

MONTHLY ECONOMIC INDICATORS

October 2000

HIGHLIGHTS

-  **The high-tech sector fuels output growth in July.**
-  **Employment gains lower Canada's unemployment rate to 6.8% in September.**
-  **CPI inflation falls to 2.5% in August, as the impact of higher energy prices moderates.**
-  **A sharp fall in exports reduces Canada's trade surplus in July.**
-  **Canadian stock prices retreat in September as the dollar weakens.**

Key Monthly Economic Indicators

| | | % Change since | | |
|------------------------|--------|----------------|-----------|-------|
| | | last month | last year | |
| Real GDP (\$92 B) | 789.6 | 0.3 | 4.6 | July |
| Goods | 259.1 | -0.0 | 4.8 | July |
| Services | 530.5 | 0.4 | 4.4 | July |
| Composite Index | 164.8 | 0.4 | 8.1 | Aug |
| Employment (000's) | 14,957 | 0.4 | 2.5 | Sept |
| Full-time | 12,212 | 0.2 | 2.6 | Sept |
| Part-time | 2,745 | 1.0 | 1.8 | Sept |
| Unemployment* (%) | 6.8 | 7.1 | 7.4 | Sept |
| Youth* | 12.7 | 13.0 | 14.2 | Sept |
| Adult* | 5.7 | 5.9 | 6.1 | Sept |
| CPI inflation* | 2.5 | 3.0 | 2.1 | Aug |
| Retail Sales (\$M) | 23,328 | 1.3 | 6.7 | July |
| Housing Starts (000's) | 156.4 | 7.1 | 2.6 | Sept |
| Trade Balance* (\$M) | 4,192 | 5,116 | 3,273 | July |
| Exports | 34,475 | -2.9 | 13.9 | July |
| Imports | 30,283 | -0.4 | 12.2 | July |
| M&E | 10,333 | 0.9 | 15.6 | July |
| 3-mth Corp. paper* (%) | 5.83 | 5.90 | 4.83 | Oct 4 |
| Long bond yield* (%) | 5.70 | 5.51 | 5.91 | Oct 4 |
| Canadian dollar* (US¢) | 66.59 | 67.96 | 68.15 | Oct 6 |

*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

October 2000

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This report uses data available as of October 6, 2000. It has been prepared by Éric Chalifoux, Joe Macaluso, Arif Mahmud and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at williamson.shane@ic.gc.ca.

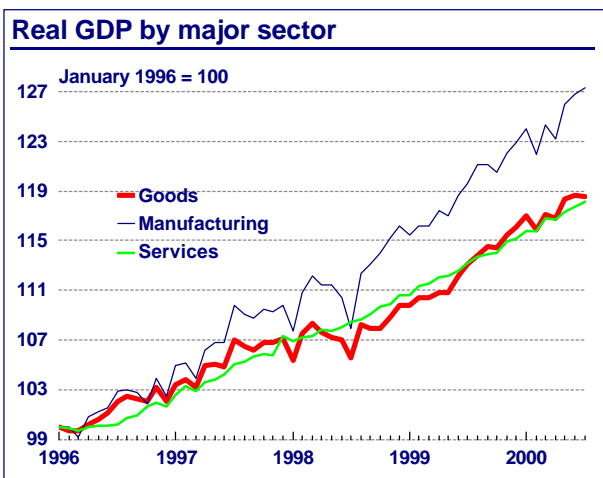
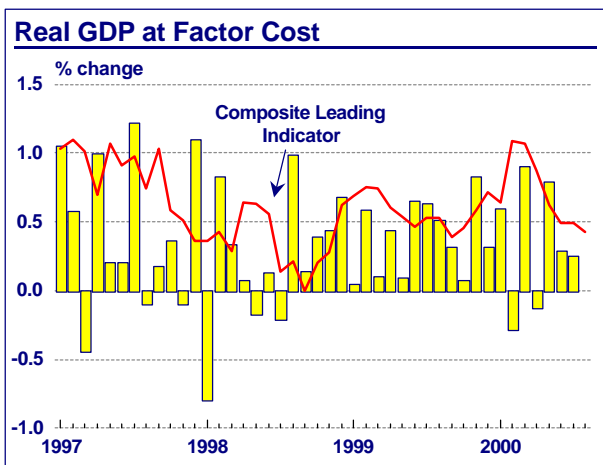


Output gains are fuelled by the high-tech sector in July...

- Real GDP at factor cost increased 0.3% in July, down from 0.4% in June. About a third of July's advance was due to higher output of computer and telecommunications equipment and computer consulting services.

...but resource-based industries are weak

- Despite a gain in Manufacturing – driven in particular by increased production of computer & telecommunications equipment – output in the Goods sector was flat overall in July. A sharp decline in the Mining industry was the result of lower production of potash and most metals. Other notable weaknesses were in Other Utilities and Logging & Forestry, the latter affected by a strike by forestry workers in B.C.
- The Services sector expanded by 0.4% in July, unchanged from the previous month. Significant gains were recorded in Retail Trade and Business Services, the latter posting its strongest increase in 2 1/2 years. Almost 60% of the increase in Business Services originated in computer services.



Real GDP at Factor Cost (1992 dollars)

July 2000

| | \$ millions | monthly change | % Change since last month | % Change since last year |
|--------------------------|----------------|----------------|---------------------------|--------------------------|
| Total Economy | 789,572 | 1,970 | 0.3 | 4.6 |
| Business sector | 660,817 | 1,952 | 0.3 | 5.2 |
| Goods | 259,076 | -57 | -0.0 | 4.8 |
| Agriculture | 13,147 | 3 | 0.0 | -2.5 |
| Fishing & Trapping | 679 | -4 | -0.6 | -8.2 |
| Logging & Forestry | 4,824 | -141 | -2.8 | -1.6 |
| Mining* | 27,117 | -579 | -2.1 | 6.1 |
| Manufacturing | 144,912 | 627 | 0.4 | 6.5 |
| Construction | 42,390 | 313 | 0.7 | 4.1 |
| Other Utilities | 26,007 | -276 | -1.1 | 1.3 |
| Services | 530,496 | 2,027 | 0.4 | 4.4 |
| Transport & Storage | 36,819 | 103 | 0.3 | 5.5 |
| Communications | 30,287 | 145 | 0.5 | 9.9 |
| Wholesale Trade | 51,092 | 280 | 0.6 | 5.5 |
| Retail Trade | 51,323 | 748 | 1.5 | 6.3 |
| Finance & Insurance | 42,984 | -84 | -0.2 | 4.9 |
| Real Estate & Ins. Agent | 82,629 | 158 | 0.2 | 2.4 |
| Business services | 50,066 | 576 | 1.2 | 10.8 |
| Government services | 47,016 | 50 | 0.1 | 2.5 |
| Education | 40,855 | 15 | 0.0 | 0.5 |
| Health & Social Services | 46,499 | -9 | -0.0 | 1.2 |
| Accommodation & Food | 21,047 | 40 | 0.2 | 4.8 |
| Other | 29,879 | 5 | 0.0 | 1.5 |

*Includes Quarrying and Crude Petroleum & Natural Gas

THE ECONOMY

Consumer Spending and Attitudes



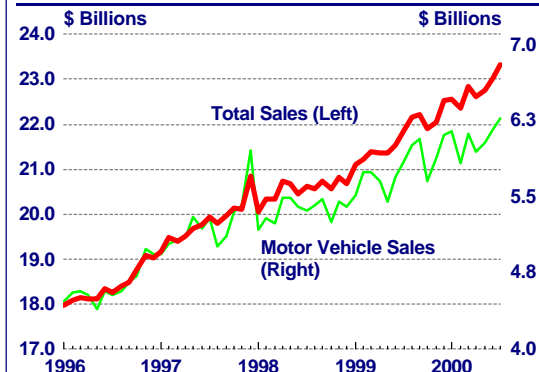
Consumer spending is strong in the second quarter...

- Real consumption rose 3.6% (annual rate) in the second quarter of 2000, in line with growth in the previous two quarters.
- Spending on services experienced a substantial boost on the quarter. However, growth in purchases of interest-sensitive durable and semi-durable goods slowed considerably from the previous period.

...and rises further early in the third quarter

- Continuing income gains and higher consumer confidence should support further increases in household spending. Personal disposable income surged 8.1% (annual rate) in the second quarter, boosted by federal pay equity payments.
- Early figures for the third quarter point to a 1.3% rise in retail sales for July, building on solid gains in May and June. Gains were widespread, but led by increases in the Automotive sector, General Merchandise Stores, and a sharp turnaround in Furniture sales. Preliminary figures for August point to a sharp gain in auto sales.

Total Retail and Motor Vehicle Sales



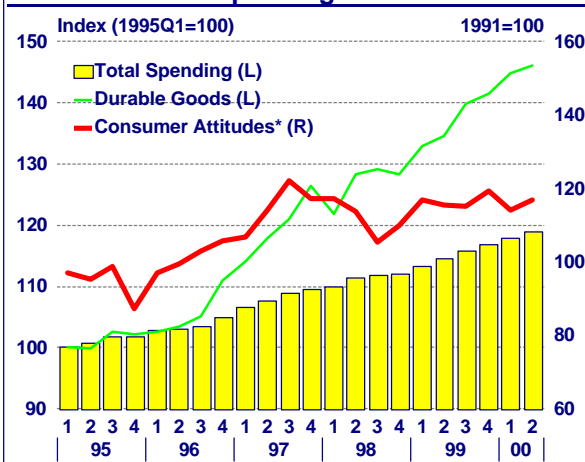
Retail Sales and Consumer Credit

| | \$ millions | % Change since last | |
|-------------------------------------|-------------|---------------------|------|
| | | month | last |
| Total Retail Sales (S.A.) | 23,328 | 1.3 | |
| Food | 5,096 | 1.0 | |
| Drug Stores | 1,138 | 0.5 | |
| Clothing | 1,261 | 0.8 | |
| Furniture | 1,277 | 2.0 | 10.7 |
| Automotive | 9,427 | 1.7 | 9.7 |
| General Merch. Stores | 2,657 | 1.9 | 4.4 |
| All other Stores | 2,472 | 0.5 | 5.2 |
| Total ex. motor vehicles | 17,059 | 1.2 | 6.5 |
| Consumer Credit (unadjusted) | 183,645 | 0.3 | 9.6 |

Real Consumer Spending and Household Finances

| | \$ Millions, SAAR (unless otherwise noted) | | | |
|---------------------------------|--|---------|---------|---------|
| | 1998 | 1999 | 2000 Q1 | 2000 Q2 |
| Real Consumption (92\$) | 487,866 | 504,763 | 516,732 | 521,312 |
| % change | 2.9 | 3.5 | 3.4 | 3.6 |
| Durable Goods | 66,487 | 71,859 | 75,824 | 76,504 |
| % change | 5.9 | 8.1 | 9.4 | 3.6 |
| Semi-Durable Goods | 45,751 | 47,103 | 48,572 | 48,728 |
| % change | 4.4 | 3.0 | 8.9 | 1.3 |
| Non-Durable Goods | 120,795 | 123,344 | 125,028 | 125,464 |
| % change | 1.7 | 2.1 | 1.4 | 1.4 |
| Services | 254,833 | 262,457 | 267,308 | 270,616 |
| % change | 2.5 | 3.0 | 1.7 | 5.0 |
| Disposable Income | 567,960 | 590,608 | 611,864 | 623,912 |
| % change | 3.9 | 4.0 | 7.7 | 8.1 |
| Saving Rate (%) | 4.5 | 3.7 | 3.9 | 4.4 |
| Debt-to-Income Ratio (%) | 94.9 | 96.1 | 95.8 | 95.1 |

Real Consumer Spending and Attitudes



*Conference Board of Canada



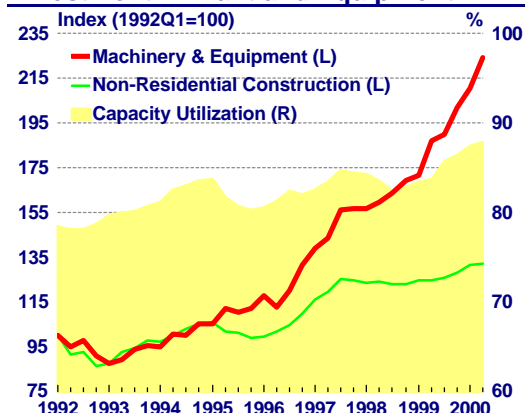
Business investment rises faster in the second quarter...

- Business investment recorded another solid advance in the second quarter, extending its recent string of sharp gains. Spending on Machinery & Equipment (M&E) soared 28.5% (annual rate), due mainly to higher purchases of computers and other office equipment. Increased purchases of transportation equipment by the oil and gas sector also played a role.
- Growth in Non-Residential Construction slowed to 2.9% (annual rate), following an increase of 10.2% in the first quarter.

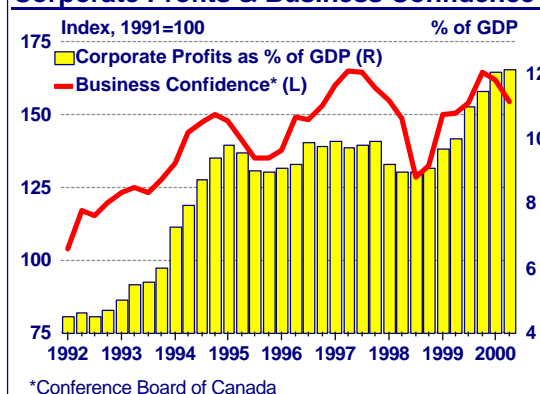
...and is expected to grow further for the rest of the year

- The investment outlook remains positive, given recent gains in corporate profits and rising capacity utilization rates.
- Indeed, imports of machinery and equipment rose 0.9% in July. Building in the non-residential sector has also bounced back strongly following the resolution of a strike by cement truck drivers in Toronto.

Investment in Plant and Equipment



Corporate Profits & Business Confidence



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

| | 1998 | 1999 | 1999 Q3 | 1999 Q4 | 2000 Q1 | 2000 Q2 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| BUSINESS INVESTMENT | | | | | | |
| Machinery & Equipment (1992\$) | 65,357 | 75,557 | 76,508 | 81,248 | 84,704 | 90,184 |
| % change | 9.0 | 15.6 | 6.0 | 27.2 | 18.1 | 28.5 |
| Non-residential Construction (1992\$) | 39,502 | 40,288 | 40,200 | 41,040 | 42,052 | 42,352 |
| % change | 1.7 | 2.0 | 2.5 | 8.6 | 10.2 | 2.9 |
| Capacity Utilization (% , Non-farm goods) | 83.3 | 84.9 | 85.7 | 86.5 | 87.5 | 87.9 |
| Capacity Utilization (Mfg. sector) | 83.8 | 85.7 | 86.7 | 87.0 | 87.8 | 88.4 |
| CORPORATE FINANCES & ATTITUDES | | | | | | |
| Corporate Operating Profits | 142,296.0 | 174,317.0 | 181,716.0 | 189,792.0 | 204,288.0 | 207,660.0 |
| % change | -13.3 | 22.5 | 28.2 | 19.0 | 34.2 | 6.8 |
| Profits - Non-financial industries | 94,891.0 | 123,372.0 | 129,740.0 | 135,332.0 | 140,360.0 | 147,312.0 |
| % change | -13.6 | 30.0 | 47.5 | 18.4 | 15.7 | 21.3 |
| Profits - Financial industries | 47,406.0 | 50,945.0 | 51,976.0 | 54,460.0 | 63,928.0 | 60,348.0 |
| % change | -12.5 | 7.5 | -7.8 | 20.5 | 89.9 | -20.6 |
| Business Credit | 694,677.7 | 729,727.8 | 735,011.7 | 746,400.0 | 755,693.0 | 771,550.3 |
| % change | 10.6 | 5.0 | 7.6 | 6.3 | 5.1 | 8.7 |



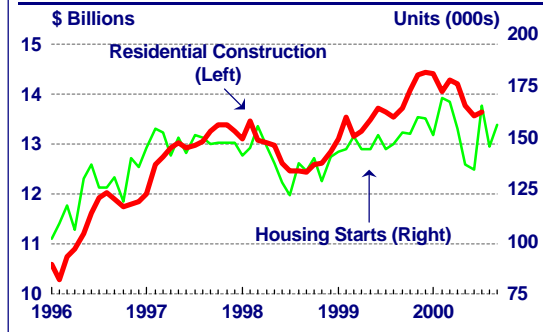
The housing market weakened considerably in the first half of 2000...

- Business investment in Residential Construction fell 11.0% in the second quarter, after registering only a slight advance in the first quarter.
- A strike by cement truck drivers in Toronto contributed greatly to this slump, leading to lower investment in new housing. However, sales of existing homes were also down on the quarter, and the pace of renovation activity slowed.

...and may remain weak in the last half of the year

- Residential construction rose 0.6% in July, but has yet to return to the levels of activity just prior to the Toronto strike. Housing starts were up 7.1% in September, only partially offsetting losses in August.
- Higher mortgage rates have been a major factor behind the recent weakness in the housing market. The Canada Mortgage and Housing Corporation expects that mortgage rates will decline in coming months, which could support future activity in the sector.

Housing Activity



Monthly Housing Indicators

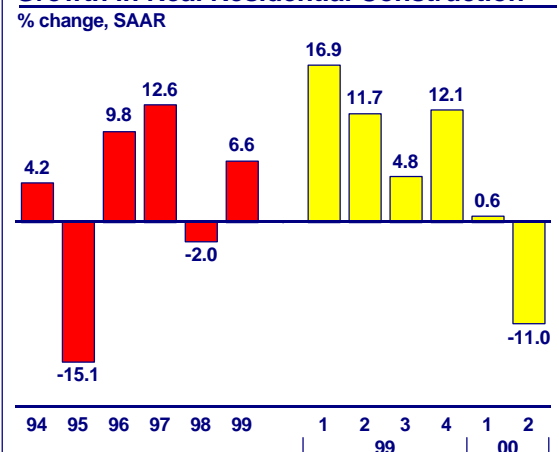
| | levels | Change since | |
|---|---------|--------------|-----------|
| | | last month | last year |
| Residential Construction (1) (\$92M, factor cost basis) | 13,639 | 0.6% | 0.1% |
| Building Permits, \$M (2) | 1,886 | 10.7% | 12.5% |
| Sales of Existing Homes (2) (# of units) | 20,025 | 1,025 | |
| Housing Starts, # of units (3) | 156,400 | 10,400 | 3,900 |
| Newfoundland | 1,000 | 100 | 200 |
| Prince Edward Island | 300 | -200 | 0 |
| Nova Scotia | 1,600 | -2,500 | -800 |
| New Brunswick | 3,200 | 1,600 | 1,100 |
| Quebec | 21,900 | -1,400 | -5,100 |
| Ontario | 67,300 | 5,200 | 6,400 |
| Manitoba | 1,300 | -700 | -200 |
| Saskatchewan | 1,700 | -600 | -1,400 |
| Alberta | 23,700 | 4,400 | 5,000 |
| British Columbia | 13,400 | 4,500 | -1,500 |

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

Real Investment in Residential Structures

| | \$92 Millions, SAAR (unless otherwise noted) | | | |
|---------------------------------|--|--------|---------|---------|
| | 1998 | 1999 | 2000 Q1 | 2000 Q2 |
| Residential Construction | 41,523 | 44,259 | 45,832 | 44,528 |
| % change | -2.0 | 6.6 | 0.6 | -10.9 |
| Construction by Business sector | 41,277 | 43,983 | 45,560 | 44,256 |
| % change | -2.0 | 6.6 | 0.6 | -11.0 |
| New Housing | 20,701 | 22,258 | 22,996 | 21,800 |
| % change | -3.5 | 7.5 | -7.9 | -19.2 |
| Alterations & Improvements | 13,640 | 14,399 | 15,212 | 15,328 |
| % change | 2.4 | 5.6 | 10.2 | 3.1 |
| Ownership & Transfer Costs | 7,182 | 7,259 | 7,624 | 7,400 |
| % change | -5.7 | 1.1 | 10.3 | -11.2 |

Growth in Real Residential Construction



THE ECONOMY

Trade and Competitiveness

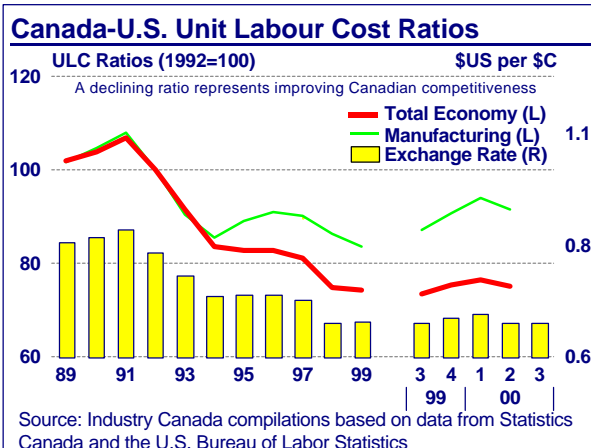
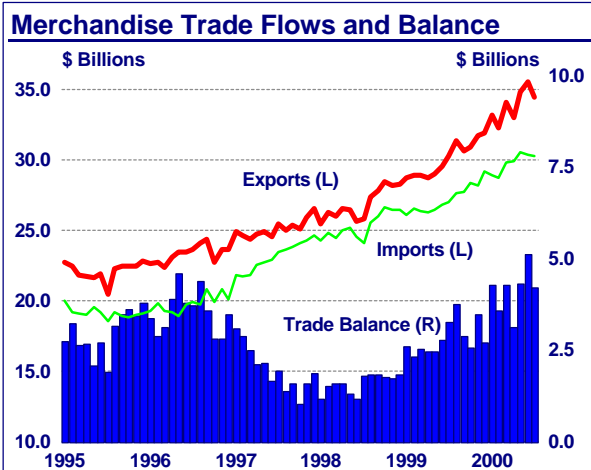


Exports fall sharply in July...

- Exports dropped sharply in July (-2.9%), more than offsetting a strong gain in June. The biggest declines were in exports of passenger vehicles and communications equipment. Exports of crude petroleum also fell, due mainly to lower prices.
- Imports edged down 0.4% in July. Declining imports of motor vehicles were due to lower demand for heavy trucks, while Industrial Goods & Materials also posted a loss.

...leading to a reduced trade surplus

- With a greater decline in exports than imports, Canada's merchandise trade balance dropped to \$4.2 billion in July. Still, the cumulative trade surplus for the first seven months of the year was \$28.9 billion, up \$10.4 billion on a year-to-date basis.



| Merchandise Trade | | | | | | | |
|------------------------------|----------------------|-----------|----------------------------|---------------|-------------------|-------------------|----------------------|
| July 2000 | Levels (\$ millions) | | Year-to-date (\$ millions) | | Change (\$M) | | % Change |
| | June 2000 | July 2000 | 1999 Jan-July | 2000 Jan-July | June to July 2000 | June to July 2000 | July 99 to July 2000 |
| Exports | 35,519 | 34,475 | 204,117 | 237,363 | -1,044 | -2.9 | 13.9 |
| to United States | 30,518 | 29,814 | 175,107 | 203,827 | -704 | -2.3 | 13.9 |
| Imports | 30,403 | 30,283 | 185,684 | 208,494 | -120 | -0.4 | 12.2 |
| from United States | 22,546 | 22,195 | 142,790 | 154,351 | -351 | -1.6 | 7.1 |
| Trade Balance | 5,116 | 4,192 | 18,433 | 28,869 | -924 | | |
| with United States | 7,972 | 7,619 | 32,317 | 49,476 | -353 | | |
| Exports by Commodity | | | | | | | |
| Agriculture/Fishing Products | 2,336 | 2,366 | 14,748 | 15,913 | 30 | 1.3 | 9.1 |
| Energy Products | 4,368 | 4,050 | 15,346 | 26,538 | -318 | -7.3 | 50.6 |
| Forestry Products | 3,506 | 3,505 | 22,337 | 24,569 | -1 | 0.0 | 1.2 |
| Industrial Goods & Materials | 5,503 | 5,622 | 32,588 | 37,443 | 119 | 2.2 | 17.7 |
| Machinery & Equipment | 9,199 | 8,618 | 48,608 | 59,382 | -581 | -6.3 | 17.1 |
| Automotive Products | 8,154 | 7,788 | 54,592 | 56,549 | -366 | -4.5 | 3.4 |
| Other Consumer Goods | 1,207 | 1,229 | 7,845 | 8,357 | 22 | 1.8 | 10.6 |
| Imports by Commodity | | | | | | | |
| Agriculture/Fishing Products | 1,511 | 1,514 | 10,219 | 10,512 | 3 | 0.2 | 3.9 |
| Energy Products | 1,397 | 1,438 | 5,243 | 9,611 | 41 | 2.9 | 70.4 |
| Forestry Products | 258 | 241 | 1,564 | 1,755 | -17 | -6.6 | 5.2 |
| Industrial Goods & Materials | 6,070 | 5,921 | 35,211 | 40,980 | -149 | -2.5 | 16.3 |
| Machinery & Equipment | 10,242 | 10,333 | 61,753 | 69,863 | 91 | 0.9 | 15.6 |
| Automotive Products | 6,578 | 6,411 | 43,335 | 45,418 | -167 | -2.5 | 1.6 |
| Other Consumer Goods | 3,260 | 3,291 | 21,155 | 22,767 | 31 | 1.0 | 6.6 |



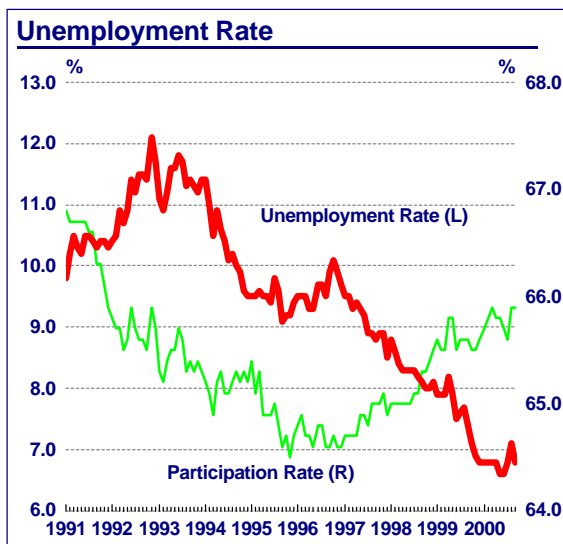
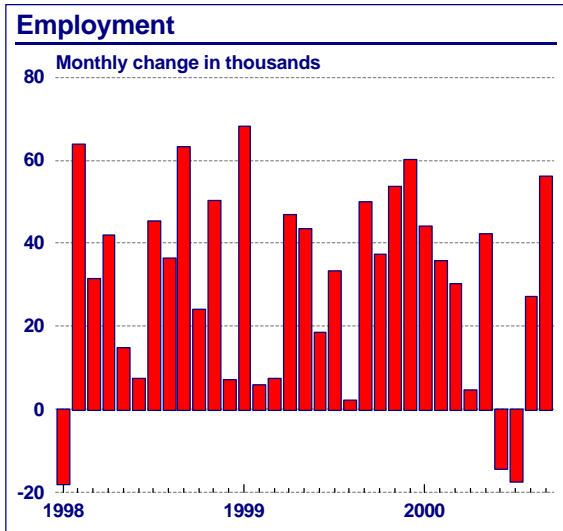
Employment and Unemployment

Solid job gains in September...

- Employment rose by 56,000 in September, its biggest advance so far this year. The monthly gain was shared by full-time (+29,000) and part-time work (+27,000).
- A sharp increase in youth employment (+35,000) was a major contributor to this increase, with most of these gains in part-time positions.

...lower the unemployment rate to 6.8%

- The national unemployment rate fell 0.3 percentage points to 6.8% in September. Following a sharp rise in the labour force in the previous month, the participation rate was unchanged at 65.9%, its highest rate since 1991.
- The youth unemployment rate dropped 0.3 percentage points to 12.7% in September, while the adult unemployment rate fell 0.2 points to 5.7%.



Labour Force Trends

| (in thousands) | Levels | | | Change since | | | % Change since | |
|---------------------------|-------------------|----------------|-------------------|---------------|--------------|------------------|----------------|--------------|
| | 1999 September | 2000 August | 2000 September | last month | last year | year-to- date | last month | last year |
| Employment | 14,596.3 | 14,900.8 | 14,957.1 | 56.3 | 360.8 | 209.6 | 0.4 | 2.5 |
| Full-time | 11,899.5 | 12,182.4 | 12,211.7 | 29.3 | 312.2 | 116.3 | 0.2 | 2.6 |
| Part-time | 2,696.8 | 2,718.4 | 2,745.4 | 27.0 | 48.6 | 93.3 | 1.0 | 1.8 |
| Youth 15-24 | 2,221.9 | 2,278.5 | 2,313.5 | 35.0 | 91.6 | 59.4 | 1.5 | 4.1 |
| Adult 25+ | 12,374.5 | 12,622.3 | 12,643.5 | 21.2 | 269.0 | 150.2 | 0.2 | 2.2 |
| Self-employed | 2,433.6 | 2,387.5 | 2,382.3 | -5.2 | -51.3 | -126.7 | -0.2 | -2.1 |
| Unemployment | 1,168.1 | 1,135.7 | 1,098.8 | -36.9 | -69.3 | 23.9 | -3.2 | -5.9 |
| Unemployment Rate | 7.4 | 7.1 | 6.8 | -0.3 | -0.6 | 0.0 | | |
| Youth 15-24 | 14.2 | 13.0 | 12.7 | -0.3 | -1.5 | -0.4 | | |
| Adult 25+ | 6.1 | 5.9 | 5.7 | -0.2 | -0.4 | 0.1 | | |
| Labour Force | 15,764.5 | 16,036.5 | 16,055.8 | 19.3 | 291.3 | 233.5 | 0.1 | 1.8 |
| Participation Rate | 65.6 | 65.9 | 65.9 | 0.0 | 0.3 | 0.3 | | |
| Employment Rate | 60.7 | 61.2 | 61.4 | 0.2 | 0.7 | 0.2 | | |



Industry Overview

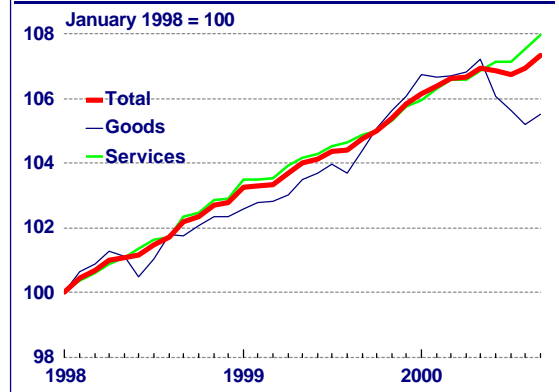
Employment growth is concentrated in Services and Construction...

- Employment in Services rose 44,000 in September, extending its recent strong performance. Notable increases were registered in Accommodation & Food, Educational and Professional/Scientific Services, as well as in Public Administration.
- Following four straight monthly declines, employment was up 12,000 in the Goods sector on the month. The Construction industry accounted for most of the increase, as employment was little changed in Manufacturing and down slightly in the Agriculture sector.

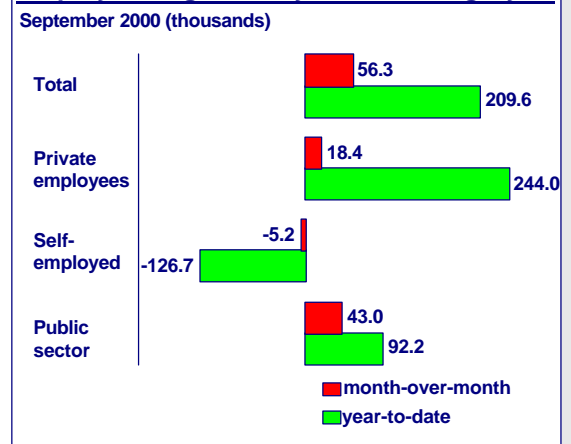
...and in the public sector

- The public sector accounted for a large share of the total rise in employment in September (+43,000). The number of paid employees in the private sector was up 18,000, but self-employment remains weak, falling 5,000.

Employment by major sector



Employment growth by worker category



Industrial Employment Trends

| (in thousands) | Levels | | | Change since | | | % Change since | |
|--------------------------------|-------------------|----------------|-------------------|---------------|--------------|------------------|----------------|--------------|
| | 1999 September | 2000 August | 2000 September | last month | last year | year-to- date | last month | last year |
| Goods-producing | 3,804.4 | 3,832.4 | 3,844.6 | 12.2 | 40.2 | -20.7 | 0.3 | 1.1 |
| Agriculture | 405.3 | 367.9 | 360.2 | -7.7 | -45.1 | -38.9 | -2.1 | -11.1 |
| Natural Resources* | 264.7 | 282.4 | 284.9 | 2.5 | 20.2 | 9.6 | 0.9 | 7.6 |
| Utilities | 115.8 | 115.5 | 116.4 | 0.9 | 0.6 | 1.0 | 0.8 | 0.5 |
| Construction | 772.5 | 806.4 | 820.0 | 13.6 | 47.5 | 12.6 | 1.7 | 6.1 |
| Manufacturing | 2,246.2 | 2,260.1 | 2,263.1 | 3.0 | 16.9 | -5.1 | 0.1 | 0.8 |
| Services-producing | 10,791.9 | 11,068.4 | 11,112.5 | 44.1 | 320.6 | 230.3 | 0.4 | 3.0 |
| Trade | 2,260.7 | 2,341.2 | 2,347.8 | 6.6 | 87.1 | 76.1 | 0.3 | 3.9 |
| Transportation | 751.0 | 767.9 | 767.5 | -0.4 | 16.5 | 3.3 | -0.1 | 2.2 |
| FIRE* | 867.8 | 865.4 | 862.3 | -3.1 | -5.5 | -3.0 | -0.4 | -0.6 |
| Professional/Scientific | 911.5 | 947.3 | 959.5 | 12.2 | 48.0 | 33.0 | 1.3 | 5.3 |
| Management/Administrative | 509.9 | 559.3 | 563.3 | 4.0 | 53.4 | 45.8 | 0.7 | 10.5 |
| Educational Services | 992.4 | 957.2 | 973.7 | 16.5 | -18.7 | -28.0 | 1.7 | -1.9 |
| Health Care/Social Assistance | 1,452.5 | 1,537.4 | 1,538.4 | 1.0 | 85.9 | 66.5 | 0.1 | 5.9 |
| Information/Culture/Recreation | 634.6 | 676.4 | 676.6 | 0.2 | 42.0 | 40.4 | 0.0 | 6.6 |
| Accommodation & Food | 932.7 | 939.7 | 961.0 | 21.3 | 28.3 | 10.4 | 2.3 | 3.0 |
| Other Services | 710.1 | 722.3 | 696.0 | -26.3 | -14.1 | -12.9 | -3.6 | -2.0 |
| Public Administration | 768.9 | 754.4 | 766.3 | 11.9 | -2.6 | -1.5 | 1.6 | -0.3 |

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



Provincial Overview

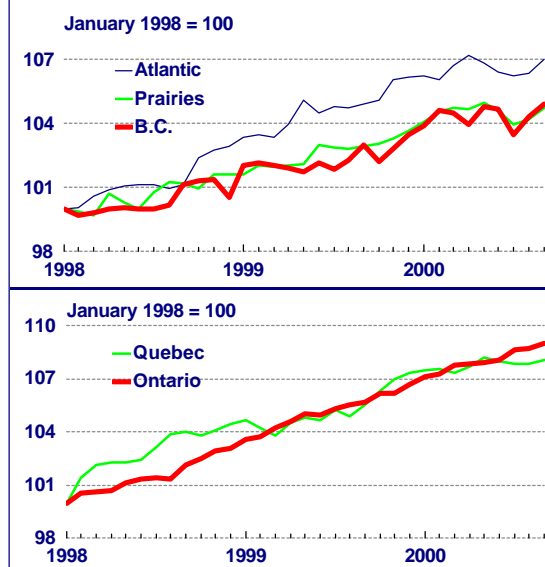
Ontario, Alberta and British Columbia lead September job gains...

- Employment was up in all provinces in September. Ontario, Alberta and British Columbia accounted for roughly three-quarters of the overall gain.

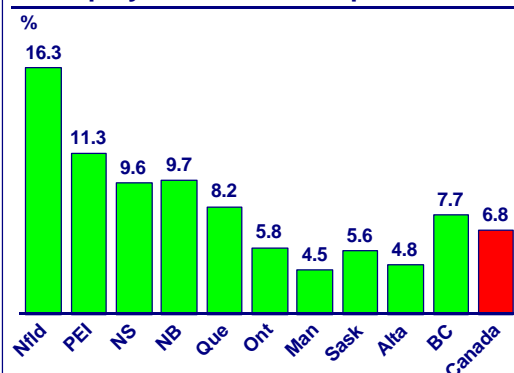
...as the unemployment rate declines in most provinces

- Although Newfoundland recorded a solid employment gain, an even larger increase in the number of job seekers drove up the unemployment rate by 0.6 percentage points to 16.3%. The unemployment rate in Nova Scotia was also up, as increases in the labour force outpaced job growth in September.
- The unemployment rate fell 1.4 points to 11.3% in P.E.I., the biggest drop among all provinces. Manitoba, Alberta and New Brunswick also registered substantial declines in their unemployment rates in September.
- There is considerable variation in unemployment rates across provinces. At 4.5%, Manitoba has the lowest provincial unemployment rate, while Newfoundland has the highest rate at 16.3%.

Regional employment patterns



Unemployment Rates -- September 2000



Provincial Employment and Unemployment Trends

| | Levels 2000 September | Employment (thousands) | | | | Unemployment rate (%) | | |
|---------------|-----------------------------|----------------------------|-----|---------------------------|------|-----------------------|-------------------------------|--------------|
| | | Change since last month | | Change since last year | | Levels | Change since last month | last year |
| | | (000's) | % | (000's) | % | | | |
| Canada | 14,957.1 | 56.3 | 0.4 | 360.8 | 2.5 | 6.8 | -0.3 | -0.6 |
| Newfoundland | 206.2 | 2.7 | 1.3 | -0.4 | -0.2 | 16.3 | 0.6 | -0.5 |
| P.E.I. | 65.2 | 1.4 | 2.2 | 4.5 | 7.4 | 11.3 | -1.4 | -2.5 |
| Nova Scotia | 417.6 | 1.3 | 0.3 | 7.3 | 1.8 | 9.6 | 0.1 | -0.2 |
| New Brunswick | 337.0 | 0.9 | 0.3 | 8.5 | 2.6 | 9.7 | -0.5 | -0.3 |
| Quebec | 3,447.9 | 6.9 | 0.2 | 80.9 | 2.4 | 8.2 | -0.2 | -0.7 |
| Ontario | 5,899.0 | 18.1 | 0.3 | 179.8 | 3.1 | 5.8 | -0.2 | -0.5 |
| Manitoba | 558.7 | 0.5 | 0.1 | 13.7 | 2.5 | 4.5 | -0.6 | -1.3 |
| Saskatchewan | 480.8 | 1.3 | 0.3 | -2.9 | -0.6 | 5.6 | -0.3 | 0.2 |
| Alberta | 1,589.6 | 12.0 | 0.8 | 33.7 | 2.2 | 4.8 | -0.5 | -1.0 |
| B.C. | 1,954.9 | 11.0 | 0.6 | 35.5 | 1.8 | 7.7 | -0.2 | -0.2 |



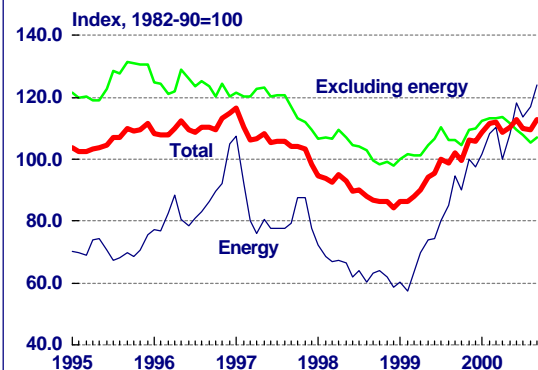
Inflation falls in August as energy prices moderate...

- Consumer prices were up 2.5% in August on a year-over-year basis, down from 3.0% in July. Higher energy prices were the main contributors to August inflation, although this impact was smaller than in previous months. The Clothing index was the only major component for which prices were lower compared to a year ago.
- On a monthly basis, consumer prices fell 0.2% in August, following an increase of 0.4% the previous month.

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

- Excluding energy, food and indirect taxes, the "core" rate of inflation held steady at 1.5% in August, 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 10.5% in September on a year-over-year basis. This can be attributed mostly to higher energy prices (+31.2%), as non-energy commodity prices edged up only 0.7%.

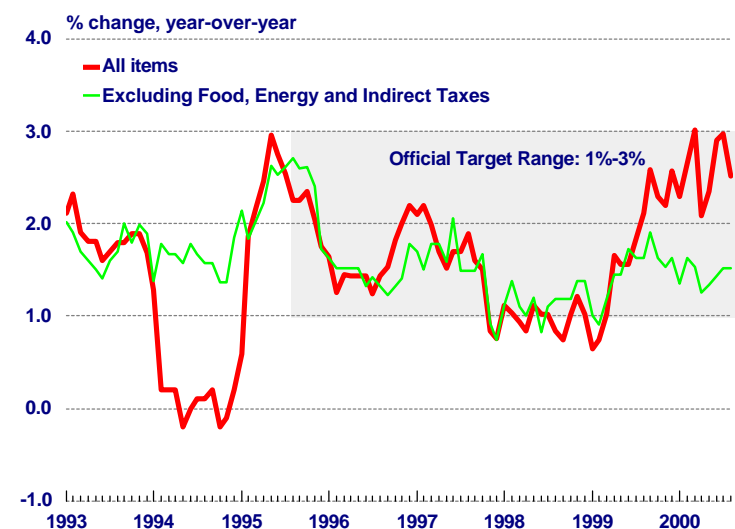
Commodity Prices (\$U.S. basis)



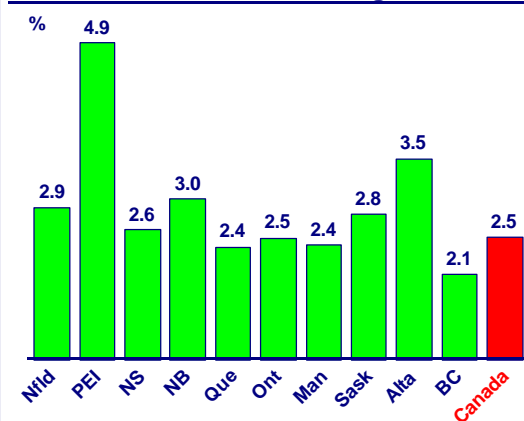
Consumer Prices

| | Index (1992=100) | % Change since | |
|---|---------------------|----------------|------------|
| | | last month | last year |
| August 2000 | | | |
| All items CPI | 113.9 | -0.2 | 2.5 |
| Food | 113.1 | -0.3 | 2.4 |
| Shelter | 109.0 | 0.3 | 3.8 |
| Household operations | 110.5 | 0.0 | 1.3 |
| Clothing & Footwear | 105.4 | 0.7 | -0.8 |
| Transportation | 130.0 | -0.9 | 2.8 |
| Health & Personal Care | 112.4 | 0.4 | 1.7 |
| Recreation, Educ. & Reading | 124.8 | -0.1 | 2.5 |
| Alcohol & Tobacco | 98.0 | 0.0 | 3.6 |
| Excl. Food/Energy/Indirect Taxes | 114.0 | 0.2 | 1.5 |
| Energy | 127.3 | -1.7 | 11.9 |
| Commodity Prices (September) | | | |
| Index, 1982-90=100 | 112.9 | 3.1 | 10.5 |
| Excluding Energy | 107.0 | 1.5 | 0.7 |
| Energy | 124.1 | 6.0 | 31.2 |

Consumer Price Index



Provincial CPI Inflation -- August 2000



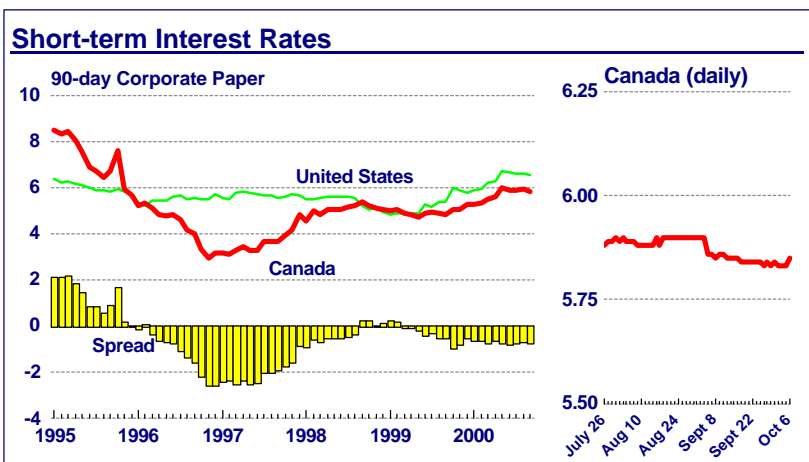


Short term interest rates are down slightly in September...

- The Bank of Canada's trendsetting Bank Rate has held steady at 6.0% since May. Market-determined short-term interest rates have also been quite stable, hovering around the 5.8% mark through most of September. Canadian short-term interest rates closed 76 basis points below comparable U.S. rates on October 4.

...but long-term yields edge up

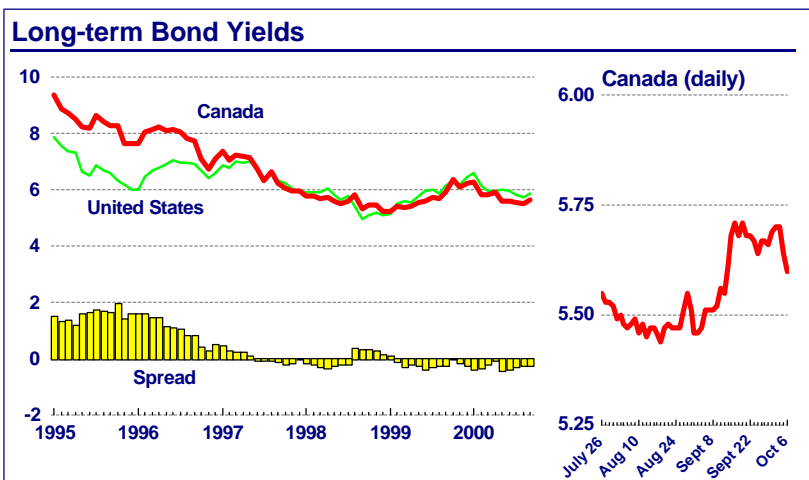
- Canadian long-term bond yields opened September at 5.46%, but subsequently rose above 5.7% by the middle of the month, their highest level since May. The run-up in long-term rates occurred as rising oil prices raised concern of higher inflation, prompting North American investors to switch to shorter maturities.
- With bond yields rising in tandem across North America, the gap between Canadian and U.S. long-term interest rates was virtually unchanged in September. As of October 4, Canadian rates stood 25 basis points below comparable U.S. yields.



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 |
| April 2000 | 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 |
| August | 5.90 | -0.67 | 5.51 | -0.23 |
| Sept | 5.83 | -0.72 | 5.67 | -0.23 |
| Oct 4 | 5.83 | -0.76 | 5.70 | -0.25 |

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 |
| April 2000 | 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 |
| August | 6.00 | 7.50 | 7.90 | 8.25 |
| Sept | 6.00 | 7.50 | 7.90 | 8.25 |
| Oct 4 | 6.00 | 7.50 | 7.90 | 8.25 |

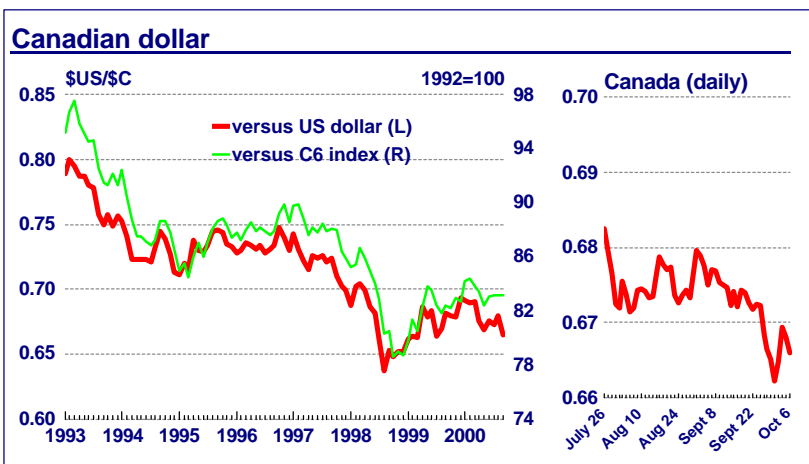


Stock prices slip in September...

- After beginning September at a record high, the TSE 300 index lost ground throughout the month and into early October. Stock prices were down 7.7% overall in September, with losses concentrated in the Paper & Forest and Metals & Minerals sectors. A less optimistic outlook for earnings in the high-tech sector also pulled the TSE 300 down. Despite September's slide, the TSE was up 49.2% on a year-over-year basis.
- The US S&P 500 and Dow Jones Industrial Average also fell back in September, finishing the month down 5.3% and 5.0% respectively.

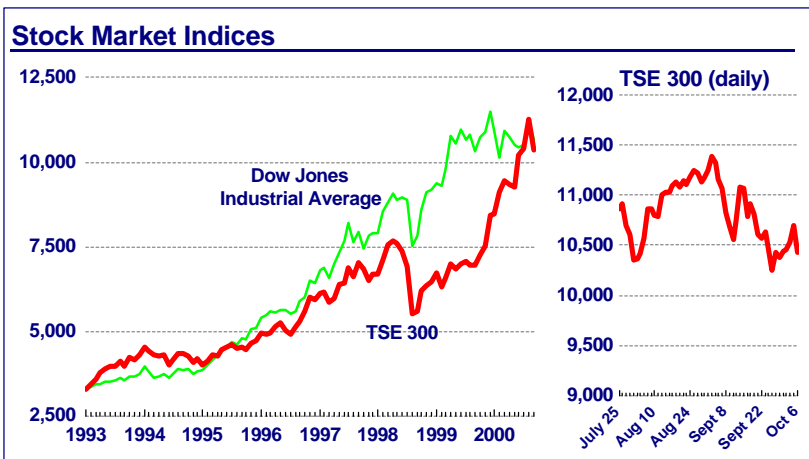
...and the dollar falls

- The Canadian dollar closed out August at just below \$US 0.68, buoyed by expectations that the federal budgetary surplus would be larger than previously thought. However, the currency fell through much of September, and reached a four-month low of \$US 0.6622 on October 2. Market analysts attributed the weakness to strong international demand for the U.S. currency.



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 |
| April 2000 | 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 |
| August | 0.6796 | 83.13 | 1.459 | 72.86 |
| Sept | 0.6651 | 83.16 | 1.513 | 71.88 |
| Oct 6 | 0.6659 | | | |



Key Stock Market Indexes

| | September Close | % change from | |
|-----------------------|--------------------|---------------|--------------|
| | | last month | last year |
| TSE 300 | 10,378 | -7.7 | 49.2 |
| Oil & Gas | 8,025 | 4.8 | 28.3 |
| Metals & Minerals | 3,397 | -6.5 | -13.0 |
| Utilities | 14,529 | 2.8 | 84.8 |
| Paper & Forest | 4,905 | -9.6 | 0.8 |
| Merchandising | 5,454 | 2.6 | 7.6 |
| Financial Services | 9,805 | 5.7 | 46.3 |
| Goods | 4,055 | -0.7 | -36.7 |
| Price-Earnings Ratio* | 34.4 | -3.6 | 6.2 |
| S&P 500 | 1,437 | -5.3 | 12.0 |
| Dow Jones | 10,651 | -5.0 | 3.0 |

*columns 2 & 3 reflect change in levels



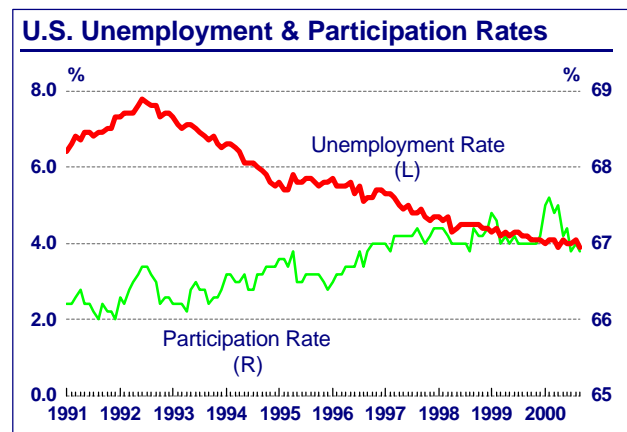
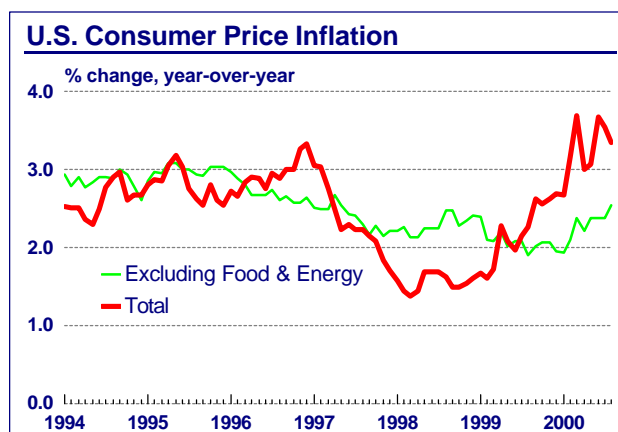
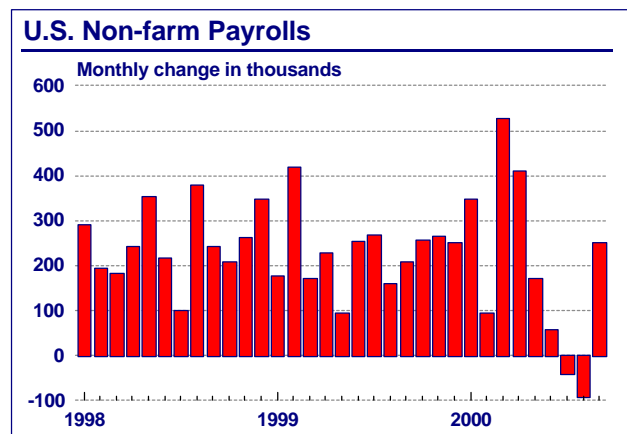
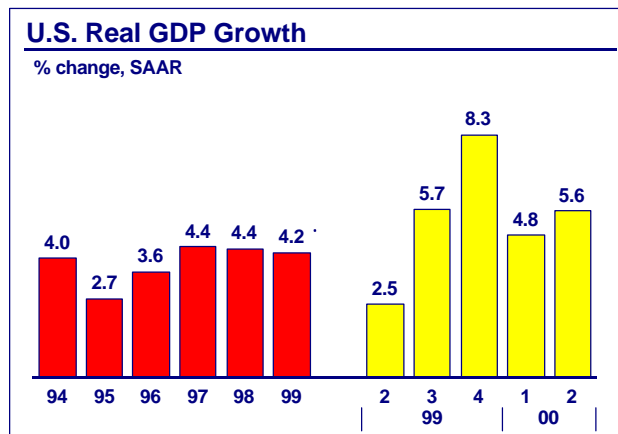
U.S. Economic Trends

The U.S. economy grows at a fast pace in the second quarter...

- Final estimates indicate that U.S. real GDP increased a solid 5.6% (annual rate) in the second quarter of 2000. Major increases in non-residential fixed investment, consumer spending and inventory investment were partially offset by an increase in imports.
- Employment rose by 252,000 in September, following two months of decline. The services industry led employment gains, but employment in manufacturing was down, partly due to strikes. The U.S. unemployment rate fell to 3.9%, matching the 30-year low reached in April.
- The U.S. trade deficit jumped to a record \$31.9 billion in July, up from June's revised deficit of \$29.8 billion. Exports fell 1.5% while imports rose only slightly (0.6%).

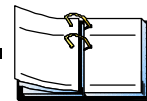
...but the Federal Reserve leaves interest rates unchanged

- At its October 3 meeting, the Federal Reserve decided to leave short-term interest rates unchanged. This move was expected as economic growth appears to be slowing and inflation pressures remain low. The Federal Reserve Board last changed interest rates in May.
- U.S. consumer prices fell for the first time in 14 years in August, aided by a drop in energy prices. On a year-over-year basis, CPI inflation was 3.4% in August.



COMING UP

Key Future Data Releases and Planned Events



CANADA

| | |
|---|-------------|
| Survey of Manufacturing – August | October 18 |
| International Trade – August | October 19 |
| Consumer Price Index – September | October 20 |
| GDP at factor cost – August | October 31 |
| Business Conditions Survey – October | November 2 |
| Labour Force Survey – October | November 3 |
| Financial Statistics For Enterprises – 3rd Quarter 2000 | November 24 |
| National Economic & Financial Accounts – 3rd Quarter 2000 | November 30 |
| Balance of International Payments – 3rd Quarter 2000 | November 30 |
| Capacity Utilization Rates – 3rd Quarter 2000 | December 7 |

UNITED STATES

| | |
|---|-------------|
| Consumer Price Index – September | October 18 |
| International Trade – August | October 19 |
| GDP –3rd Quarter 2000, Advance | October 27 |
| Employment Situation – October | November 3 |
| Federal Open Market Committee meeting | November 15 |

Note: the October MEI uses data available as of October 6, 2000