

# MONTHLY ECONOMIC INDICATORS

## October 2001

### HIGHLIGHTS

-  **Output falls for the second straight month in July, as Manufacturing industries remain weak.**
-  **Employment rebounds in September from three straight monthly declines, but the unemployment rate is unchanged at 7.2%.**
-  **The Bank of Canada, acting in concert with other major central banks, cuts interest rates to boost confidence and stimulate demand following the September 11 terrorist attacks.**
-  **The dollar falls close to its all-time low, dragged down by lower commodity prices and weakening exports.**

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	937.4	-0.1	0.4	July
Goods	298.1	-0.3	-3.2	July
Services	639.3	0.0	2.1	July
Composite Index	166.1	0.0	0.5	Aug
Employment (000's)	15,094	0.1	0.9	Sept
Full-time	12,417	0.4	1.6	Sept
Part-time	2,676	-1.2	-2.3	Sept
Unemployment* (%)	7.2	7.2	6.9	Sept
Youth*	13.1	12.7	12.7	Sept
Adult*	6.0	6.1	5.7	Sept
CPI inflation*	2.8	2.6	2.5	Aug
Retail Sales (\$M)	24,145	-0.5	3.4	July
Housing Starts (000's)	156.6	-7.6	-0.3	Sept
Trade Balance* (\$M)	5,353	5,493	4,892	July
Exports	35,535	-0.4	0.2	July
Imports	30,182	0.0	-1.3	July
M&E	10,038	5.3	-3.9	July
3-mth Corp. paper* (%)	3.15	3.96	5.83	Oct 3
Long bond yield* (%)	5.71	5.67	5.67	Oct 3
Canadian dollar* (US¢)	64.01	64.48	66.51	Oct 5

\*Data in levels only – % change not reported.

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



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# MONTHLY ECONOMIC INDICATORS

## October 2001

### CONTENTS

<b>The Economy</b>	<b>Page</b>
<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
<b>Labour Market Trends</b>	
<i>Employment and Unemployment</i> .....	8
<i>Industry Overview</i> .....	9
<i>Provincial Overview</i> .....	10
<b>Prices and Financial Markets</b>	
<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
<b>The United States Economy</b>	
<i>U.S. Economic Trends</i> .....	14
<b>Coming Up...</b>	
<i>Key Future Data Releases/Planned Events</i> .....	15

This report uses data available as of October 5, 2001. It has been prepared by Anik Dufour, Joe Macaluso, Arif Mahmud, and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of 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).

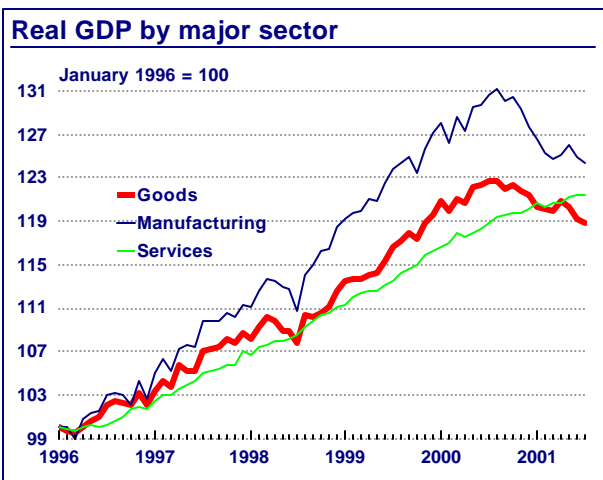
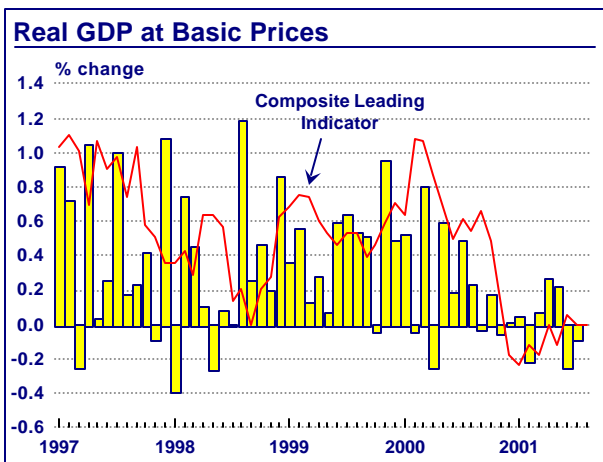


### Production falls for the second straight month in July...

- Real GDP at factor cost fell 0.1% in July, the second consecutive monthly decline. Pointing to continued sluggish growth, Statistics Canada's composite leading indicator was also unchanged in August.

### ...with ongoing weakness in the Manufacturing industries

- Output in the Goods sector decreased 0.3% in July, leaving production down 3.2% from its year-ago level. Manufacturing output fell sharply in July, fuelled by the eleventh consecutive drop in production of computer and electronic products. The slumping forestry sector adversely affected output of wood products. Construction activity increased in July, with modest increases in engineering projects and new home building, while activity in the Oil and Gas sector rebounded following shutdowns at major refining facilities in June.
- Services output was flat in July. The largest loss was reported in the Wholesale Trade sector, resulting mainly from reduced trade in automotive products and machinery. Output was higher in Education and Transportation Services, while Health Care was boosted by the end of hospital strikes.



### Real GDP at Basic Prices (1997 dollars)

#### July 2001

	\$ millions	monthly change	% Change since last month	% Change since last year
<b>Total Economy</b>	<b>937,405</b>	<b>-778</b>	<b>-0.1</b>	<b>0.4</b>
<b>Business Sector</b>	<b>794,133</b>	<b>-989</b>	<b>-0.1</b>	<b>0.1</b>
<b>Goods-producing</b>	<b>298,070</b>	<b>-829</b>	<b>-0.3</b>	<b>-3.2</b>
Agri., Forest, Fish, Hunt*	21,434	-370	-1.7	-8.6
Mining & Oil & Gas Extraction	36,800	643	1.8	1.5
Utilities	27,492	-408	-1.5	-2.4
Construction	49,156	169	0.3	1.6
Manufacturing	163,188	-863	-0.5	-4.9
<b>Services-producing</b>	<b>639,335</b>	<b>51</b>	<b>0.0</b>	<b>2.1</b>
Wholesale Trade	56,363	-425	-0.7	0.2
Retail Trade	51,168	-48	-0.1	1.6
Transportation & Warehousing	43,889	147	0.3	-2.7
Information & Cultural	43,325	26	0.1	8.5
FIRE**	181,838	245	0.1	2.5
Professional***	40,606	-99	-0.2	2.5
Admin & Waste Mgmt	20,400	30	0.1	4.7
Education	43,626	169	0.4	1.4
Health & Social	53,266	102	0.2	0.7
Arts, Entertain. & Recreation	8,609	-105	-1.2	2.5
Accommodation & Food	22,824	12	0.1	2.5
Other	20,826	-28	-0.1	2.7
Public Administration	52,595	25	0.0	3.0

\*Agriculture, forestry, fishing & hunting

\*\*Finance, Insurance & Real Estate

\*\*\*Professional, scientific & technical

# THE ECONOMY

## Consumer Spending and Attitudes

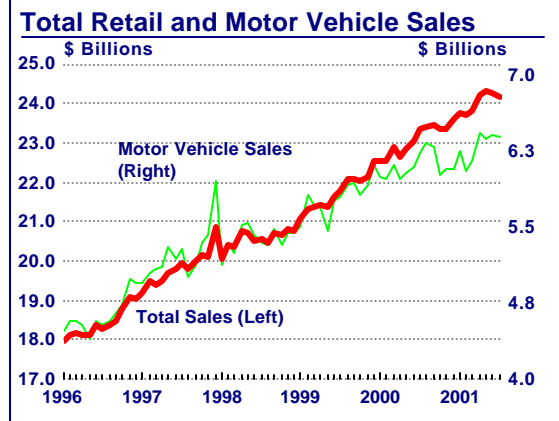


### Consumer spending slows in the second quarter...

- Consumer spending edged up 1.1% (annual rate) in the second quarter, slowing from a solid advance in the previous quarter.
- While manufacturers' incentives continued to boost auto sales, mild weather resulted in lower expenditures on natural gas and other fuels, and clothing expenditures advanced strongly.

### ...and may remain weak

- Real personal disposable income fell 5.6% in the second quarter, negating a comparable gain in the previous quarter.
- Most indicators suggest that household spending will remain weak. Retail sales fell in July, largely the result of lower auto sales. Employment rose slightly in September, but not enough to offset losses in the previous three months. The long-term impact of the September 11th terrorist attacks in the U.S. on domestic confidence is uncertain, but recent interest rate cuts may help boost demand.

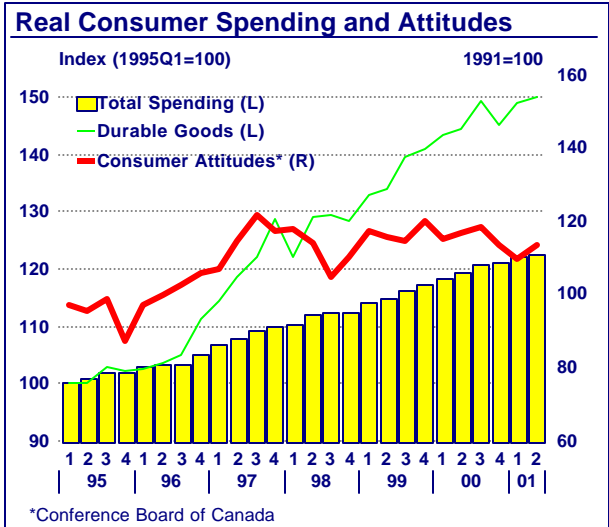


### Retail Sales and Consumer Credit

	July 2001 \$ millions	% Change since	
		last month	last year
<b>Total Retail Sales (S.A.)</b>	24,145	-0.5	3.4
Food	5,357	0.5	4.8
Drug Stores	1,203	-0.0	6.6
Clothing	1,296	-1.2	1.1
Furniture	1,345	0.1	5.5
Automotive	9,555	-2.0	1.5
General Merch. Stores	2,783	1.4	4.5
All other Stores	2,606	1.1	4.9
Total ex. motor vehicles	17,762	-0.6	3.6
<b>Consumer Credit</b>	202	0.7	7.1

### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	1999	2000	2001 Q1	2001 Q2
<b>Real Consumption (92\$)</b>	546,451	566,229	576,989	578,511
% change	3.4	3.6	3.4	1.1
Durable Goods	76,956	81,882	83,864	84,309
% change	7.5	6.4	11.3	2.1
Semi-Durable Goods	48,212	50,476	51,953	52,680
% change	3.0	4.7	5.8	5.7
Non-Durable Goods	128,133	130,347	131,852	131,465
% change	2.0	1.7	0.7	-1.2
Services	293,192	303,674	309,548	310,359
% change	3.1	3.6	2.3	1.1
<b>Disposable Income</b>	597,710	631,023	655,168	653,092
% change	5.0	5.6	6.5	-1.3
<b>Saving Rate (%)</b>	4.2	3.9	4.6	2.8
<b>Debt-to-Income Ratio (%)</b>	96.1	94.4	93.6	95.1



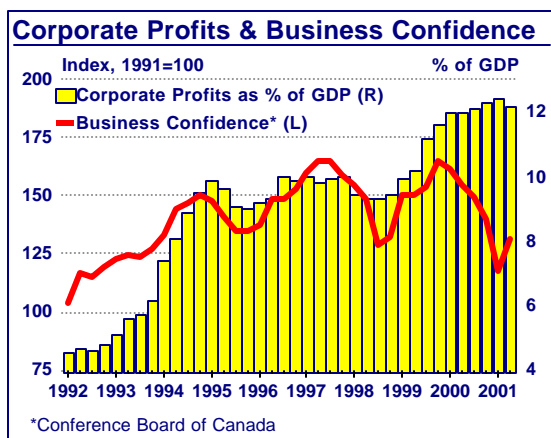
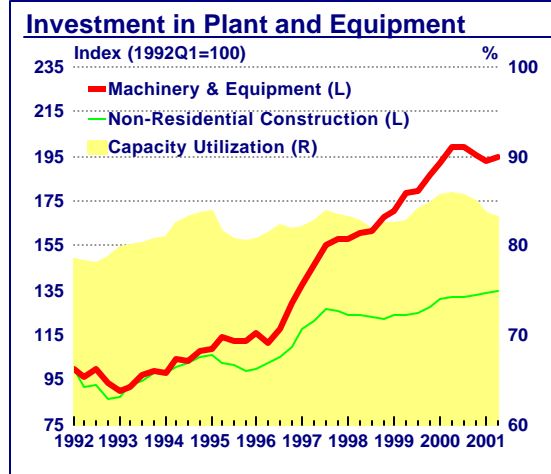


### Business investment rebounds in the second quarter...

- Business investment in machinery and equipment (M&E) increased by nearly 5% (annual rate) in the second quarter, following three straight quarterly declines. Spending on automobiles and software advanced, but purchases of computers, other office equipment and industrial machinery were all down.
- Non-residential construction increased for the third straight quarter, but at a reduced pace due to a slowdown in the engineering component.

### ...but underlying conditions are soft

- The short-term outlook for investment spending is not positive. Corporate operating profits in the non-financial industries posted their largest drop in over three years in the second quarter, and capacity utilization has fallen in four straight quarters.
- However, imports of M&E rose sharply in July, reflecting purchases related to offshore energy projects. While monthly GDP data indicate that non-residential building activity was flat in July, building permits were up 15.2% in the first eight months of the year compared to a year ago.



### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1999	2000	2000 Q3	2000 Q4	2001 Q1	2001 Q2
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1992\$)</b>	80,703	88,550	89,756	88,135	86,878	87,910
% change	10.5	9.7	-0.1	-7.0	-5.6	4.8
<b>Non-residential Construction (1992\$)</b>	44,873	47,274	47,252	47,566	47,856	48,109
% change	1.8	5.3	-0.5	2.7	2.5	2.1
<b>Capacity Utilization (% , Non-farm goods)</b>	83.5	85.5	85.7	84.9	83.6	83.2
Capacity Utilization (Mfg. sector)	84.5	85.8	86.3	85.1	82.7	82.0
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
<b>Corporate Operating Profits</b>	168,323	197,733	197,740	192,832	177,684	178,752
% change	20.3	17.5	-7.5	-9.6	-27.9	2.4
Profits - Non-financial industries	118,153	139,248	141,100	139,252	137,988	131,536
% change	27.0	17.9	1.8	-5.1	-3.6	-17.4
Profits - Financial industries	50,169	58,488	56,644	53,584	39,696	47,216
% change	6.8	16.6	-26.3	-19.9	-69.9	100.2
<b>Business Credit</b>	736,402	788,263	794,263	808,428	813,783	813,461
% change	5.8	7.0	5.0	7.3	2.7	-0.2



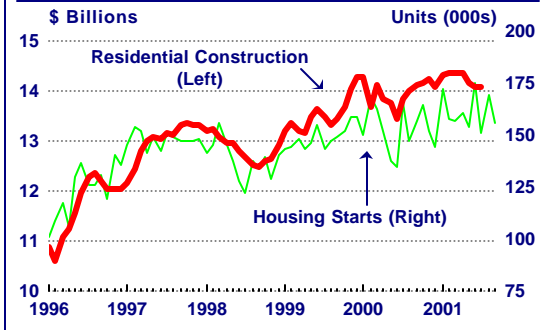
### The housing sector cools in the second quarter...

- Business investment in residential construction edged up a modest 0.4% (annual rate) in the second quarter, ending a string of three solid quarterly advances.
- Declining construction of new housing offset record sales of existing homes and increased renovation activity.

### ...but could pick up in the last half of 2001

- Current housing market indicators are mixed. Residential construction rose 0.2% in July, the first increase in three months. However, housing starts have been quite volatile in recent months, posting a decline in July, a solid rebound in August, but another sharp drop in September. Sales of existing homes were up in August after falling in July.
- The Canada Mortgage and Housing Corporation expects that even with the slowing North American economy, residential construction will benefit from favourable mortgage rates, strong employment and income gains over the past two years, recent tax cuts and rising migration.

### Housing Activity



### Monthly Housing Indicators

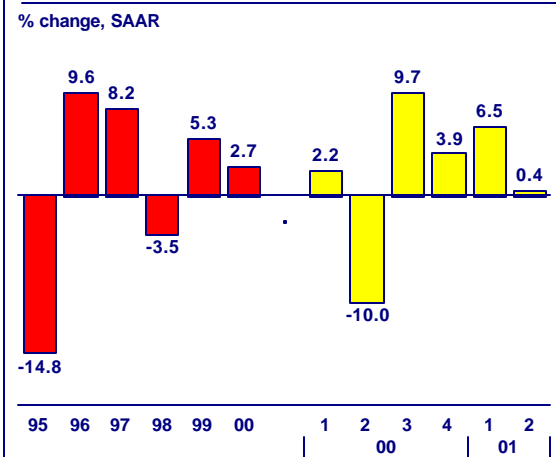
	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$97M, basic prices)	14,112	0.2%	1.7%
<b>Building Permits, \$M (2)</b>	1,825	2.5%	-1.1%
<b>Sales of Existing Homes (2)</b> (# of units)	23,435	1,513	
<b>Housing Starts, # of units (3)</b>	156,600	-12,900	-500
Newfoundland	1,300	200	300
Prince Edward Island	400	200	100
Nova Scotia	1,800	-1,000	200
New Brunswick	2,400	100	-700
Quebec	19,600	-1,900	-2,200
Ontario	64,600	-15,400	-2,900
Manitoba	1,500	-200	200
Saskatchewan	2,000	900	400
Alberta	25,400	1,800	1,600
British Columbia	15,100	2,400	1,900

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

### Real Investment in Residential Structures

	\$92 Millions, SAAR (unless otherwise noted)			
	1999	2000	2001 Q1	2001 Q2
Construction by Business sector	44,222	45,399	46,675	46,727
% change	5.3	2.7	6.5	0.4
New Housing	22,322	22,857	23,716	23,538
% change	7.7	2.4	15.6	-3.0
Alterations & Improvements	15,117	15,809	16,028	15,744
% change	2.0	4.6	-8.0	-6.9
Ownership & Transfer Costs	6,705	6,976	7,124	7,616
% change	0.7	4.0	7.3	30.6
<b>Residential Construction</b>	<b>44,466</b>	<b>45,643</b>	<b>46,885</b>	<b>46,941</b>
% change	5.3	2.6	5.8	0.5

### Growth in Real Residential Construction





## Trade and Competitiveness

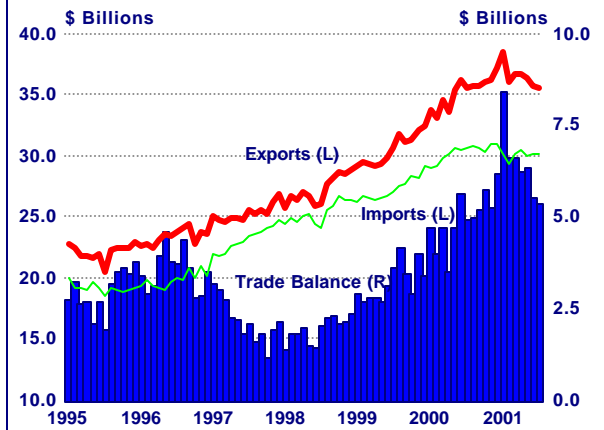
### Exports fall for the third straight month in July ...

- Exports were down 0.4% in July, as summer shutdowns in the auto sector led to a sharp decrease in exports of Automotive Products. Exports of Energy products fell for the second straight month, but strong demand for copper and aluminum boosted exports of Industrial Goods & Materials.
- Imports were unchanged on the month. Although imports of communications and related equipment posted a seventh straight drop, purchases of offshore drilling water craft on the east coast led to a solid rise in imports of Machinery & Equipment. This increase offset declines in Energy Products and Automotive Products.

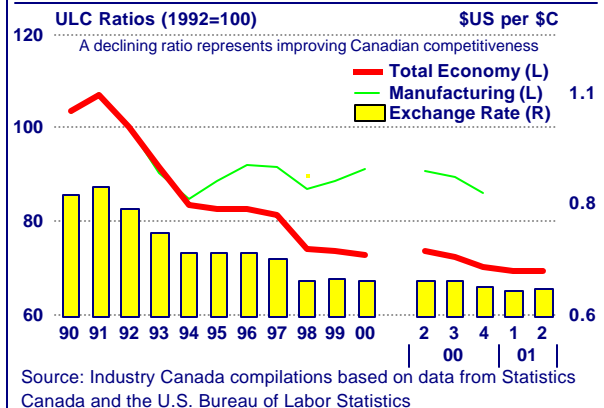
### ...leading to a lower trade surplus

- Canada's merchandise trade surplus fell to \$5.4 billion in July. Still, the cumulative surplus for the first seven months of the year was \$45.0 billion, \$13.0 billion higher than last year.

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



### Merchandise Trade

July 2001	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)	% Change	
	June 2001	July 2001	2000 Jan-July	2001 Jan-July		June to July 2001	June to July 2001
<b>Exports</b>	35,674	35,535	241,816	255,295	-139	-0.4	0.2
to United States	30,656	30,378	204,955	217,863	-278	-0.9	0.7
<b>Imports</b>	30,181	30,182	209,767	210,328	1	0.0	-1.3
from United States	22,263	22,335	155,366	154,146	72	0.3	-0.1
<b>Trade Balance</b>	5,493	5,353	32,049	44,967	-140		
with United States	8,393	8,043	49,589	63,717	-350		
<b>Exports by Commodity</b>							
Agriculture/Fishing Products	2,611	2,651	15,844	17,851	40	1.5	11.1
Energy Products	5,386	5,302	27,498	42,298	-84	-1.6	17.6
Forestry Products	3,307	3,353	24,779	23,290	46	1.4	-4.6
Industrial Goods & Materials	5,417	5,649	38,311	39,080	232	4.3	-2.1
Machinery & Equipment	8,254	8,168	60,506	59,971	-86	-1.0	-6.8
Automotive Products	8,162	7,831	57,856	54,486	-331	-4.1	-2.3
Other Consumer Goods	1,274	1,326	8,441	9,316	52	4.1	6.1
<b>Imports by Commodity</b>							
Agriculture/Fishing Products	1,699	1,638	10,575	11,639	-61	-3.6	6.6
Energy Products	1,514	1,385	9,899	11,399	-129	-8.5	-12.5
Forestry Products	246	240	1,766	1,720	-6	-2.4	-1.2
Industrial Goods & Materials	5,654	5,551	41,023	40,906	-103	-1.8	-6.5
Machinery & Equipment	9,531	10,038	70,210	68,994	507	5.3	-3.9
Automotive Products	6,596	6,311	45,948	42,356	-285	-4.3	-1.9
Other Consumer Goods	3,649	3,587	22,828	24,867	-62	-1.7	8.5



# LABOUR MARKET TRENDS



## Employment and Unemployment

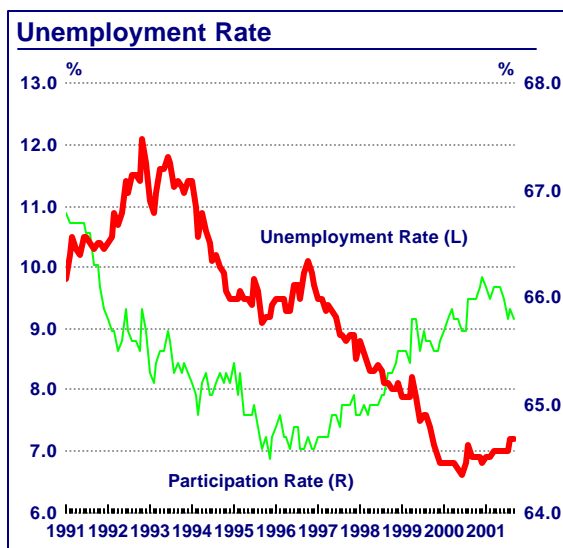
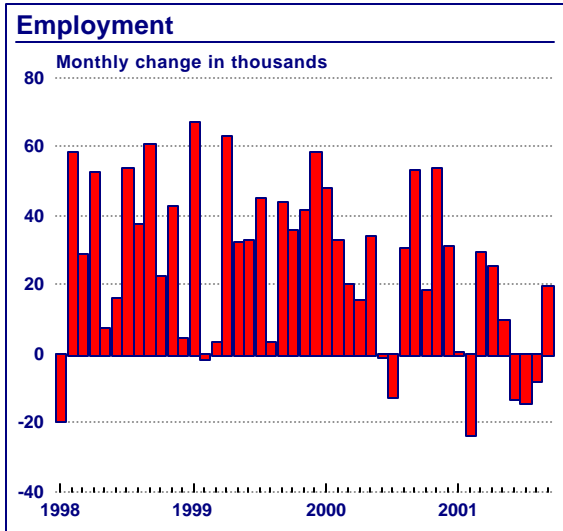
### Employment rises in September...

- Employment rose by 20,000 in September, rebounding from three straight monthly declines where job losses totalled 35,000. Employment is up only 27,000 in the first nine months of the year, reflecting the sharp deceleration in output growth.
- All of September's gains were in full-time employment, which increased by 52,000 on the month. The number of part-time workers fell by 32,000.

### ...but the unemployment rate holds steady at 7.2%

- The national unemployment rate was 7.2% in September, the same as in the previous month. Prior to this, unemployment had held steady at 7.0% over the March to July period.
- Youth employment fell by 13,000, bringing year-to-date losses to 46,000 and leading to a 0.4 point increase in the youth unemployment rate (13.1%).

*These employment figures do not include the impact of the September 11th terrorist attacks in the U.S. Survey respondents are considered employed when working only one day during the reference week ending September 15.*



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2000 September	2001 August	2001 September	last month	last year	year-to- date	last month	last year
<b>Employment</b>	14,963.0	15,074.0	15,093.6	19.6	130.6	26.9	0.1	0.9
<b>Full-time</b>	12,224.9	12,365.4	12,417.2	51.8	192.3	59.7	0.4	1.6
<b>Part-time</b>	2,738.1	2,708.5	2,676.4	-32.1	-61.7	-32.8	-1.2	-2.3
<b>Youth 15-24</b>	2,316.3	2,311.4	2,298.4	-13.0	-17.9	-46.0	-0.6	-0.8
<b>Adult 25+</b>	12,646.6	12,762.6	12,795.2	32.6	148.6	72.9	0.3	1.2
<b>Self-employed</b>	2,384.6	2,308.8	2,309.3	0.5	-75.3	-54.5	0.0	-3.2
<b>Unemployment</b>	1,100.5	1,172.9	1,163.2	-9.7	62.7	59.9	-0.8	5.7
<b>Unemployment Rate</b>	6.9	7.2	7.2	0.0	0.3	0.4		
<b>Youth 15-24</b>	12.7	12.7	13.1	0.4	0.4	0.6		
<b>Adult 25+</b>	5.7	6.1	6.0	-0.1	0.3	0.3		
<b>Labour Force</b>	16,063.5	16,246.8	16,256.7	9.9	193.2	86.7	0.1	1.2
<b>Participation Rate</b>	66.0	65.9	65.8	-0.1	-0.2	-0.4		
<b>Employment Rate</b>	61.4	61.1	61.1	0.0	-0.3	-0.6		





## Industry Overview

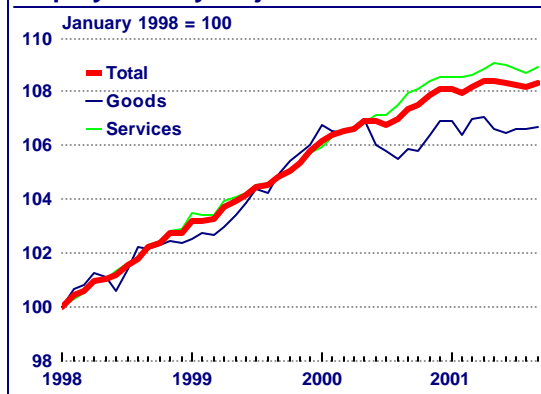
### Employment in the Goods sector is little changed in September...

- Employment in the Goods sector edged up 1,000 in September, with gains in Construction and Natural Resources offsetting losses in Utilities and Agriculture. Manufacturing employment was little changed on the month, but is down 44,000 jobs so far this year. September's drop in Agricultural employment adds to sizeable losses earlier in the year.

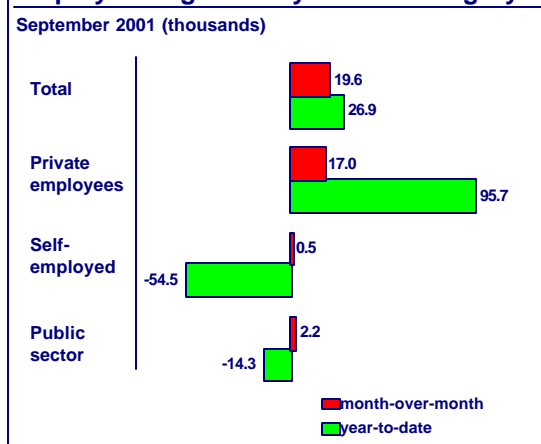
### ...but Services industries rebound from three straight losses

- Employment in Services industries rose by 19,000 in September, rebounding from three consecutive declines. A significant increase was posted by Trade, where employment has risen in five of the last six months. Losses were posted by the Accommodation & Food Services industry (mainly the restaurant sector), Information, Culture & Recreation, and Transportation, although these were outweighed by modest gains elsewhere.

Employment by major sector



Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2000 September	2001 August	2001 September	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,853.0	3,880.7	3,881.2	0.5	28.2	-9.2	0.0	0.7
Agriculture	358.9	326.8	321.7	-5.1	-37.2	-25.8	-1.6	-10.4
Natural Resources*	284.6	300.9	303.2	2.3	18.6	25.4	0.8	6.5
Utilities	116.7	128.7	123.4	-5.3	6.7	5.7	-4.1	5.7
Construction	822.0	839.5	847.7	8.2	25.7	28.9	1.0	3.1
Manufacturing	2,270.9	2,284.7	2,285.2	0.5	14.3	-43.5	0.0	0.6
<b>Services-producing</b>	11,110.0	11,193.2	11,212.4	19.2	102.4	36.2	0.2	0.9
Trade	2,344.7	2,369.7	2,385.4	15.7	40.7	30.7	0.7	1.7
Transportation*	768.1	786.9	772.8	-14.1	4.7	-15.1	-1.8	0.6
FIRE*	863.3	870.0	876.5	6.5	13.2	-5.5	0.7	1.5
Professional/Scientific	961.3	956.3	969.6	13.3	8.3	-19.1	1.4	0.9
Management/Administrative	562.2	562.4	566.6	4.2	4.4	7.4	0.7	0.8
Educational Services	973.1	958.0	968.8	10.8	-4.3	16.6	1.1	-0.4
Health Care/Social Assistance	1,535.9	1,543.6	1,553.0	9.4	17.1	29.1	0.6	1.1
Information/Culture/Recreation	679.1	725.6	705.3	-20.3	26.2	4.6	-2.8	3.9
Accommodation & Food	960.7	982.3	951.4	-30.9	-9.3	-14.4	-3.1	-1.0
Other Services	695.8	673.2	699.2	26.0	3.4	0.7	3.9	0.5
Public Administration	765.8	765.3	763.8	-1.5	-2.0	1.3	-0.2	-0.3

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



## Provincial Overview

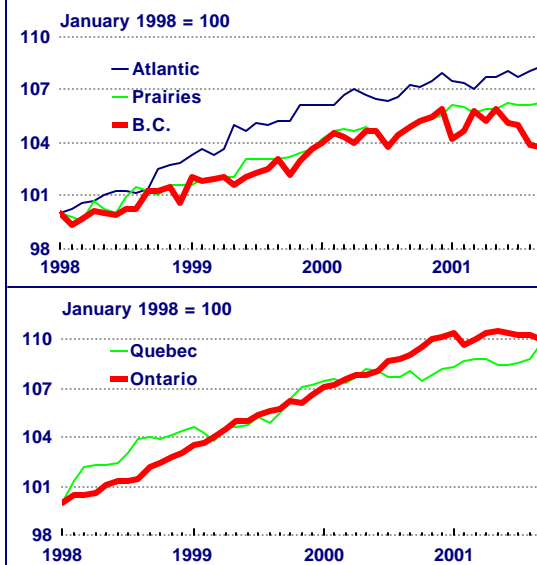
### Quebec leads job gains in September...

- Quebec posted the largest job gain among all provinces in September (+24,000), although its unemployment rate was unchanged at 8.4%.
- Increased employment in Alberta, Nova Scotia and PEI led to lower unemployment rates in these provinces. In fact, Alberta's rate fell to 4.0%, lowest among all provinces. Despite job gains in Manitoba and New Brunswick, their unemployment rates were up due to larger increases in the labour force.

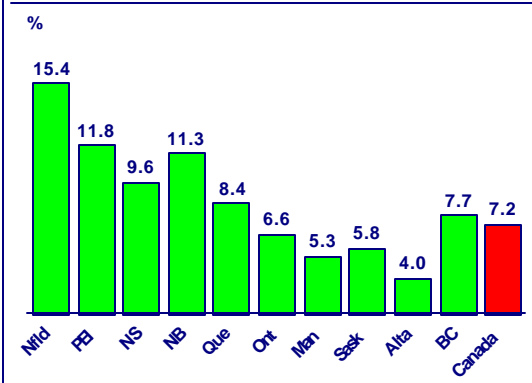
### ...as Ontario and Saskatchewan post largest job losses

- Employment in Ontario edged down in September, although its unemployment rate was unchanged at 6.6%. Since May, labour market conditions have been generally weak in this province, with job losses totalling 26,000.
- Saskatchewan posted a loss of 8,000 jobs on the month, raising its unemployment rate 0.6 points to 5.8%. Just over half of these losses were in Agriculture, which remains quite weak. Newfoundland and B.C. posted smaller job losses, but unemployment rates in these provinces were down due to a declining labour force.

### Regional employment patterns



### Unemployment Rates -- September 2001



### Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since last month	
	2001 September	(000's)	%	(000's)	%		last month	last year
Canada	15,093.6	19.6	0.1	130.6	0.9	7.2	0.0	0.3
Newfoundland	212.0	-1.2	-0.6	6.1	3.0	15.4	-0.5	-1.1
P.E.I.	66.0	0.5	0.8	0.8	1.2	11.8	-0.3	0.5
Nova Scotia	425.6	2.6	0.6	6.7	1.6	9.6	-0.2	0.2
New Brunswick	333.8	0.7	0.2	-3.7	-1.1	11.3	0.1	1.6
Quebec	3,497.1	23.9	0.7	50.1	1.5	8.4	0.0	0.2
Ontario	5,958.6	-8.9	-0.1	55.0	0.9	6.6	0.0	0.7
Manitoba	558.7	5.7	1.0	0.7	0.1	5.3	0.1	0.7
Saskatchewan	468.9	-8.0	-1.7	-12.0	-2.5	5.8	0.6	0.2
Alberta	1,638.9	5.3	0.3	47.6	3.0	4.0	-0.3	-0.8
B.C.	1,934.1	-0.9	-0.0	-20.7	-1.1	7.7	-0.2	0.0



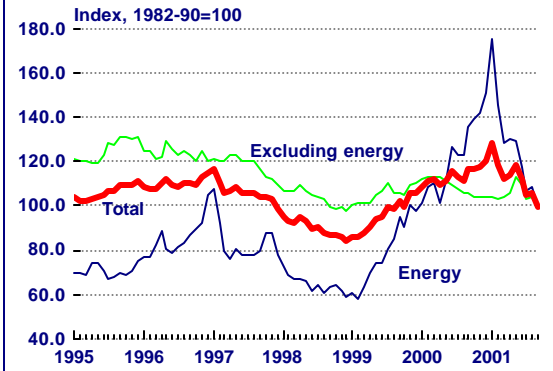
### Inflation edges up to 2.8% in August...

- Consumer price inflation was 2.8% in August, up slightly from July but well below the ten-year high of 3.9% set in May.
- Rising food prices accounted for more than one-quarter of the overall increase. Higher prices for natural gas, electricity and fuel oil boosted the energy component, albeit to a lesser extent than in previous months. Increased costs for cigarettes, rent and mortgage interest also contributed to inflation.

### ...and the "core" rate remains within the official target range

- The "core" rate of inflation, which excludes the index's eight most volatile components and indirect taxes, edged down to 2.3% in August. This is within the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Future inflation pressures may be dampened by the sharp drop in commodity prices, which were down 14.4% in September compared to their year-ago level. Energy prices fell 27.1%, but weak global demand also pushed down prices for metals, paper and agricultural products.

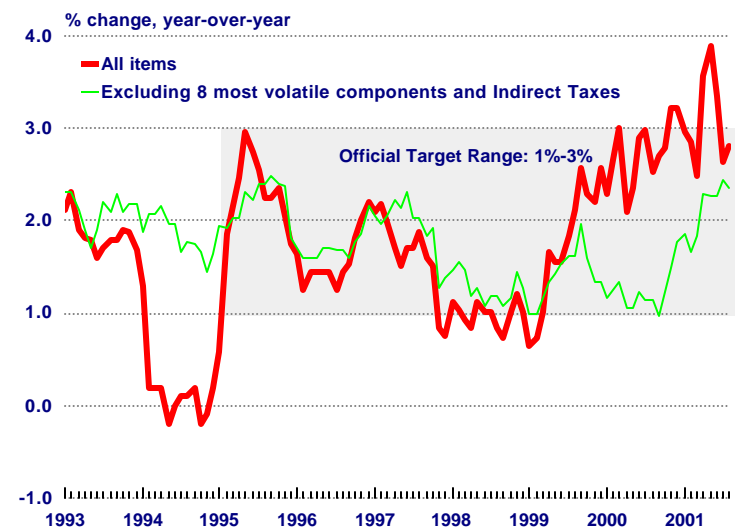
### Commodity Prices (\$U.S. basis)



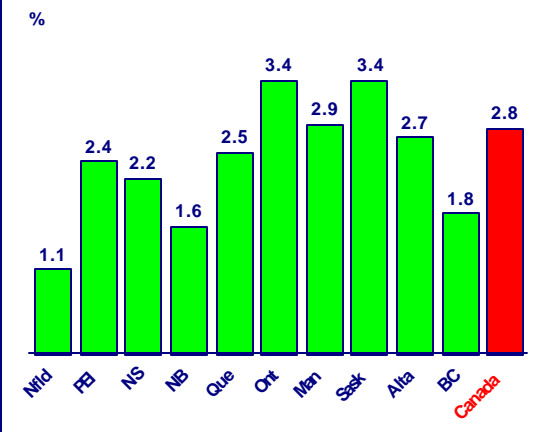
### Consumer Prices

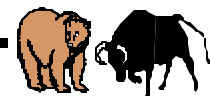
	Index (1992=100)	% Change since	
		last month	last year
<b>August 2001</b>			
<b>All items CPI</b>	117.1	0.0	2.8
Food	117.7	-0.8	4.1
Shelter	113.7	0.0	4.3
Household operations	112.5	0.1	1.8
Clothing & Footwear	106.6	0.8	1.1
Transportation	130.9	0.4	0.7
Health & Personal Care	114.2	-0.5	1.6
Recreation, Educ. & Reading	126.2	0.0	1.1
Alcohol & Tobacco	106.4	0.7	8.6
<b>Excl. 8 Most Volatile/Indirect Taxes</b>	117.6	0.1	2.3
Energy	133.4	0.2	4.8
<b>Commodity Prices (September)</b>			
Index, 1982-90=100	99.5	-5.7	-14.4
Excluding Energy	99.7	-3.9	-5.7
Energy	99.1	-8.7	-27.1

### Consumer Price Index



### Provincial CPI Inflation -- August 2001



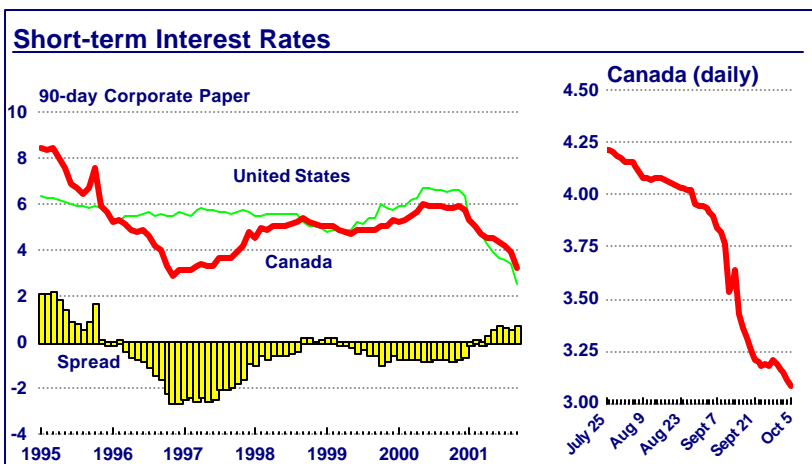


### Canada and the U.S. lower interest rates to boost their economies...

- In concert with other major central banks, the Bank of Canada and U.S. Federal Reserve lowered their key policy rates by 50 basis points on September 17. The rate cuts were aimed at boosting confidence and soothing investor concerns just prior to the re-opening of U.S. financial markets following the September 11 terrorist attacks.
- Indications that the U.S. economy continues to weaken prompted the Federal Reserve to lower rates an additional 50 points on October 2, the ninth reduction this year for a total of 400 basis points. Market participants widely expect the Bank of Canada to follow suit on October 23, its next announcement date. Short-term interest rates closed at 3.15% on October 3, down roughly 80 points from the end of August. Prime lending and mortgage loan rates are down as well.

### ...but long-term yields are volatile

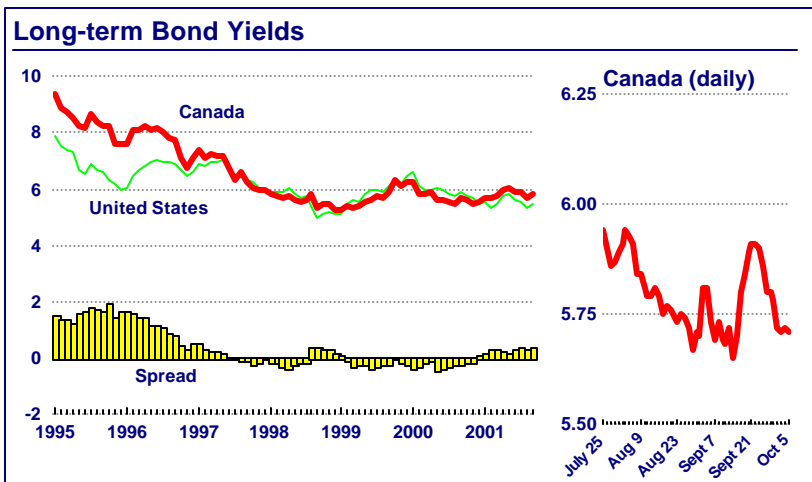
- Long-term issues were quite volatile following the September 11 terrorist attacks. Yields initially rose on fears that large insurers would need to borrow to cover their claims and expectations that governments would be less able to retire debt given their higher spending needs. Long rates subsequently fell back, as lower commodity prices and prospects for a more protracted economic slowdown have reduced the risk of inflation.



#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1999	5.27	-0.49	6.23	-0.22
2000	5.71	-0.60	5.56	0.11
April 2001	4.49	0.25	5.97	0.19
May	4.49	0.55	6.03	0.17
June	4.38	0.70	5.89	0.27
July	4.22	0.61	5.94	0.36
Aug	3.96	0.57	5.67	0.31
Sept	3.19	0.67	5.86	0.36
Oct 3	3.15	0.73	5.71	0.39

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



#### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1999	5.00	6.50	7.35	8.25
2000	6.00	7.50	7.70	7.95
April 2001	5.00	6.50	6.80	7.50
May	4.75	6.25	6.70	7.75
June	4.75	6.25	6.70	7.75
July	4.50	6.00	6.45	7.75
Aug	4.25	5.75	6.20	7.60
Sept	3.75	5.25	5.45	7.15
Oct 3	3.75	5.25	5.35	7.05

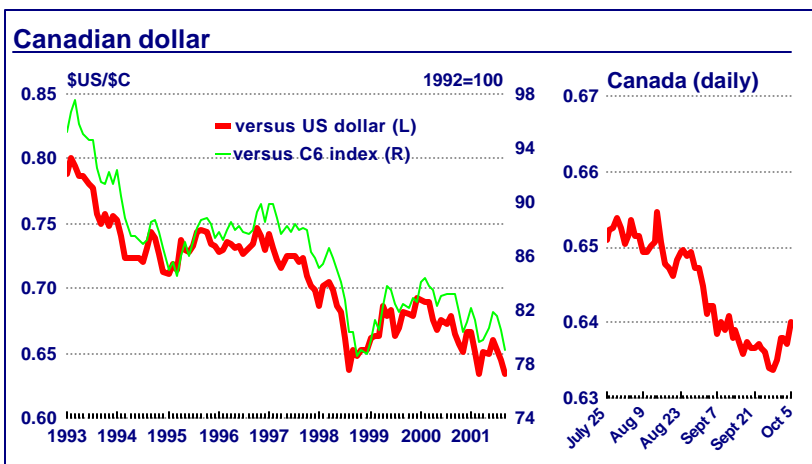


### The Canadian dollar falls through much of September...

- The Canadian dollar trended sharply lower throughout September, as declining commodity prices and a weakening outlook for exports put pressure on the dollar. Late in September, the Canadian currency fell close to its all-time intraday low of US¢63.13 set during the Asian financial crisis in 1998.
- However, the dollar subsequently bounced back later in the month, when a further rate cut in the U.S. made Canadian returns more attractive to foreign investors. The dollar closed at US¢64.01 on October 5, roughly the same level as before the terrorist attacks.

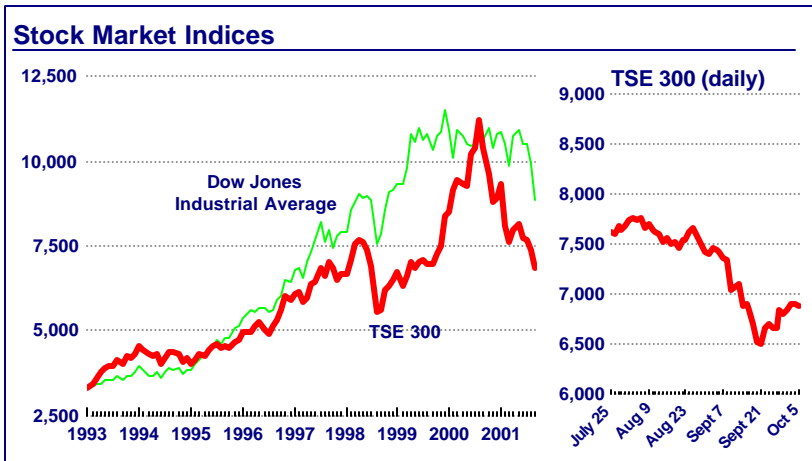
### ...but share prices rebound after falling sharply in the aftermath of September 11

- Compared to its historical peak of nearly 11,400 in September 2000, the TSE 300 had lost around one-third of its value prior to the September 11 terrorist attacks.
- Major North American stock indices lost between 10% and 15% of their value in the days following the reopening of New York markets on September 17. However, markets later recouped much of these losses, with the TSE 300 down 6% from its September 10 close on October 5th.



### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1999	0.6929	82.67	1.313	69.66
2000	0.6669	81.19	1.433	73.64
April 2001	0.6508	79.85	1.406	79.44
May	0.6500	80.73	1.451	78.93
June	0.6605	81.82	1.504	80.24
July	0.6525	81.51	1.483	81.35
Aug	0.6448	80.60	1.407	78.70
Sept	0.6335	79.01	1.368	75.67
Oct 5	0.6401			



### Key Stock Market Indexes

	September Close	% change from	
		last month	last year
<b>TSE 300</b>	<b>6,839</b>	<b>-7.6</b>	<b>-34.1</b>
Oil & Gas	8,303	-0.6	3.5
Metals & Minerals	3,462	-15.0	1.9
Utilities	11,297	-11.0	-22.2
Paper & Forest	4,142	-15.9	-15.6
Merchandising	6,022	-5.9	10.4
Financial Services	10,484	-6.3	6.9
Goods	5,417	12.1	33.6
<b>S&amp;P 500</b>	<b>1,040.9</b>	<b>-8.2</b>	<b>-27.5</b>
<b>Dow Jones</b>	<b>8,848</b>	<b>-11.1</b>	<b>-16.9</b>



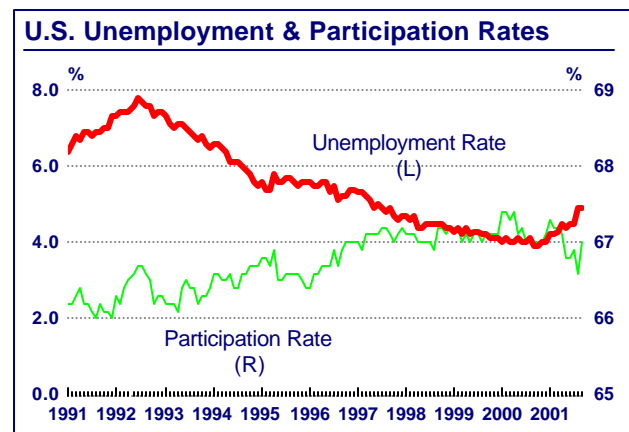
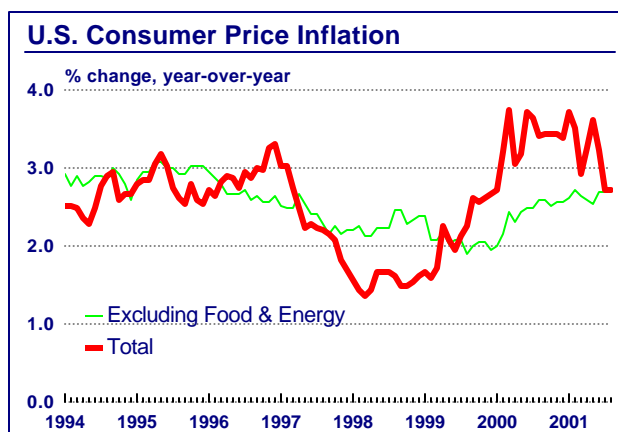
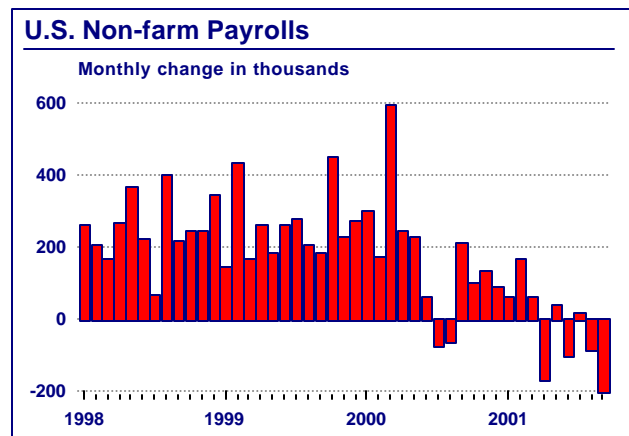
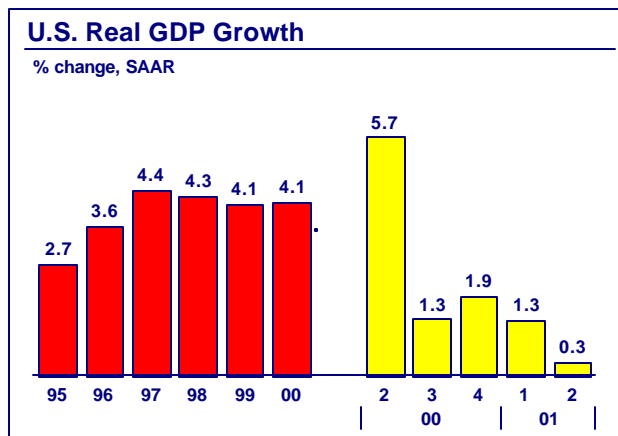
## U.S. Economic Trends

### *The U.S. economy weakens in the second quarter...*

- Final estimates show that growth in the U.S. slowed to 0.3% (annual rate) in the second quarter of 2001. Consumer and government spending contributed to output growth, but business investment remained weak. A large drop in inventory investment also contributed to the slowdown.
- U.S. employment fell by 199,000 in September, the largest monthly drop in over a decade. Net job losses since March have totalled nearly half a million. September losses were concentrated in the manufacturing sector, where 93,000 workers were laid off last month, and in retail trade. The unemployment rate remained at 4.9 percent. Due to the reference periods for the two surveys, the Bureau of Labor Statistics believes that the September reports do not reflect the layoffs that occurred after the September 11 terrorist attacks.

### *...and the Federal Reserve announces its ninth interest rate cut this year*

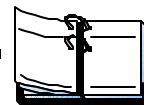
- In an effort to boost consumer and business spending and soothe financial markets in the aftermath of the terrorist attacks, the U.S. Federal Reserve lowered its federal funds rate by 50 basis points on September 17. Interest rates were cut an additional 50 basis points to 2.5 percent on October 2, the lowest level since May 1962.
- Both CPI inflation and core inflation were stable at 2.7% in August on a year-over-year basis. Producer prices were up 2.1% compared to August 2000.



## COMING UP

### Key Future Data Releases and Planned Events

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#### CANADA

Consumer Price Index – September .....	October 18
Survey of Manufacturing – August .....	October 18
International Trade – August .....	October 19
Next scheduled date for a bank rate announcement .....	October 23
GDP at factor cost – August .....	October 31
Business Conditions Survey – October .....	November 1
Labour Force Survey – October .....	November 2
Financial Statistics For Enterprises – 3rd Quarter 2001 .....	November 29
National Economic & Financial Accounts – 3rd Quarter 2001 .....	November 30
Balance of International Payments – 3rd Quarter 2001 .....	November 30
Capacity Utilization Rates – 3rd Quarter 2001 .....	December 11

#### UNITED STATES

Consumer Price Index – September .....	October 19
International Trade – August .....	October 19
GDP – 3rd Quarter 2001, Advance .....	October 31
Employment Situation – October .....	November 2
Federal Open Market Committee meeting .....	November 6

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