



Industry
Canada

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Monthly Economic Indicators

July 2004

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/epic/internet/ineas-aes.nsf/en/h_ra01898e.html

Canada

MONTHLY ECONOMIC INDICATORS

July 2004

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This issue uses data available as of July 15, 2004. It has been prepared by Éric Chalifoux, Stéphane Crépeau, Kevin Koch, Joseph Macaluso, Arif Mahmud, Sue Moore, François Poitras and François Rimbaud of the Micro-Economic Analysis Directorate, under the direction of François Poitras. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support.

Sources of information primarily include 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.

Please address comments to François Poitras at (613) 957-3404 or through the Internet at Poitras.Francois@ic.gc.ca.



Real GDP by Industry

Economic growth slowed in April...

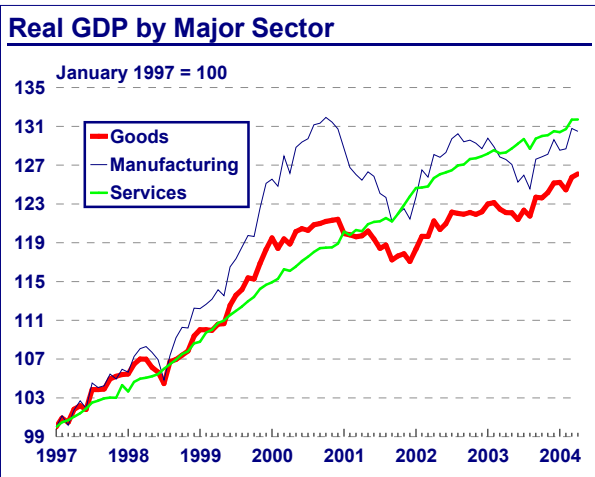
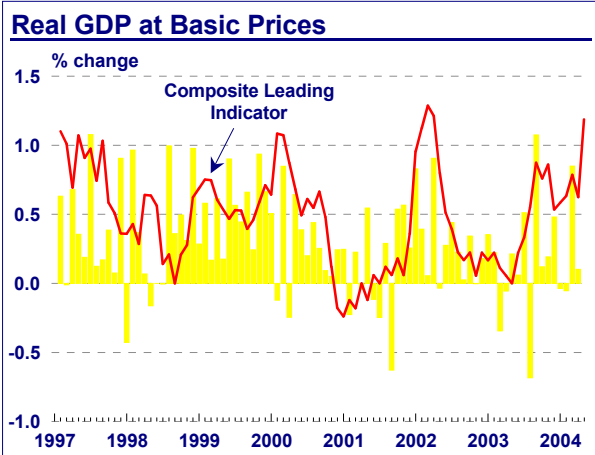
- Real GDP at basic prices edged up 0.1% in April, following a strong gain of 0.8% in March. This was well below market expectations. Strong growth in mining and oil & gas extraction and utilities were dampened significantly by labour disputes in the health sector and lower retail sales. Still, recent indicators including employment and shipments, point to stronger growth in the second quarter.

...as output remained flat in the service sector...

- Output in the service sector remained unchanged in April after a jump of 0.7% in March. Increases were reported in 7 of the 13 major groups, with administrative & waste management reporting the highest growth (0.9%). Retail trade posted a 0.9% decline, reflecting lower sales of new motor vehicles. The temporary impact of strikes in the health sector in Newfoundland & Labrador and British Columbia was a major restraining factor in April.

...but continued to grow in the goods sector

- In the goods sector, output rose 0.3% in April, following a strong increase of 1.1% the previous month. Driven by higher commodity prices, output in the mining and oil & gas extraction sector rose 1.7%, offsetting a loss of 0.2% in manufacturing. Output in the construction sector, which was 6.4% higher than a year ago, continued to grow (0.1%) as demand for housing continues to be robust.



Real GDP at Basic Prices (1997 chained dollars)

April 2004

	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	1,035,901	1,052	0.1	2.9
Business Sector	881,040	2,129	0.2	3.4
Goods-producing	326,470	910	0.3	3.3
Agri., Forest, Fish, Hunt*	23,876	-7	-0.0	1.0
Mining & Oil & Gas Extraction	37,958	633	1.7	6.7
Utilities	25,502	316	1.3	-2.0
Construction	57,820	45	0.1	6.4
Manufacturing	180,115	-403	-0.2	2.3
Services-producing	710,677	90	0.0	2.7
Wholesale Trade	65,169	324	0.5	4.9
Retail Trade	58,235	-555	-0.9	4.0
Transportation & Warehousing	47,903	251	0.5	3.7
Information & Cultural	42,322	193	0.5	0.6
FIRE**	209,709	825	0.4	4.0
Professional***	45,631	232	0.5	2.6
Admin. & Waste Mgmt	22,771	214	0.9	3.0
Education	44,449	-271	-0.6	-2.2
Health & Social	60,768	-639	-1.0	0.6
Arts, Entertain. & Recreation	9,229	-118	-1.3	-1.0
Accommodation & Food	22,656	-300	-1.3	3.5
Other	24,482	90	0.4	1.7
Public Administration	58,535	-64	-0.1	1.8

*Agriculture, Forestry, Fishing & Hunting

**Finance, Insurance & Real Estate

***Professional, Scientific & Technical services

THE ECONOMY



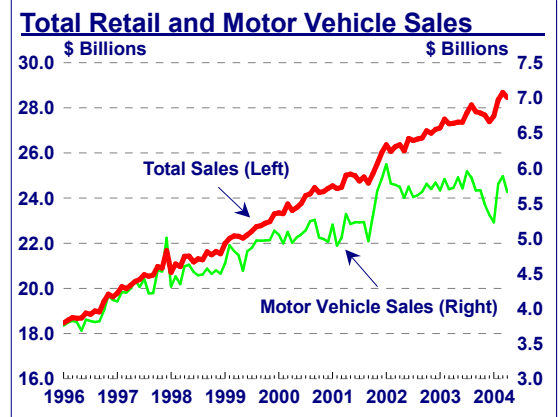
Consumer Spending and Attitudes

Consumer spending is strong in the first quarter...

- Following a 0.7% (annual rate) gain in the fourth quarter of 2003, real consumer spending jumped 5.5% in the first quarter, led by strong gains in durable and semi-durable goods.
- A 3.9% increase in services sector spending also contributed to real consumer spending growth in the first quarter. This marked the eleventh straight quarter of growth for services spending.

...and analysts are cautiously optimistic for the second quarter

- After three consecutive monthly increases, including a 1.1% gain in March, retail sales fell (-0.8%) in April, due to a downturn in the automotive sector. Despite the decline, retail sales remained near record levels.
- The consumer attitudes index posted its second straight quarterly decline since the start of 2004, from 122.6 in the first quarter to 115.4 in the second, its lowest level since the first quarter of 2003.
- However, a major turn-around in second quarter employment, with the creation of 130,400 new jobs compared to a loss of 19,600 in the first quarter, bodes well for second quarter personal income and consumption growth.

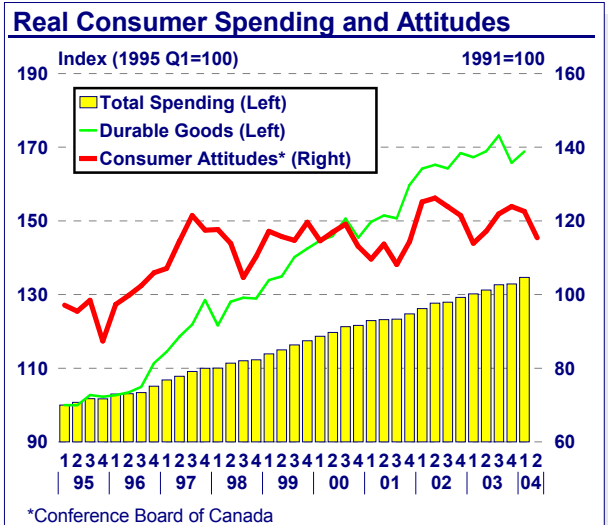


Retail Sales and Consumer Credit

	April 2004 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	28,446	-0.8	4.1
Food	5,517	0.3	0.2
Drug Stores	1,876	-0.3	7.4
Clothing	1,683	-0.6	5.4
Furniture	1,841	0.8	9.5
Automotive	9,456	-2.3	1.2
General Merch. Stores	3,574	1.9	10.1
All other Stores	4,498	-2.0	7.3
Total ex. motor vehicles	21,537	-0.1	5.6
Consumer Credit	255	1.1	9.7

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	2002	2003	2003 Q4	2004 Q1
Real Consumption (97\$)	601,594	620,444	625,780	634,148
% change	3.4	3.1	0.7	5.5
Durable Goods	93,099	94,923	93,220	94,971
% change	8.3	2.0	-16.1	7.7
Semi-Durable Goods	54,472	56,142	56,297	58,385
% change	3.8	3.1	-1.1	15.7
Non-Durable Goods	137,196	140,078	140,836	142,369
% change	2.3	2.1	2.6	4.4
Services	317,627	330,098	335,907	339,106
% change	2.6	3.9	4.7	3.9
Disposable Income	692,691	713,548	719,504	727,172
% change	3.8	3.0	2.8	4.3
Saving Rate (%)	3.2	1.4	1.3	0.5
Debt-to-Income Ratio (%)	98.1	101.5	103.2	103.8



THE ECONOMY



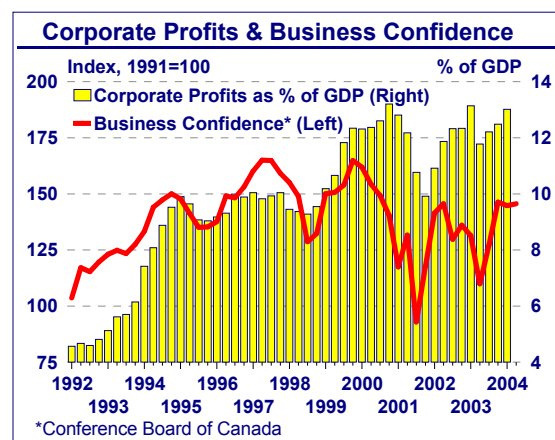
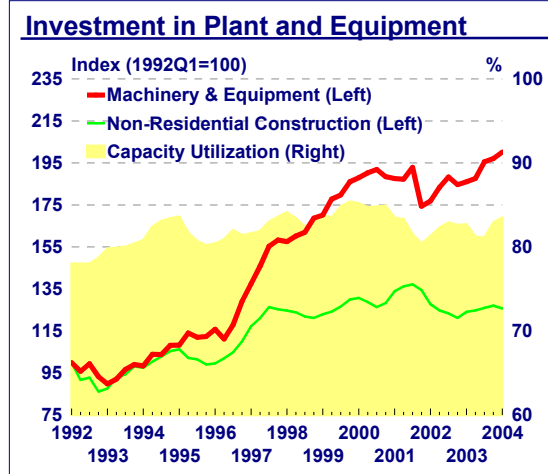
Business Investment

First quarter business investment helped by machinery & equipment...

- Business investment rose 2.0% (annualized) in the first quarter.
 - The rise (6.5%) in machinery & equipment investment was somewhat offset by a drop (4.4%) in non-residential construction.
 - This marked the fifth straight quarterly rise in Machinery & Equipment (M&E) investment.
- Investment related to the energy sector kept growing.
 - Close to 60% of investment in non-residential construction was attributed to the energy sector, posting its sixth straight quarterly increase (3.0%).
 - While only 11.9% of M&E investment was attributed to the energy sector, it rose 33.6% in the first quarter, following an increase of 12.5% in the fourth quarter of 2003.

...and prospects for business investment remained upbeat

- M&E imports increased in both April (2.3%) and May (13.4%), while shipments of machinery rose 3.2% and 1.0% respectively for the same two months. This bodes well for M&E investment in the second quarter.
- Following the 4.4% decrease in the first quarter, analysts now expect an increase in non-residential building investment for the second quarter of 2004.



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q2	2003 Q3	2003 Q4	2004 Q1
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	82,715	86,441	84,681	88,229	88,920	90,329
% change	-1.2	4.5	3.6	17.8	3.2	6.5
Non-residential Construction (1997\$)	44,493	44,928	44,671	45,109	45,501	44,993
% change	-8.3	1.0	2.2	4.0	3.5	-4.4
Capacity Utilization (% , Non-farm goods)	82.3	82.0	81.2	81.1	82.9	83.5
Capacity Utilization (Mfg. sector)	83.3	83.0	82.2	81.7	84.2	84.9
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	149,969	172,118	162,928	171,528	178,676	189,464
% change	4.8	14.8	-25.4	22.8	17.7	26.4
Profits - Non-financial industries	115,798	128,203	120,508	125,872	131,604	140,044
% change	8.8	10.7	-36.2	19.0	19.5	28.2
Profits - Financial industries	34,169	43,915	42,420	45,656	47,072	49,424
% change	-6.8	28.5	20.2	34.2	13.0	21.5
Business Credit	892,910	908,814	906,333	909,640	914,747	924,858
% change	4.0	1.8	0.8	1.5	2.3	4.5

THE ECONOMY

Housing



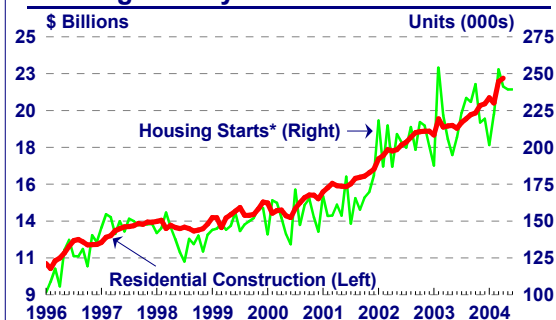
The housing market remained robust...

- Housing starts continued to hold strong. They stood at 239,300 units in June and were 28% (annual rate) higher in the second quarter compared to the first quarter.
- Sales of existing homes rose 30.9% (annual rate) in the second quarter and average residential construction was up 18.3% (annual rate) in April compared to the first quarter level.
- Average building permits for the period April to May were 1.1% higher than the first quarter of 2004.

...backed by good fundamentals

- The strong performance of the housing market in the second quarter continued to reflect factors such as low mortgage rates, and healthy job and income growth.
- However, the positive sentiment is expected to cool down in the coming months with the possible rise in mortgage rates.

Housing Activity



*Canada Mortgage and Housing Corporation

Monthly Housing Indicators

	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	22,220	0.9%	15.1%
Building Permits, \$M (2)*	2,729	-12.7%	8.9%
Sales of Existing Homes (2)** (# of units)	27,559	-188	3,233
Housing Starts, (3)*** (# of units, SAAR)	239,300	0	32,700
Newfoundland & Labrador	2,800	100	100
Prince Edward Island	1,000	200	-200
Nova Scotia	5,000	600	0
New Brunswick	3,500	-700	-700
Quebec	55,300	-4,400	11,300
Ontario	90,500	500	5,300
Manitoba	4,200	-200	300
Saskatchewan	3,300	-4,400	0
Alberta	40,400	10,600	5,900
British Columbia	33,400	-2,300	10,800

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

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

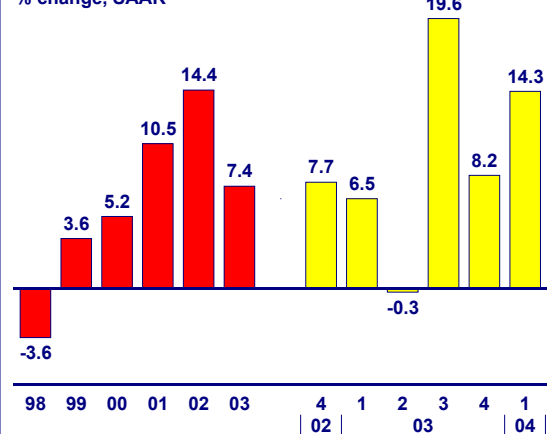
Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q4	2004 Q1
Residential Construction	58,133	62,452	64,778	66,977
% change	14.4	7.4	8.2	14.3
New Housing	28,900	30,678	32,087	33,450
% change	23.2	6.2	20.0	18.1
Alterations & Improvements	20,600	22,619	23,272	24,036
% change	4.7	9.8	7.6	13.8
Ownership & Transfer Costs	8,639	9,204	9,464	9,564
% change	11.5	6.5	-18.9	4.3

Growth in Real Residential Construction

% change, SAAR





Trade and Competitiveness

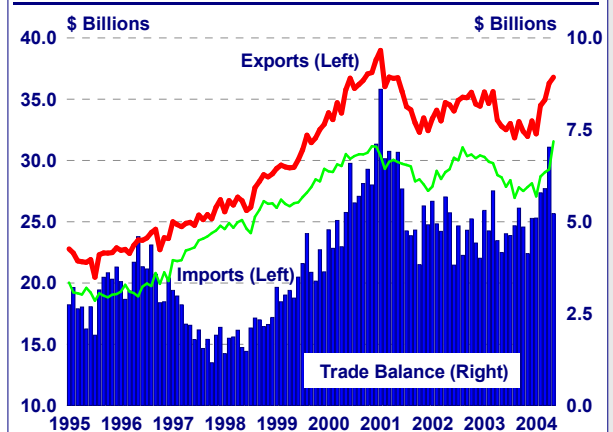
Imports reached a record high in May...

- Canadian imports reached a record high in May with a gain of 7.8%. The rise in imports was broad-based with the largest increase recorded by Machinery & Equipment and Automotive products. Imports of Machinery & Equipment reached their highest level in 20 years buoyed by the appreciation of the Canadian dollar vis-à-vis the U.S. currency and increased capital investment by Canadian businesses. Canadian companies imported more from all major trading regions.
- Merchandise exports rose 1.3% in May, the fourth consecutive increase. Forestry and Agricultural & Fishing products led the increase. Exports to Japan and the U.S. increased the most.
- Strong U.S. demand has mitigated the negative impact of the higher dollar on Canada's exports over the past year.

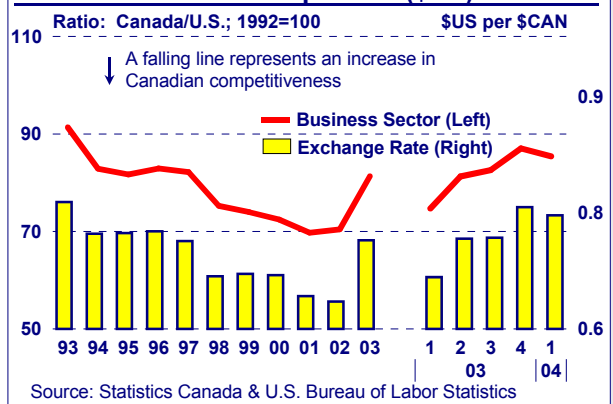
...and the trade surplus decreased

- The trade surplus declined in May as imports increased at a faster pace than exports. The trade surplus with the U.S. decreased to \$8.3 billion and the deficit with other countries reached \$3.0 billion. As a result, the trade surplus stood at \$5.2 billion in May.

Merchandise Trade Flows and Balance



Unit Labour Cost Comparison (\$US)



Merchandise Trade

May 2004	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	April 2004	May 2004	Jan.-May 2003	Jan.-May 2004	April to May 2004	April to May 2004	Jan.-May 2003 to Jan.-May 2004	
Exports	36,301	36,785	171,924	174,664	484	1.3	1.6	
to United States	29,559	30,042	142,678	142,401	483	1.6	-0.2	
Imports	29,275	31,566	147,380	145,635	2,291	7.8	-1.2	
from United States	20,415	21,791	103,563	101,417	1,376	6.7	-2.1	
Trade Balance	7,026	5,219	24,544	29,029	-1,807			
with United States	9,144	8,251	39,115	40,984	-893			
Exports by Commodity								
Agriculture/Fishing Products	2,597	2,790	12,331	12,823	193	7.4	4.0	
Energy Products	5,350	5,525	27,434	26,271	175	3.3	-4.2	
Forestry Products	3,352	3,631	14,139	16,116	279	8.3	14.0	
Industrial Goods & Materials	6,753	6,477	27,706	31,361	-276	-4.1	13.2	
Machinery & Equipment	7,834	7,679	38,633	37,672	-155	-2.0	-2.5	
Automotive Products	7,757	7,880	37,133	37,289	123	1.6	0.4	
Other Consumer Goods	1,481	1,529	7,281	7,295	48	3.2	0.2	
Imports by Commodity								
Agriculture/Fishing Products	1,782	1,839	9,208	8,840	57	3.2	-4.0	
Energy Products	1,831	1,942	8,632	8,894	111	6.1	3.0	
Forestry Products	261	271	1,286	1,258	10	3.8	-2.2	
Industrial Goods & Materials	5,919	6,105	28,238	28,664	186	3.1	1.5	
Machinery & Equipment	8,436	9,607	41,758	42,607	1,171	13.9	2.0	
Automotive Products	6,165	6,556	33,657	31,066	391	6.3	-7.7	
Other Consumer Goods	3,906	4,111	19,645	19,365	205	5.2	-1.4	



Employment and Unemployment

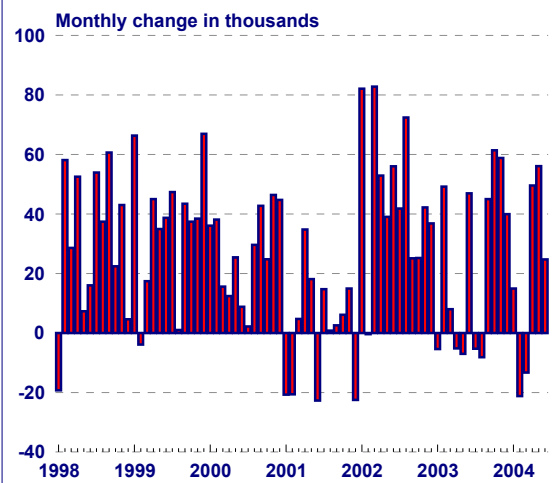
Employment edged up in June...

- Employment edged up 25,000 in June, following an increase of 56,000 in May. Since August 2003, when the recent upward trend began, employment has increased 316,000 (2.0%), with full-time employment rising 342,000 and part-time employment dropping 27,000.
- Hours worked edged down 0.2% in June, but have increased 1.0% since the start of the year.
- Youth employment rose by 32,000 in June. This was the third consecutive monthly increase. Youth employment has increased by 60,000 (2.8%) since March. Employment for adults (8,000) decreased.
- Public sector employment increased by 32,000 in June. So far in 2004, it is 2.4% higher than a year earlier and has accounted for 91.0% of total job creation. Private sector employment edged down slightly in June.
- The participation rate remained at 67.5% and the employment rate at 62.6%. These are close to the all-time highs posted in December 2003.

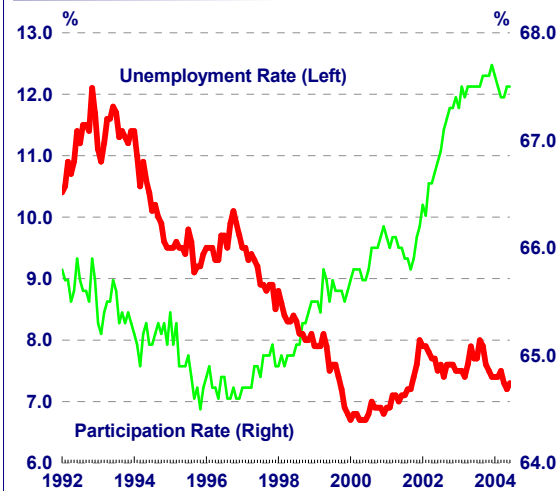
...but the unemployment rate also edged up to 7.3%

- The unemployment rate increased by 0.1 percentage point to 7.3% in June, following a 0.1 point decrease in May. June's rise was due to the labour force growing more than employment. The unemployment rate for youth fell 0.7 percentage point to 13.3%, but the adult unemployment rate rose 0.2 percentage point to 6.1%.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2003 June	2004 May	2004 June	last month	last year	year-to- date	last month	last year
Employment	15,729.0	16,006.8	16,031.5	24.7	302.5	110.8	0.2	1.9
Full-time	12,752.6	13,071.1	13,098.2	27.1	345.6	181.0	0.2	2.7
Part-time	2,976.4	2,935.7	2,933.2	-2.5	-43.2	-70.2	-0.1	-1.5
Youth 15-24	2,407.3	2,418.4	2,450.6	32.2	43.3	31.8	1.3	1.8
Adult 25+	13,321.7	13,588.4	13,580.9	-7.5	259.2	79.1	-0.1	1.9
Self-employed	2,424.9	2,471.5	2,466.2	-5.3	41.3	28.8	-0.2	1.7
Unemployment	1,312.3	1,240.2	1,254.6	14.4	-57.7	-12.2	1.2	-4.4
Unemployment Rate	7.7	7.2	7.3	0.1	-0.4	-0.1		
Youth 15-24	14.0	14.0	13.3	-0.7	-0.7	-0.7		
Adult 25+	6.5	5.9	6.1	0.2	-0.4	0.0		
Labour Force	17,041.4	17,247.0	17,286.1	39.1	244.7	98.7	0.2	1.4
Participation Rate	67.5	67.5	67.5	0.0	0.0	-0.2		
Employment Rate	62.3	62.6	62.6	0.0	0.3	-0.1		



Industry Overview

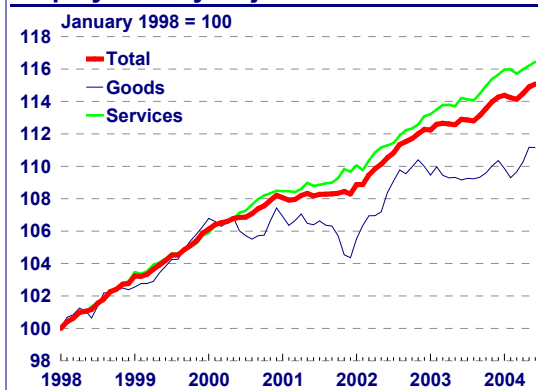
Employment in the Goods sector was virtually flat ...

- Employment in the Goods sector was virtually flat in June, after three consecutive monthly increases. Construction (9,000) and Utilities (4,000) posted the largest increases, but these gains were offset by losses in Manufacturing (12,000).
- So far this year, the Goods sector has gained 30,000 jobs, including a gain of 24,000 in Construction. The employment level in Manufacturing has increased by 7,000 since a year ago. However, it is 75,000 below its peak of 2,363,200 in August 2002.

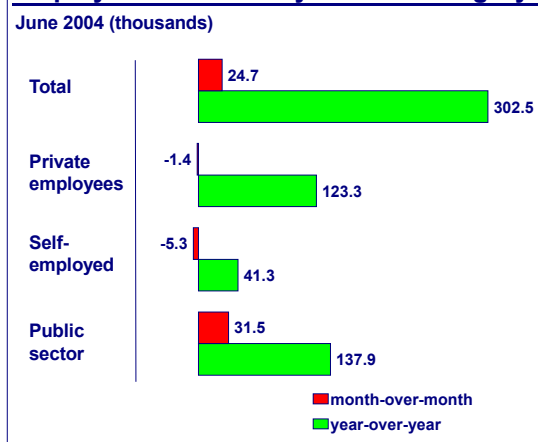
...while employment in the Services sector continued to grow

- Employment in Services increased 25,000 in June, following an increase of 23,000 in May. Service employment has risen 81,000 so far this year. The largest gains occurred in Transportation & Warehousing, Professional, Scientific & Technical Services, and Health Care & Social Assistance. On a year-over-year basis, the Services sector has gained 230,000 jobs.
- In June, job gains were concentrated in Trade (21,000) and in Information, Culture & Recreation (14,000).
- The largest losses were posted by Other Services (15,000) and Health Care & Social Assistance (7,000).

Employment by Major Sector



Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2003 June	2004 May	2004 June	last month	last year	year-to-date	last month	last year
Goods-producing	3,972.1	4,045.3	4,045.1	-0.2	73.0	29.8	-0.0	1.8
Agriculture	340.4	338.7	340.0	1.3	-0.4	-6.5	0.4	-0.1
Natural Resources*	291.0	301.6	298.7	-2.9	7.7	2.7	-1.0	2.6
Utilities	133.8	133.5	137.4	3.9	3.6	6.7	2.9	2.7
Construction	926.3	971.7	980.8	9.1	54.5	23.7	0.9	5.9
Manufacturing	2,280.7	2,299.9	2,288.1	-11.8	7.4	3.1	-0.5	0.3
Services-producing	11,756.9	11,961.5	11,986.4	24.9	229.5	81.0	0.2	2.0
Trade	2,458.6	2,471.1	2,491.7	20.6	33.1	14.3	0.8	1.3
Transportation*	764.0	814.1	819.5	5.4	55.5	37.3	0.7	7.3
FIRE*	922.5	978.4	977.0	-1.4	54.5	20.3	-0.1	5.9
Professional/Scientific	1,003.2	1,018.8	1,014.4	-4.4	11.2	29.9	-0.4	1.1
Business/Building	609.7	617.6	622.3	4.7	12.6	-15.3	0.8	2.1
Educational Services	1,054.1	1,055.8	1,061.1	5.3	7.0	0.0	0.5	0.7
Health Care/Social Assistance	1,684.1	1,763.8	1,757.1	-6.7	73.0	24.9	-0.4	4.3
Information/Culture/Recreation	703.6	709.0	723.3	14.3	19.7	6.3	2.0	2.8
Accommodation & Food	1,023.9	1,009.0	1,014.9	5.9	-9.0	-14.6	0.6	-0.9
Other Services	718.2	705.4	690.0	-15.4	-28.2	-9.6	-2.2	-3.9
Public Administration	815.1	818.4	815.2	-3.2	0.1	-12.4	-0.4	0.0

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

LABOUR MARKET TRENDS



Provincial Overview

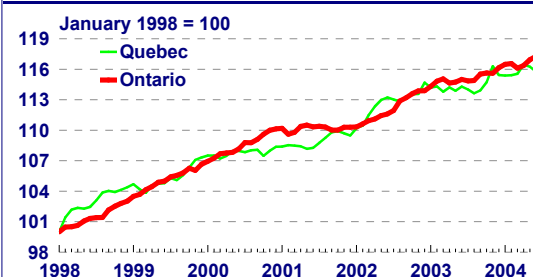
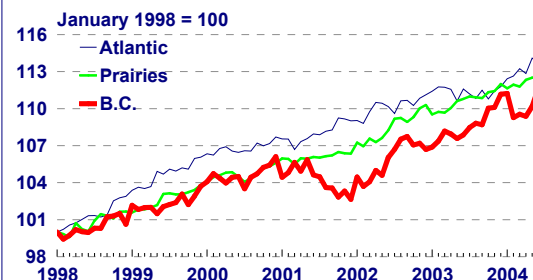
Job gains were concentrated in British Columbia and Ontario...

- Employment in British Columbia increased by 27,000 in June, bringing gains since April to 42,000. The largest gains were in Information, Culture & Recreation (12,000), and Construction (9,000). Employment in Ontario increased by 18,000 following a gain of 34,000 in May. Alberta (1,000) also posted a small gain.
- Quebec (15,000) posted the largest loss, as Manufacturing shed 11,000 jobs. All other provinces posted losses of 1,500 jobs or less.
- On a year-over-year basis, all provinces posted gains, except Prince Edward Island (-3.1%). The largest gains were in New Brunswick (2.4%) and Nova Scotia (2.3%). Quebec and Ontario posted gains of 1.3% and 2.0%, respectively.

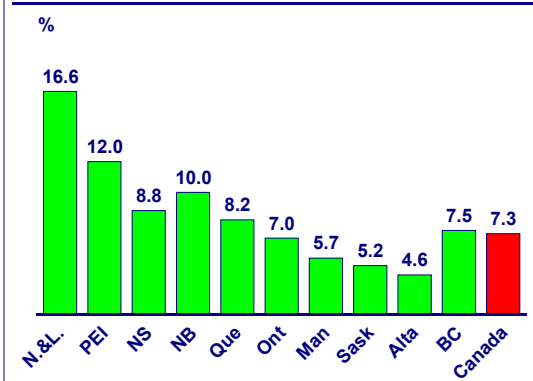
...and the unemployment rate edged up in half the provinces

- The unemployment rate rose in five provinces, notably in Manitoba (0.4 percentage point to 5.7%) and Saskatchewan (0.4 point to 5.2%) due to job losses, and in Alberta (0.3 point to 4.6%) due to a labour force increase. It was unchanged in New Brunswick and Ontario.
- The unemployment rate decreased in PEI (0.6 point to 12.0%), British Columbia (0.3 point to 7.5%) and Nova Scotia (0.1 point to 8.8%). This was due to decreases in the labour force, except in British Columbia where job gains played a role.
- Since June 2003, the unemployment rate has fallen in most provinces, particularly in Quebec, British Columbia and New Brunswick, but has risen in PEI, Newfoundland & Labrador and Manitoba.

Regional employment patterns



Unemployment Rates -- June 2004



Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment Rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since	
	2004 June	(000's)	%	(000's)	%	2004 June	last month	last year
Canada	16,031.5	24.7	0.2	302.5	1.9	7.3	0.1	-0.4
Newfoundland & Labrador	221.2	-1.4	-0.6	3.6	1.7	16.6	0.1	1.1
Prince Edward Island	68.0	-0.9	-1.3	-2.2	-3.1	12.0	-0.6	2.5
Nova Scotia	448.1	-1.1	-0.2	10.2	2.3	8.8	-0.1	-0.1
New Brunswick	351.8	-0.7	-0.2	8.3	2.4	10.0	0.0	-0.6
Quebec	3,692.9	-15.1	-0.4	46.9	1.3	8.2	0.2	-0.8
Ontario	6,346.6	17.7	0.3	122.8	2.0	7.0	0.0	-0.3
Manitoba	575.4	-0.4	-0.1	6.3	1.1	5.7	0.4	1.0
Saskatchewan	489.8	-1.9	-0.4	1.8	0.4	5.2	0.4	-0.3
Alberta	1,757.5	1.4	0.1	34.5	2.0	4.6	0.3	-0.5
British Columbia	2,080.3	27.2	1.3	70.3	3.5	7.5	-0.3	-0.7

PRICES and FINANCIAL MARKETS

Consumer and Commodity Prices



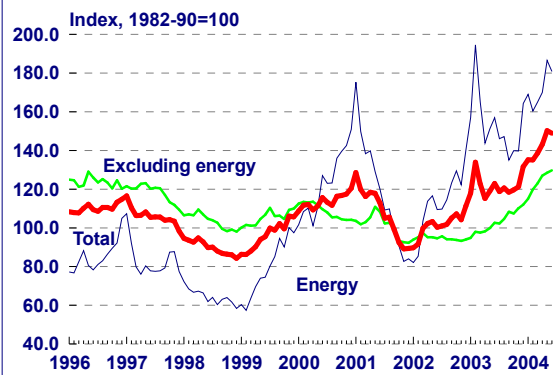
Inflation was 2.5% in May...

- On a year-over-year basis, the Consumer Price Index (CPI) rose 2.5% in May, following a 1.6% increase in April. Higher gasoline prices (30.3%) were the most important contributor to the rise. Excluding energy, inflation was 1.3% in May, 0.1 percentage point higher than in April.
- All ten provinces recorded higher inflation in May than in April with Manitoba posting the largest increase (0.6% in April versus 2.4% in May). Altogether, eight provinces registered inflation above 2.0% compared to only one in April.
- On a month-to-month basis (seasonally adjusted), the CPI in May rose by 0.6% compared to 0.2% in April.
- The year-over-year increase in commodity prices was 21.2% in June, which marked the third consecutive month that increases were over 20%. On a monthly basis, commodity prices fell 0.9%, following a 5.0% increase in May. Excluding energy prices, commodity prices increased 0.9%, after increasing 1.2% in May.

...and the "core" rate fell to 1.5%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, fell from 1.8% in April to 1.5% in May, below the midpoint of the 1%-3% official target range.

Commodity Prices (\$US basis)



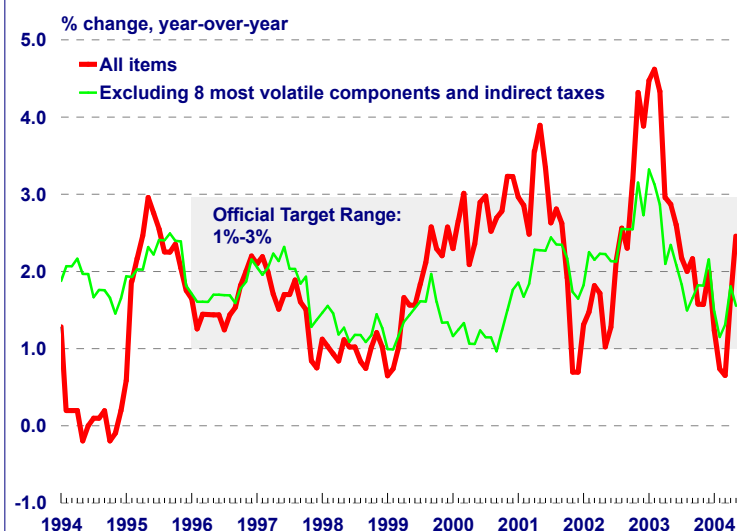
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
May 2004			
All items CPI	125.0	0.9	2.5
Food	124.4	0.8	1.3
Shelter	119.8	0.2	2.3
Household operations	115.4	-0.2	0.8
Clothing & Footwear	102.8	-1.0	-0.6
Transportation	148.2	3.3	6.0
Health & Personal Care	119.0	0.0	1.6
Recreation, Educ. & Reading	128.4	1.0	0.9
Alcohol & Tobacco	143.4	0.8	5.3
Excl. 8 Most Volatile/Indirect Taxes	124.2	0.2	1.5
Energy	156.2	6.8	16.2

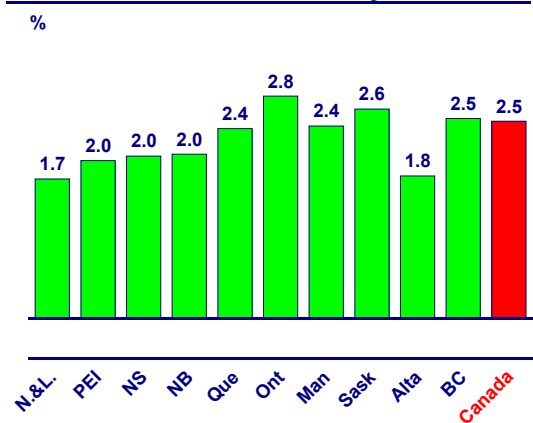
Commodity Prices (June 2004)

Index, 1982-90=100	148.9	-0.9	21.2
Excluding Energy	129.7	0.9	26.4
Energy	180.8	-3.1	15.2

Consumer Price Index



Provincial CPI Inflation -- May 2004





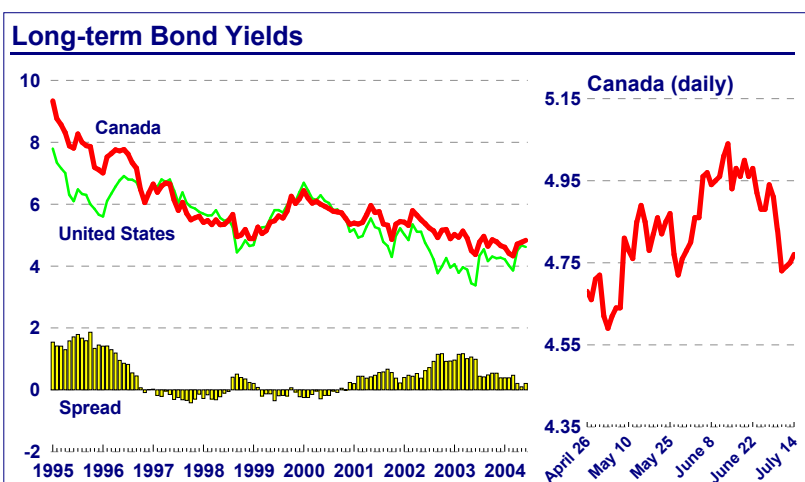
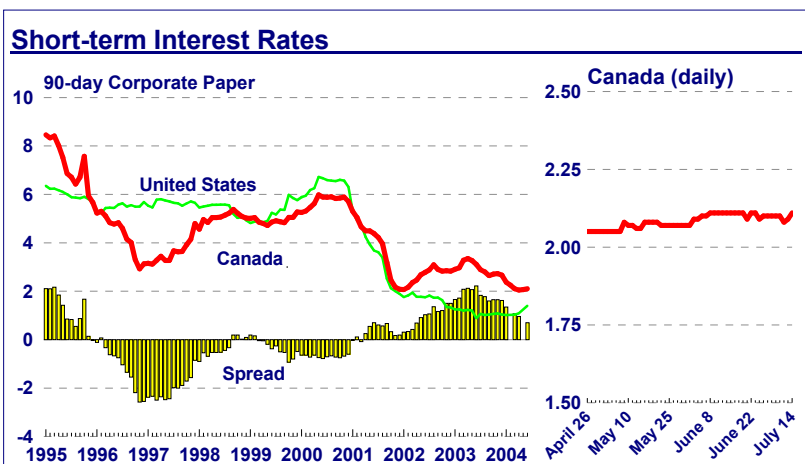
Short-term and Long-term Interest Rates

The U.S. monetary authorities began raising interest rates in June

- The U.S. Federal Reserve raised the federal funds rate 25 basis points (bps) to 1.25% on June 30, which marked the first rate increase in four years, noting that the U.S. economy has expanded at a solid pace while inflation has been under control. Central banks in several countries including the United Kingdom and Australia have also raised interest rates. On July 20, the Bank of Canada maintained its target for the overnight rate at 2.0% as developments in the economy remained consistent with its outlook.
- The rate on 3-month corporate paper in Canada was 2.11% on July 14, essentially unchanged from two months ago, but down from 2.7% last December. Its U.S. counterpart was 1.47% on July 14, up from 1.0% in April, which narrowed the rate differential to 64 bps.

North American long-term rates fell somewhat in July

- Despite U.S. monetary authorities raising their policy interest rate, evidence of a soft spot in U.S. employment and manufacturing in July resulted in lower long-term bond yields. U.S. 10-year yields fell about 30 bps to 4.5% on July 14, and Canadian yields also fell in recent weeks to 4.8%, down from about 5.0% in mid-June.
- One-year mortgage rates were 4.6% on July 14, 15 bps higher than in early June. In comparison, five-year mortgage rates declined slightly to 6.55% after rising 100 bps during April and May.



Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2002	2.83	1.50	4.88	0.93
2003	2.66	1.62	4.66	0.39
January	2.37	1.35	4.61	0.39
February	2.25	N/A	4.41	0.39
March	2.10	1.07	4.33	0.47
April	2.05	0.96	4.71	0.21
May	2.07	N/A	4.77	0.10
June	2.10	0.70	4.83	0.21
July 14*	2.11	0.64	4.77	0.27

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
2002	2.75	4.50	4.90	6.70
2003	2.75	4.50	4.75	6.45
January	2.50	4.25	4.30	6.05
February	2.50	4.25	4.30	5.80
March	2.25	4.00	4.30	5.70
April	2.00	3.75	4.45	6.15
May	2.00	3.75	4.55	6.50
June	2.00	3.75	4.70	6.70
July 14*	2.00	3.75	4.60	6.55

* Bank of Canada's Weekly Financial Statistics

PRICES and FINANCIAL MARKETS

Exchange Rates and Stock Prices

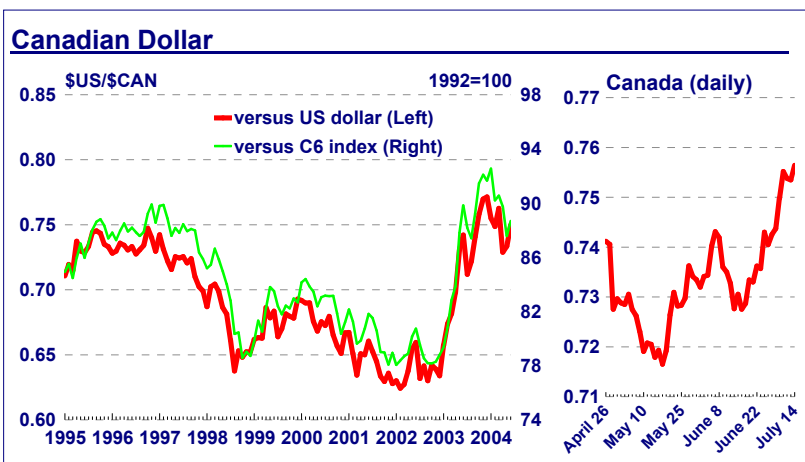


The Canadian dollar strengthened further in July

- After trading around US¢73 in recent months, the Canadian dollar rose sharply to close at US¢75.8 on July 13. The Canadian dollar has risen 4.0% against the U.S. dollar since mid-June, mostly the result of movements in the U.S. dollar which weakened on evidence of a soft spot in the strength of U.S. economic growth. Recent economic and political developments in Canada, including record high manufacturing shipments and the federal election outcome, also lended some support to the dollar.
- At the same time, the Canadian dollar appreciated 1.5% against the euro since mid-June after trading fairly evenly in May. Similarly, the Canadian dollar appreciated 3.7% against the Japanese yen.

North American stock markets paused in July

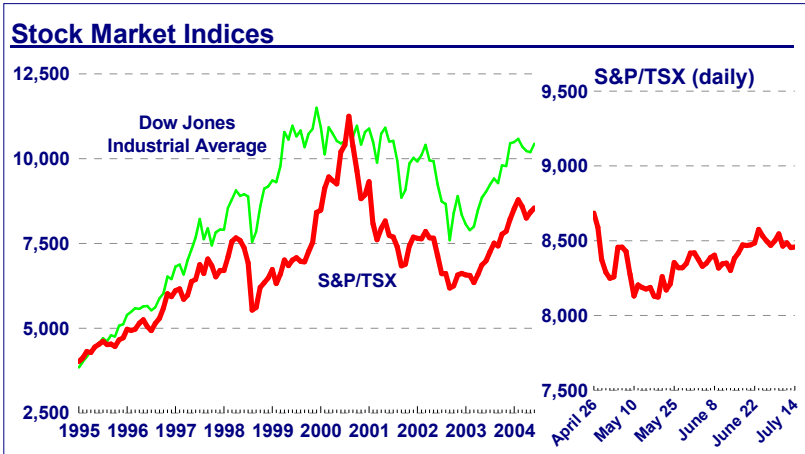
- Lacklustre performance in the U.S. labour market impacted the upward trend of North American equity markets in July. The S&P/TSX has fallen 1.0% since June 30 to close at 8,453 on July 13. The metals & mining sub-index rose further by 2.1%, but the gold and utilities sub-indices fell 4.2% and 2.0%, respectively.
- The Dow Jones closed on July 13 at 10,248, down 1.8% since June 30. In June, the Dow Jones closed consistently around 10,400.



The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2002	0.6339	78.80	n/a	n/a
2003	0.7713	91.65	1.628	82.86
January	0.7548	92.54	1.652	79.83
February	0.7487	90.19	1.669	81.60
March	0.7626	90.55	1.615	79.53
April	0.7288	89.74	1.644	80.54
May	0.7335	87.57	1.662	80.23
June	0.7497	88.68	1.627	81.59
July 14	0.7564	*90.90	1.637	82.56

* Bank of Canada's Weekly Financial Statistics



Key Stock Market Indexes

	June Close	% change from	
		last month	last year
S&P/TSX	8,546	1.5	22.4
Energy	169	2.1	26.3
Metals & Mining	225	2.1	74.3
Utilities	141	-2.0	0.6
Materials	149	-0.4	34.0
Industrial	74	1.2	16.5
Financial	141	0.5	21.2
Gold	199	-4.2	18.3
Telecommunication	59	-2.6	1.6
Information Technology	37	12.6	91.8
Consumer Discretionary	91	0.6	20.9
Consumer Staples	177	1.2	9.4
S&P 500	1,140.8	1.8	17.1
Dow Jones	10,436	2.4	15.7



U.S. Economic Trends

The U.S. economy advanced at a healthy pace in the first quarter...

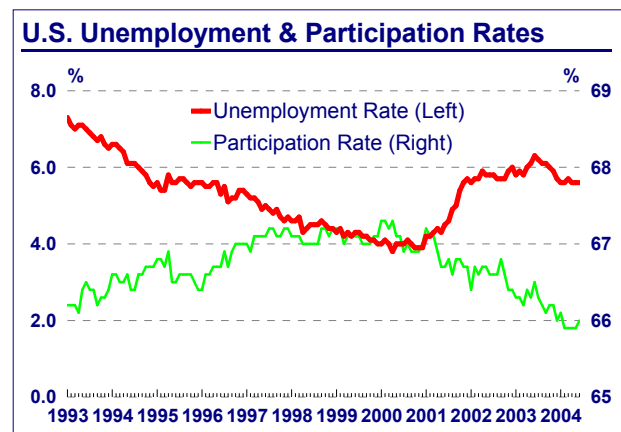
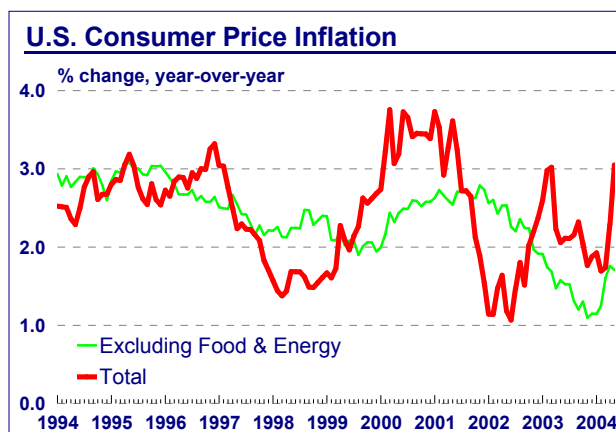
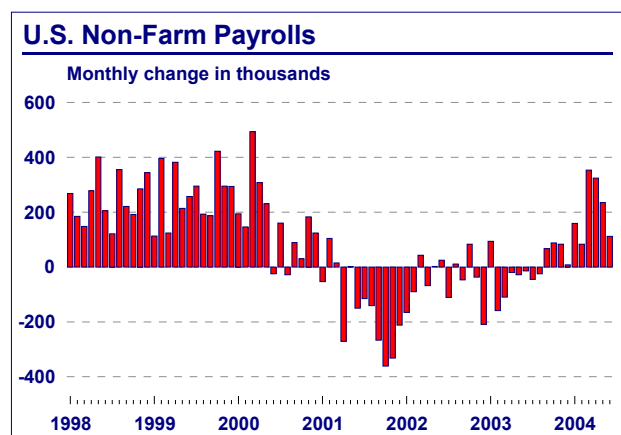
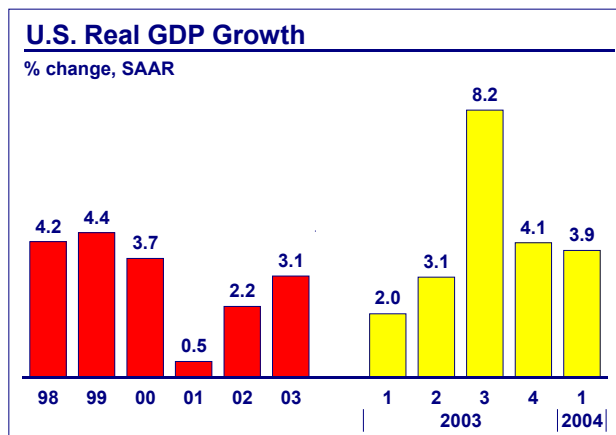
- Real GDP growth was 3.9% (annual rate) in the first quarter of 2004, revised down from a preliminary estimate of 4.4%. The downward revision reflected higher imports of goods and services and lower consumer spending than previously estimated. However, personal consumption remained an important source of growth (3.8%) along with higher inventories and government spending.

...and growth is expected to remain strong in the second quarter despite recent soft spots

- Recent indicators suggest that the pace of economic expansion eased in June, which was likely a temporary setback. Retail sales fell 1.1% in June, mostly due to lower vehicle sales, but grew 1.4% in the second quarter compared to the first quarter. The Institute of Supply Management's (ISM) manufacturing index slipped slightly, but remained at a high level. Finally, employment growth in June was lower than expected (112,000 versus 250,000). Nevertheless, the economy added 671,000 new jobs in the second quarter and analysts expect employment to show strength in coming months. Job growth has contributed to a steady rise in personal income, which should continue to provide support to personal consumption expenditures.

Rising energy prices pushed inflation up in May

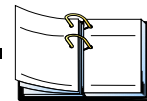
- The CPI increased 3.1% in May (year-over-year), up sharply from 2.3% in April. This was solely due to a surge in energy and food prices as core inflation (which excludes these items) moderated to 1.7% from 1.8% in April. Productivity growth (non-farm business), which was 3.8% in the first quarter, contributed to keeping core inflation at a low level.



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

COMING UP

Key Future Data Releases and Planned Events



CANADA

Consumer Price Index - June	July 16
Real GDP by Industry - May	July 29
Labour Force Survey - July	August 6
Monthly Survey of Manufacturing - June	August 13
Canadian International Merchandise Trade - June	August 13
Financial Statistics for Enterprises - 2nd Quarter 2004	August 26
Balance of International Payments - 2nd Quarter 2004	August 30
National Economic and Financial Accounts - 2nd Quarter 2004	August 31
Key Policy Interest Rate Announcement	September 8

UNITED STATES

Consumer Price Index - June	July 16
GDP - 2nd Quarter 2004 (advance)	July 30
The Employment Situation - July	August 6
Federal Open Market Committee Meeting	August 10
International Trade in Goods and Services - June	August 13

Note: The July 2004 MEI uses data available as of July 15, 2004