

MONTHLY ECONOMIC INDICATORS

June 2000

HIGHLIGHTS

-  **Real GDP increases 4.9% in the first quarter, boosted by booming exports and solid domestic demand.**
-  **A near-record trade surplus leads to a surplus of \$4.8 billion on Canada's current account.**
-  **Employment gains in May push Canada's unemployment rate down to 6.6%, its lowest level in 24 years.**
-  **The Bank of Canada hikes interest rates by 50 basis points on May 17, following the US lead.**
-  **CPI inflation falls to 2.1% in April as energy prices moderate.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	774.3	0.7	4.7	Mar.
Goods	259.5	0.7	6.2	Mar.
Services	514.8	0.7	3.9	Mar.
Composite Index	161.6	0.9	8.2	Apr.
Employment (000's)	14,905	0.3	2.8	May
Full-time	12,199	0.3	3.1	May
Part-time	2,706	0.1	1.7	May
Unemployment* (%)	6.6	6.8	7.9	May
Youth*	12.5	12.9	15.0	May
Adult*	5.5	5.6	6.5	May
CPI inflation*	2.1	3.0	1.7	Apr.
Retail Sales (\$M)	22,826	2.1	6.7	Mar.
Housing Starts (000's)	142.1	-10.4	-1.8	May
Trade Balance* (\$M)	3,889	3,500	2,479	Mar.
Exports	33,528	4.5	16.3	Mar.
Imports	29,639	3.7	12.5	Mar.
M&E	9,686	4.0	12.7	Mar.
3-mth Corp. paper* (%)	5.91	5.62	4.71	June 7
Long bond yield* (%)	5.59	5.92	5.58	June 7
Canadian dollar* (US¢)	67.82	67.56	67.84	June 9

*Data in levels only – % change not reported.

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



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MONTHLY ECONOMIC INDICATORS

June 2000

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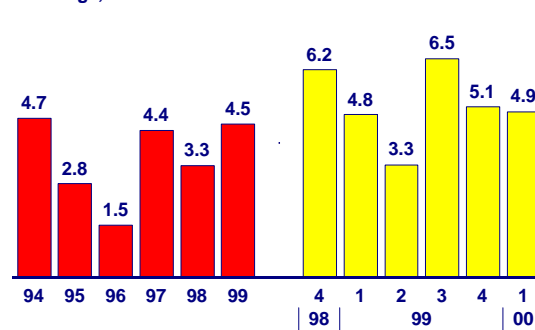
The economy is off to a strong start in the first quarter...

- Real GDP rose 4.9% (annual rate) in the first quarter of 2000, supported by booming exports and solid domestic demand. This advance extends the consecutive string of quarterly output gains to nineteen, the longest observed since the 1960's.
- Exports made a strong contribution to growth, rising 13.9% (SAAR) in the first quarter. Although import growth was also strong, it failed to keep pace with exports, pushing Canada's real merchandise trade surplus to a near record level.
- Domestic demand was another key source of growth in the first quarter, boosted by particularly sharp gains in non-residential construction, M&E investment, and residential construction. Consumer spending posted its fifth consecutive period of solid growth, supported by high levels of consumer confidence.

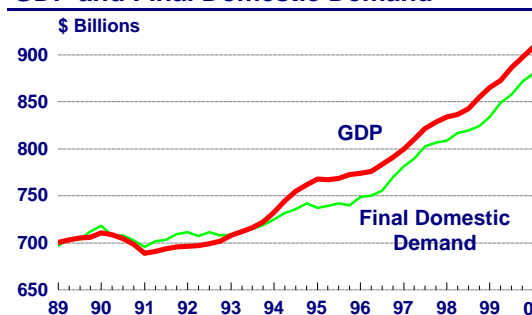
...as growth in personal income picks up and corporate profits soar

- Growth in personal incomes advanced strongly in the first quarter, led by a 7.8% rise in labour income -- the biggest quarterly increase since 1989.
- As income growth outpaced growth in consumer spending, the saving rate rose to 3.4%, up from a revised 3.2% during the last quarter of 1999. Although the household debt-to-income ratio edged down slightly from its record fourth quarter level, household debt remains at unprecedented levels.
- Benefiting from firming commodity prices and strengthening international demand, corporate profits surged 31.5% (annual rate) in the first quarter. This marks the fifth consecutive quarter in which growth in corporate profits has exceeded 20% on an annualized basis.

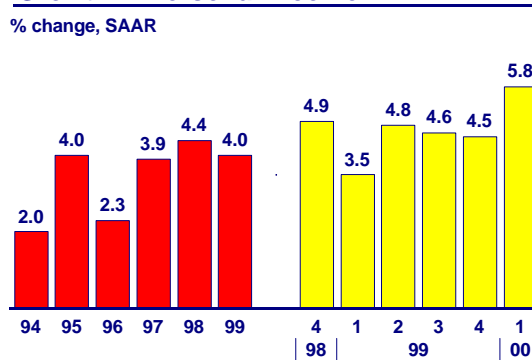
Growth in Real Gross Domestic Product
% change, SAAR



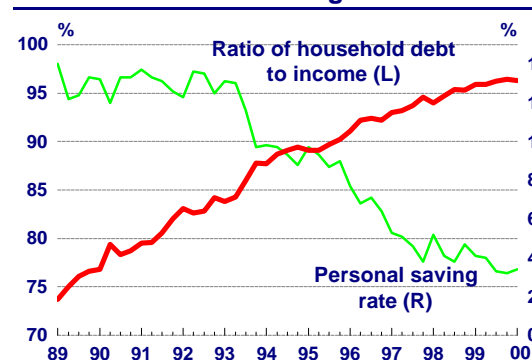
GDP and Final Domestic Demand



Growth in Personal Income



Personal Debt and Saving Rate



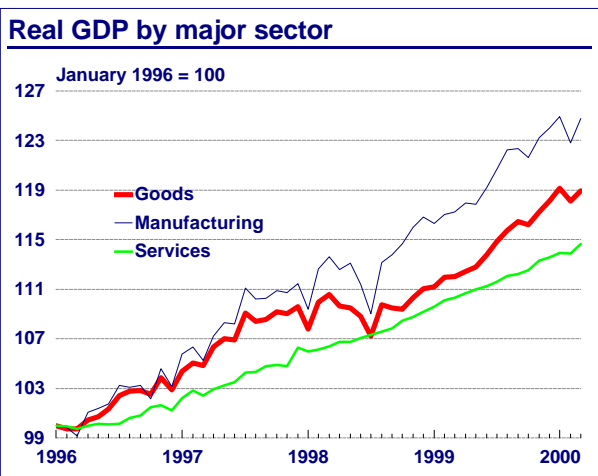
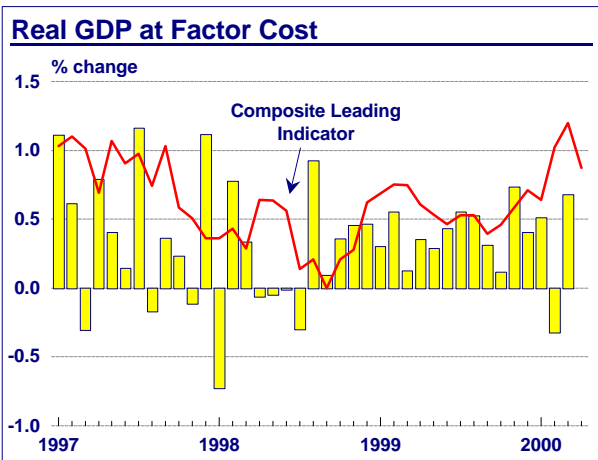


Economic activity rebounds in March...

- Real GDP at factor cost rebounded strongly in March (+0.7%), more than offsetting a decline in February that ended a record 18-month string of consecutive advances. Output gains were broad-based, with strength in Goods-producing and Services-producing industries.

...with widespread gains across the economy

- Goods production rose 0.7% in March, boosted by an increase in Manufacturing output (which accounted for over 40% of total growth in the economy). The transportation sector played a large role in this gain, with production of autos and parts rising 3.4% on the month. Elsewhere in the goods sector, advances in Construction, Logging and Forestry, and Mining were offset by a lower Utilities output, which was dampened by warmer-than-usual temperatures.
- Output in Services industries increased by 0.8% in March, led by increases in Wholesale and Retail Trade -- the latter due primarily to higher auto sales. Other notable increases were posted in Transportation, which benefited from strong economic activity, and Finance, Real Estate & Insurance, which profited from high levels of stock market activity and a hot housing market. Business Services continued its steady advance, rising as it has in every month since June 1986.



Real GDP at Factor Cost (1992 dollars)

March 2000

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	774,340	5,201	0.7	4.7
Business sector	644,717	5,131	0.8	5.4
Goods	259,548	1,857	0.7	6.2
Agriculture	13,737	87	0.6	3.1
Fishing & Trapping	788	14	1.8	4.1
Logging & Forestry	4,650	121	2.7	4.9
Mining*	28,522	104	0.4	8.9
Manufacturing	142,229	2,250	1.6	6.4
Construction	44,016	456	1.0	6.9
Other Utilities	25,606	-1,175	-4.4	2.5
Services	514,792	3,344	0.7	3.9
Transport & Storage	36,262	477	1.3	5.7
Communications	29,015	224	0.8	13.0
Wholesale Trade	46,590	709	1.5	2.4
Retail Trade	48,271	606	1.3	4.7
Finance & Insurance	44,245	409	0.9	8.5
Real Estate & Ins. Agent	80,948	336	0.4	2.7
Business services	45,883	279	0.6	7.9
Government services	46,050	105	0.2	2.0
Education	40,550	40	0.1	1.0
Health & Social Services	47,047	-36	-0.1	-0.1
Accommodation & Food	19,905	191	1.0	1.3
Other	30,026	4	0.0	1.6

*Includes Quarrying and Crude Petroleum & Natural Gas

THE ECONOMY

Consumer Spending and Attitudes



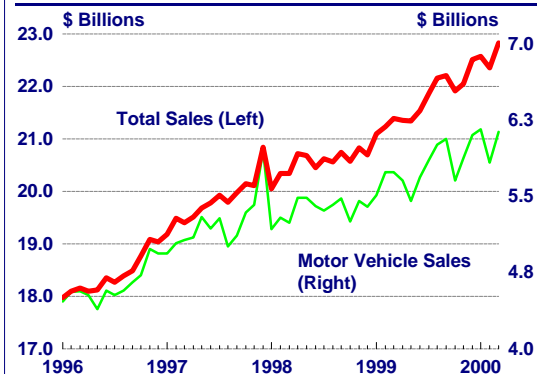
Consumer spending remains solid in the first quarter...

- Real consumption rose 3.4% (annual rate) in the first quarter of 2000, just slightly below the increase posted in the previous quarter.
- Even with a pause in auto sales, consumer spending was led by purchases of durable and semi-durable goods. A high volume of financial market activity boosted expenditures on financial, legal and other services for the fifth straight quarter.

...supported by employment and income gains

- Consumer confidence slipped somewhat in the first quarter, but recent gains in employment and incomes should continue to provide a boost to spending in 2000. Indeed, personal disposable income was up 5.5% (annual rate) in the first quarter, marking the fourth consecutive quarter of growth above 4%.
- Recent income gains have not significantly improved household finances. The personal saving rate remains very low (3.4%), while debt levels are at a historical high relative to household income. Recent hikes in interest rates underline the importance of strong growth in disposable incomes to sustain consumer spending.

Total Retail and Motor Vehicle Sales



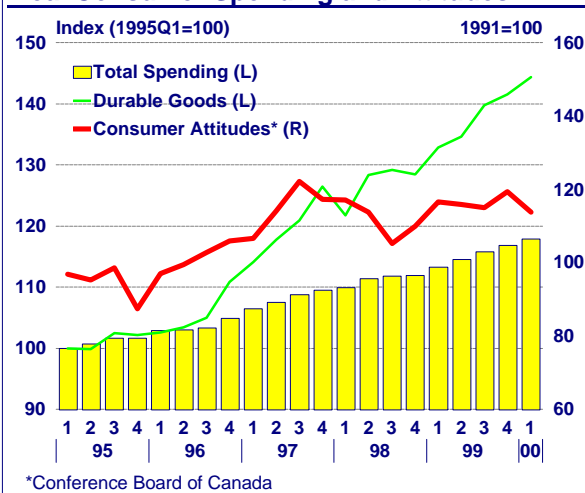
Retail Sales and Consumer Credit

	March 2000 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	22,826	2.1	6.7
Food	4,994	0.4	2.3
Drug Stores	1,108	-0.1	-0.1
Clothing	1,263	2.9	5.8
Furniture	1,235	1.7	12.5
Automotive	9,274	4.3	11.3
General Merch. Stores	2,534	-0.4	3.8
All other Stores	2,419	0.8	3.4
Total ex. motor vehicles	16,688	1.0	6.6
Consumer Credit (unadjusted)	180,494	0.3	11.8

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	1998	1999	1999 Q4	2000 Q1
Real Consumption (92\$)	487,866	504,763	512,468	516,804
% change	2.9	3.5	3.7	3.4
Durable Goods	66,487	71,859	74,136	75,604
% change	5.9	8.1	5.2	8.2
Semi-Durable Goods	45,751	47,103	47,544	48,516
% change	4.4	3.0	-0.3	8.4
Non-Durable Goods	120,795	123,344	124,580	125,012
% change	1.7	2.1	3.2	1.4
Services	254,833	262,457	266,208	267,672
% change	2.5	3.0	4.2	2.2
Disposable Income	567,960	590,608	600,560	608,680
% change	3.9	4.0	4.5	5.5
Saving Rate (%)	4.5	3.7	3.2	3.4
Debt-to-Income Ratio (%)	94.9	96.1	96.4	96.3

Real Consumer Spending and Attitudes



THE ECONOMY

Business Investment in Plant and Equipment

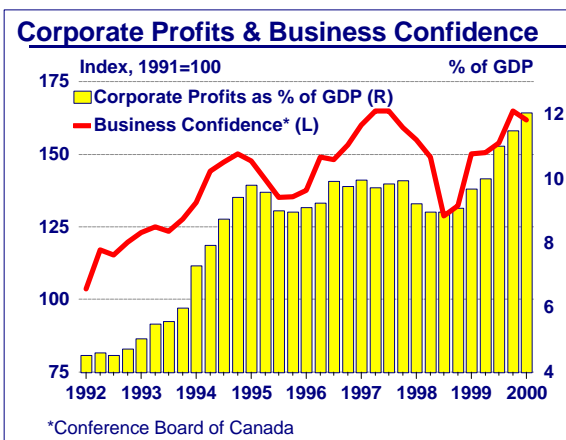
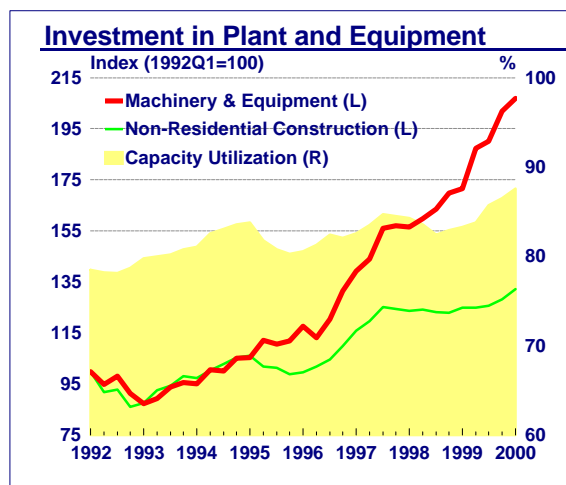


Business investment advances strongly in the first quarter...

- Business investment in plant and equipment rose 11.2% (annual rate) in the first quarter, following an even larger surge in the fourth quarter. Spending on M&E increased 10.5%, largely on the strength of purchases of computers and other office equipment. Investment in transportation equipment (excluding cars), industrial machinery and telecommunications equipment was also strong.
- Non-Residential Construction was up 12.5% on the quarter. Activity in the oil patch has been driven higher by rising energy prices.

...and is well positioned for further growth throughout the year

- The investment outlook for the remaining three quarters of 2000 is positive. After rebounding strongly in 1999, corporate operating profits registered further strong gains in the first quarter of 2000.
- Moreover, capacity utilization reached 87.6% in the first quarter, the highest rate recorded since the mid-1960s. Additional investments in plant and equipment will be needed to satisfy strong domestic and international demand for industrial products.



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q2	1999 Q3	1999 Q4	2000 Q1
BUSINESS INVESTMENT						
Machinery & Equipment (1992\$)	65,357	75,557	75,396	76,508	81,248	83,304
% change	9.0	15.6	41.9	6.0	27.2	10.5
Non-residential Construction (1992\$)	39,502	40,288	39,956	40,200	41,040	42,264
% change	1.7	2.0	0.0	2.5	8.6	12.5
Capacity Utilization (% , Non-farm goods)	83.3	84.8	83.8	85.7	86.5	87.6
Capacity Utilization (Mfg. sector)	83.8	85.7	84.5	86.8	87.2	87.9
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	142,296.0	174,317.0	170,760.0	181,716.0	189,792.0	213,156.0
% change	-13.3	22.5	47.3	28.2	19.0	59.1
Profits - Non-financial industries	94,891.0	123,372.0	117,724.0	129,740.0	135,332.0	147,744.0
% change	-13.6	30.0	27.9	47.5	18.4	42.0
Profits - Financial industries	47,406.0	50,945.0	53,036.0	51,976.0	54,460.0	65,412.0
% change	-12.5	7.5	105.3	-7.8	20.5	108.1
Business Credit	686,869.4	717,831.1	711,296.7	720,869.7	730,899.0	741,583.3
% change	10.0	4.5	1.7	5.5	5.7	6.0



The housing market posts a healthy gain in the first quarter...

- Investment in residential construction grew a solid 9.8% in the first quarter of 2000, building on an even stronger advance in the previous quarter.
- Spending on alterations and improvements surged for the second consecutive quarter, and the resale market remained strong. However, new housing construction slowed from a sharp advance posted in the fourth quarter.

...but growth may slow over the course of the year

- Higher mortgage rates, increased housing prices and recent weakness in sales of existing homes (albeit compared to record 1999 levels) could all contribute to a weaker outlook for the general housing market.
- Housing starts did indeed fall sharply in both April and May. Still, notwithstanding a notable decline in April, the total value of residential building permits over the January-April period was up 11.6% compared to the same period last year.

Housing Activity



Monthly Housing Indicators

	levels	Change since	
		last month	last year
Residential Construction (1) (\$92M, factor cost basis)	14,620	2.7%	8.8%
Building Permits, \$M (2)	1,537	-15.2%	0.3%
Sales of Existing Homes (2) (# of units)	19,073	-1,752	
Housing Starts, # of units (3)	142,100	-16,500	-2,600
Newfoundland	1,100	-300	500
Prince Edward Island	400	200	-100
Nova Scotia	3,700	700	-400
New Brunswick	1,500	-400	200
Quebec	17,100	-2,400	200
Ontario	53,200	-17,400	-12,500
Manitoba	1,300	-500	-700
Saskatchewan	2,000	400	200
Alberta	25,300	4,000	10,600
British Columbia	13,200	-800	-1,100

1 - March data; 2 - April data; 3 - May data.

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

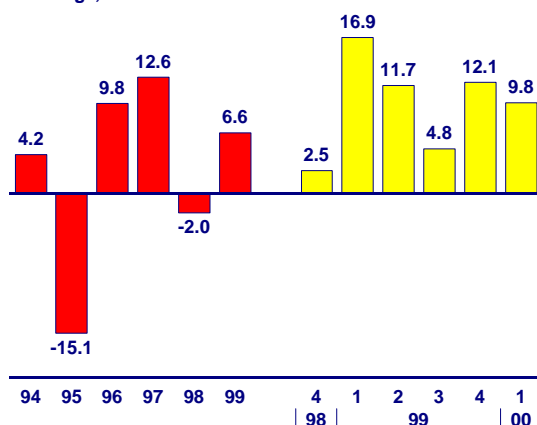
Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q4	2000 Q1
Residential Construction	41,523	44,259	45,760	46,844
% change	-2.0	6.6	11.8	9.8
Construction by Business sector	41,277	43,983	45,496	46,572
% change	-2.0	6.6	12.1	9.8
New Housing	20,701	22,258	23,472	23,652
% change	-3.5	7.5	21.3	3.1
Alterations & Improvements	13,640	14,399	14,848	15,520
% change	2.4	5.6	19.9	19.4
Ownership & Transfer Costs	7,182	7,259	7,440	7,672
% change	-5.7	1.1	-23.2	13.1

Growth in Real Residential Construction

% change, SAAR



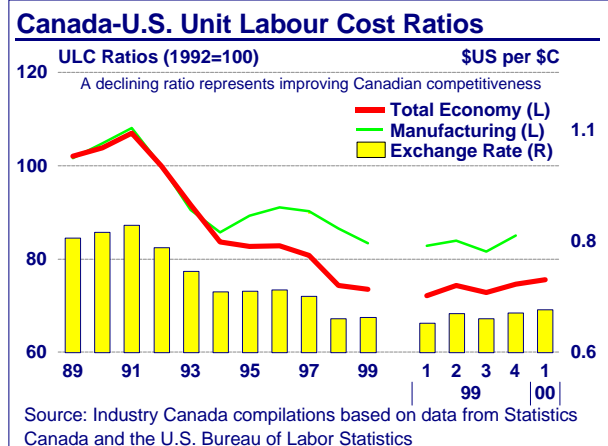
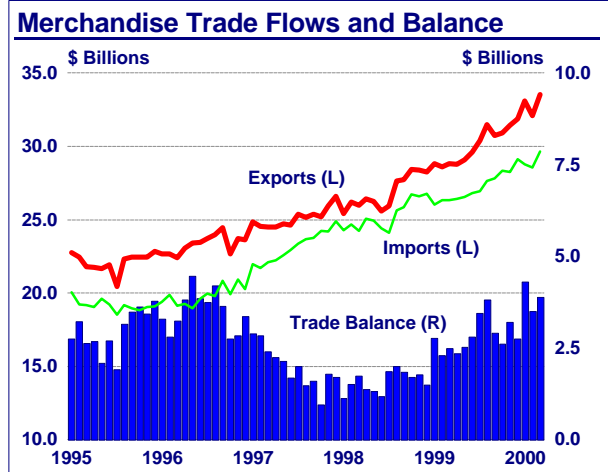


Exports outpace imports in March...

- Exports increased 4.5% in March, rebounding strongly from a fall in February. All major commodity groups registered gains on a monthly and year-over-year basis. However, the March advance can be attributed in large part to a sharp recovery in exports of Automotive Products. Exports of M&E were also up significantly in March.
- Imports rose 3.7% in March, reversing declines in the two previous quarters. As with exports, imports from all major commodity groups were higher. Gains were led by a solid increase in imports of investment-related M&E and Industrial Goods & Materials.

...leading to a higher trade surplus

- With exports outpacing imports, Canada's merchandise trade surplus rose to \$3.9 billion in March. The cumulative first-quarter surplus of \$11.7 billion is the second highest surplus on record.



March 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	February 2000	March 2000	1999 Jan-Mar	2000 Jan-Mar	Feb to Mar 2000	Feb to Mar 2000	Mar 1999 to Mar 2000	
Exports	32,080	33,528	86,272	98,704	1,448	4.5	16.3	
to United States	27,304	28,817	73,757	84,581	1,513	5.5	16.0	
Imports	28,580	29,639	78,726	87,007	1,059	3.7	12.5	
from United States	21,518	22,112	60,768	65,293	594	2.8	9.3	
Trade Balance	3,500	3,889	7,546	11,697	389			
with United States	5,786	6,705	12,989	19,288	919			
Exports by Commodity								
Agriculture/Fishing Products	2,155	2,249	6,295	6,583	94	4.4	8.6	
Energy Products	3,626	3,650	5,523	10,494	24	0.7	89.1	
Forestry Products	3,428	3,501	9,272	10,503	73	2.1	13.8	
Industrial Goods & Materials	5,180	5,301	13,860	15,609	121	2.3	17.2	
Machinery & Equipment	7,707	8,258	20,475	23,755	551	7.1	20.7	
Automotive Products	7,645	8,267	24,003	24,814	622	8.1	2.0	
Other Consumer Goods	1,164	1,165	3,423	3,489	1	0.1	2.9	
Imports by Commodity								
Agriculture/Fishing Products	1,488	1,512	4,378	4,518	24	1.6	2.4	
Energy Products	1,355	1,472	1,955	4,009	117	8.6	109.4	
Forestry Products	237	262	656	748	25	10.5	17.0	
Industrial Goods & Materials	5,586	5,867	15,083	17,002	281	5.0	13.9	
Machinery & Equipment	9,315	9,686	26,282	28,617	371	4.0	12.7	
Automotive Products	6,450	6,556	18,384	19,450	106	1.6	6.1	
Other Consumer Goods	3,100	3,244	9,025	9,538	144	4.6	6.9	

LABOUR MARKET TRENDS



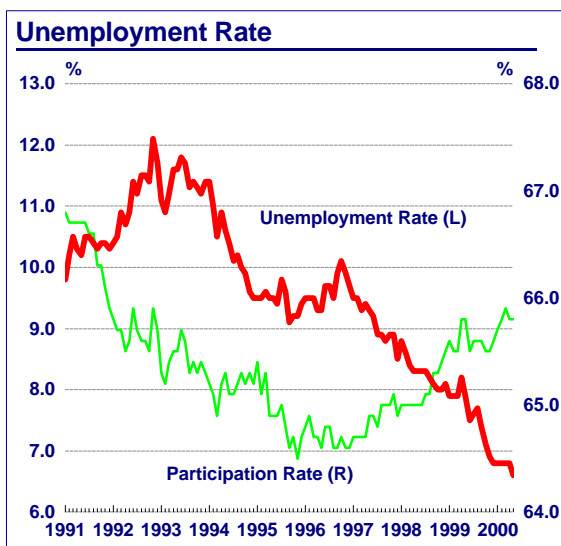
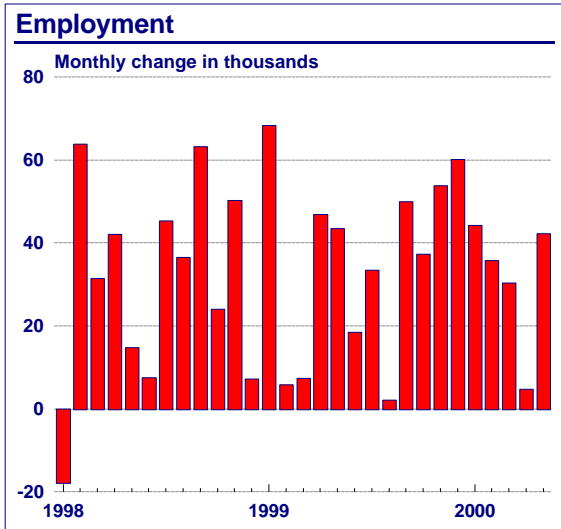
Employment and Unemployment

Employment growth is back on track in May...

- Employment rose by 42,000 in May, rebounding from a slight pause in April. Job gains since May 1999 total 413,000.
- Most of May's job gains were in full-time employment (+38,000). Indeed, full-time work has increased by 3.1% over the past 12 months, a much faster pace than for part-time employment (1.7%). Total hours worked is up 2.8% over this same period.

...pushing the unemployment rate down to 6.6%, a 24-year low

- Despite an increase in the labour force, strong employment growth lowered Canada's unemployment rate to 6.6% in May, the lowest since March 1976. Prior to this, the national unemployment rate had held steady at 6.8% for five straight months.
- The adult unemployment rate edged down 0.1 points to 5.5% in May, while that for youth fell 0.4 percentage points to 12.5%. The summer job market for students began on a positive note – the percentage of students aged 20-24 with jobs was 58.0% in May, up 1.6 points from a year ago.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 May	2000 April	2000 May	last month	last year	year-to- date	last month	last year
Employment	14,492.3	14,862.6	14,904.9	42.3	412.6	157.4	0.3	2.8
Full-time	11,830.8	12,160.9	12,199.3	38.4	368.5	103.9	0.3	3.1
Part-time	2,661.5	2,701.7	2,705.5	3.8	44.0	53.4	0.1	1.7
Youth 15-24	2,193.6	2,272.4	2,285.0	12.6	91.4	30.9	0.6	4.2
Adult 25+	12,298.7	12,590.2	12,619.8	29.6	321.1	126.5	0.2	2.6
Self-employed	2,482.4	2,408.1	2,438.5	30.4	-43.9	-70.5	1.3	-1.8
Unemployment	1,238.2	1,079.3	1,056.6	-22.7	-181.6	-18.3	-2.1	-14.7
Unemployment Rate	7.9	6.8	6.6	-0.2	-1.3	-0.2		
Youth 15-24	15.0	12.9	12.5	-0.4	-2.5	-0.6		
Adult 25+	6.5	5.6	5.5	-0.1	-1.0	-0.1		
Labour Force	15,730.5	15,941.9	15,961.5	19.6	231.0	139.2	0.1	1.5
Participation Rate	65.8	65.8	65.8	0.0	0.0	0.2		
Employment Rate	60.6	61.4	61.5	0.1	0.9	0.3		



Industry Overview

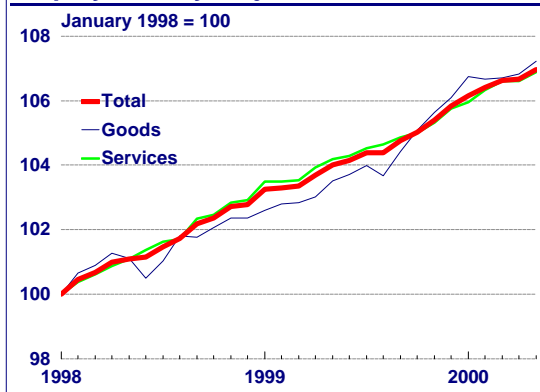
Goods and Services both contribute to May job gains...

- Employment rose 14,000 in the Goods-producing sector in May, boosted by increases in Natural Resources and Manufacturing. Construction employment fell for the third straight month, but is up strongly on a year-over-year basis.
- Employment was up 28,000 in the Service sector. Major gains were posted by: Information, Culture & Recreation; Professional, Scientific & Technical Services; and, Health Care & Social Assistance. The largest declines were in Public Administration and Educational Services.

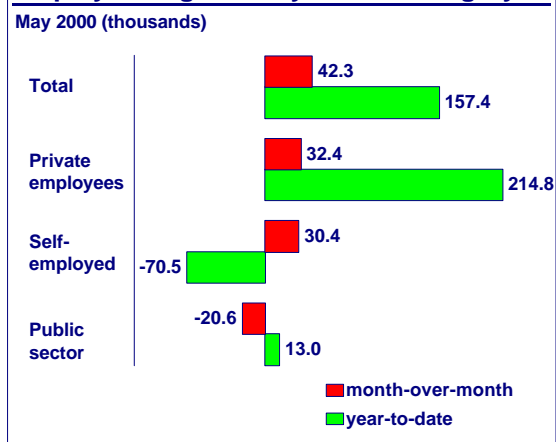
...with private employment gains partly offset by public employment losses

- Paid employment in the private sector rose 32,000 in May. The number of public sector employees fell by 21,000.
- Self-employment increased 30,000, partly reversing April's decline of 97,000 (which coincided with the inclusion of a supplemental survey on self-employment).

Employment by major sector



Employment growth by worker category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 May	2000 April	2000 May	last month	last year	year-to- date	last month	last year
Goods-producing	3,771.7	3,892.1	3,906.2	14.1	134.5	40.9	0.4	3.6
Agriculture	412.9	385.7	386.8	1.1	-26.1	-12.3	0.3	-6.3
Natural Resources*	264.5	284.6	290.3	5.7	25.8	15.0	2.0	9.8
Utilities	116.8	115.0	117.0	2.0	0.2	1.6	1.7	0.2
Construction	774.9	820.5	818.5	-2.0	43.6	11.1	-0.2	5.6
Manufacturing	2,202.6	2,286.3	2,293.5	7.2	90.9	25.3	0.3	4.1
Services-producing	10,720.7	10,970.4	10,998.6	28.2	277.9	116.4	0.3	2.6
Trade	2,239.9	2,294.1	2,308.0	13.9	68.1	36.3	0.6	3.0
Transportation	740.3	784.9	790.7	5.8	50.4	26.5	0.7	6.8
FIRE*	863.2	860.4	853.8	-6.6	-9.4	-11.5	-0.8	-1.1
Professional/Scientific	896.5	916.2	935.2	19.0	38.7	8.7	2.1	4.3
Management/Administrative	513.9	538.9	532.6	-6.3	18.7	15.1	-1.2	3.6
Educational Services	978.0	982.4	966.4	-16.0	-11.6	-35.3	-1.6	-1.2
Health Care/Social Assistance	1,437.4	1,528.9	1,547.4	18.5	110.0	75.5	1.2	7.7
Information/Culture/Recreation	623.8	637.3	659.2	21.9	35.4	23.0	3.4	5.7
Accommodation & Food	919.2	967.0	974.0	7.0	54.8	23.4	0.7	6.0
Other Services	730.2	682.9	678.9	-4.0	-51.3	-30.0	-0.6	-7.0
Public Administration	778.4	777.7	752.3	-25.4	-26.1	-15.5	-3.3	-3.4

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

LABOUR MARKET TRENDS



Provincial Overview

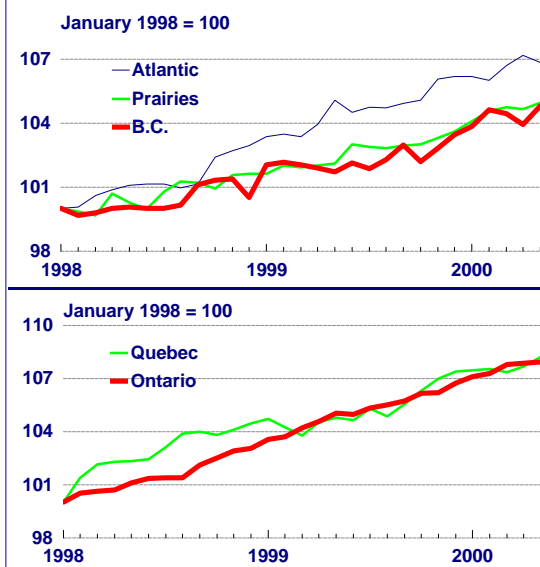
Quebec and British Columbia account for most of the job gains...

- While six of the ten provinces posted higher employment in May, the biggest gains were in Quebec and British Columbia.
- Nova Scotia, New Brunswick, Manitoba and P.E.I. posted employment losses on the month.

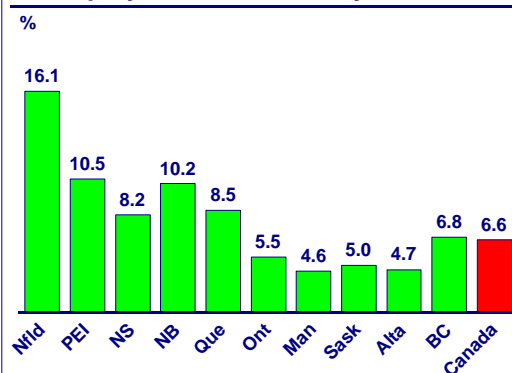
...but unemployment rates fall in most provinces

- Saskatchewan was the only province to register a higher unemployment rate in May, as modest job gains were offset by an increase in the labour force. The unemployment rate was unchanged in Ontario.
- In Atlantic Canada, Newfoundland was the only province in which employment increased. Still, unemployment rates were down in every Atlantic province due to declines in the number of job seekers. In fact, the 1.1 percentage point reduction in PEI's unemployment rate was the biggest among all provinces.
- Manitoba's unemployment rate also fell despite job losses. Higher employment contributed to lower unemployment rates in all other provinces.

Regional employment patterns



Unemployment Rates -- May 2000



Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment rate (%)			
	Levels 2000 May	Change since last month		Change since last year		Levels	Change since	
		(000's)	%	(000's)	%		last month	last year
Canada	14,904.9	42.3	0.3	412.6	2.8	6.6	-0.2	-1.3
Newfoundland	207.3	1.2	0.6	-1.4	-0.7	16.1	-0.7	-1.2
P.E.I.	65.6	-0.1	-0.2	5.0	8.3	10.5	-1.1	-4.4
Nova Scotia	420.3	-2.7	-0.6	9.8	2.4	8.2	-0.2	-1.3
New Brunswick	331.4	-1.7	-0.5	3.7	1.1	10.2	-0.3	0.0
Quebec	3,452.5	17.4	0.5	109.6	3.3	8.5	-0.3	-1.0
Ontario	5,838.7	4.1	0.1	156.2	2.7	5.5	0.0	-1.2
Manitoba	554.5	-1.4	-0.3	11.5	2.1	4.6	-0.4	-0.7
Saskatchewan	489.9	1.9	0.4	14.9	3.1	5.0	0.2	-2.2
Alberta	1,591.1	7.5	0.5	45.6	3.0	4.7	-0.4	-1.6
B.C.	1,953.6	16.1	0.8	57.8	3.0	6.8	-0.1	-1.5



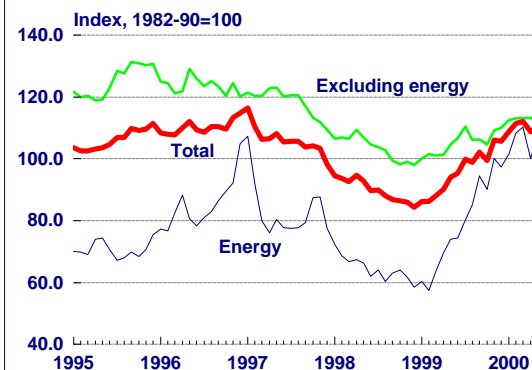
Inflation slows in April as energy prices moderate...

- Inflation was 2.1% in April on a year-over-year basis, down sharply from 3.0% in March. A smaller increase in annual energy prices – the lowest in five months – explains most of the slowdown.
- On a monthly basis, consumer prices fell 0.4% in April, mostly due to a 3.8% drop in energy prices. Lower prices for transportation, clothing and household operations all contributed to the monthly decline in the All-items index.

...and the "core" rate falls toward the bottom of the official target range

- Excluding energy, food and indirect taxes, the "core" rate of inflation was 1.3% in April, near the bottom end of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- On a year-over-year basis, commodity prices were up 17.6% in May. A strong 46.5% hike in energy prices was mainly responsible for this rise, but other commodity prices were also higher.

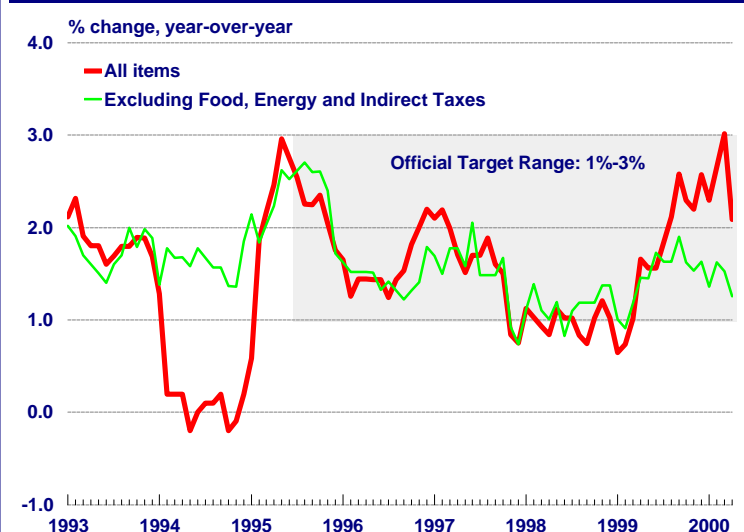
Commodity Prices (\$U.S. basis)



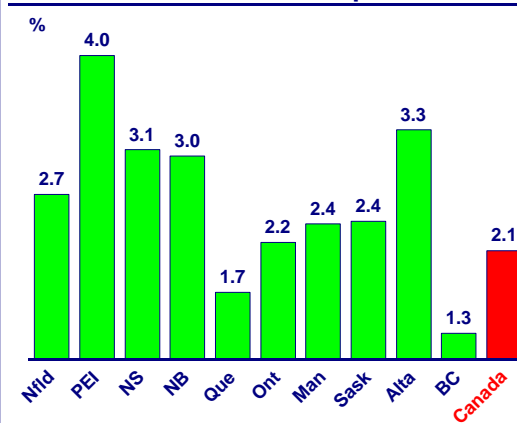
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
April 2000			
All items CPI	112.4	-0.4	2.1
Food	111.3	0.2	0.4
Shelter	107.5	0.0	2.6
Household operations	109.5	-0.2	0.6
Clothing & Footwear	105.1	-1.3	-0.7
Transportation	129.2	-1.4	4.5
Health & Personal Care	111.5	0.5	1.4
Recreation, Educ. & Reading	121.0	0.2	2.8
Alcohol & Tobacco	96.8	0.1	3.0
Excl. Food/Energy/Indirect Taxes	113.0	0.0	1.3
Energy	122.2	-3.8	13.6
Commodity Prices (May)			
Index, 1982-90=100	110.5	1.6	17.6
Excluding Energy	111.6	-1.6	6.7
Energy	108.4	8.3	46.5

Consumer Price Index



Provincial CPI Inflation -- April 2000



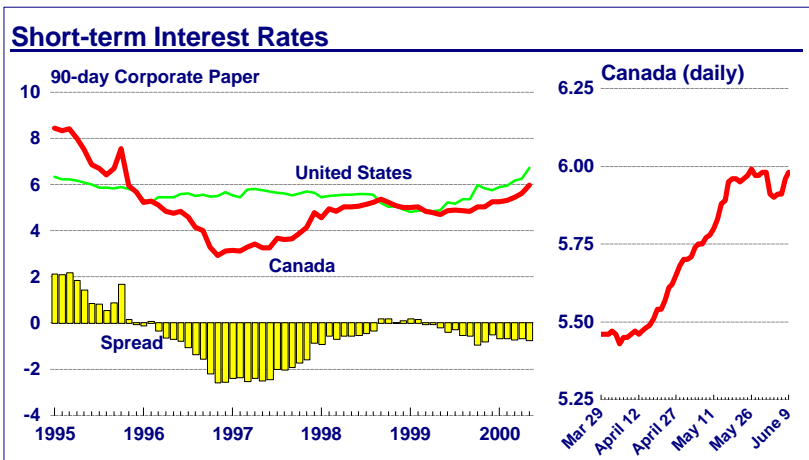


The Bank of Canada raises its trendsetting rate in May...

- The Bank of Canada raised its key interest rate by 50 basis points on May 17 to 6.0%, matching a similar move by the U.S. Federal Reserve. This hike, aimed at containing the buoyant economy and preventing the emergence of inflationary pressures, triggered corresponding increases in the Prime Lending Rate and mortgage rates. However, there was little further market reaction to this news since short-term interest rates had already risen in anticipation of the move. Short-term interest rates closed out May at 5.98%, up roughly 35 basis points from the end of April.
- Short-term interest rates rose faster in the United States over this period, widening the gap between Canada and U.S. short term rates to 74 basis points in Canada's favour.

...but long-term bond yields fall

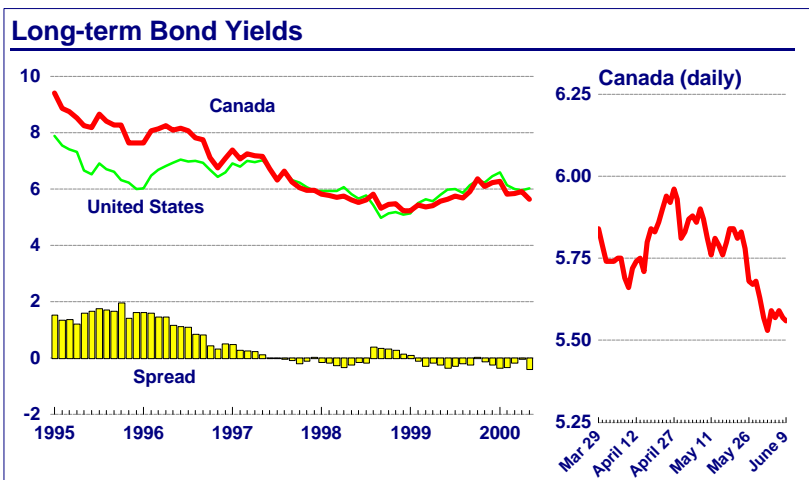
- In contrast to short term rates, long-term bond yields trended down in May, closing at 5.63%. The gap between the Canadian long-term interest rate and its American counterpart increased to 39 basis points in Canada's favour. A shortage of long-term government bonds drove up prices and put downward pressures on yields.
- Lower bond yields coupled with higher short rates have resulted in an inverted yield curve, where short-term interest rates are above long term rates.



Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
Dec 1999	5.27	-0.49	6.23	-0.22
Jan 2000	5.25	-0.64	6.27	-0.33
Feb	5.31	-0.64	5.83	-0.31
March	5.46	-0.72	5.84	-0.15
April	5.62	-0.64	5.92	-0.03
May	5.98	-0.74	5.63	-0.39
June 7	5.91	-0.74	5.59	-0.30

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
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
Dec 1999	5.00	6.50	7.35	8.25
Jan 2000	5.00	6.50	7.60	8.55
Feb	5.25	6.75	7.60	8.55
March	5.50	7.00	7.70	8.35
April	5.50	7.00	7.70	8.35
May	6.00	7.50	8.30	8.75
June 7	6.00	7.50	8.10	8.45

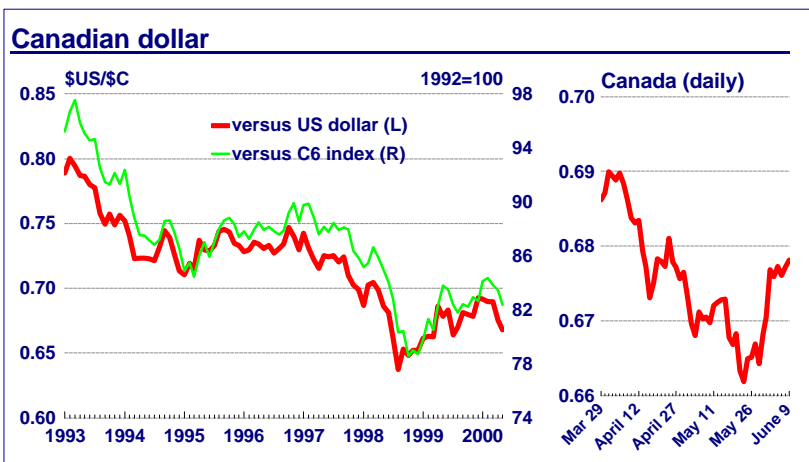


Canadian stock prices are volatile in May...

- Canadian stock prices were highly volatile in May, with the TSE 300 index displaying no clear trend. The index closed out May at 9,252, down 1.0% on the month, and marking its second consecutive monthly decline. Still, on a year-over-year basis, the TSE is up 35.2%, a much better performance than its American counterparts.
- Indeed, the TSE 300 has one of the best records among all stock market indices with a gain of 7.7% since January. According to Morgan Stanley Capital International, this places Canada among the top performers around the world so far this year, with only Luxembourg, Malaysia and Sweden recording better performances.
- In contrast, the S&P 500 and the Dow Jones are off to their worst starts in ten years. The Dow Jones is down 10.4% and the S&P 500 is down 6.2% on a year-to-date basis.

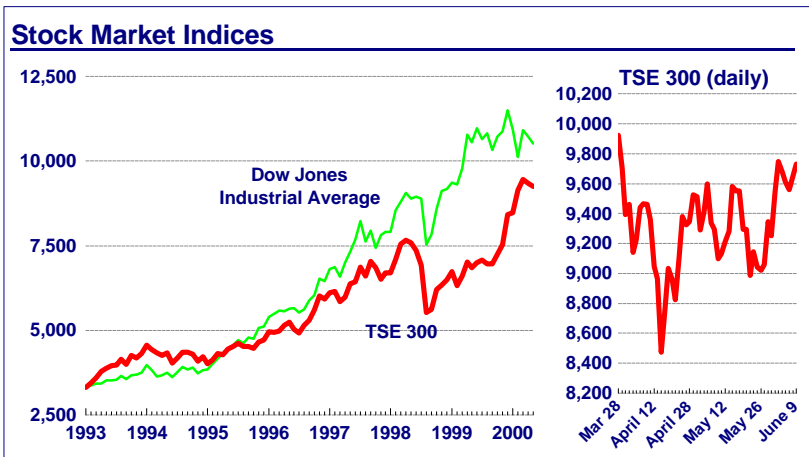
...as is the Canadian dollar

- Higher Canadian interest rates did not provide support to the Canadian dollar. Instead, fears that Canada-U.S. interest rate differentials might widen drove the dollar down to \$US 0.6619 on May 24, its lowest level in almost 10 months. However, the dollar subsequently recouped these losses, closing June 9 at \$US 0.6782.



The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
Dec 1999	0.6929	82.67	1.313	69.66
Jan 2000	0.6918	84.15	1.333	72.77
Feb	0.6898	84.39	1.370	75.43
March	0.6899	83.84	1.388	72.77
April	0.6756	83.47	1.409	71.90
May	0.6682	82.37	1.442	72.41
June 9	0.6782			



Key Stock Market Indexes

	May Close	% change from	
		last month	last year
TSE 300	9,252	-1.0	35.2
Oil & Gas	7,603	14.8	37.2
Metals & Minerals	3,586	3.3	7.5
Utilities	13,994	-10.8	76.5
Paper & Forest	5,391	-9.3	30.5
Merchandising	5,158	6.8	-5.8
Financial Services	8,419	8.6	4.8
Goods	4,415	4.9	-10.9
Price-Earnings Ratio*	27.8	-0.5	-4.3
S&P 500	1,421	-2.2	9.1
Dow Jones	10,522	-2.0	-0.4

*columns 2 & 3 reflect change in levels



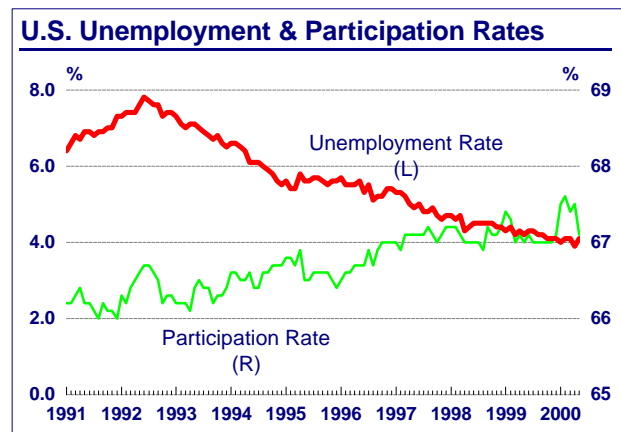
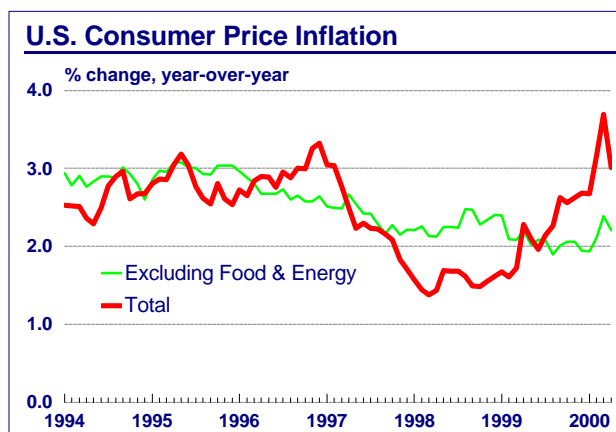
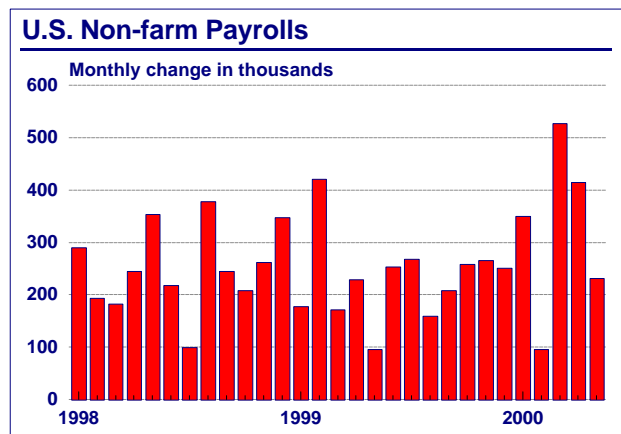
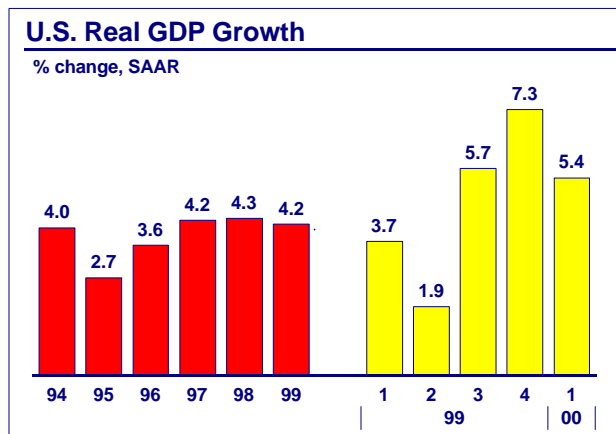
U.S. Economic Trends

The Federal Reserve boosts interests rates...

- The strong pace of economic growth prompted the Federal Reserve Board to aggressively raise its key federal funds rate by 50 points to 6.5% on May 16. This is the sixth rate hike since last June, but the first 50 basis points increase in six years.
- The Fed's move came amid few signs that inflation was picking up. Indeed, consumer prices were unchanged in April, while producer prices fell 0.3% as energy prices declined on the month.

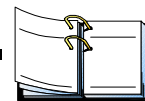
...as the US economy continues to grow strongly

- Preliminary estimates indicate that real GDP increased a solid 5.4% (annual rate) in the first quarter of 2000, building on a sharp 7.3% gain in the previous period. Production was boosted by strong increases in consumer spending and non-residential fixed investment. Lower inventory investment and an expanded trade deficit moderated overall growth.
- Indeed, the U.S. trade deficit soared to \$30.2 billion in March, the third straight monthly record. A jump in imports (3.4%) widened the deficit despite strong export growth (2.9%).
- U.S. employment rose 231,000 in May, with all gains coming from the Government sector (once again due to the hiring of temporary Census workers). Private-sector employment declined for the first time since a severe winter storm in January 1996. After hitting a 30-year-low in April, the unemployment rate rose 0.2 percentage points to 4.1% in May.



COMING UP

Key Future Data Releases and Planned Events



CANADA

Survey of Manufacturing – April	June 15
Consumer Price Index – May	June 16
International Trade – April	June 20
GDP at factor cost – April	June 30
Labour Force Survey – June	July 7
Private and Public Investment Intentions – 2000 (revised)	July 19
Financial Statistics For Enterprises – 2nd Quarter 2000	August 30
National Economic & Financial Accounts – 2nd Quarter 2000	August 31
Balance of International Payments – 2nd Quarter 2000	August 31
Capacity Utilization Rates – 2nd Quarter 2000	Sept 8
Business Conditions Survey – October	November 2

UNITED STATES

Consumer Price Index – May	June 14
International Trade – April	June 20
Federal Open Market Committee meeting	June 27, 28
GDP – 1st Quarter 2000, Final	June 29
Employment Situation – June	July 7

Note: the June MEI uses data available as of June 9, 2000