

MONTHLY ECONOMIC INDICATORS

August 2000

HIGHLIGHTS

-  **Output rebounds in May, boosted by a recovery in the auto sector and strength in high-tech.**
-  **Employment falls in July for the second straight month, raising Canada's unemployment rate to 6.8%.**
-  **CPI inflation rises to 2.9% in June. Still, excluding food, energy and indirect taxes, inflation stays within the bottom half of the official target range.**
-  **Canadian stocks continue to outpace U.S. equities, with the TSE 300 index surpassing the Dow Jones for the first time in over five years.**
-  **The U.S. economy sustains solid growth into the second quarter, with another surge in productivity.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	779.9	0.6	4.8	May
Goods	262.0	0.9	6.6	May
Services	517.9	0.5	3.9	May
Composite Index	163.0	0.4	8.1	June
Employment (000's)	14,874	-0.1	2.3	July
Full-time	12,179	0.0	2.8	July
Part-time	2,694	-0.8	-0.2	July
Unemployment* (%)	6.8	6.6	7.6	July
Youth*	12.6	11.8	13.9	July
Adult*	5.6	5.6	6.3	July
CPI inflation*	2.9	2.4	1.6	June
Retail Sales (\$M)	22,675	0.4	6.2	May
Housing Starts (000's)	165.0	22.2	13.9	July
Trade Balance* (\$M)	3,748	2,957	2,465	May
Exports	34,299	4.6	18.4	May
Imports	30,551	2.4	15.3	May
M&E	10,354	3.8	18.5	May
3-mth Corp. paper* (%)	5.90	5.89	4.91	Aug 2
Long bond yield* (%)	5.50	5.61	5.74	Aug 2
Canadian dollar* (US¢)	67.14	67.54	66.39	Aug 4

*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

August 2000

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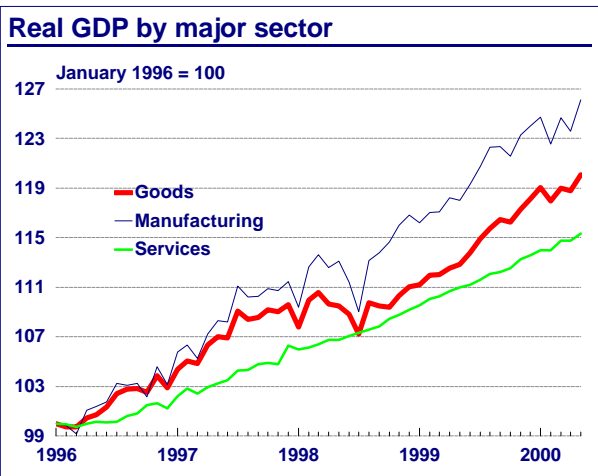
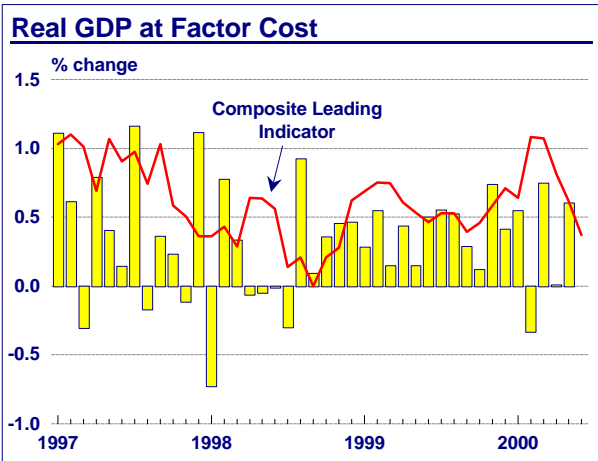


Output advances in May...

- Real GDP at factor cost increased 0.6% in May, rebounding strongly following a slight pause in the previous month. May's rise was attributed to strength in both the goods and services sectors, including a recovery in Manufacturing and strong performance from high-tech industries.

...with gains across most major industry groups

- Goods production increased 0.9% in May owing primarily to a sharp 1.7% rise in Manufacturing output. Higher automotive production played an important role in this rebound, but output in this industry is down 5.1% from its recent cyclical peak amid signs of moderating auto sales. Production of electrical and electronic goods was also higher, especially among manufacturers of telecommunications, computers and other related equipment. Construction activity was adversely affected by a cement drivers' strike in Toronto (this strike ended in mid-June).
- Total output in the Services sector rose 0.5% in May, led by gains in Transportation and Wholesaling. While retail activity showed little change, Business Services rose 0.6%, driven by gains in computer and other high-tech consulting firms.



Real GDP at Factor Cost (1992 dollars)

May 2000

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	779,864	4,672	0.6	4.8
Business sector	649,866	4,308	0.7	5.6
Goods	261,971	2,212	0.9	6.6
Agriculture	13,761	-37	-0.3	2.5
Fishing & Trapping	756	7	0.9	-6.8
Logging & Forestry	4,739	98	2.1	4.9
Mining*	29,286	175	0.6	11.4
Manufacturing	143,745	2,387	1.7	6.9
Construction	42,925	-887	-2.0	4.0
Other Utilities	26,759	469	1.8	6.6
Services	517,893	2,460	0.5	3.9
Transport & Storage	36,340	496	1.4	4.8
Communications	29,761	131	0.4	11.8
Wholesale Trade	47,425	861	1.8	3.8
Retail Trade	48,191	-7	-0.0	4.9
Finance & Insurance	44,284	58	0.1	7.8
Real Estate & Ins. Agent	81,271	261	0.3	2.5
Business services	46,652	301	0.6	8.4
Government services	46,241	214	0.5	1.9
Education	40,584	63	0.2	0.4
Health & Social Services	47,186	35	0.1	0.4
Accommodation & Food	19,816	-12	-0.1	1.1
Other	30,142	59	0.2	1.7

*Includes Quarrying and Crude Petroleum & Natural Gas

THE ECONOMY

Consumer Spending and Attitudes



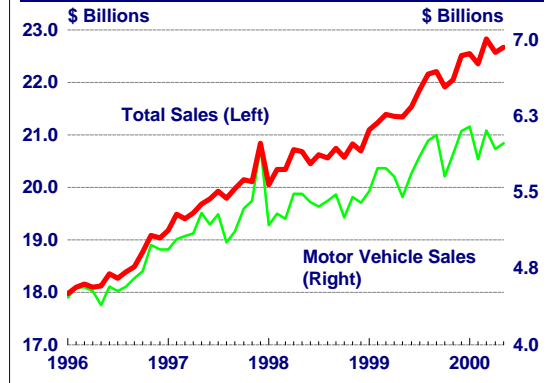
Consumer spending remains solid in the first quarter...

- 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.

...but may ease in coming quarters

- Recent income gains should help support household spending. Indeed, personal disposable income was up 5.5% (annual rate) in the first quarter, marking the fourth consecutive quarter of growth above 4%. However, recent increases in interest rates and a slower pace of job creation have weakened consumer confidence somewhat.
- Retail sales increased 0.4% in May, led by gains in the Automotive sector. Still, sales over the April-May period averaged only 0.2% higher than in the first quarter. In other related indicators, an increase in auto sales is expected for June, but employment weakened considerably in June and July.

Total Retail and Motor Vehicle Sales



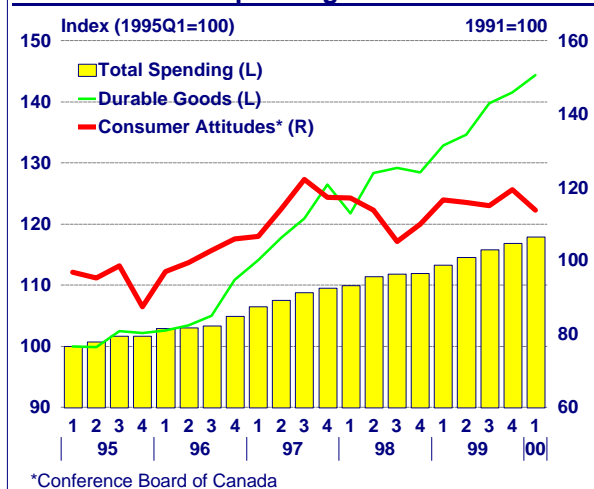
Retail Sales and Consumer Credit

	May 2000 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	22,675	0.4	6.2
Food	5,030	-1.3	2.5
Drug Stores	1,129	0.1	2.6
Clothing	1,230	0.6	2.0
Furniture	1,251	-0.4	11.3
Automotive	9,065	1.5	11.2
General Merch. Stores	2,562	0.3	2.6
All other Stores	2,408	0.8	1.8
Total ex. motor vehicles	16,691	0.2	5.0
Consumer Credit (unadjusted)	179,718	1.2	9.1

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



*Conference Board of Canada

THE ECONOMY

Business Investment in Plant and Equipment

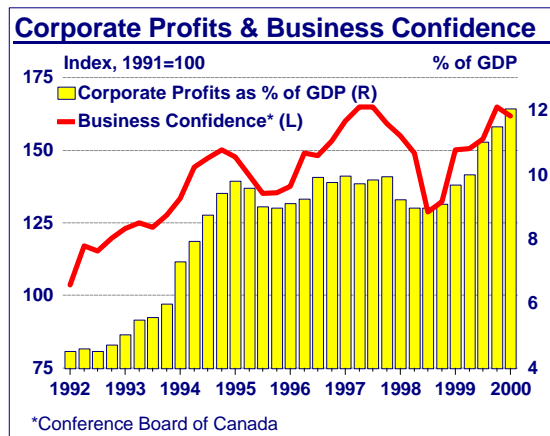
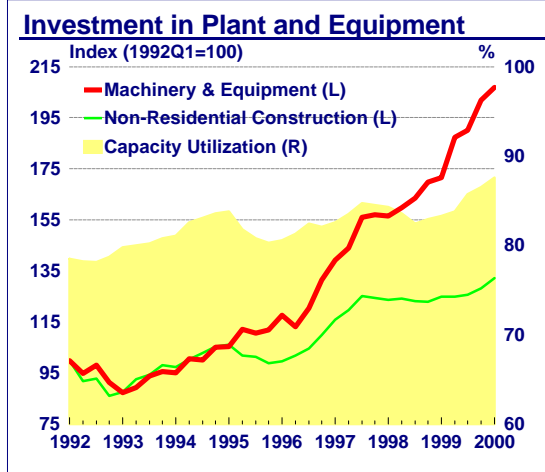


Business investment advances strongly in the first quarter...

- 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%, mainly on the strength of purchases of computers and other office equipment.
- 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 rest of 2000 is positive given strength in corporate operating profits and high rates of capacity utilization. Indeed, according to the most recent survey of investment intentions, investment in plant and equipment should increase 5.1% overall in 2000.
- Imports of machinery and equipment increased 3.8% in May, building on a strong 2.0% rise in April. However, the strike by Toronto cement workers lowered non-residential construction activity by 2.7% in May.



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.

...and the outlook for the rest of the year is positive

- Recent declines in mortgage rates, and continued low unemployment point to a generally positive outlook for the housing market.
- Although residential construction activity in May was affected by the Toronto cement workers' strike, underlying fundamentals appear sound. Residential building permits are up 7.7% in the first half of 2000 compared to a year ago. Moreover, with the resolution of the Toronto strike in mid-June, housing starts bounced back strongly from four straight monthly declines.

Housing Activity



Monthly Housing Indicators

	levels	Change since	
		last month	last year
Residential Construction (1) (\$92M, factor cost basis)	14,225	-3.0%	4.0%
Building Permits, \$M (2)	1,730	4.8%	1.5%
Sales of Existing Homes (2) (# of units)	19,358	-223	
Housing Starts, # of units (3)	165,000	30,000	20,100
Newfoundland	1,400	600	500
Prince Edward Island	400	0	-100
Nova Scotia	3,700	900	1,400
New Brunswick	1,900	500	-200
Quebec	21,400	4,900	3,100
Ontario	80,700	23,500	20,600
Manitoba	1,500	-100	-1,100
Saskatchewan	2,200	-300	-1,100
Alberta	20,000	-700	-100
British Columbia	11,300	-800	-2,600

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

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

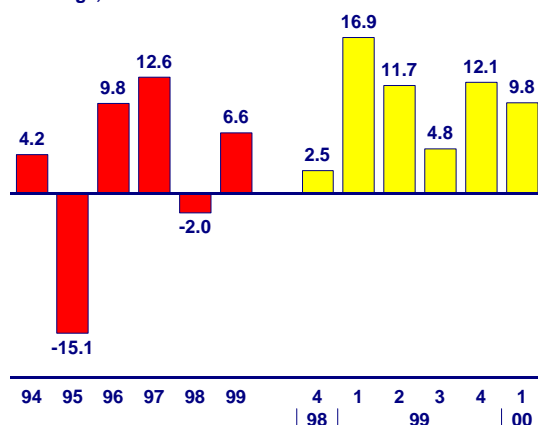
Real Investment in Residential Structures

\$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





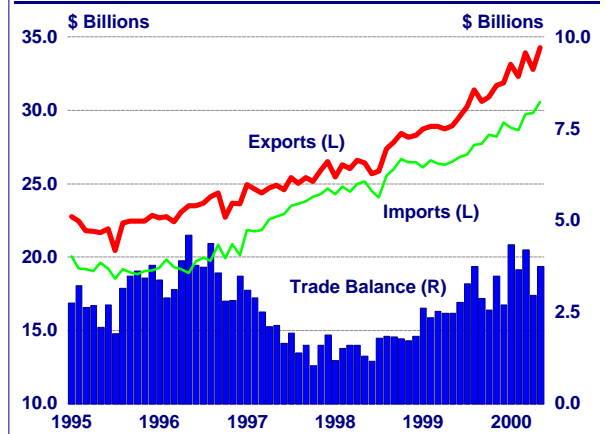
Exports outpace imports in May...

- Exports rebounded 4.6% in May, boosted by higher sales of M&E, metals and crude oil. The rise in M&E exports reflects an increase in the export of high-tech equipment (telecommunications equipment, computers, and electrical and electronic components).
- Imports increased by 2.4%, led by advances in investment-related M&E and Energy Products.
- Recent increases in both exports and imports of Energy Products are due mainly to higher prices for crude oil. Similarly, the increased value of trade in Industrial Goods & Materials reflects an increase in the price of metals.

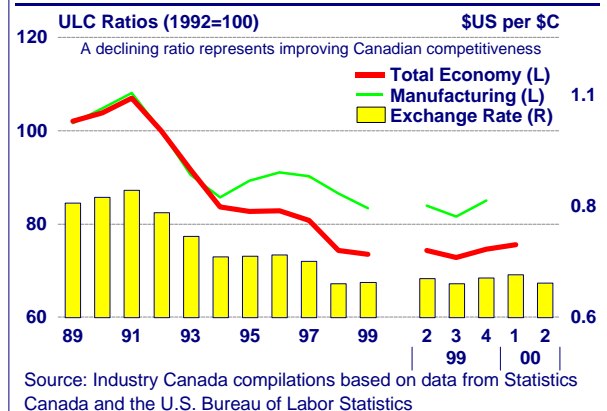
...leading to a higher trade surplus

- With exports rising faster than imports, Canada's merchandise trade surplus rose to \$3.7 billion in May.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



Merchandise Trade

May 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)	% Change	
	April 2000	May 2000	1999 Jan-May	2000 Jan-May		Apr to May 2000	Apr to May 2000
Exports	32,794	34,299	144,279	166,489	1,505	4.6	18.4
to United States	28,401	29,610	123,569	143,091	1,209	4.3	19.2
Imports	29,837	30,551	131,878	147,593	714	2.4	15.3
from United States	22,020	22,143	101,688	109,549	123	0.6	8.8
Trade Balance	2,957	3,748	12,401	18,896	791		
with United States	6,381	7,467	21,881	33,542	1,086		
Exports by Commodity							
Agriculture/Fishing Products	2,211	2,299	10,456	11,110	88	4.0	6.1
Energy Products	3,289	3,623	10,172	17,408	334	10.2	44.3
Forestry Products	3,535	3,525	15,714	17,582	-10	-0.3	11.0
Industrial Goods & Materials	5,142	5,527	23,068	26,414	385	7.5	20.8
Machinery & Equipment	8,305	8,997	34,166	41,368	692	8.3	36.1
Automotive Products	7,901	7,928	39,351	40,750	27	0.3	3.5
Other Consumer Goods	1,174	1,198	5,608	5,850	24	2.0	9.1
Imports by Commodity							
Agriculture/Fishing Products	1,455	1,510	7,328	7,478	55	3.8	2.9
Energy Products	1,437	1,642	3,540	7,013	205	14.3	114.4
Forestry Products	256	259	1,108	1,260	3	1.2	17.7
Industrial Goods & Materials	5,931	5,972	25,104	29,076	41	0.7	19.9
Machinery & Equipment	9,974	10,354	43,773	49,043	380	3.8	18.5
Automotive Products	6,369	6,451	30,827	32,190	82	1.3	4.2
Other Consumer Goods	3,328	3,304	15,050	16,217	-24	-0.7	8.6

LABOUR MARKET TRENDS



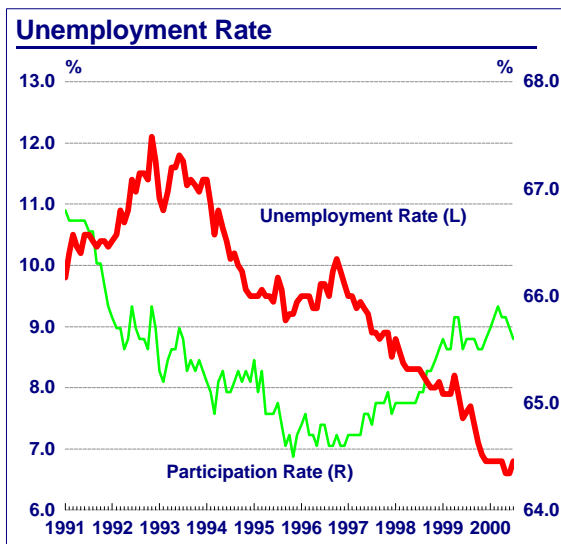
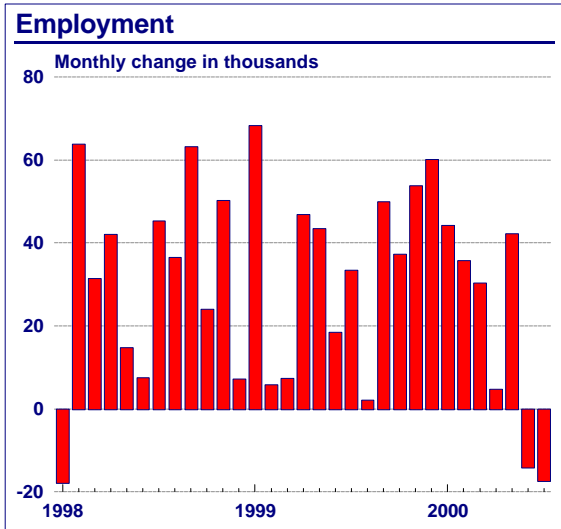
Employment and Unemployment

Employment declines further in July...

- Employment fell by 17,000 in July, marking the second straight monthly decline. After rising strongly at the end of 1999 and through the first quarter of 2000, employment growth has weakened considerably over the past four months.
- Losses in part-time employment (-23,000) were responsible for the overall decrease as full-time employment rose marginally (+5,000) in July. This is in sharp contrast to June, when full-time employment was the main contributing factor to job losses.

...pushing the unemployment rate up to 6.8%

- The national unemployment rate increased 0.2 percentage points to 6.8% in July, driven by lower employment for adult women and a strong rebound in labour force participation among youth. The unemployment rate for adult women rose 0.3 percentage points to 5.7%. Despite job gains, a sharp rise in participation pushed the youth unemployment rate up by 0.8 percentage points to 12.6%.
- Employment for adult men increased slightly in July, but a drop in the labour force lowered the employment rate 0.3 percentage points to 5.5%.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 July	2000 June	2000 July	last month	last year	year-to-date	last month	last year
Employment	14,544.2	14,890.8	14,873.5	-17.3	329.3	126.0	-0.1	2.3
Full-time	11,845.9	12,174.0	12,179.2	5.2	333.3	83.8	0.0	2.8
Part-time	2,698.4	2,716.8	2,694.3	-22.5	-4.1	42.2	-0.8	-0.2
Youth 15-24	2,210.9	2,263.2	2,274.7	11.5	63.8	20.6	0.5	2.9
Adult 25+	12,333.3	12,627.6	12,598.8	-28.8	265.5	105.5	-0.2	2.2
Self-employed	2,457.4	2,417.5	2,409.1	-8.4	-48.3	-99.9	-0.3	-2.0
Unemployment	1,190.8	1,051.2	1,077.1	25.9	-113.7	2.2	2.5	-9.5
Unemployment Rate	7.6	6.6	6.8	0.2	-0.8	0.0		
Youth 15-24	13.9	11.8	12.6	0.8	-1.3	-0.5		
Adult 25+	6.3	5.6	5.6	0.0	-0.7	0.0		
Labour Force	15,735.0	15,942.0	15,950.6	8.6	215.6	128.3	0.1	1.4
Participation Rate	65.6	65.7	65.6	-0.1	0.0	0.0		
Employment Rate	60.7	61.4	61.2	-0.2	0.5	0.0		



Industry Overview

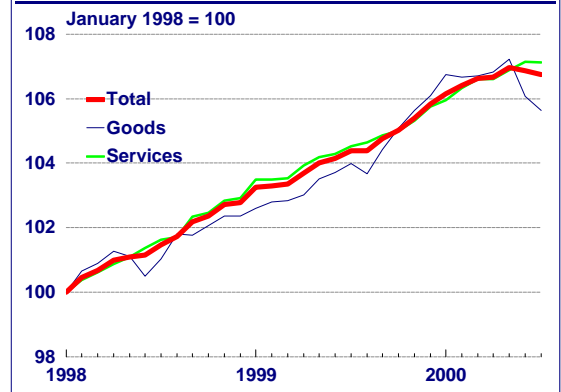
Job losses remain concentrated in Goods-producing industries...

- Employment was down 16,000 in the Goods sector in July, with job losses reported for all major categories except Construction. The gain in Construction follows four consecutive declines, and Manufacturing employment fell for the second month in a row.
- Employment was little changed overall in the Service sector. Losses in Health Care & Social Services and Educational Services were largely offset by job gains in Finance, and Professional, Scientific & Technical Services.

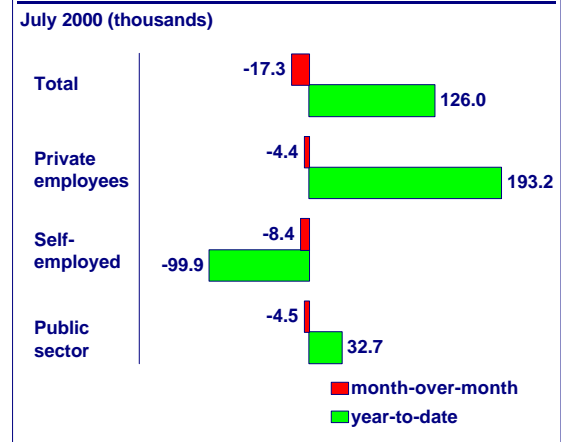
...as employment in both the public and private sectors falls

- Public sector employment fell 5,000 in July, reflecting losses in Educational Services and Health Care & Social Services.
- Private sector employment fell for the second straight month in July, with losses in self-employment and the number of paid employees.

Employment by major sector



Employment growth by worker category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 July	2000 June	2000 July	last month	last year	year-to- date	last month	last year
Goods-producing	3,788.8	3,864.8	3,849.1	-15.7	60.3	-16.2	-0.4	1.6
Agriculture	409.4	377.0	368.9	-8.1	-40.5	-30.2	-2.1	-9.9
Natural Resources*	260.4	286.6	284.9	-1.7	24.5	9.6	-0.6	9.4
Utilities	117.4	117.0	115.8	-1.2	-1.6	0.4	-1.0	-1.4
Construction	770.9	808.5	825.4	16.9	54.5	18.0	2.1	7.1
Manufacturing	2,230.6	2,275.7	2,254.1	-21.6	23.5	-14.1	-0.9	1.1
Services-producing	10,755.5	11,026.0	11,024.4	-1.6	268.9	142.2	-0.0	2.5
Trade	2,244.4	2,303.5	2,311.9	8.4	67.5	40.2	0.4	3.0
Transportation	751.4	780.0	777.1	-2.9	25.7	12.9	-0.4	3.4
FIRE*	858.3	862.5	876.5	14.0	18.2	11.2	1.6	2.1
Professional/Scientific	912.6	933.5	948.4	14.9	35.8	21.9	1.6	3.9
Management/Administrative	520.8	550.7	551.9	1.2	31.1	34.4	0.2	6.0
Educational Services	982.9	981.2	961.1	-20.1	-21.8	-40.6	-2.0	-2.2
Health Care/Social Assistance	1,445.6	1,543.4	1,518.6	-24.8	73.0	46.7	-1.6	5.0
Information/Culture/Recreation	636.5	663.2	664.7	1.5	28.2	28.5	0.2	4.4
Accommodation & Food	913.7	974.1	970.8	-3.3	57.1	20.2	-0.3	6.2
Other Services	713.8	689.0	700.3	11.3	-13.5	-8.6	1.6	-1.9
Public Administration	775.6	744.8	743.2	-1.6	-32.4	-24.6	-0.2	-4.2

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



Provincial Overview

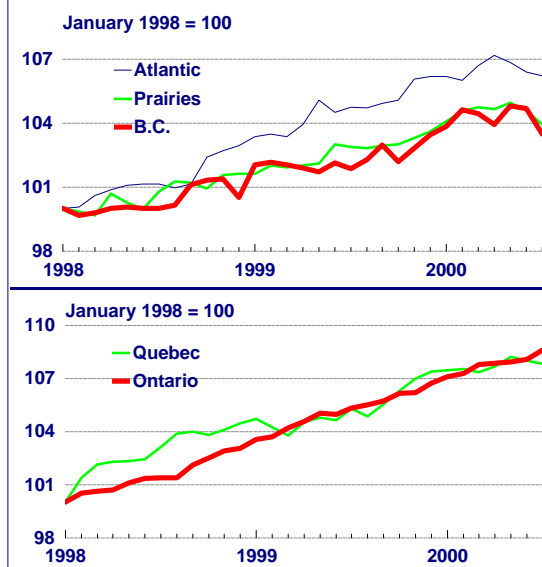
Most provinces experience falling employment in July...

- Employment was down in seven of ten provinces in July, with the largest job losses in percentage terms posted by Newfoundland, British Columbia and Alberta. Among the three remaining provinces, Ontario posted the largest increase, while employment edged up in PEI and holding steady in Nova Scotia.

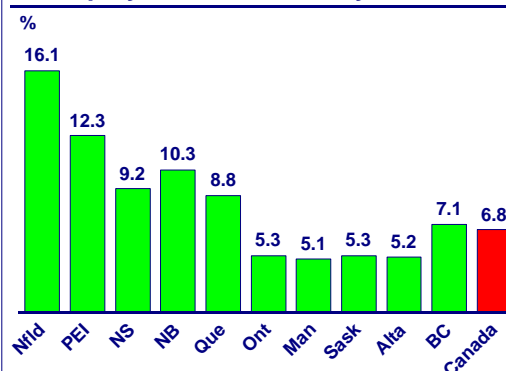
...and higher unemployment rates

- Unemployment rates were higher in all provinces except Ontario and Saskatchewan. The biggest increases were in PEI and Nova Scotia – both up 0.8 percentage points – sparked primarily by a rise in labour force participation rather than job losses.
- Newfoundland's unemployment rate rose 0.7 percentage points to 16.1%, the highest among the provinces.
- Manitoba continues to have the lowest provincial unemployment rate at 5.1%. Rates tend to be lowest in the Prairies and Ontario, and highest in Atlantic Canada.

Regional employment patterns



Unemployment Rates -- July 2000



Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment rate (%)			
	Levels 2000 July	Change since last month		Change since last year		Levels	Change since last month	
		(000's)	%	(000's)	%		last month	last year
Canada	14,873.5	-17.3	-0.1	329.3	2.3	6.8	0.2	-0.8
Newfoundland	201.5	-4.1	-2.0	-5.2	-2.5	16.1	0.7	-1.0
P.E.I.	63.9	0.1	0.2	2.3	3.7	12.3	0.8	-1.2
Nova Scotia	419.7	-0.1	-0.0	11.2	2.7	9.2	0.8	0.0
New Brunswick	333.4	2.2	0.7	5.6	1.7	10.3	0.1	0.8
Quebec	3,440.4	-5.7	-0.2	81.7	2.4	8.8	0.4	-0.5
Ontario	5,876.1	29.4	0.5	176.7	3.1	5.3	-0.1	-1.0
Manitoba	554.3	-1.0	-0.2	13.3	2.5	5.1	0.7	-0.7
Saskatchewan	483.8	-1.7	-0.4	2.5	0.5	5.3	-0.3	-0.5
Alberta	1,571.4	-13.9	-0.9	10.7	0.7	5.2	0.2	-0.4
B.C.	1,929.0	-22.5	-1.2	30.3	1.6	7.1	0.4	-1.4

PRICES and FINANCIAL MARKETS

Consumer and Commodity Prices



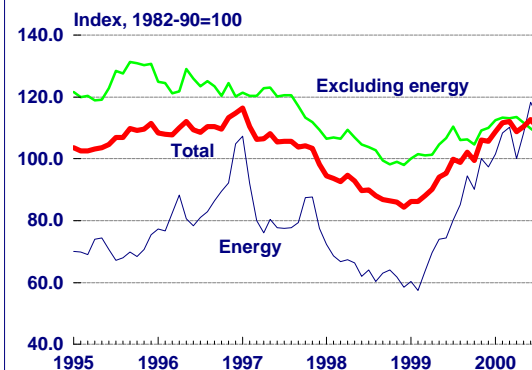
Inflation rises to 2.9% in June...

- Consumer prices were up 2.9% in June on a year-over-year basis, the biggest increase since March. Higher energy prices were the main contributors to June's inflation, including a 30.5% jump in gasoline prices compared to last year. Increased mortgage interest costs and tuition fees also put upward pressure on inflation. Prices for fresh fruit, automobiles and computer equipment & supplies were down in June, partly offsetting higher prices elsewhere.
- Prices rose 0.6% from May to June, the second consecutive monthly increase.

...but the "core" rate remains in the bottom half of the official target range

- Excluding energy, food and indirect taxes, the "core" rate of inflation was 1.4% in June, well within the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices were up 10.1% in July on a year-over-year basis. Energy prices surged 41.3%, while prices for all other commodities fell 2.0%.

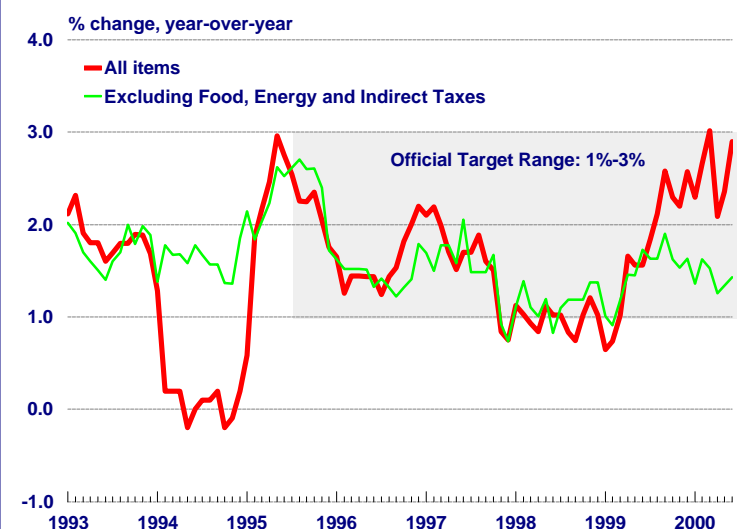
Commodity Prices (\$U.S. basis)



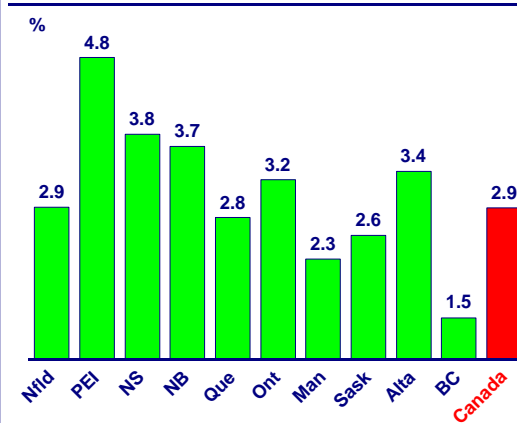
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
June 2000			
All items CPI	113.7	0.6	2.9
Food	112.9	0.7	1.3
Shelter	108.1	0.3	3.2
Household operations	109.9	0.3	0.6
Clothing & Footwear	104.6	-0.1	0.1
Transportation	131.8	1.5	6.5
Health & Personal Care	111.9	-0.2	1.3
Recreation, Educ. & Reading	123.9	1.0	2.7
Alcohol & Tobacco	97.9	0.5	3.4
Excl. Food/Energy/Indirect Taxes	113.6	0.3	1.4
Energy	128.4	3.8	19.3
Commodity Prices (July)			
Index, 1982-90=100	110.0	-2.5	10.1
Excluding Energy	108.2	-1.5	-2.0
Energy	113.5	-4.1	41.3

Consumer Price Index



Provincial CPI Inflation -- June 2000



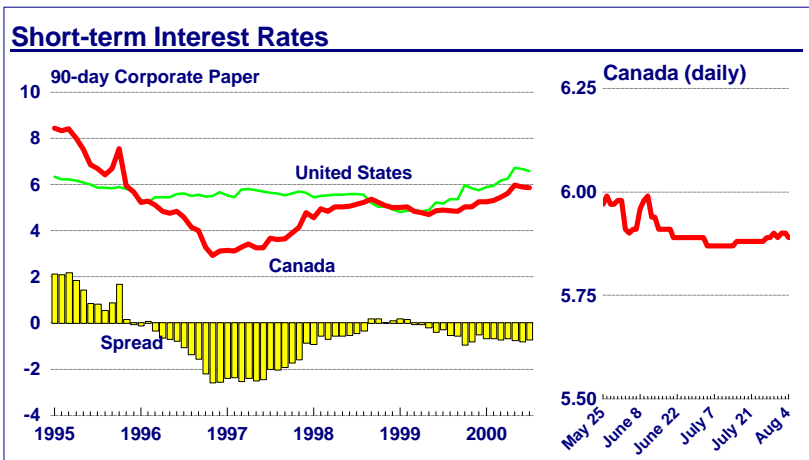


Short term interest rates are virtually unchanged in July...

- The Bank of Canada has held firm since last raising its trendsetting Bank rate 50 basis points in May. Recent data provide no clear evidence concerning the strength of the economy or inflationary pressures, leaving investors uncertain as to whether or not the Bank will need to raise interest rates in the near term.
- As a result, market-determined short-term interest rates have been quite stable, hovering around the 5.9% mark through most of June and July. Canadian short-term interest rates closed 71 basis points below comparable U.S. rates on August 2.

...but long-term yields edge down

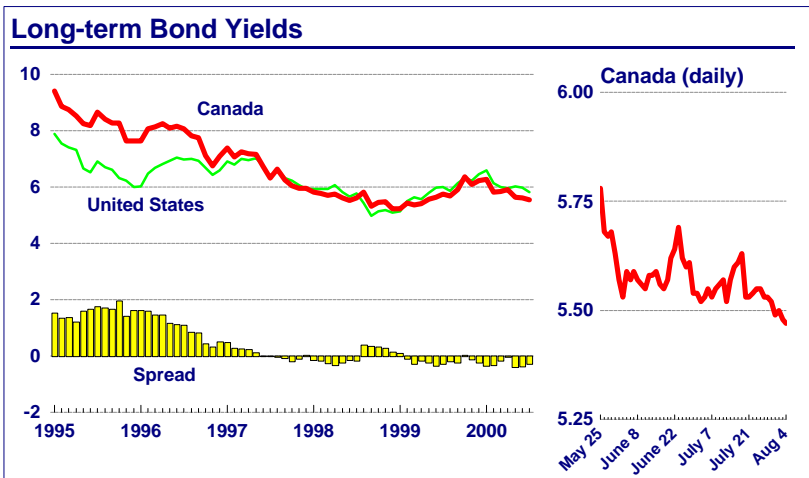
- Long-term bond yields increased slightly in the first two weeks of July, but subsequently reversed course. Long rates ended August 2 at 5.5%, down slightly from June's close and below domestic short-term rates.
- However, the gap between Canadian and U.S. long term interest rates narrowed somewhat in July, with Canadian rates closing 27 basis points below comparable U.S. yields on August 2.



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
Feb 2000	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	5.89	-0.78	5.61	-0.36
July	5.88	-0.71	5.55	-0.27
Aug 2	5.90	-0.71	5.50	-0.27

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
Feb 2000	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	6.00	7.50	8.10	8.45
July	6.00	7.50	7.90	8.25
Aug 2	6.00	7.50	7.90	8.25

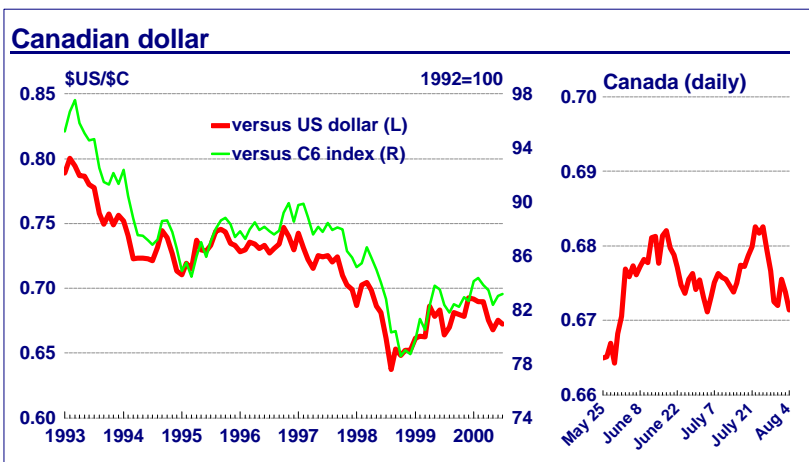


The TSE 300 edges higher in July...

- Better-than-expected earnings reports from Canada's high-tech sector boosted the demand for technology stocks and propelled the TSE 300 index above 10,900 for the first time ever on July 26. Stock prices subsequently fell back with the release of more disappointing reports from some high-tech firms, but the TSE 300 still gained 2.1% overall in July.
- By comparison, the U.S. Dow Jones Industrial Average rose 0.7% and the S&P 500 fell 1.3% in July. So far this year, the value of the TSE 300 has gained more than 25% while the Dow Jones has lost 5.9%. Indeed, the level of the Canadian stock index surpassed the Dow Jones for the first time since March 1995 on July 17.

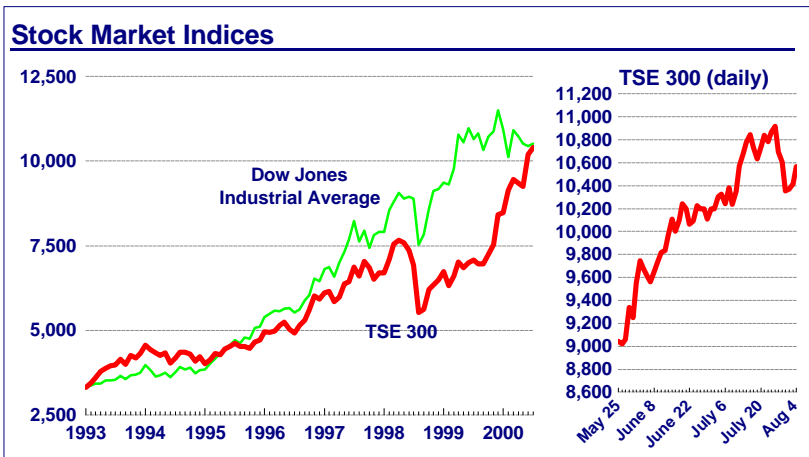
...while the Canadian dollar is down slightly

- The Canadian dollar gained strength through most of July, rising above \$US 0.68 on July 24. However, the currency lost ground late in the month, closing out at \$US 0.6725, down slightly from June's close. Uncertainty surrounding the near-term outlook for domestic interest rates (particularly relative to U.S. rates) explains much of the dollar's volatility throughout the month.



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
Feb 2000	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	0.6754	83.06	1.393	71.84
July	0.6725	83.17	1.410	73.23
Aug 4	0.6714			



Key Stock Market Indexes

	July Close	% change from	
		last month	last year
TSE 300	10,406	2.1	47.0
Oil & Gas	7,029	-6.0	10.3
Metals & Minerals	3,392	1.9	-10.0
Utilities	14,247	0.3	72.3
Paper & Forest	4,909	-0.7	-2.0
Merchandising	5,268	1.2	-0.9
Financial Services	8,529	1.8	16.0
Goods	3,958	-11.2	-21.5
Price-Earnings Ratio*	30.3	0.0	-3.7
S&P 500	1,431	-1.6	7.7
Dow Jones	10,522	0.7	-1.3

*columns 2 & 3 reflect change in levels



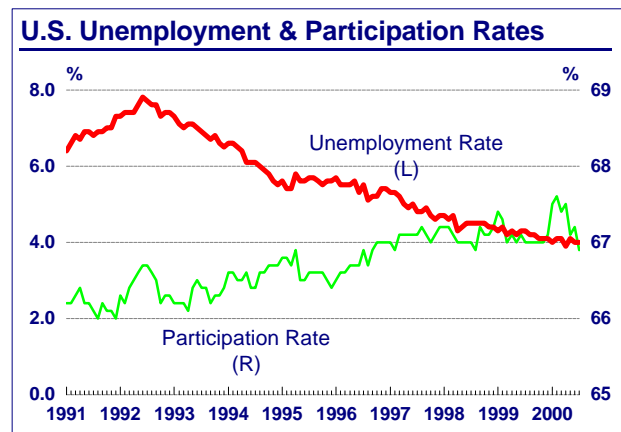
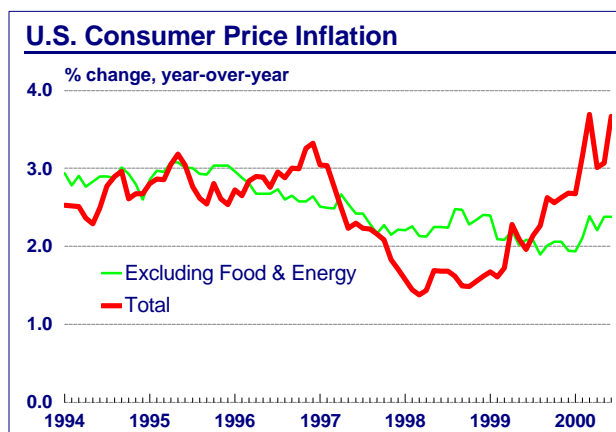
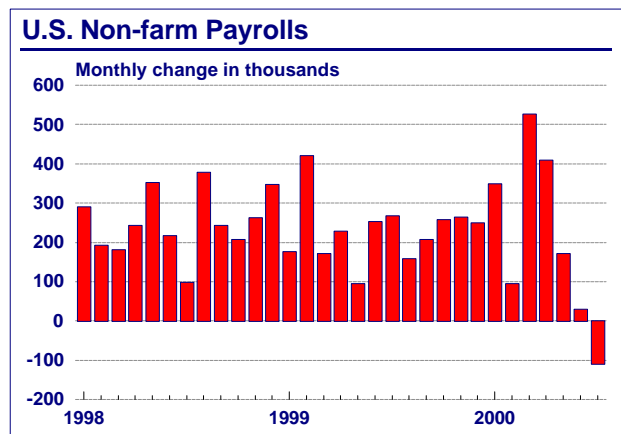
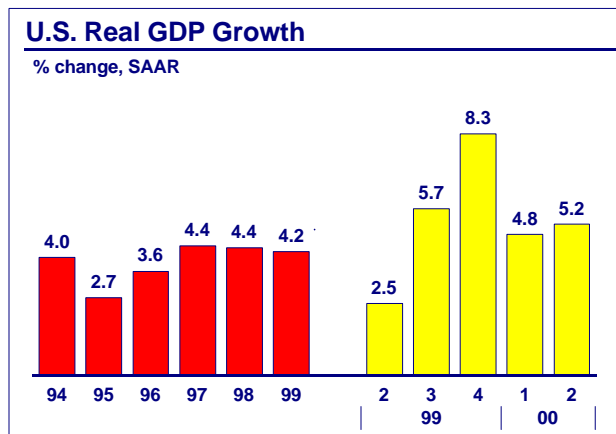
U.S. Economic Trends

The U.S. economy grows strongly in the second quarter...

- Advance estimates suggest that U.S. real GDP surged 5.2% (annual rate) in the second quarter of 2000, building on a downwardly-revised 4.8% increase in the previous quarter. Solid gains in non-residential fixed investment, consumer spending on services, and inventory investment more than offset strong import growth and a slowdown in purchases of durable goods.
- However, U.S. employment decreased by 108,000 in July – the first drop since January 1996 – as higher private-sector employment could not offset a decline in government employment attributed to the departure of temporary Census workers. July's unemployment rate was unchanged at 4.0%.
- The U.S. trade deficit soared to a record \$31.0 billion in May, with exports falling more rapidly than imports.

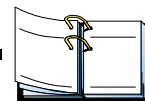
... but recent data on costs lower expectations of a rate hike

- Consumer and producer prices were both up 0.6% in June, due mainly to a 5.6% jump in energy prices. Excluding food and energy, producer prices fell 0.1% on the month while the CPI increased only 0.2%.
- Productivity rose 5.3% (annual rate) in the second quarter of the year. Combined with a deceleration in the employment cost index, this stronger-than-expected result has eased fears that the Federal Reserve will raise interest rates soon.



COMING UP

Key Future Data Releases and Planned Events



CANADA

Survey of Manufacturing – June	August 16
Consumer Price Index – July	August 17
International Trade – June	August 18
Financial Statistics For Enterprises – 2nd Quarter 2000	August 30
GDP at factor cost – June	August 31
National Economic & Financial Accounts – 2nd Quarter 2000	August 31
Balance of International Payments – 2nd Quarter 2000	August 31
Labour Force Survey – August	September 8
Capacity Utilization Rates – 2nd Quarter 2000	September 8
Business Conditions Survey – October	November 2

UNITED STATES

Consumer Price Index – July	August 16
International Trade – June	August 18
Federal Open Market Committee meeting	August 22
GDP – 2nd Quarter 2000, Preliminary	August 25
Employment Situation – August	September 1

Note: the August MEI uses data available as of August 4, 2000