

# MONTHLY ECONOMIC INDICATORS

## November 2001

### HIGHLIGHTS

-  ***Output rose slightly in August, following consecutive declines in the previous two months.***
-  ***Employment rose slightly in October, but the unemployment rate rose to 7.3% as a result of an increase in the labour force.***
-  ***The Bank of Canada and the U.S. Federal Reserve lowered their policy rates further to bolster confidence and support the economy. Low interest rates have helped North American equity markets to recover.***
-  ***The Canadian dollar fell to record lows in early November amid heightened global economic uncertainty and plunging commodity prices, before somewhat recovering .***

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	939.8	0.1	0.4	Aug
Goods	299.7	0.2	-2.6	Aug
Services	640.1	0.1	1.9	Aug
Composite Index	166.4	0.1	0.0	Sept
Employment (000's)	15,095	0.0	0.8	Oct
Full-time	12,391	-0.2	1.0	Oct
Part-time	2,705	1.0	-0.3	Oct
Unemployment* (%)	7.3	7.2	6.9	Oct
Youth*	13.0	13.1	12.8	Oct
Adult*	6.2	6.0	5.7	Oct
CPI inflation*	2.6	2.8	2.7	Sept
Retail Sales (\$M)	24,262	0.3	3.6	Aug
Housing Starts (000's)	173.5	12.7	5.0	Oct
Trade Balance* (\$M)	4,433	5,425	4,957	Aug
Exports	34,129	-3.4	-4.4	Aug
Imports	29,696	-0.8	-3.4	Aug
M&E	9,347	-6.6	-10.5	Aug
3-mth Corp. paper* (%)	2.26	3.19	5.85	Nov 14
Long bond yield* (%)	5.45	5.86	5.61	Nov 14
Canadian dollar* (US¢)	62.80	63.35	65.68	Nov 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](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).

# MONTHLY ECONOMIC INDICATORS

## November 2001

### CONTENTS

<b>The Economy</b>	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
<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 November 16, 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 Hossein Rostami at 613-995-8452 or through the Internet at [rostami.hossein@ic.gc.ca](mailto:rostami.hossein@ic.gc.ca).

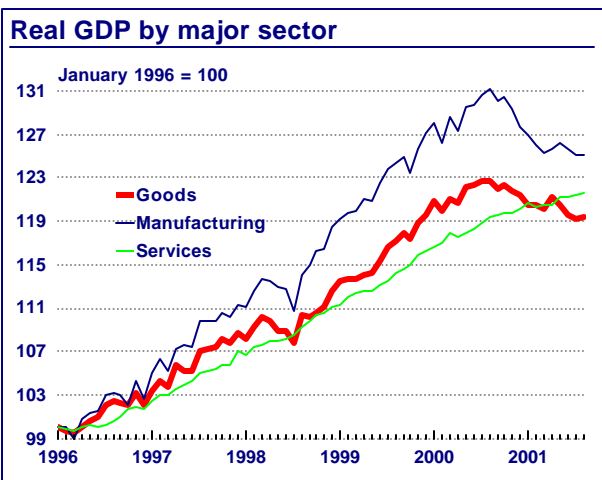
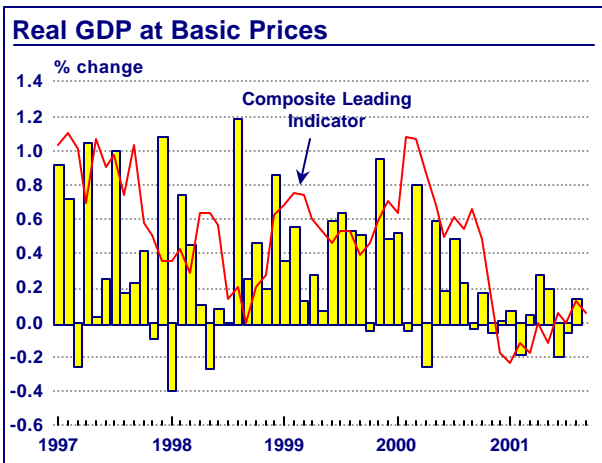


### Output increased slightly in August...

- Real GDP at basic prices rose 0.1% in August, following two consecutive monthly declines. Statistics Canada's composite leading indicator was unchanged in September, pointing to continued weak economic activity in the near term.

### ...with gains in both the Goods and Services sectors

- Output in the Goods sector increased 0.2% in August, partially reversing the decline in July. Construction activity increased in August as a result of a rise in residential construction. Activity in the Oil and Gas sector continued to rise for a second straight month, accompanied by an increase in synthetic oil production. Manufacturing output edged up slightly in August as higher outputs of paper and chemical products offset a 12th consecutive monthly decline in production of computer and electronic products.
- Services output posted a 0.1% gain in August. The largest gain was reported in the Wholesale Trade sector, resulting mainly from a rebound in trade of automotive products. The output of Information & Cultural industries also recorded strong growth. The highest losses were reported for Accommodation & Food Services and Transportation & Warehousing.



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

August 2001	\$ millions	monthly change	% Change since last	
			month	year
<b>Total Economy</b>	<b>939,786</b>	<b>1,291</b>	<b>0.1</b>	<b>0.4</b>
<b>Business Sector</b>	<b>796,327</b>	<b>1,119</b>	<b>0.1</b>	<b>0.2</b>
<b>Goods-producing</b>	<b>299,720</b>	<b>493</b>	<b>0.2</b>	<b>-2.6</b>
Agri., Forest, Fish, Hunt*	21,407	-167	-0.8	-6.0
Mining & Oil & Gas Extraction	37,080	166	0.4	3.7
Utilities	27,492	36	0.1	-3.3
Construction	49,459	331	0.7	2.1
Manufacturing	164,282	127	0.1	-4.6
<b>Services-producing</b>	<b>640,066</b>	<b>798</b>	<b>0.1</b>	<b>1.9</b>
Wholesale Trade	56,789	610	1.1	1.3
Retail Trade	51,348	84	0.2	1.5
Transportation & Warehousing	43,503	-297	-0.7	-4.0
Information & Cultural	43,643	303	0.7	8.0
FIRE**	182,031	181	0.1	2.2
Professional***	40,502	-78	-0.2	1.6
Admin & Waste Mgmt	20,400	10	0.0	4.1
Education	43,481	-63	-0.1	0.6
Health & Social	53,461	107	0.2	1.1
Arts, Entertain. & Recreation	8,726	-19	-0.2	2.2
Accommodation & Food	22,608	-180	-0.8	1.3
Other	20,864	12	0.1	2.4
Public Administration	52,710	128	0.2	3.2

\*Agriculture, forestry, fishing & hunting

\*\*Finance, Insurance & Real Estate

\*\*\*Professional, scientific & technical

# THE ECONOMY

## Consumer Spending and Attitudes

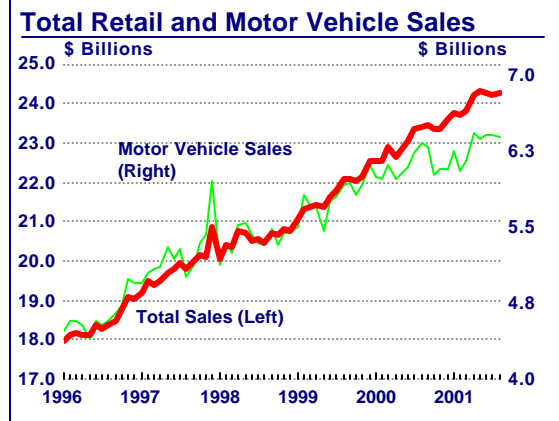


### Consumer spending slowed in the second quarter...

- 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 appears to have posted sluggish performance in the third

- 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. Although increased clothing and auto sales boosted retail activity in August, figures indicate a downturn in September, partly due to the effects of the terrorist attacks. For example, motor vehicle sales were down 5.3% in September, reflecting sharply lower new truck sales. Department store sales were also down on the month.



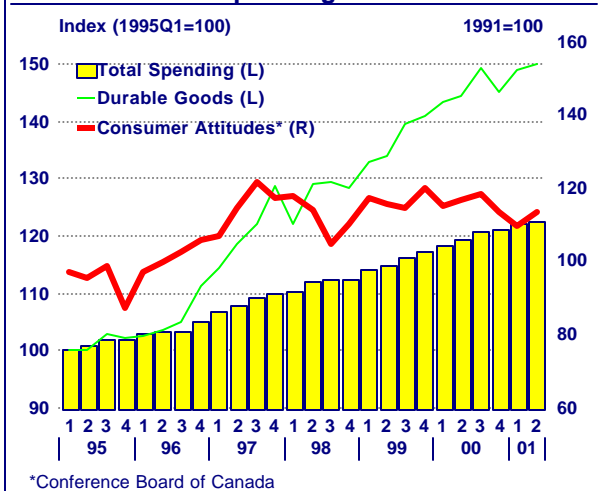
### Retail Sales and Consumer Credit

	August 2001 \$ millions	% Change since	
		last month	last year
<b>Total Retail Sales (S.A.)</b>	24,262	0.3	3.6
Food	5,401	0.6	5.2
Drug Stores	1,220	0.7	8.2
Clothing	1,323	2.1	4.1
Furniture	1,338	-0.2	5.6
Automotive	9,647	0.6	1.7
General Merch. Stores	2,731	-1.9	4.2
All other Stores	2,603	-0.3	3.7
Total ex. motor vehicles	17,880	0.5	4.6
<b>Consumer Credit</b>	205	1.2	7.2

### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)		2001 Q1	2001 Q2
	1999	2000		
<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

### Real Consumer Spending and Attitudes



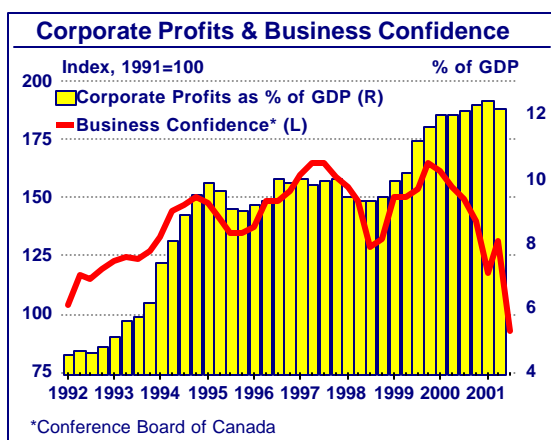
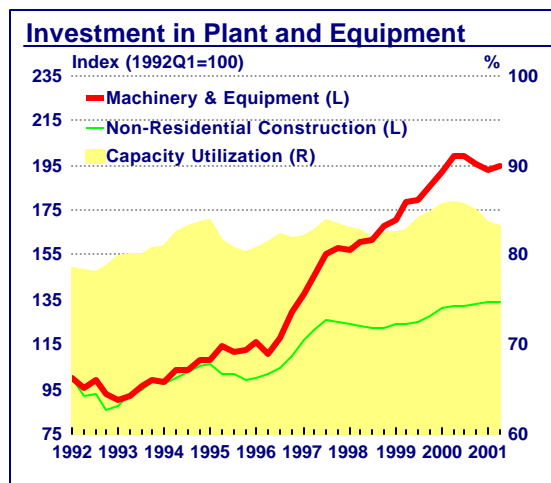


### Business investment rebounds in the second quarter...

- 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 encouraging. 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. The Conference Board Index of Business Confidence dropped 29.3% in the third quarter, bringing the index to its lowest level since 1990.
- Imports of M&E fell sharply in August due to continuing weakness in the high-tech sector. While monthly GDP data indicate that non-residential building activity was down in August.



### 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



### Housing activity slowed 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 still remains at a high level

- Recent indicators suggest that the housing sector has shown resilience in the wake of the September attacks. Both housing starts and sales of existing homes were up in October, hitting their second highest level of the year. Residential construction rose for the second consecutive month in August.
- 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)	14,388	2.1%	2.7%
<b>Building Permits, \$M (2)</b>	1,833	0.2%	2.9%
<b>Sales of Existing Homes (3)</b> (# of units)	22,678	790	
<b>Housing Starts, # of units (3)</b>	173,500	19,500	8,200
Newfoundland	1,200	-200	-200
Prince Edward Island	400	0	-300
Nova Scotia	2,300	500	500
New Brunswick	5,500	3,100	3,700
Quebec	22,700	2,900	1,100
Ontario	68,900	4,200	-7,300
Manitoba	1,500	0	-100
Saskatchewan	3,500	1,500	1,700
Alberta	28,300	2,900	7,500
British Columbia	17,700	2,300	-600

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

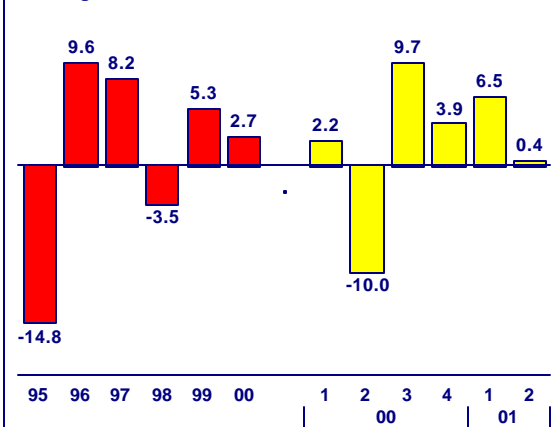
### Real Investment in Residential Structures

\$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

% change, SAAR





## Trade and Competitiveness

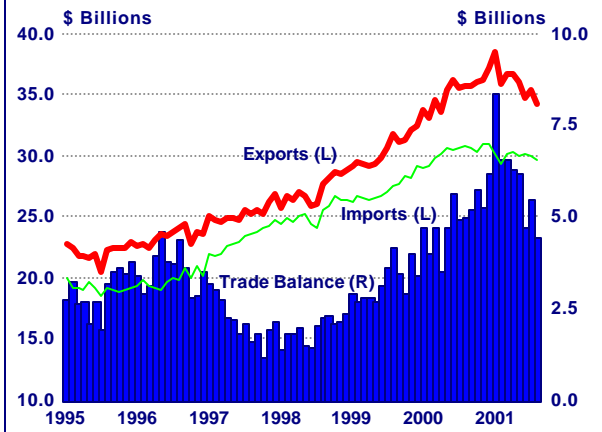
### Imports and exports fall in August...

- Exports plunged 3.4% in August to their lowest level in 17 months. Losses occurred in all major categories except Automotive Products, as manufacturers recovered from temporary plant shutdowns and model year change-over. A sharp drop in natural gas exports led to large decrease in the exports of Energy products. M&E exports also experienced a major decline mainly due to weakness in demand for high-tech products.
- Imports edged down 0.8% on the month as increases in the imports of Industrial Goods & Materials, Agricultural and Automotive Products failed to offset larger declines in the other categories, particularly Energy and M&E.

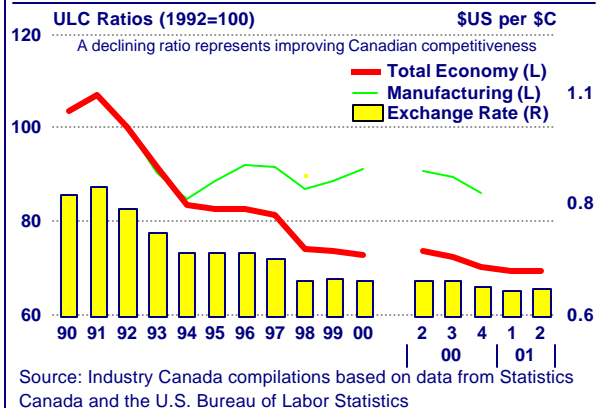
### ...reducing the trade surplus

- Canada's merchandise trade surplus fell to \$4.4 billion in August. However, the cumulative surplus for the first eight months of the year was \$48.3 billion, \$11.3 billion higher than last year.

### Merchandise Trade Flows and Balance



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



### Merchandise Trade

August 2001	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)	% Change		
	July 2001	August 2001	2000 Jan-Aug	2001 Jan-Aug		July to Aug 2001	July to Aug 2001	Aug 2000 to Aug 2001
<b>Exports</b>	35,347	34,129	277,510	287,737	-1,218	-3.4	-4.4	
to United States	30,279	29,457	235,285	245,824	-822	-2.7	-2.9	
<b>Imports</b>	29,922	29,696	240,504	239,393	-226	-0.8	-3.4	
from United States	21,960	21,429	177,904	174,984	-531	-2.4	-4.9	
<b>Trade Balance</b>	5,425	4,433	37,006	48,344	-992			
with United States	8,319	8,028	57,381	70,840	-291			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,678	2,575	18,180	20,459	-103	-3.8	10.2	
Energy Products	5,309	4,722	32,027	45,692	-587	-11.1	4.3	
Forestry Products	3,319	3,241	28,148	26,476	-78	-2.4	-3.8	
Industrial Goods & Materials	5,572	5,391	43,845	44,350	-181	-3.2	-2.6	
Machinery & Equipment	8,103	7,761	69,728	67,590	-342	-4.2	-15.8	
Automotive Products	7,824	7,975	66,017	62,474	151	1.9	-2.3	
Other Consumer Goods	1,308	1,283	9,668	10,554	-25	-1.9	4.6	
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,643	1,758	12,165	13,422	115	7.0	10.6	
Energy Products	1,487	1,385	11,470	12,877	-102	-6.9	-11.8	
Forestry Products	239	237	2,027	1,953	-2	-0.8	-9.2	
Industrial Goods & Materials	5,545	5,689	46,827	46,586	144	2.6	-2.0	
Machinery & Equipment	10,006	9,347	80,649	78,242	-659	-6.6	-10.5	
Automotive Products	6,277	6,440	52,574	48,641	163	2.6	-2.8	
Other Consumer Goods	3,590	3,676	26,199	28,560	86	2.4	9.0	



# LABOUR MARKET TRENDS



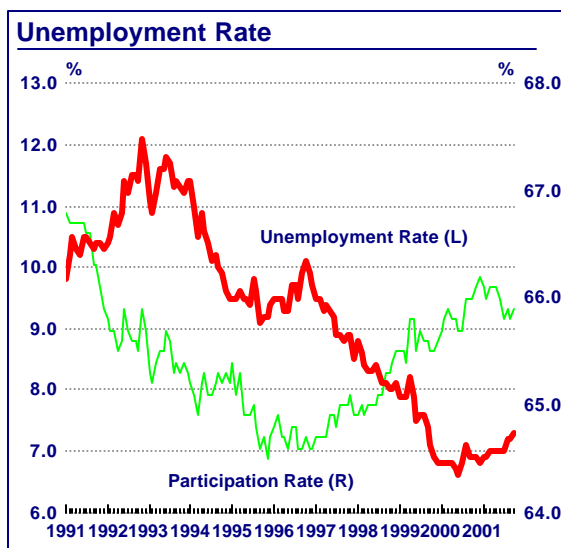
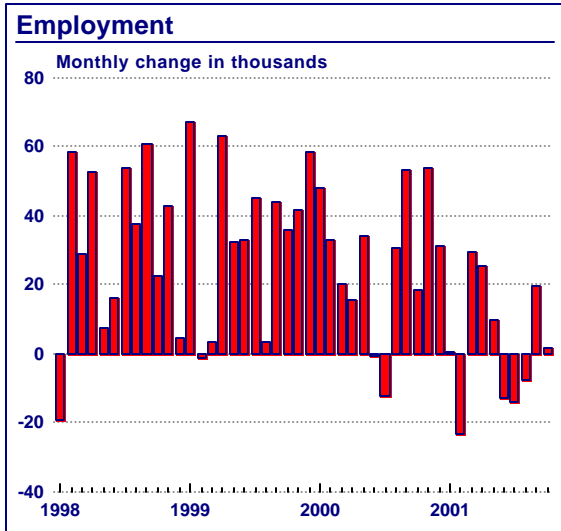
## Employment and Unemployment

### Employment was nearly unchanged in October...

- Employment edged up by 2,000 in October, following an increase of 20,000 the previous month. Employment, however, is up only 29,000 in the first ten months of the year compared to 325,000 for all of last year, reflecting a significant weakening of economic conditions.
- All of October's gains were in part-time employment, which increased by 28,000 on the month. The number of full-time workers fell by 26,000. Consequently, total hours worked fell sharply in October (-3.3%).

### ...but the unemployment rate rose to 7.3%

- The national unemployment rate rose to 7.3% in October, from 7.2% in the previous two months. Prior to this, unemployment had held steady at 7.0% over the March to July period.
- Youth employment fell by 1,000, bringing year-to-date losses to 47,000. However, due to a decrease in the labour force, the unemployment rate decreased by 0.1 point to 13.0%. Employment among adults rose by 3,000, but an increase in the labour force pushed up their unemployment rate 0.2 point to 6.2%.



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2000 October	2001 September	2001 October	last month	last year	year-to-date	last month	last year
<b>Employment</b>	14,981.4	15,093.6	15,095.4	1.8	114.0	28.7	0.0	0.8
Full-time	12,269.3	12,417.2	12,390.9	-26.3	121.6	33.4	-0.2	1.0
Part-time	2,712.1	2,676.4	2,704.5	28.1	-7.6	-4.7	1.0	-0.3
Youth 15-24	2,318.9	2,298.4	2,297.0	-1.4	-21.9	-47.4	-0.1	-0.9
Adult 25+	12,662.4	12,795.2	12,798.5	3.3	136.1	76.2	0.0	1.1
Self-employed	2,369.9	2,309.3	2,313.3	4.0	-56.6	-50.5	0.2	-2.4
<b>Unemployment</b>	1,113.0	1,163.2	1,186.6	23.4	73.6	83.3	2.0	6.6
<b>Unemployment Rate</b>	6.9	7.2	7.3	0.1	0.4	0.5		
Youth 15-24	12.8	13.1	13.0	-0.1	0.2	0.5		
Adult 25+	5.7	6.0	6.2	0.2	0.5	0.5		
<b>Labour Force</b>	16,094.4	16,256.7	16,282.0	25.3	187.6	112.0	0.2	1.2
<b>Participation Rate</b>	66.0	65.8	65.9	0.1	-0.1	-0.3		
<b>Employment Rate</b>	61.4	61.1	61.1	0.0	-0.3	-0.6		





## Industry Overview

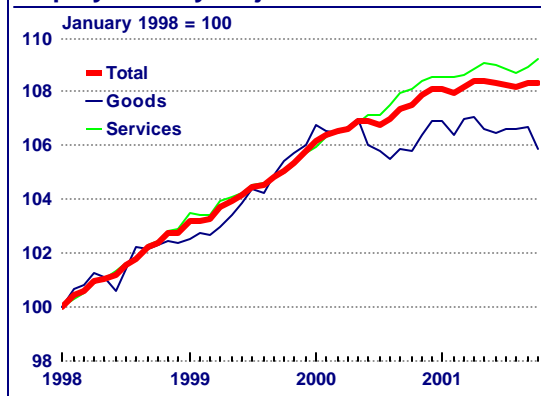
### Employment in the Goods sector fell in October...

- Employment in the Goods sector fell by 30,000 in October, with most of the decline in Ontario. Gains in Construction and Utilities were not enough to offset losses in the other major industrial groups. Manufacturing employment was down 31,000 on the month, bringing total job losses to 75,000 jobs so far this year. The largest decline for October was in computer and electronic products. October's drop in Agricultural employment adds to sizeable losses earlier in the year.

### ...but Services industries post a second consecutive gain

- Employment in Services industries rose by 31,000 in October, the second consecutive monthly gain. The largest gains were posted by Accommodations & Food Services and Trade. Employment in Trade has risen for six of the last seven months. The largest loss of jobs was posted by Other Services, offsetting the gains this industry made in September. There was a slight decline in air transportation employment, some of which was related to the events of the 11th of September. However, this also represents a continuation of the longer-term downward trend for the industry.

Employment by major sector



Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2000 October	2001 September	2001 October	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,849.3	3,881.2	3,851.7	-29.5	2.4	-38.7	-0.8	0.1
Agriculture	354.2	321.7	320.4	-1.3	-33.8	-27.1	-0.4	-9.5
Natural Resources*	284.9	303.2	298.8	-4.4	13.9	21.0	-1.5	4.9
Utilities	116.0	123.4	124.1	0.7	8.1	6.4	0.6	7.0
Construction	803.9	847.7	854.6	6.9	50.7	35.8	0.8	6.3
Manufacturing	2,290.2	2,285.2	2,253.8	-31.4	-36.4	-74.9	-1.4	-1.6
<b>Services-producing</b>	11,132.1	11,212.4	11,243.7	31.3	111.6	67.5	0.3	1.0
Trade	2,341.3	2,385.4	2,408.1	22.7	66.8	53.4	1.0	2.9
Transportation*	781.1	772.8	768.6	-4.2	-12.5	-19.3	-0.5	-1.6
FIRE*	871.4	876.5	869.8	-6.7	-1.6	-12.2	-0.8	-0.2
Professional/Scientific	974.7	969.6	968.9	-0.7	-5.8	-19.8	-0.1	-0.6
Management/Administrative	565.1	566.6	568.1	1.5	3.0	8.9	0.3	0.5
Educational Services	966.4	968.8	980.0	11.2	13.6	27.8	1.2	1.4
Health Care/Social Assistance	1,526.6	1,553.0	1,545.2	-7.8	18.6	21.3	-0.5	1.2
Information/Culture/Recreation	687.6	705.3	711.7	6.4	24.1	11.0	0.9	3.5
Accommodation & Food	956.8	951.4	978.8	27.4	22.0	13.0	2.9	2.3
Other Services	696.2	699.2	675.8	-23.4	-20.4	-22.7	-3.3	-2.9
Public Administration	765.1	763.8	768.6	4.8	3.5	6.1	0.6	0.5

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



## Provincial Overview

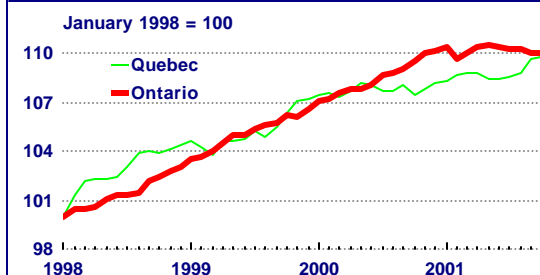
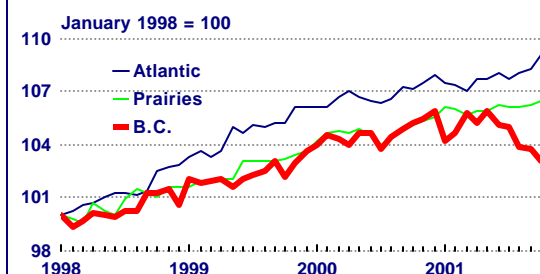
### Again, Quebec leads job gains in October...

- Quebec posted the largest job gain among all provinces in October (+5,000). However, its unemployment rate edged up 0.1 point to 8.5%, as its labour force increased. Smaller job gains in Nova Scotia, Alberta and Newfoundland were insufficient to offset labour force increases and their unemployment rates went up.
- Employment growth in Manitoba and New Brunswick was accompanied by a healthy decrease in their respective rates of unemployment.

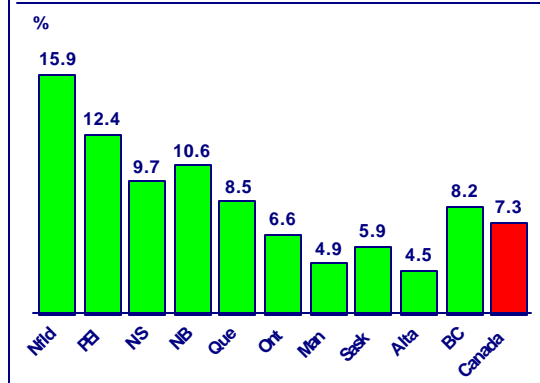
### ...as B.C., Ontario and Saskatchewan post job losses

- In October, B.C. posted the largest job loss (-14,000) amongst all of the provinces, pushing up its unemployment rate by 0.5 points to 8.2%. Most of these job losses were in Manufacturing and Health Care & Social Assistance.
- Ontario's unemployment rate was unchanged at 6.6% in October, as the loss of 3,000 jobs was offset by a corresponding reduction in the labour force. Labour conditions in Ontario have been weak since May, with job losses totalling 29,000.
- In Saskatchewan, employment edged down 1,000 and its unemployment rate edged up. Employment was unchanged in P.E.I., but the rate of unemployment rose 0.6 point to 12.4%, due to a large increase in the labour force.

### Regional employment patterns



### Unemployment Rates -- October 2001



### Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment rate (%)			
	Levels	Change since last month		Change since last year		Levels	Change since	
	2001 October	(000's)	%	(000's)	%	last month	last year	
Canada	15,095.4	1.8	0.0	114.0	0.8	7.3	0.1	0.4
Newfoundland	212.9	0.9	0.4	7.2	3.5	15.9	0.5	-0.9
P.E.I.	66.0	0.0	0.0	1.9	3.0	12.4	0.6	-1.1
Nova Scotia	429.7	4.1	1.0	10.6	2.5	9.7	0.1	0.3
New Brunswick	336.6	2.8	0.8	-0.6	-0.2	10.6	-0.7	0.8
Quebec	3,501.7	4.6	0.1	74.5	2.2	8.5	0.1	0.1
Ontario	5,955.7	-2.9	-0.0	24.7	0.4	6.6	0.0	0.7
Manitoba	562.9	4.2	0.8	7.7	1.4	4.9	-0.4	0.2
Saskatchewan	468.0	-0.9	-0.2	-15.8	-3.3	5.9	0.1	0.4
Alberta	1,641.3	2.4	0.1	42.7	2.7	4.5	0.5	-0.2
B.C.	1,920.6	-13.5	-0.7	-38.9	-2.0	8.2	0.5	0.6



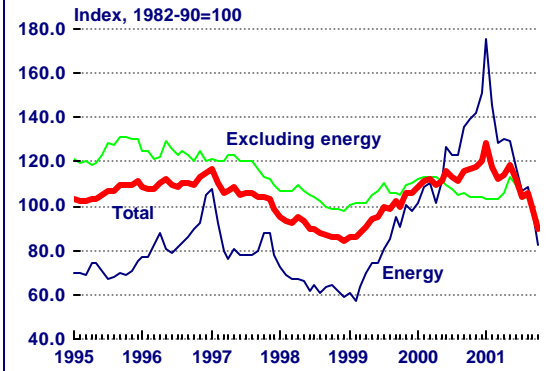
### Inflation slows to 2.6% in September...

- Consumer price inflation was 2.6% in September, down from 2.8% in August. CPI inflation had climbed to a ten-year high of 3.9% in May.
- Energy prices recorded their second smallest rise in more than two years in September, in spite of a jump in natural gas and electricity prices.

### ...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, remained at 2.3% in September. This is within the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- In its semi-annual monetary policy report, the Bank of Canada projected that both the core and total CPI inflation rates would move below 2 percent in early 2002, provided that world energy prices do not rise above early-September levels.
- In October, commodity prices plunged 10.3% from September levels and were down 23.5% from a year ago. This reflects deteriorating global economic conditions and prospects in recent months, which were exacerbated by the attacks on the U.S.

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



### Consumer Prices

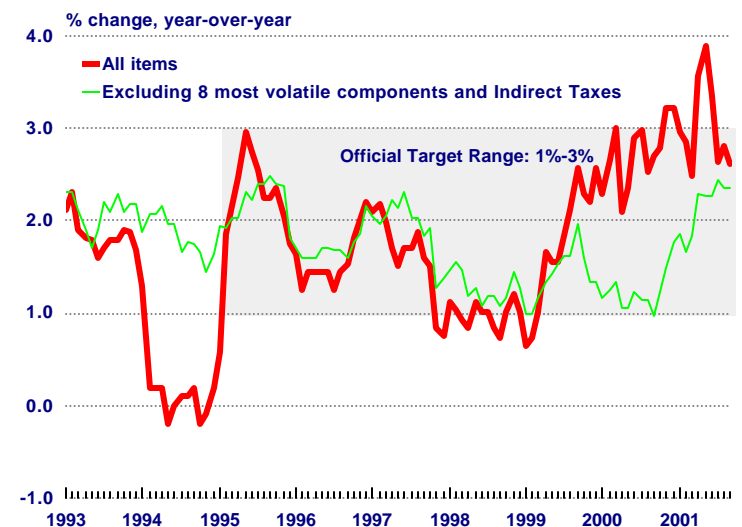
September 2001

	Index (1992=100)	% Change since	
		last month	last year
<b>All items CPI</b>	117.4	0.3	2.6
Food	116.9	-0.7	4.2
Shelter	113.4	-0.3	3.5
Household operations	113.2	0.6	2.4
Clothing & Footwear	107.9	1.2	0.5
Transportation	133.0	1.6	0.8
Health & Personal Care	114.2	0.0	1.7
Recreation, Educ. & Reading	126.0	-0.2	0.9
Alcohol & Tobacco	106.5	0.1	8.2
<b>Excl. 8 Most Volatile/Indirect Taxes</b>	117.8	0.2	2.3
Energy	137.0	2.7	3.2

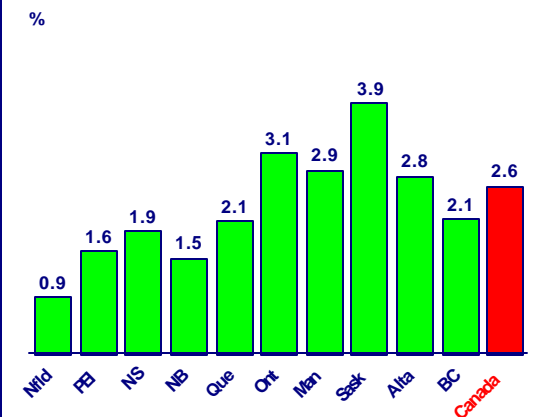
### Commodity Prices (October)

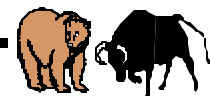
Index, 1982-90=100	89.3	-10.3	-23.5
Excluding Energy	92.9	-6.8	-11.0
Energy	82.5	-16.8	-40.9

### Consumer Price Index



### Provincial CPI Inflation -- September 2001



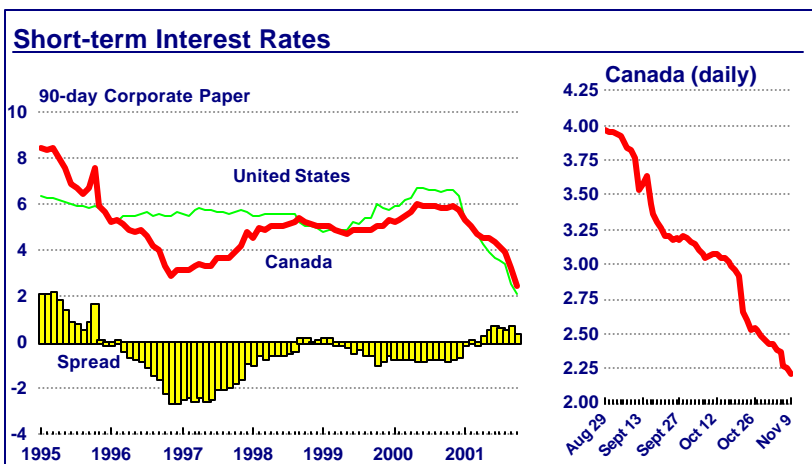


### The Bank of Canada and the U.S. Federal Reserve cut policy rates further...

- The Bank of Canada cut its target overnight rate on October 23 by 75 basis points (bps) to 2.75%. The rate is now at its lowest level in forty years and is down by 300 bps since January, when the Bank started to ease to support the economy. On November 6, the U.S. Federal Reserve lowered its Fed Funds rate by 50 bps to 2.0%, bringing the rate down by 450 bps since January and 150 bps since the September 11 attacks.
- In line with these developments, short-term interest rates have fallen further, with the prime lending rate down 75 bps from the previous month to 4.5%. Similarly, yields on 90-day corporate paper fell to 2.45% at the end of October.

### ...and long yields tumble on U.S. benchmark supply cut-off

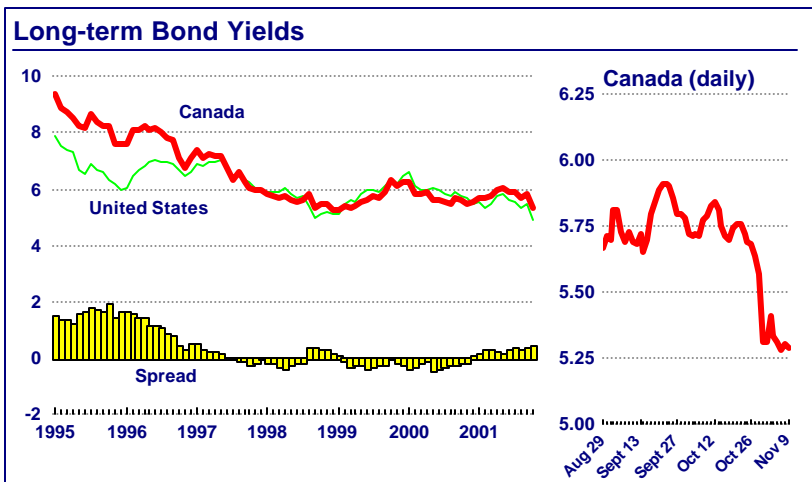
- Yields on long-term bonds fell through October as weak economic reports raised the prospects of more interest rate cuts. Moreover, they fell sharply after the U.S. Treasury announced on October 31 the cancellation of 30-year treasuries issuance, effectively making outstanding long-term federal government securities more scarce.
- Despite the upswing in recent days, long-term yields on Canadian government bonds were down 30 bps from early September levels, to 5.45% on November 14.



### 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
May 2001	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	2.45	0.33	5.31	0.42
Nov 7	2.27	0.37	5.28	0.49

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
May 2001	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	3.00	4.50	4.90	6.90
Nov 14	3.00	4.50	4.50	6.45

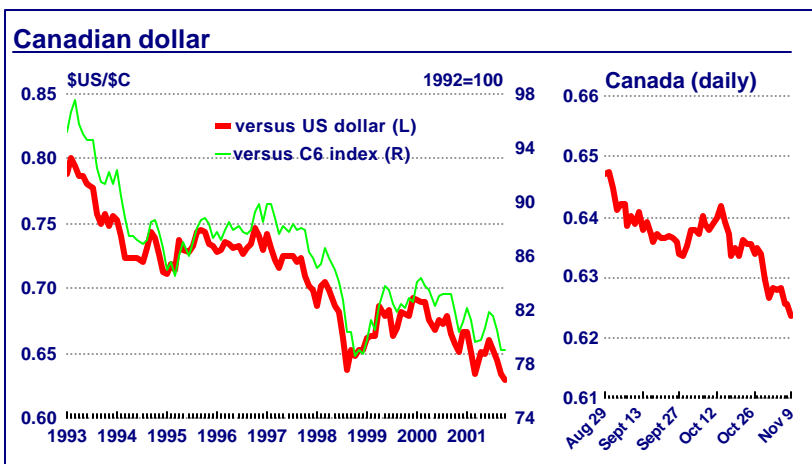


### The Canadian dollar falls further, setting new record lows...

- The Canadian dollar traded at a record low of US 62.34¢ on November 9, before recovering somewhat subsequently. It closed at US 62.80¢ on November 14. Against its U.S. counterpart, our dollar has lost 6.3% of its value since the start of the year, when it stood at US 67¢.
- While our trade surplus has helped sustain the value of our currency, the strength of the U.S. dollar and the declines in commodity prices, particularly since the terrorist attacks, have spurred a sharp depreciation. Compared with other major currencies, our dollar has receded its mid-year gains but is roughly back to January levels.

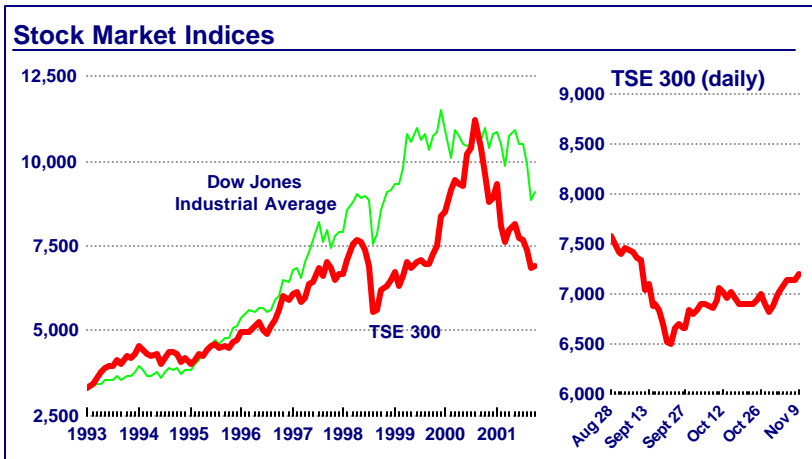
### ...while North American equity markets recover

- After falling to a low of 6513 on September 21, the TSE 300 has retraced all its losses in recent weeks. It closed at 7349 on November 14, a few points above where it stood prior to the terrorist attacks. Similarly, major U.S. stock indices have returned to their pre-attacks levels. With interest rates at historical lows and confidence stabilizing, investors have switched some funds away from money markets back into stocks.
- Nonetheless, the TSE 300 index was still 30% below its peak in September 2000, while the Dow Jones - which closed at 9824 on November 14 - was down 16% from its peak in January 2000.



### 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
May 2001	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	0.6294	78.98	1.375	77.29
Nov 14	0.6280	78.11	1.392	76.44



### Key Stock Market Indexes

	October Close	% change from	
		last month	last year
<b>TSE 300</b>	<b>6,886</b>	<b>0.7</b>	<b>-28.6</b>
Oil & Gas	9,210	10.9	25.5
Metals & Minerals	3,567	3.0	1.1
Utilities	11,740	3.9	-24.4
Paper & Forest	4,100	-1.0	-13.3
Merchandising	5,838	-3.1	6.2
Financial Services	9,975	-4.9	-1.4
Goods	5,037	-7.0	37.2
<b>S&amp;P 500</b>	<b>1,059.8</b>	<b>1.8</b>	<b>-25.9</b>
<b>Dow Jones</b>	<b>9,075</b>	<b>2.6</b>	<b>-17.3</b>

# THE UNITED STATES ECONOMY



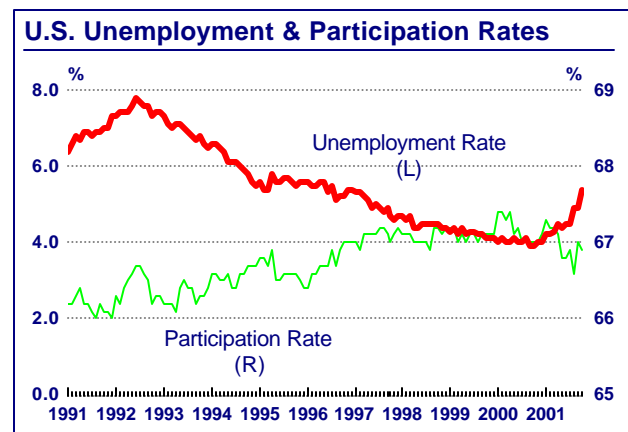
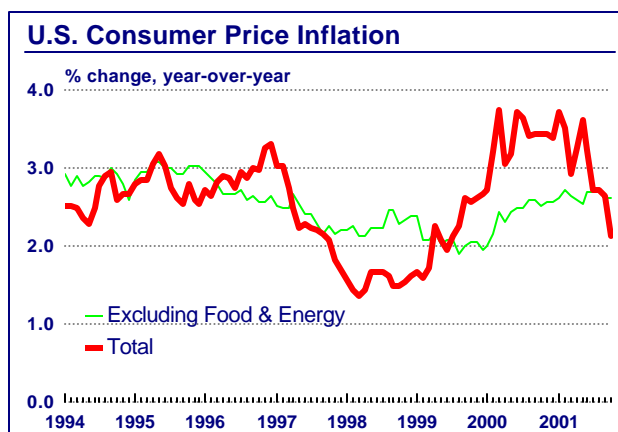
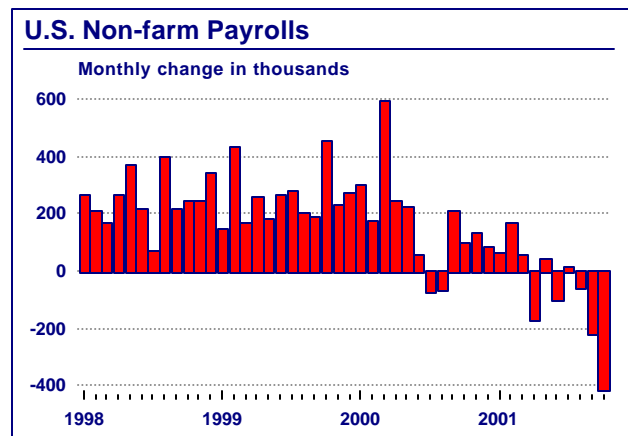
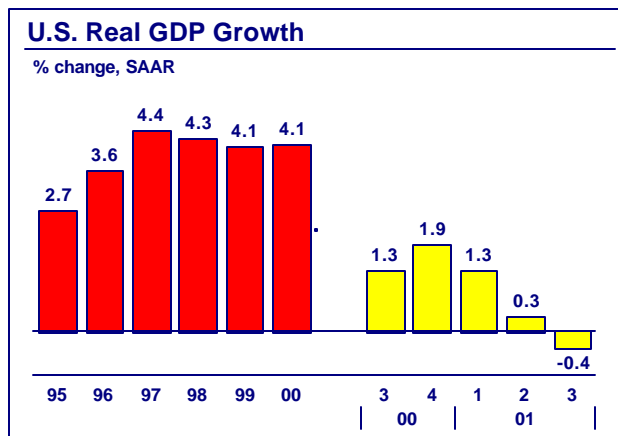
## U.S. Economic Trends

### The U.S. economy continues to weaken...

- Based on advance estimates, U.S. real GDP contracted 0.4% (annualized) in the third quarter, after rising 0.3% in the second. This was the first negative growth since 1993 and resulted from a further plunge in fixed business investment, more inventory liquidation and a fall in exports. Consumer spending continued to grow, but at a much slower pace.
- Despite a decline in output, non-farm business productivity rose by 2.7% in the third quarter, after a rise of 2.2% in the second.
- Industrial production fell 1.1% in October, after declining 1.0% in September. Weakness was widespread, with large declines posted for motor vehicles and parts (-4.2%), transportation (-3.9%) and furniture and appliances (-3.4%).

### ...and employment fell sharply in October...

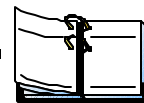
- U.S. employment fell by a stunning 415,000 jobs in October – the biggest one-month drop in more than 21 years – pushing the unemployment rate up a half point to 5.4%. Unemployment is now at its highest level since 1996. The services industry dropped 111,000 positions in the largest monthly dive since the government started tracking the data in 1939. Manufacturing lost 142,000 factory positions in October, the 15th straight month of decline.
- CPI inflation fell to 2.1% in October from 2.6% in September, while core inflation remained stable at 2.6% (on a year-over-year basis).



## COMING UP

### Key Future Data Releases and Planned Events

---



#### CANADA

Survey of Manufacturing – September .....	November 19
International Trade – September .....	November 20
Consumer Price Index – October .....	November 21
Next scheduled date for a bank rate announcement .....	November 27
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
GDP at factor cost – September .....	November 30
Labour Force Survey – November .....	December 7
Capacity Utilization Rates – 3rd Quarter 2001 .....	December 11
Business Conditions Survey – January .....	February 1

#### UNITED STATES

International Trade – September .....	November 20
GDP – 3rd Quarter 2001, Preliminary .....	November 30
Employment Situation – November .....	December 7
Federal Open Market Committee meeting .....	December 11
Consumer Price Index – November .....	December 14

Note: the November MEI uses data available as of November 16, 2001