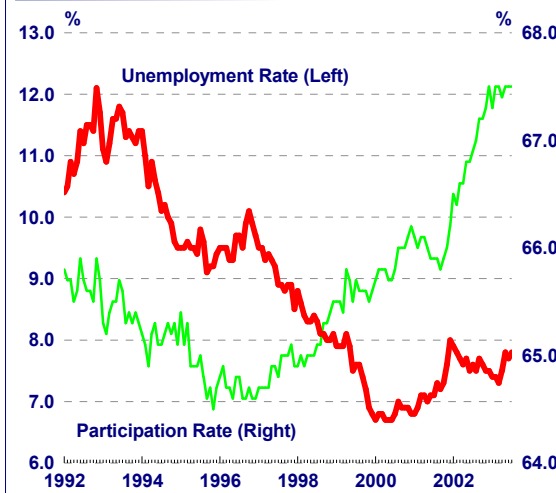
...and the unemployment rate edged up

- In line with employment losses, the national unemployment rate edged up 0.1 percentage point to 7.8% in July. Nonetheless, the participation rate (67.5%) and the employment rate (62.2%) are near their historical high, showing that the Canadian labour market remains healthy.
- Youth's employment declined by 15,000 in July, all in part-time jobs. Since last December, job losses (-9,000) combined with an increase in the labour force (+17,000), have pushed up youth's unemployment rate 0.8 percentage point to 14.1%, the highest rate since May 2002.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2002 July	2003 June	2003 July	last month	last year	year-to- date	last month	last year
Employment	15,430.8	15,733.9	15,720.6	-13.3	289.8	70.9	-0.1	1.9
Full-time	12,572.4	12,754.5	12,758.8	4.3	186.4	85.4	0.0	1.5
Part-time	2,858.4	2,979.5	2,961.9	-17.6	103.5	-14.4	-0.6	3.6
Youth 15-24	2,365.6	2,410.2	2,395.3	-14.9	29.7	-9.2	-0.6	1.3
Adult 25+	13,065.2	13,323.8	13,325.4	1.6	260.2	80.2	0.0	2.0
Self-employed	2,359.4	2,422.2	2,419.4	-2.8	60.0	40.9	-0.1	2.5
Unemployment	1,269.8	1,308.6	1,321.8	13.2	52.0	46.2	1.0	4.1
Unemployment Rate	7.6	7.7	7.8	0.1	0.2	0.3		
Youth 15-24	13.5	13.9	14.1	0.2	0.6	0.8		
Adult 25+	6.5	6.5	6.5	0.0	0.0	0.1		
Labour Force	16,700.7	17,042.5	17,042.4	-0.1	341.7	117.1	-0.0	2.0
Participation Rate	66.9	67.5	67.5	0.0	0.6	0.0		
Employment Rate	61.8	62.3	62.2	-0.1	0.4	-0.2		



Industry Overview

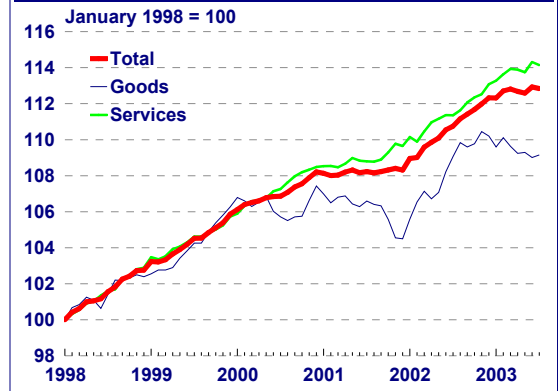
Employment rose slightly in the Goods sector...

- Employment in the Goods sector edged up 5,000 in July, offsetting half the losses recorded in June. Employment was little changed in Manufacturing (+3,000). This sector has lost 61,000 jobs since the beginning of 2003, due to a higher Canadian dollar and weakness south of the border.
- Construction has continued to benefit from a strong housing market, gaining 10,000 jobs in July, and 48,000 so far this year. The Agriculture sector lost 7,000 jobs in July, as the industry continued to suffer from the negative impact of the mad-cow disease.

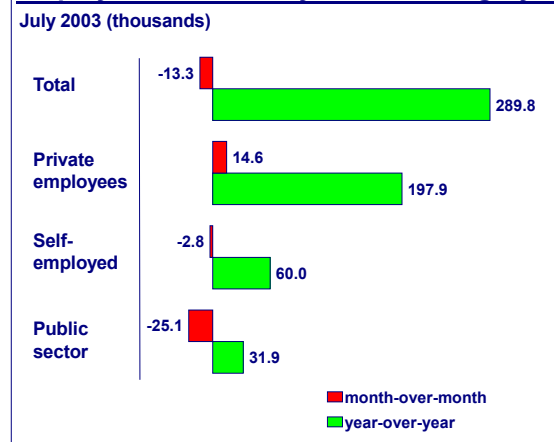
...but employment declined in the Services sector

- Employment in Services dropped by 19,000 in July, after surging by 59,000 in June. The largest employment losses occurred in Educational (-24,000), Trade (-11,000) and Accommodation & Food (-10,000). Despite the decline in July, the Services sector has created 109,000 (+0.9%) jobs so far this year, more than offsetting job losses in the Goods sector (-38,000 or -1.0%).
- The highest gains were posted by Information, Culture & Recreation (+11,000), Finance, Insurance, Real Estate & leasing (+10,000) and Health Care & Social Assistance (+8,000).

Employment by Major Sector



Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2002 July	2003 June	2003 July	last month	last year	year-to-date	last month	last year
Goods-producing	3,968.5	3,966.7	3,971.9	5.2	3.4	-38.1	0.1	0.1
Agriculture	331.5	341.1	334.4	-6.7	2.9	-20.8	-2.0	0.9
Natural Resources*	269.7	289.7	291.1	1.4	21.4	20.8	0.5	7.9
Utilities	137.3	133.8	132.1	-1.7	-5.2	1.0	-1.3	-3.8
Construction	885.6	923.8	933.5	9.7	47.9	22.2	1.1	5.4
Manufacturing	2,344.4	2,278.3	2,280.9	2.6	-63.5	-61.3	0.1	-2.7
Services-producing	11,462.3	11,767.2	11,748.7	-18.5	286.4	109.1	-0.2	2.5
Trade	2,409.0	2,462.7	2,451.5	-11.2	42.5	5.0	-0.5	1.8
Transportation*	767.6	762.7	760.5	-2.2	-7.1	-5.3	-0.3	-0.9
FIRE*	902.7	920.2	930.5	10.3	27.8	26.9	1.1	3.1
Professional/Scientific	992.9	1,007.2	1,007.6	0.4	14.7	-13.2	0.0	1.5
Management/Administrative	588.0	615.5	616.6	1.1	28.6	4.3	0.2	4.9
Educational Services	1,017.6	1,057.5	1,033.1	-24.4	15.5	-17.1	-2.3	1.5
Health Care/Social Assistance	1,627.3	1,682.7	1,690.3	7.6	63.0	35.5	0.5	3.9
Information/Culture/Recreation	713.8	700.7	711.9	11.2	-1.9	18.4	1.6	-0.3
Accommodation & Food	981.3	1,024.8	1,015.3	-9.5	34.0	-0.9	-0.9	3.5
Other Services	687.8	720.9	716.3	-4.6	28.5	21.2	-0.6	4.1
Public Administration	774.2	812.5	815.0	2.5	40.8	34.0	0.3	5.3

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

LABOUR MARKET TRENDS



Provincial Overview

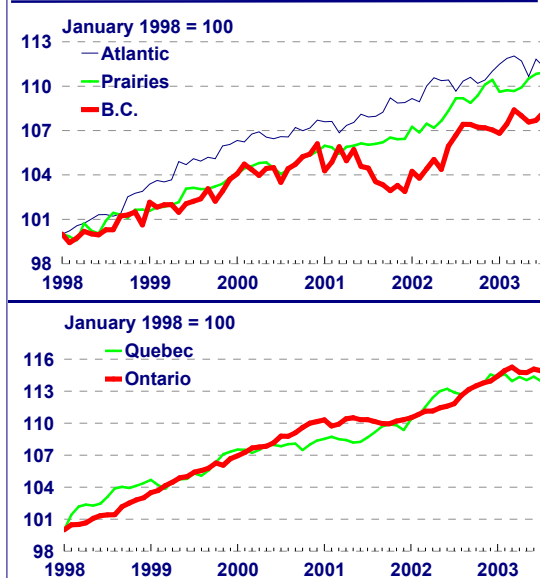
Job losses were concentrated in Quebec, Ontario and Nova Scotia...

- Quebec's employment has continued to show signs of weakness, losing 13,000 jobs (-0.4%) in July. Since the beginning of the year, Quebec has lost 20,000 jobs. Employment in Ontario edged down 8,000 (-0.1%), following a gain of 17,000 in June. The largest losses were in Educational services (-4.3%), mostly primary and secondary education. Despite the slight decline, total employment is up 53,000 in Ontario since December.
- Employment decreased in all Atlantic provinces, but New Brunswick (+1,600 or +0.5%). Nova Scotia recorded the largest employment losses (-5,000 or -1.2%). In the West, British Columbia's employment increased 10,000 (+0.5%), bringing total job gains to 22,000 so far this year. Employment increased by 2,500 (+0.1%) in Alberta, the fourth consecutive monthly increase.

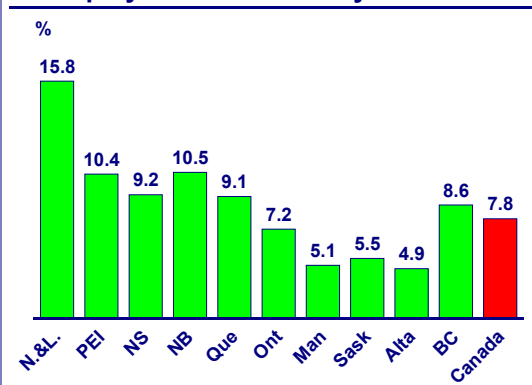
...and the unemployment rate rose in most provinces

- The unemployment rate jumped 0.8 percentage point to 10.4% in Prince Edward Island, while it increased to 9.2% in Nova Scotia and to 15.8% in Newfoundland & Labrador. Despite recording employment gains, unemployment rates in British Columbia and Manitoba rose to 8.6% and 5.1%, respectively, as a result of a strong increase in the labour force. In line with employment losses, Quebec's unemployment rate increased to 9.1%.
- Despite job losses, Ontario's unemployment rate edged down 0.1 percentage point to 7.2%, as the labour force decreased at a faster pace than employment. Employment gains, together with a decrease in people looking for a job, pushed down Alberta's unemployment rate to 4.9%, the lowest in the country.

Regional employment patterns



Unemployment Rates -- July 2003



Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment Rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since	
	2003 July	(000's)	%	(000's)	%	2003 July	last month	last year
Canada	15,720.6	-13.3	-0.1	289.8	1.9	7.8	0.1	0.2
Newfoundland & Labrador	217.8	-0.4	-0.2	1.6	0.7	15.8	0.4	0.6
Prince Edward Island	69.5	-0.8	-1.1	3.1	4.7	10.4	0.8	-1.9
Nova Scotia	434.2	-5.1	-1.2	9.5	2.2	9.2	0.4	-0.6
New Brunswick	345.3	1.6	0.5	1.8	0.5	10.5	-0.1	0.0
Quebec	3,634.6	-13.2	-0.4	34.2	0.9	9.1	0.2	0.5
Ontario	6,219.1	-7.7	-0.1	167.2	2.8	7.2	-0.1	0.1
Manitoba	571.1	1.6	0.3	2.5	0.4	5.1	0.5	-0.1
Saskatchewan	487.1	-1.6	-0.3	7.0	1.5	5.5	0.2	0.2
Alberta	1,725.4	2.5	0.1	34.2	2.0	4.9	-0.2	-0.4
British Columbia	2,016.4	9.8	0.5	28.6	1.4	8.6	0.3	0.4



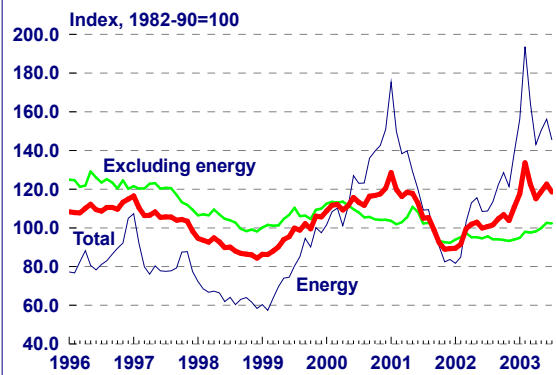
Inflation fell further to 2.6% in June...

- The year-over-year increase in the Consumer Price Index (CPI) was 2.6% in June, down from 2.9% in May. Prices for alcohol & tobacco products advanced only 9.9% from June 2002, when an increase in cigarette taxes raised this index. This followed rises ranging between 12.9% and 22.8% in the previous 19 months. Clothing prices fell 3.1%, the 19th decline in 21 months. A rise in energy prices partly offset these dampening effects, led by a large increase in natural gas prices. Excluding the energy sub-index, inflation was down from 2.7% to 2.2%.
- On a monthly basis, the CPI increase was unchanged at 0.1% in June. A larger decline in clothing prices in June compared with May largely offset increases in gasoline prices and car insurance premiums.
- In July, the year-over-year increase in commodity prices was 17.7%, down from 22.7%. On a monthly basis, commodity prices were down 3.2% from June, the first decline in three months. Energy prices fell by 6.9% while non-energy prices were little changed.

...and the "core" rate fell to 2.1%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, fell from 2.3% in May to 2.1% in June. This was closer to the midpoint of the 1%-3% official target range.

Commodity Prices (\$US basis)



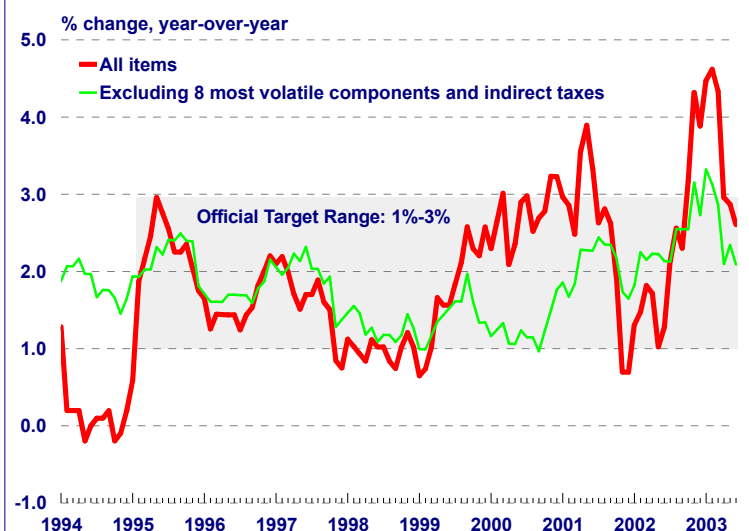
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	122.1	0.1	2.6
Food	123.2	0.3	1.9
Shelter	117.7	0.5	4.1
Household operations	114.5	0.0	0.4
Clothing & Footwear	101.0	-2.3	-3.1
Transportation	139.5	-0.2	4.1
Health & Personal Care	116.8	-0.3	0.8
Recreation, Educ. & Reading	127.6	0.3	0.3
Alcohol & Tobacco	136.4	0.1	9.9
Excl. 8 Most Volatile/Indirect Taxes	122.2	-0.1	2.1
Energy	137.0	1.9	7.9

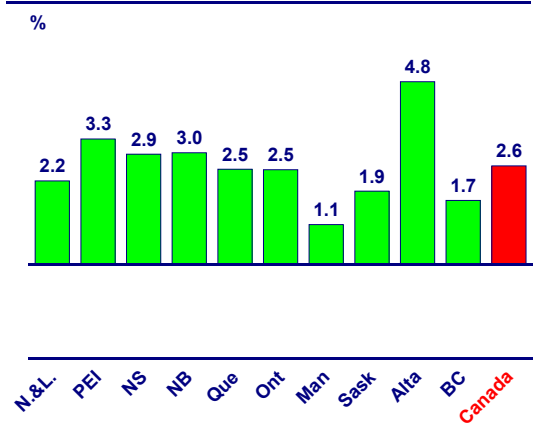
Commodity Prices (July 2003)

Index, 1982-90=100	118.5	-3.3	17.7
Excluding Energy	102.3	-0.3	6.9
Energy	145.4	-6.9	33.8

Consumer Price Index



Provincial CPI Inflation -- June 2003





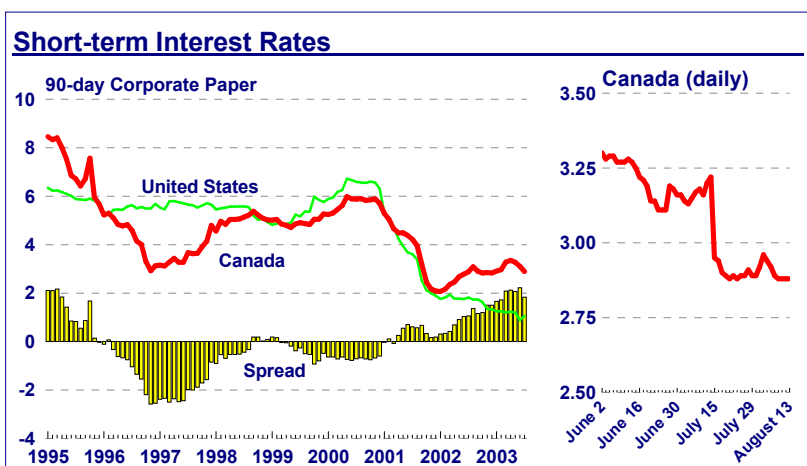
Short-term and Long-term Interest Rates

North American short-term interest rates remain low

- The Bank of Canada reduced its overnight lending rate by 25 basis points (bps) to 3.0% on July 15 to support economic activity. In the U.S., the Federal Reserve left its policy rate unchanged at 1.0% on August 12, but remained concerned about disinflation. As such, the Fed indicated that policy accommodation can be maintained for a considerable period. In light of these developments, short-term interest rates are expected to remain low for some time. The next policy decisions are scheduled for September 3rd in Canada and September 16 in the U.S.
- Rates on 3-month corporate paper were at 2.88% in Canada and 1.07% in the U.S. on August 13, bringing the rate differential to 181 bps. This was down from 225 bps in early June.

Bond prices fell off sharply during the summer

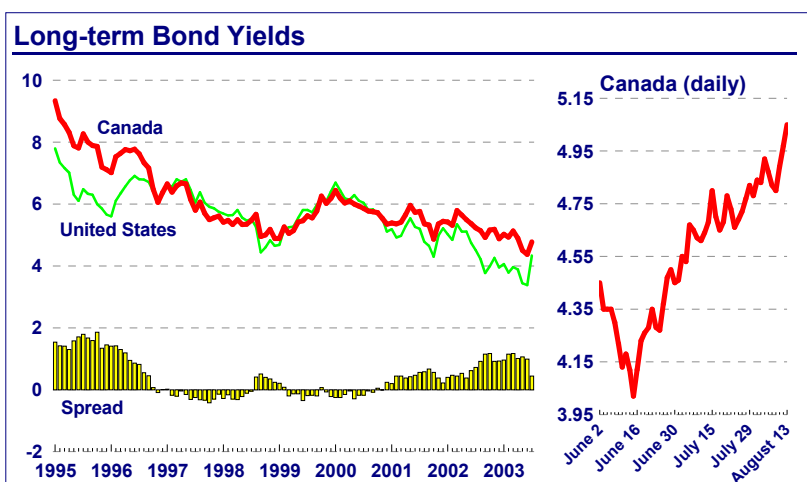
- A string of better-than-expected U.S. economic data in recent weeks has led to bond prices tumbling and yields rising amid a change in market expectations that policy interest rates might need to be raised sooner than expected. This, particularly in view of the fact that the Fed lowered its Fed Funds rate by only 25 bps in June rather than the 50 bps expected by most analysts. Despite clarifications by the Fed at its August meeting that it is not in a hurry to raise rates, bond markets have continued to react to good economic news, with yields on U.S. 10-year bonds rising to 4.58% on August 13, up from 4.37% the day before and from a low of 3.13% reached on June 13. Canadian bond yields have risen less, leading to a narrowing of the spread.
- In line with these developments, five-year mortgage rates have risen from 5.80% in mid-June to 6.35% on August 13 while the one-year rate eased from 4.85% to 4.55%.



Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2001	2.08	0.19	5.44	0.22
2002	2.83	1.50	4.88	0.93
February	2.97	1.72	4.93	1.15
March	3.28	2.08	5.13	1.17
April	3.35	2.12	4.90	1.01
May	3.27	2.07	4.50	1.06
June	3.11	2.22	4.37	0.99
July	2.89	1.83	4.78	0.44
Aug. 13*	2.88	1.81	5.05	0.47

A positive spread indicates that Canadian rates are above their U.S. counterparts. * Bank of Canada's Weekly Financial Statistics



Key Lending Rates

(end of period)	Overnight Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
2001	2.25	4.00	4.60	6.85
2002	2.75	4.50	4.90	6.70
February	2.75	4.50	4.90	6.60
March	3.00	4.75	5.35	6.85
April	3.25	5.00	5.35	6.65
May	3.25	5.00	5.05	6.15
June	3.25	5.00	4.85	5.80
July	3.00	4.75	4.55	6.20
Aug. 13*	3.00	4.75	4.55	6.35

* Bank of Canada's Weekly Financial Statistics

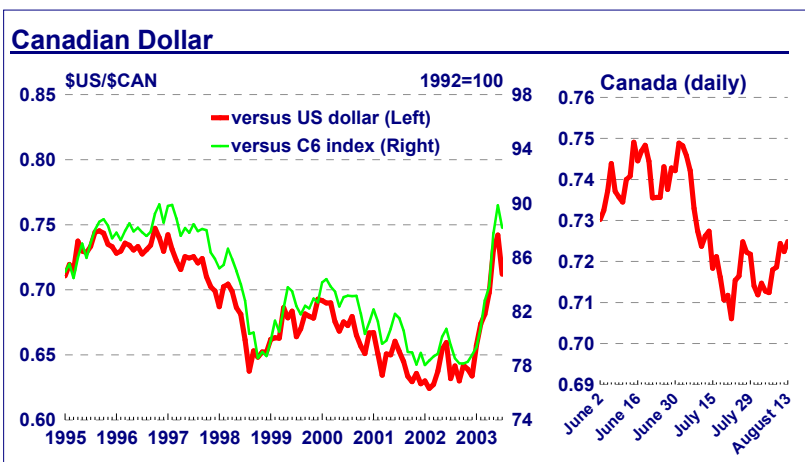


The Canadian dollar retreated sharply in July

- After rising in the first six months of 2003 from US¢63.8 to US¢74.9 in early July, the Canadian dollar fell sharply to a low of US¢70.6 in late June. This reflected some softening of Canadian economic conditions which led the Bank of Canada to lower interest rates. Since then, the dollar has recovered somewhat, closing at US¢72.5 on August 13.
- The Canadian dollar also lost some ground against other major currencies, down since the beginning of July by 1.7% against the Euro and by 3.6% against the Yen. Nonetheless, the dollar is up so far in 2003 by 4.2% against the euro and by 12.4% against the Yen.

Canada's major equity index slows, but continues its ascent

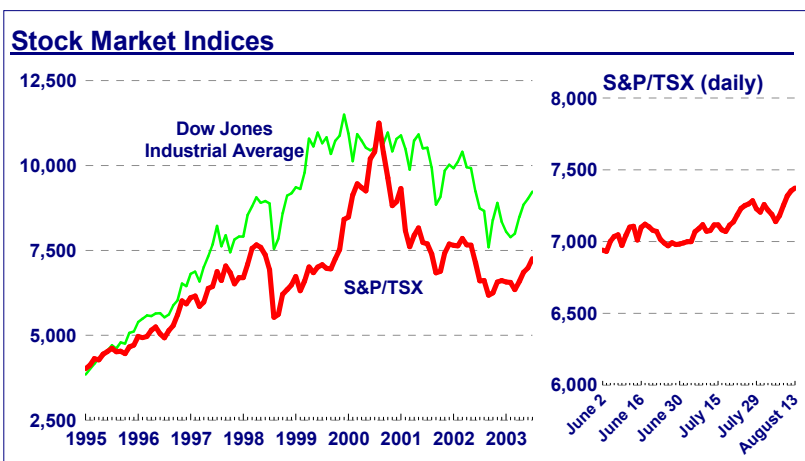
- After a rally from mid-March to mid-June pushed up the S&P/TSX by 14.3% and the Dow Jones by 23.9%, indices eased up subsequently on profit-taking and rising long-term interest rates. Nonetheless, stock markets have by and large sustained their gains. In Canada, resource stocks helped sustain the ascent.
- The S&P/TSX reached 7372 on August 13, up 251 points (+3.5%) since mid-June while the Dow Jones was down by 51 points (-0.5%) to 9272.



The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2001	0.6278	78.95	1.387	80.76
2002	0.6339	78.80	1.483	78.20
February	0.6739	80.83	1.631	78.93
March	0.6813	82.83	1.594	80.40
April	0.6976	83.84	1.584	82.21
May	0.7307	87.81	1.601	84.77
June	0.7421	89.83	1.579	87.50
July	0.7118	88.16	1.570	85.87
Aug. 13*	0.7249	87.78	1.566	86.04

* Bank of Canada's Weekly Financial Statistics



Key Stock Market Indexes

	July Close*	% change from	
		last month	last year
S&P/TSX	7,258	3.9	9.9
Oil & Gas	10,915	2.5	5.2
Metals & Minerals	3,655	2.4	-19.3
Utilities	11,013	4.0	19.7
Paper & Forest	4,111	1.1	-29.7
Merchandising	6,894	1.4	-9.9
Financial Services	11,335	2.9	6.3
Gold	5,549	1.4	-12.9
S&P 500	990.3	1.6	8.6
Dow Jones	9,234	2.4	5.7

* The S&P/TSX sub-indexes reflect the most currently available June 2003 data.



U.S. Economic Trends

Real GDP growth rose in the second quarter...

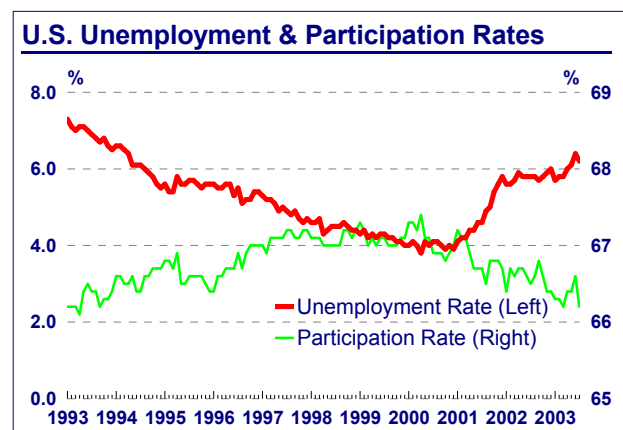
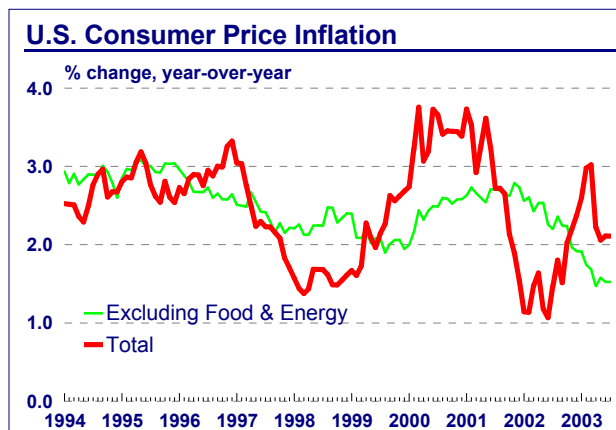
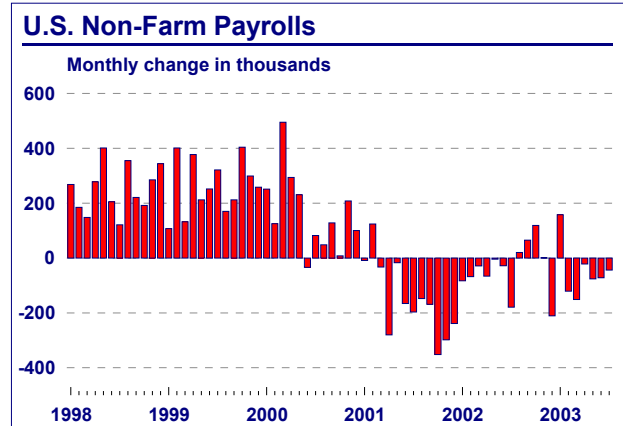
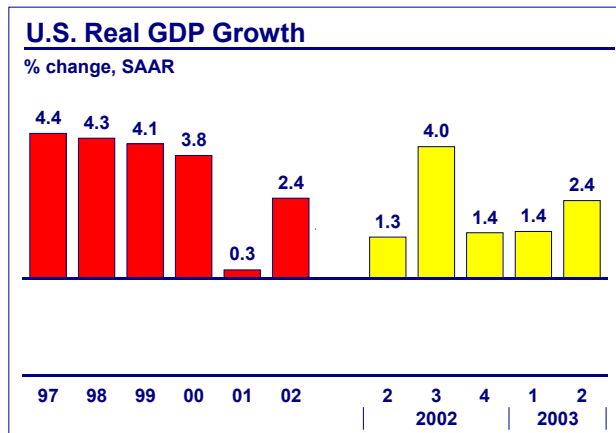
- Advance estimates show real GDP grew 2.4% (annualized) in the second quarter of 2003, up from 1.4% growth in the first quarter. Spending on consumer durables, which surged 22.6%, as well as an anticipated advance in defence spending led the improved economic performance. A rebound in business investment (+1.3%) also contributed to growth, but this was offset by a decline in net exports.

...and recent indicators point to improving conditions

- The Institute of Supply Management manufacturing index broke the 50-point barrier in July for the first time since February (an index value greater than 50 indicates an expanding sector). Consumers remained confident in July, as retail sales advanced 1.4% and the Consumer Sentiment Index (University of Michigan) pushed up 1.2 points to 90.9. Solid consumer spending remains the main driver of growth, due to low interest rates and fiscal stimulus, but business investment has been slow to recover. Leading indicators point to a growth pick-up in the second half of 2003.

The labour market continued to contract in July

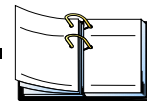
- After declining by 72,000 (upwardly revised) jobs in June, non-farm employment dropped 44,000 in July. Job losses continued to mount in manufacturing (-71,000). The unemployment rate decreased 0.2 percentage point in July to 6.2%.
- Productivity in the non-farm sector rose 5.7% (annual rate) in the second quarter following a rise of 2.1% in the first quarter. On a year-over-year basis, CPI inflation remained unchanged in July at 2.1%. Core inflation also remained unchanged in July at 1.5%.



Source: U.S. Bureau of Economic Analysis & U.S. Bureau of Labor Statistics

COMING UP

Key Future Data Releases and Planned Events



CANADA

Financial Statistics for Enterprises - 2nd Quarter	August 27
Balance of International Payments - 2nd Quarter	August 28
National Economic and Financial Accounts - 2nd Quarter	August 29
Real GDP by industry - June	August 29
Key Policy Interest Rate Announcement	September 3
Labour Force Survey - August	September 5
Canadian International Merchandise Trade - July	September 11
Monthly Survey of Manufacturing - July	September 16
Consumer Price Index - August	September 23

UNITED STATES

GDP - 2nd Quarter 2003 (preliminary)	August 28
The Employment Situation - August	September 5
International Trade in Goods and Services - July	September 11
Federal Open Market Committee Meeting	September 16
Consumer Price Index - August	September 16

Note: The August 2003 MEI uses data available as of August 15, 2003