



# Economic Weekly

ECONOMY AND STRATEGY GROUP



June 22nd, 2007

## Weekly indicators

- **United States** – Housing starts pulled back by 2.1% in May, to 1.474 million on a seasonally adjusted basis. However the more volatile multiple units segment gained ground. Nevertheless, the value of building permits issued for single family homes fell by 1.8%, to its weakest level since August 1997. Given the continued large inventories of unsold houses in the United States, the housing market's downtrend remains intact and no sustainable rebound can be expected this year.
- **Canada** – Retail sales advanced by a disappointing 0.4% in April. Analysts had expected a 1% jump. However the new data cannot be regarded as an indicator of a significant falloff in consumer demand. In volume terms, retail sales increased by a robust 0.5% in April, following a 1.2% jump in March. With expenditures already up at a rate of 4.4% on an annualized basis, the stage is set for an acceleration in retail sales in volume terms during Q2. GDP thus remains in a good position to grow by close to 3% this quarter, which is above the Canadian economy's speed limit. The Bank of Canada's reference index, the CPIX, gained 0.3% in May, which brought the inflation rate to 2.2%. The deceleration in the index (from 2.5% in April to 2.2% in May), is not permanent. It stems from a temporary movement in prices 12 months ago. The index's growth on a y/y basis should thus pick up again during the coming months. As a result of these developments, we would not be surprised to see the Bank of Canada increase its key rate by 25 basis points at each of its next two meetings this summer.

Following the subject of the week, you'll find the trends in the principal North American and global indicators. The last page presents a calendar of indicators which are to be published next week.

## World economy

### **Real long-term interest rates must rise or central banks will be forced to tighten the screws**

#### Summary

- Several regions of the world are seeing nominal GDP growth rates that are far higher than the long-term bond yields in their local markets. Examples include the euro zone, emerging Asia and the United Kingdom.
- Current global monetary policy is not totally reassuring. Despite synchronized tightening by the world's principal central banks, long-term bond rates are too low relative to economic growth.
- World liquidity has not dried up fast enough and financial conditions remain too loose. If this continues, inflation risks heating up.
- For long-term price stability to be maintained, financial markets will need to restore real long-term rates to adequate levels (in line with economic growth). Or else central banks will be forced to lead the way.

#### What has gotten into the central banks?

Several of the world's central banks continue to tighten the screws. The Reserve Bank of New Zealand recently raised its key rate to 8%, its highest level since 1998. The United Kingdom's central bank has hiked its intervention rate to 5.5% and the European Central Bank has just moved again, raising its policy rate to 4%. What has gotten into the central banks?

Helped by the low real interest rates (in fact possibly too low) that markets are building into long-term bonds, it appears that the financial conditions underlying the world economy remain too accommodating, this, despite the recent policy rate hikes by several central banks.

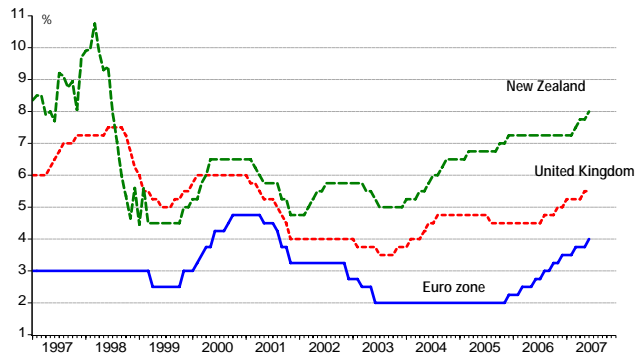
Real-long term bond rates on the financial markets need to get back to normal. If they don't, the central banks will need to show the way.

## Another turn of the screw

Judging from the recent series of policy rate hikes, nervousness appears to be engulfing some of the world's central banks. As we shall see, there is good reason for this. That the key rates of an increasing number of central banks are approaching the cyclical peak levels that were last hit during the year 2000 is far from a coincidence.

### 1) Another turn of the screw

The policy rates of certain central banks



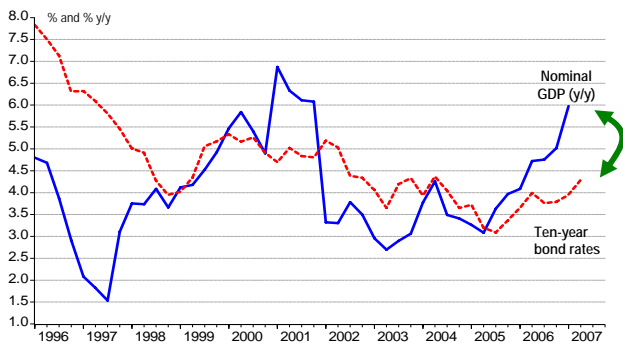
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## Excess growth?

In several of the world's regions, nominal GDP growth rates are now higher than local long-term interest rates. In the euro zone, nominal GDP growth is now running near 6%. That's the first time during the current global economic cycle, which began in 2002, that growth has been that strong.

### 2) The euro zone takes off

Nominal GDP and ten-year bond rates in the euro zone



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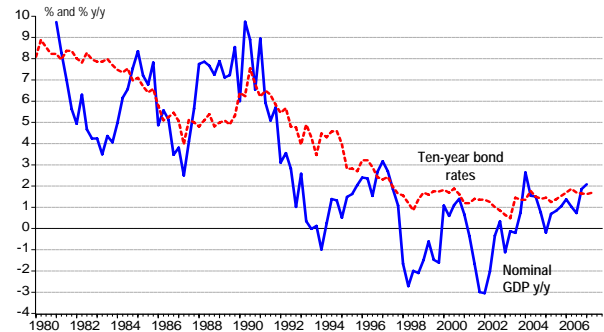
With ten-year bond rates in the euro zone now just under 5%, the current situation resembles that which prevailed in 2000 and at the start of 2001, a period which marked the peak of the previous economic cycle.

Japan's case is less drastic, though things are changing there too. Since 2004, nominal Japanese GDP growth

rates were running below local long-term interest rates. But at the start of the year that trend was reversed.

### 3) A reversal in Japan

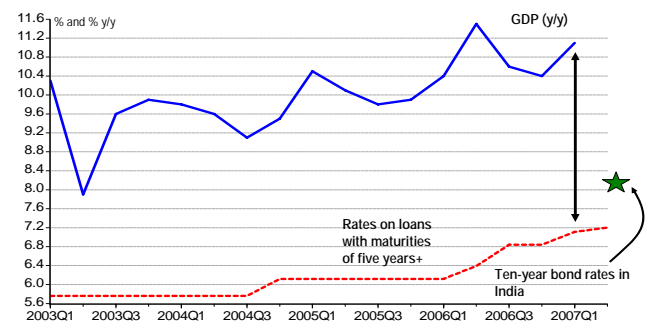
Nominal GDP and ten-year bond rates in Japan



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### 4) The gap is widest in China and India

GDP and the interest rates on bonds with maturities of five-years+ in China



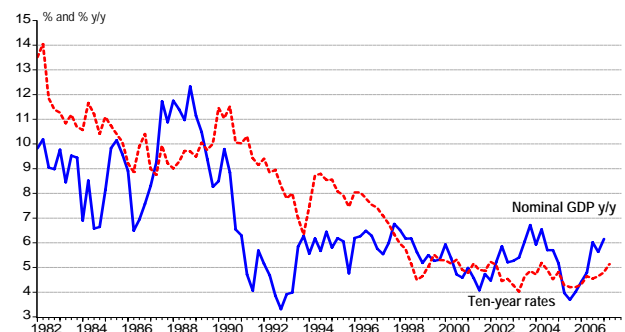
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Emerging Asia is where the gap between GDP growth rates and long-term bond rates is most evident. GDP growth is running above 10% in China and India. Yet ten-year bond rates in India are currently about 8% and long-term rates in China are barely above 7%.

In Europe, Britain is no exception. After hitting a slow period during 2005, nominal GDP growth has picked up, though long-term bond rates have not risen as quickly. In fact, the sole exceptions can be found in North America.

### 5) Rates are also low in the United Kingdom

Nominal GDP and ten-year bond rates in the UK

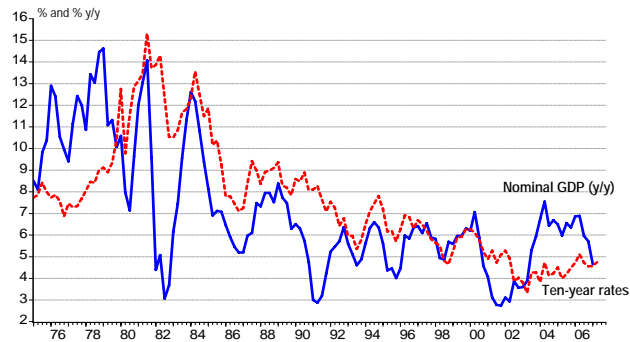


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In the US, ten-year treasury yields and nominal GDP growth have been moving in tandem since last quarter.

### 6) Equilibrium in the United States...

Nominal GDP and ten-year rates in the United States

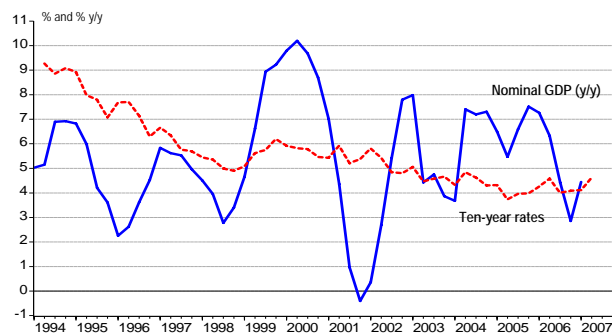


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A similar situation exists in Canada. Long-term bond yields are more or less in line with nominal GDP growth rates. In short, with the exception of North America, nominal GDP growth rates are easily outstripping long-term bond yields. So what does this all mean?

### 7) ...and in Canada too

Nominal GDP and ten-year bond rates in Canada



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## The lessons of the Volker and Greenspan eras

This divergence between nominal economic growth rates and long-term bond rates is highly significant. Macro-economists follow this spread attentively, to gage whether financial conditions in an economy are restrictive or expansionist. In fact, the spread is an excellent advanced indicator of future inflation.

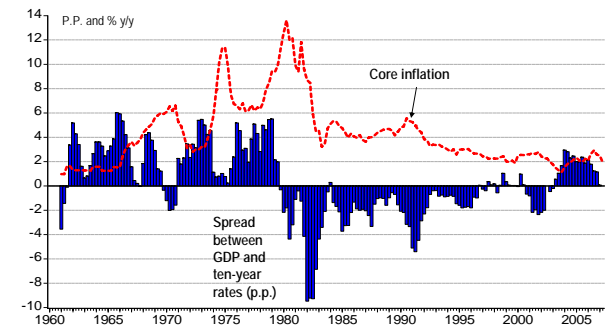
As can be seen in chart 8, when nominal economic growth exceeds long-term bond yields, (when the blue lines are in positive territory) inflation in both goods and services begins to increase shortly thereafter.

Central banks are very aware of this. It is for this reason that they maintained real interest rates higher at the beginning of the 1980s. This was the "Volker Era," which was named after the Federal Reserve's governor back then. At the time, the principal monetary authorities, in

tandem, further tightened their monetary policies in order to orchestrate a drop in inflation.

### 8) An unequivocal dynamic

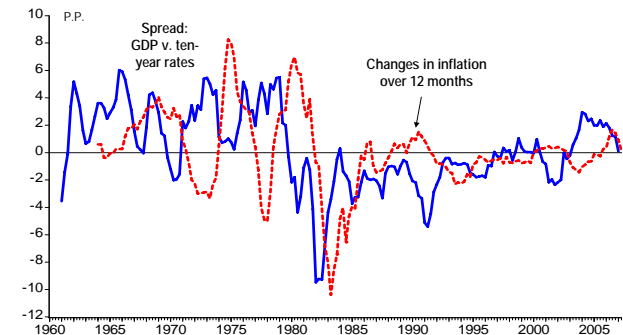
The spread between nominal GDP and ten-year rates, versus core inflation (United States)



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### 9) An advanced indicator of inflation

Spread between the growth in nominal GDP and ten-year rates versus the change in inflation rates over 12 months



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His successor, Mr. Greenspan, continued Mr. Volker's policies, which proved to be a success. Inflation rates dropped considerably since the 1980s and have remained low, even in emerging economies. Recently however, the gap between the trend lines that chart nominal GDP growth and long-term bond rates has widened. This is a bad sign regarding future inflation.

The question is: have central banks not tightened policy rates enough? Or have long-term bond markets simply looked past current developments to justify the low real yields that now exist?

## An unsustainable spread

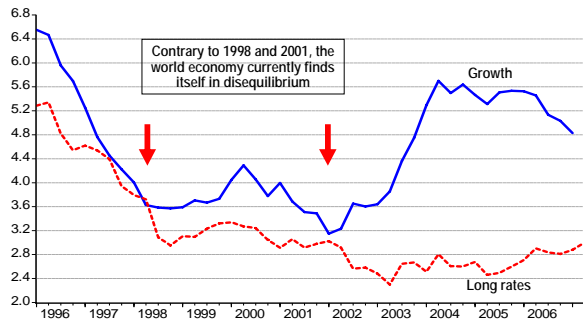
The current state of global monetary policy is far from comforting to those who expect the monetary authorities to remain on track in meeting their goal of continued price stability. Despite the synchronized tightening by the world's principal central banks, long-term bond rates remain too low relative to current economic growth.

As can be seen in the aggregate data of world economic growth and long-term bond rates, (chart 10), these long-term rates have not adjusted themselves to the more

vigorous GDP growth rates. This suggests that world monetary policy remains too loose<sup>1</sup>.

### 10) A monster of a gap is forming

Growth in the NBF aggregate of world GDP, versus world long rates



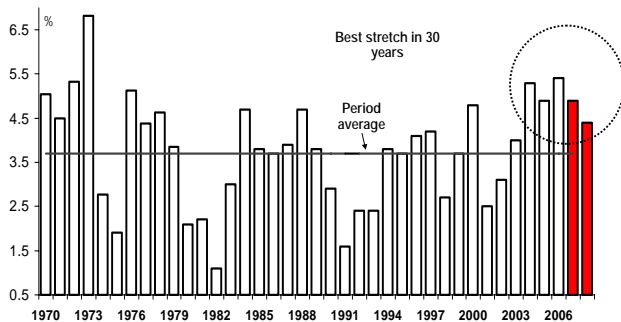
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Although the central banks have turned the screws several times during the past two years, world liquidity has not sufficiently dried up. As a result, world financial conditions appear to be too accommodating. It is no coincidence that on June 5<sup>th</sup>, the US Federal Reserve governor Ben Bernanke affirmed that “**low pricing of risk raises some concerns,**” and that “**long-term real interest rates are relatively low.**”

In this context, one should not be surprised that world economic growth is presently seeing its best stretch in more than 30 years. That said, the pace needs to slow. If it does not, strong economic activity could spark a new round of global inflation.

### 11) World growth: should we be surprised?

World GDP growth



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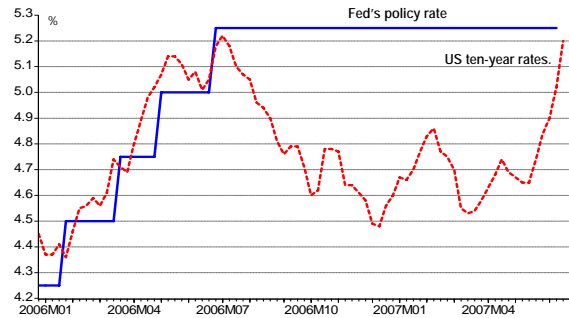
### Are central banks still in control?

Global financial conditions are less and less being set in Washington. This has somewhat crimped the efficiency

<sup>1</sup> The respective weights were pulled from the most recent IMF “World Economic Outlook,” and are based on purchasing power parity: 19.7% for the United States, 15.1% for China, 14.7% for the euro zone, 6.3% for Japan, 6.3% for India, 3.2% for the United Kingdom and finally, 1.7% for Canada. This group accounts for 70% of global economic activity.

of the world’s central banks. As a result, the formulation of monetary policy has never been more difficult. Long-term bond rates are increasingly determined by world economic developments. For example US ten-year treasury yields have fluctuated wildly during the past year, even though monetary policy has not budged.

### 12) The central banks do not control long rates



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Global capital flows have an increasingly greater hold on bond markets. This is especially true of emerging Asia, which can diversify its reserves at will (read: can buy assets other than bonds).

The glut in global savings is thus putting pressure on real long-term bond rates. Without new monetary tightening (and we are not talking here about the Federal Reserve, but about other central banks), global liquidity is unlikely to dry up sufficiently, that is unless real long-term bond rates rise sufficiently so that they are more in line with global GDP growth rates.

### Conclusion

Faced with navigating both the strongest world GDP growth stretch in 30 years and the huge spread that has developed between world nominal GDP growth rates and long-term bond yields, we should not be surprised that the world’s central banks are showing signs of nervousness.

Either financial markets will need to bring long-term bond yields up so that they are more in line with global GDP growth rates, or else central banks will need to show them the way. If not, inflation risks heating up on a global scale.

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## TABLE 1 - NORTH AMERICAN FINANCIAL INDICATORS

June 22, 2007

| Growth Rates Unless<br>Otherwise Indicated | Reference<br>Period   | Level        | Monthly Growth (%) |             |                           | Annualized Growth   |        | Since<br>12 Mos. | Cumulated since<br>beginning of year |              |
|--|-----------------------|--------------|--------------------|-------------|---------------------------|---------------------|--------|------------------|--------------------------------------|--------------|
|  |                       |              | Past               | Prev.       | Month                     | Average of the last |        |                  | ref.                                 | prec.        |
|  |                       |              | Month              | Month       | Before                    | 3 Mos.              | 6 Mos. |                  |                                      |              |
| <b>UNITED STATES</b>                       |                       |              |                    |             |                           |                     |        |                  |                                      |              |
| <u>MONETARY AGGREGATES</u>                 |                       |              |                    |             |                           |                     |        |                  |                                      |              |
|  |                       | (\$Billions) |                    |             |                           |                     |        |                  |                                      |              |
| M1   | * May 2007            | 1376         | -0.1               | 0.6         | 0.6                       | 2.3                 | -0.1   | -0.8             | -0.8                                 | 1.1          |
| M2   | * May 2007            | 7242         | 0.3                | 0.7         | 0.8                       | 7.8                 | 7.5    | 6.6              | 6.0                                  | 4.7          |
| <u>CREDIT MEASURES</u>                     |                       |              |                    |             |                           |                     |        |                  |                                      |              |
| Consumer Credit                            | Apr 2007              | 2429         | 0.1                | 0.6         | 0.2                       | 3.9                 | 4.6    | 4.9              | 4.8                                  | 3.8          |
| Mortgage (Banks)                           | * May 2007            | 3394         | 0.3                | 0.7         | -1.5                      | -0.4                | 12.5   | 11.3             | 13.0                                 | 13.1         |
| Business                                   | * May 2007            | 1243         | 1.2                | 0.6         | 0.7                       | 9.2                 | 10.5   | 11.6             | 13.0                                 | 13.1         |
| <b>CANADA</b>                              |                       |              |                    |             |                           |                     |        |                  |                                      |              |
| <u>MONETARY AGGREGATES</u>                 |                       |              |                    |             |                           |                     |        |                  |                                      |              |
| M2+  | Feb 2007              | 990          | 0.2                | 1.3         | 0.7                       | 9.0                 | 8.0    | 7.6              | 7.5                                  | 4.5          |
| Personal Deposits (Banks) (2)              | Feb 2007              | 450          |                    |             |                           |                     |        | 7.6              | 7.5                                  | 3.1          |
| <u>CREDIT MEASURES</u>                     |                       |              |                    |             |                           |                     |        |                  |                                      |              |
| Consumer                                   | * Apr 2007            | 348          | 1.0                | 1.0         | 0.8                       | 11.2                | 10.7   | 10.8             | 10.3                                 | 11.9         |
| Mortgages                                  | * Apr 2007            | 753          | 1.1                | 0.8         | 1.0                       | 11.9                | 10.5   | 10.8             | 10.7                                 | 10.7         |
| Short - Term Business Loans                | * May 2007            | 340          | 1.6                | 1.1         | 0.4                       | 12.7                | 13.2   | 12.9             | 12.0                                 | 12.8         |
| Business (S.T. + L.T.)                     | * May 2007            | 1136         | 0.9                | 1.0         | 0.9                       | 10.2                | 7.0    | 7.0              | 6.0                                  | 6.6          |
| Private (Consumer+Business)                | * Apr 2007            | 2226         | 1.1                | 0.9         | 0.8                       | 10.1                | 8.3    | 8.6              | 8.1                                  | 8.7          |
| Federal Debt                               | * May 2007            | 398          | -0.2               | -4.0        | 2.5                       | -0.1                | -2.3   | -4.0             | -2.5                                 | -1.9         |
| <b>INTEREST AND EXCHANGE RATES</b>         |                       |              |                    |             |                           |                     |        |                  |                                      |              |
|  | Reference<br>Thursday | Last<br>day  | 1 week<br>ago      | 2 w.<br>ago | Average of last Thursdays |                     |        | 13 w.<br>ago     | 26 w.<br>ago                         | 52 w.<br>ago |
|  |                       |              |                    |             | 13 w.                     | 26 w.               | 52 w.  |                  |                                      |              |
| <b>UNITED STATES</b>                       |                       |              |                    |             |                           |                     |        |                  |                                      |              |
| <u>INTEREST RATES</u>                      |                       |              |                    |             |                           |                     |        |                  |                                      |              |
| Federal Funds Target Rate                  | * 21 Jun              | 5.25         | 5.25               | 5.25        | 5.25                      | 5.25                | 5.25   | 5.25             | 5.25                                 | 5.00         |
| Prime Rate                                 | * 21 Jun              | 8.25         | 8.25               | 8.25        | 8.25                      | 8.25                | 8.25   | 8.25             | 8.25                                 | 8.00         |
| 3-month Treasury Bills                     | * 21 Jun              | 4.61         | 4.52               | 4.67        | 4.75                      | 4.86                | 4.88   | 4.92             | 4.84                                 | 4.79         |
| 2-year Bonds                               | * 21 Jun              | 4.96         | 5.08               | 5.01        | 4.78                      | 4.78                | 4.81   | 4.58             | 4.66                                 | 5.22         |
| 5-year Bonds                               | * 21 Jun              | 5.06         | 5.15               | 5.05        | 4.74                      | 4.70                | 4.72   | 4.48             | 4.51                                 | 5.18         |
| 10-year Bonds                              | * 21 Jun              | 5.16         | 5.22               | 5.09        | 4.82                      | 4.75                | 4.76   | 4.59             | 4.55                                 | 5.20         |
| 30-year Bonds                              | * 21 Jun              | 5.28         | 5.29               | 5.21        | 4.98                      | 4.89                | 4.89   | 4.78             | 4.69                                 | 5.23         |
| Corporate High-yield (Lehman)              | * 21 Jun              | 7.91         | 7.82               | 7.68        | 7.57                      | 7.56                | 7.87   | 7.54             | 7.70                                 | 8.68         |
| Corporate Invest. Grade (Lehman)           | * 21 Jun              | 6.16         | 6.21               | 6.10        | 5.82                      | 5.75                | 5.81   | 5.60             | 5.60                                 | 6.33         |
| <u>SPREADS</u>                             |                       |              |                    |             |                           |                     |        |                  |                                      |              |
| Corp. High-yield - Treas. 10y.             | * 21 Jun              | 2.75         | 2.60               | 2.59        | 2.75                      | 2.81                | 3.11   | 2.95             | 3.15                                 | 3.48         |
| Corp. Invest. grade - Treas. 10y.          | * 21 Jun              | 1.00         | 0.99               | 1.01        | 1.00                      | 1.00                | 1.04   | 1.01             | 1.05                                 | 1.13         |
| Treasuries 30y. - 3-m. T.B.                | * 21 Jun              | 0.67         | 0.77               | 0.54        | 0.23                      | 0.03                | 0.00   | -0.14            | -0.15                                | 0.44         |
| <u>EXCHANGE RATE</u>                       |                       |              |                    |             |                           |                     |        |                  |                                      |              |
| Major currencies, traded-weighted          | * 21 Jun              | 79.24        | 78.98              | 79.01       | 79.51                     | 80.71               | 81.14  | 80.69            | 81.09                                | 82.03        |
| <b>CANADA</b>                              |                       |              |                    |             |                           |                     |        |                  |                                      |              |
| <u>INTEREST RATES</u>                      |                       |              |                    |             |                           |                     |        |                  |                                      |              |
| Prime Rate                                 | * 21 Jun              | 6.00         | 6.00               | 6.00        | 6.00                      | 6.00                | 6.00   | 6.00             | 6.00                                 | 6.00         |
| Target overnight rate                      | * 21 Jun              | 4.25         | 4.25               | 4.25        | 4.25                      | 4.25                | 4.25   | 4.25             | 4.25                                 | 4.25         |
| 30-day commercial paper                    | * 21 Jun              | 4.40         | 4.38               | 4.35        | 4.34                      | 4.33                | 4.33   | 4.31             | 4.32                                 | 4.36         |
| 3-month Treasury Bills                     | * 21 Jun              | 4.36         | 4.35               | 4.30        | 4.20                      | 4.18                | 4.17   | 4.16             | 4.15                                 | 4.26         |
| 1-year Treasury Bills                      | * 21 Jun              | 4.74         | 4.75               | 4.60        | 4.40                      | 4.29                | 4.26   | 4.16             | 4.14                                 | 4.48         |
| 5-year Bonds                               | * 21 Jun              | 4.68         | 4.72               | 4.68        | 4.29                      | 4.14                | 4.10   | 3.97             | 3.92                                 | 4.42         |
| 10-year Bonds                              | * 21 Jun              | 4.68         | 4.69               | 4.62        | 4.31                      | 4.20                | 4.18   | 4.08             | 4.02                                 | 4.52         |
| 30-year Bonds                              | * 21 Jun              | 4.60         | 4.60               | 4.50        | 4.31                      | 4.23                | 4.23   | 4.18             | 4.08                                 | 4.55         |
| <u>SPREADS</u>                             |                       |              |                    |             |                           |                     |        |                  |                                      |              |
| Prime - 30d. Commercial paper              | * 21 Jun              | 1.60         | 1.62               | 1.65        | 1.66                      | 1.67                | 1.67   | 1.69             | 1.68                                 | 1.64         |
| Long Term - Short Term                     | * 21 Jun              | 0.24         | 0.25               | 0.20        | 0.10                      | 0.05                | 0.06   | 0.02             | -0.07                                | 0.29         |
| <u>CANADA UNITED STATES SPREADS</u>        |                       |              |                    |             |                           |                     |        |                  |                                      |              |
| 3-month T-Bills                            | * 21 Jun              | -0.25        | -0.17              | -0.37       | -0.54                     | -0.68               | -0.71  | -0.76            | -0.69                                | -0.53        |
| Long Term Bonds                            | * 21 Jun              | -0.68        | -0.69              | -0.70       | -0.67                     | -0.66               | -0.65  | -0.60            | -0.61                                | -0.68        |
| <u>EXCHANGE RATE</u>                       |                       |              |                    |             |                           |                     |        |                  |                                      |              |
| US\$/CDN\$ (GTIS)                          | * 21 Jun              | 0.9308       | 0.9374             | 0.9390      | 0.9050                    | 0.8789              | 0.8827 | 0.8637           | 0.8659                               | 0.8943       |
| Trade-weighted (1990=100) G-10             | * 21 Jun              | 107.3        | 107.7              | 108.2       | 104.0                     | 101.1               | 101.6  | 99.1             | 99.5                                 | 103.3        |
| <b>STOCK INDICES</b>                       |                       |              |                    |             |                           |                     |        |                  |                                      |              |
|  | Reference<br>Thursday | Level        | Monthly Growth (%) |             |                           | Growth Over (%)     |        |                  | Since<br>beginning of year           |              |
|  |                       |              | Past               | Prev.       | Month                     | 3 Months            |        | 6 Months         | 1 Year                               |              |
|  |                       |              | Month              | Month       | Before                    |                     |        |                  |                                      |              |
| Dow Jones (U.S.)                           | * 21 Jun              | 13545.8      | 0.0                | 4.5         | 4.1                       | 8.8                 | 9.1    | 22.3             | 9.1                                  | 2.3          |
| S&P 500 (U.S.)                             | * 21 Jun              | 1522.2       | -0.2               | 2.7         | 3.4                       | 6.1                 | 7.3    | 21.6             | 7.3                                  | -0.8         |
| NASDAQ (U.S.)                              | * 21 Jun              | 2617.0       | 1.5                | 2.1         | 2.9                       | 6.6                 | 8.3    | 22.2             | 8.3                                  | -4.1         |
| S&P/TSX (Can.)                             | * 21 Jun              | 14095.7      | -0.1               | 3.2         | 3.9                       | 7.1                 | 10.7   | 26.8             | 10.7                                 | -1.2         |

\* Update

(1) Commercial Banks

(2) Not seasonally adjusted

**TABLE 2 - UNITED STATES ECONOMIC INDICATORS**

June 22, 2007

| Growth Rates Unless<br>Otherwise Indicated | Reference<br>Period | Monthly Growth (%) |                |                | Annualized Growth (%) |                |             | Since<br>12 Mos. | Cumulated since<br>beginning of year |        |
|--|---------------------|--------------------|----------------|----------------|-----------------------|----------------|-------------|------------------|--------------------------------------|--------|
|  |                     | Past               | Prev.          | Month          | Average of the last   |                |             |                  | ref.                                 | prec.  |
|  |                     | Month              | Month          | Before         | 3 Mos.                | 6 Mos.         | 12 Mos.     |                  |                                      |        |
| Index of 12 Leading Indicators             | * May 2007          | 0.3                | -0.3           | 0.6            | 0.0                   | 0.5            | 0.2         | 0.3              | -0.3                                 | 2.2    |
| Consumer Confidence Index (1985=100)       | May 2007            | 108.0              | 106.3          | 108.2          | 107.5                 | 109.0          | 106.9       | 104.7            | 108.8                                | 106.3  |
| I.S.M. Manufacturing Index (level)         | May 2007            | 55.0               | 54.7           | 50.9           | 53.5                  | 52.3           | 52.5        | 54.7             | 52.4                                 | 55.7   |
| - Non-manufacturing (level)                | May 2007            | 59.7               | 56.0           | 52.4           | 56.0                  | 56.4           | 56.5        | 59.2             | 56.3                                 | 59.9   |
| <b>DOMESTIC DEMAND</b>                     |                     |                    |                |                |                       |                |             |                  |                                      |        |
| Sales autos & light trucks (000,000)       | May 2007            | 16.2               | 16.3           | 16.3           | 16.3                  | 16.5           | 16.4        | 16.2             | 16.4                                 | 16.7   |
| Retail Sales                               | May 2007            | 1.4                | -0.1           | 1.0            | 7.3                   | 4.9            | 4.5         | 5.0              | 3.7                                  | 7.5    |
| - Motor vehicle                            | May 2007            | 1.8                | -0.5           | 0.6            | 4.8                   | 5.8            | 2.3         | 6.6              | 2.9                                  | 2.0    |
| - Other                                    | May 2007            | 1.3                | 0.1            | 1.1            | 7.9                   | 4.7            | 5.1         | 4.6              | 3.9                                  | 10.7   |
| Consumer Spending: Total (\$ current)      | Apr 2007            | 0.5                | 0.4            | 0.7            | 7.8                   | 5.3            | 5.8         | 5.8              | 5.8                                  | 6.4    |
| Total (\$ constant)                        | Apr 2007            | 0.2                | 0.0            | 0.3            | 3.5                   | 4.0            | 3.3         | 3.5              | 3.5                                  | 3.3    |
| Personal Income                            | Apr 2007            | -0.1               | 0.8            | 0.6            | 8.4                   | 6.8            | 6.1         | 5.9              | 5.9                                  | 6.6    |
| Personal Savings Rate (3)                  | Apr 2007            | -1.3               | -0.7           | -1.0           | -1.0                  | -1.0           | -1.2        | -1.0             | -1.0                                 | -0.5   |
| New Orders                                 | Apr 2007            | 0.3                | 4.1            | 0.5            | 4.0                   | -3.5           | 1.7         | 1.0              | -0.9                                 | 9.3    |
| - Non-Defence Capital Goods                | Apr 2007            | -0.1               | 13.8           | 6.1            | 20.8                  | 1.2            | 5.7         | 10.0             | 3.4                                  | 19.2   |
| Unfilled Orders                            | Apr 2007            | 1.8                | 1.8            | 0.8            | 15.2                  | 21.0           | 20.0        | 19.9             | 20.3                                 | 17.9   |
| Business Inventories                       | Apr 2007            | 0.4                | 0.0            | 0.2            | 1.8                   | 3.0            | 6.6         | 4.6              | 5.1                                  | 5.5    |
| Inventories / Shipments Businesses         | Apr 2007            | 1.27               | 1.28           | 1.30           | 1.28                  | 1.29           | 1.29        | 1.26             | 1.29                                 | 1.26   |
| Manufacturers' Shipments                   | Apr 2007            | 0.8                | 2.1            | -0.6           | 2.1                   | -3.3           | 1.5         | 0.5              | -1.3                                 | 7.2    |
| Manufacturers' Inventories                 | Apr 2007            | 0.5                | 0.2            | 0.1            | 1.4                   | 3.2            | 7.0         | 4.7              | 5.3                                  | 7.0    |
| Inventories / Shipments Manuf.             | Apr 2007            | 1.24               | 1.25           | 1.27           | 1.25                  | 1.25           | 1.24        | 1.19             | 1.26                                 | 1.18   |
| Housing Starts (000) (1)                   | * May 2007          | 1474               | 1506           | 1491           | 1490                  | 1498           | 1580        | 1944             | 1472                                 | 2029   |
| New Home Sales                             | Apr 2007            | 16.2               | -1.4           | -3.8           | -26.5                 | -16.2          | -20.8       | -10.6            | -20.5                                | -12.1  |
| Existing Home Sales                        | Apr 2007            | -2.4               | -9.0           | 3.7            | -4.9                  | -2.6           | -9.3        | -11.2            | -7.6                                 | -2.8   |
| <b>PRODUCTION</b>                          |                     |                    |                |                |                       |                |             |                  |                                      |        |
| Industrial Production                      | May 2007            | 0.0                | 0.4            | -0.3           | 1.5                   | 0.5            | 3.4         | 1.6              | 2.1                                  | 3.7    |
| - Consumer Goods                           | May 2007            | -0.2               | 0.8            | -1.0           | 2.1                   | 1.8            | 1.6         | 2.4              | 2.2                                  | 1.4    |
| - Hitech goods                             | May 2007            | 0.3                | 0.8            | 1.2            | 9.4                   | 15.3           | 24.1        | 17.0             | 21.1                                 | 26.8   |
| <b>EXTERNAL AND FISCAL BALANCES</b>        |                     |                    |                |                |                       |                |             |                  |                                      |        |
| Exports                                    | Apr 2007            | 0.2                | 2.6            | -1.4           | 4.1                   | 9.8            | 12.5        | 10.9             | 10.8                                 | 11.3   |
| Imports                                    | Apr 2007            | -1.9               | 4.4            | -0.6           | 5.0                   | 0.3            | 7.9         | 5.0              | 4.7                                  | 11.9   |
| Merch. Trade Balance (\$ billions)         | Apr 2007            | -58.5              | -62.4          | -57.6          | -59.5                 | -59.0          | -61.8       | -62.3            | -58.8                                | -63.0  |
| Federal budget balance last 12 months (2)  | May 2007            | -169.7             | -144.9         | -203.7         |                       |                |             | -271.6           | -68.1                                | -107.6 |
| <b>INFLATION AND COSTS</b>                 |                     |                    |                |                |                       |                |             |                  |                                      |        |
| Consumer Prices                            | May 2007            | 0.7                | 0.4            | 0.6            | 5.8                   | 2.1            | 2.7         | 2.7              | 2.5                                  | 3.7    |
| - Excluding Food and Energy                | May 2007            | 0.1                | 0.2            | 0.1            | 1.9                   | 2.1            | 2.6         | 2.2              | 2.5                                  | 2.2    |
| PCE Deflator exc. Food and Energy          | Apr 2007            | 0.1                | 0.0            | 0.3            | 2.3                   | 1.9            | 2.2         | 2.0              | 2.2                                  | 2.1    |
| Industrial Prices, Finished Goods          | May 2007            | 0.9                | 0.7            | 1.0            | 10.3                  | 3.9            | 2.2         | 3.9              | 2.6                                  | 4.3    |
| Average Hourly Earnings (4)                | May 2007            | 0.3                | 0.2            | 0.3            | 3.3                   | 3.8            | 4.0         | 3.8              | 3.9                                  | 3.6    |
| Industrial Capacity Utilization Rate       | May 2007            | 81.3               | 81.5           | 81.2           | 81.3                  | 81.4           | 81.7        | 81.7             | 81.3                                 | 81.4   |
| Median Price, Single-Family Homes (5)      | Apr 2007            | 2.0                | 1.8            | 1.5            | 1.4                   | -8.4           | -0.9        | -0.9             | -1.4                                 | 8.0    |
| <b>LABOUR MARKET</b>                       |                     |                    |                |                |                       |                |             |                  |                                      |        |
| New Jobs (000) (6)                         | May 2007            | 157                | 80             | 175            | 137                   | 148            | 160         | 1925             | 664                                  | 1002   |
| - Manufacturing (000)                      | May 2007            | -19                | -20            | -23            | -21                   | -15            | -14         | -164             | -80                                  | 6      |
| - Services (000)                           | May 2007            | 176                | 119            | 143            | 146                   | 163            | 173         | 2079             | 745                                  | 819    |
| Average weekly hours (6)                   | May 2007            | 0.5                | -0.3           | 0.8            | 2.3                   | 1.7            | 2.3         | 2.0              | 1.8                                  | 3.2    |
| Civilian Unemployment Rate (7)             | May 2007            | 4.5                | 4.5            | 4.4            | 4.5                   | 4.5            | 4.6         | 4.6              | 4.5                                  | 4.7    |
| <b>NATIONAL ACCOUNTS AND OTHER</b>         |                     |                    |                |                |                       |                |             |                  |                                      |        |
| <b>Annualized Growth Rates</b>             |                     |                    |                |                |                       |                |             |                  |                                      |        |
| <b>QUARTERLY INDICATORS</b>                | <b>Q1 2007</b>      | <b>Q4 2006</b>     | <b>Q3 2006</b> | <b>Q2 2006</b> | <b>Q1 2006</b>        | <b>Q1 2006</b> | <b>2006</b> | <b>2005</b>      | <b>2004</b>                          |        |
| GDP Chained 2000 dollars                   | 0.6                 | 2.5                | 2.0            | 2.6            | 5.6                   | 1.8            | 3.3         | 3.2              | 3.9                                  |        |
| Consumption                                | 4.4                 | 4.2                | 2.8            | 2.6            | 4.8                   | 0.8            | 3.2         | 3.5              | 3.9                                  |        |
| Residential Construction                   | -15.4               | -19.8              | -18.6          | -11.1          | -0.3                  | -1.0           | -4.2        | 8.6              | 9.9                                  |        |
| Business Investment                        | 2.9                 | -3.1               | 10.0           | 4.4            | 13.7                  | 5.2            | 7.2         | 6.8              | 5.9                                  |        |
| - Machinery and Equipment                  | 2.0                 | -4.8               | 7.7            | -1.4           | 15.6                  | 2.8            | 6.5         | 8.9              | 7.2                                  |        |
| Government Spending                        | 1.0                 | 3.4                | 1.7            | 0.8            | 4.9                   | -1.1           | 2.1         | 0.9              | 1.9                                  |        |
| Exports                                    | -0.6                | 10.6               | 6.8            | 6.2            | 14.0                  | 9.6            | 8.9         | 6.8              | 9.2                                  |        |
| Imports                                    | 5.7                 | -2.6               | 5.6            | 1.4            | 9.1                   | 13.2           | 5.8         | 6.1              | 10.8                                 |        |
| Change in Inventories (1) (2)              | -4.5                | 22.4               | 55.4           | 53.7           | 41.2                  | 43.5           | 43.2        | 19.6             | 53.3                                 |        |
| GDP Deflator                               | 4.0                 | 1.6                | 1.9            | 3.3            | 3.3                   | 3.3            | 2.9         | 3.0              | 2.8                                  |        |
| Personal Disposable Income                 | 4.7                 | 6.4                | 3.2            | -1.5           | 4.6                   | 5.5            | 2.6         | 1.2              | 3.6                                  |        |
|  | <b>Q1 2007</b>      | <b>Q4 2006</b>     | <b>Q3 2006</b> | <b>Q2 2006</b> | <b>Q1 2006</b>        | <b>Q1 2006</b> | <b>2006</b> | <b>2005</b>      | <b>2004</b>                          |        |
| Labour Productivity                        | 1.0                 | 2.1                | -0.5           | 1.2            | 3.5                   | -0.6           | 1.6         | 2.1              | 1.8                                  |        |
| Unit Labor Costs (4)                       | 1.8                 | 8.9                | 1.1            | -2.5           | 9.1                   | 3.0            | 3.3         | 2.0              | 0.6                                  |        |
|  | <b>Q1 2007</b>      | <b>Q4 2006</b>     | <b>Q3 2006</b> | <b>Q2 2006</b> | <b>Q1 2006</b>        | <b>Q1 2006</b> | <b>2006</b> | <b>2005</b>      | <b>2004</b>                          |        |
| Current Account (current \$)               | -770.3              | -751.8             | -869.3         | -822.4         | -802.4                | -863.2         | -811.5      | -754.8           | -640.2                               |        |
| as a % of GDP                              | -5.7                | -5.6               | -6.5           | -6.2           | -6.2                  | -6.8           | -6.1        | -6.1             | -5.5                                 |        |
|  | <b>Q1 2007</b>      | <b>Q4 2006</b>     | <b>Q3 2006</b> | <b>Q2 2006</b> | <b>Q1 2006</b>        | <b>Q1 2006</b> | <b>2006</b> | <b>2005</b>      | <b>2004</b>                          |        |
| Corporate Profits (8)                      | 5.0                 | -1.2               | 16.4           | 5.9            | 60.8                  | 46.6           | 21.4        | 12.5             | 19.1                                 |        |
| as a % of GDP                              | 12.3                | 12.2               | 12.4           | 12.1           | 12.1                  | 10.9           | 12.2        | 13.0             | 13.8                                 |        |

\* Update

(1) Annual Rate

(2) \$ Billions

(3) Personal Savings as a % of Personal Disposable Income

(4) Non-Farm Private Sector, Unadjusted for Inflation

(5) Existing Homes Sold

(6) Non-Farm Payroll Survey

(7) Household Survey

(8) Current \$ and before taxes



**TABLE 3 - CANADIAN ECONOMIC INDICATORS**

June 22, 2007

| Growth Rates Unless<br>Otherwise Indicated | Reference<br>Period | Monthly Growth (%) |         |         | Annualized Growth (%) |         |         | Cumulated since<br>beginning of year |       |       |
|--|---------------------|--------------------|---------|---------|-----------------------|---------|---------|--------------------------------------|-------|-------|
|  |                     | Past               | Prev.   | Month   | Average of the last   |         |         | Since                                | ref.  | prec. |
|  |                     | Month              | Month   | Before  | 3 Mos.                | 6 Mos.  | 12 Mos. | 12 Mos.                              |       |       |
| Index of Leading Indicators (Stat. Can.)   | * May 2007          | 0.5                | 0.5     | 0.4     | 6.1                   | 5.1     | 5.2     | 5.1                                  | 5.2   | 5.2   |
| <b>DOMESTIC DEMAND</b>                     |                     |                    |         |         |                       |         |         |                                      |       |       |
| New motor vehicle sales (000)              | Apr 2007            | 147.0              | 137.5   | 137.5   | 140.7                 | 141.9   | 139.9   | 1678.3                               | 564.3 | 552.3 |
| Retail Sales (\$ current)                  | * Apr 2007          | 0.4                | 1.8     | 0.2     | 8.1                   | 5.0     | 6.2     | 4.7                                  | 5.5   | 6.0   |
| - Automobile Dealers                       | * Apr 2007          | 2.0                | 4.5     | -4.1    | -5.2                  | 4.8     | 4.9     | 5.2                                  | 4.0   | 2.3   |
| - Other                                    | * Apr 2007          | 0.0                | 1.1     | 1.2     | 11.4                  | 5.2     | 6.2     | 4.8                                  | 5.8   | 7.4   |
| Retail Sales (\$ constant)                 | Apr 2007            | 0.5                | 1.2     | -0.6    | 3.4                   | 4.0     | 5.4     | 3.7                                  | 4.5   | 4.1   |
| Manufacturer's Shipments (\$ current)      | Apr 2007            | -0.6               | 3.0     | 0.2     | 4.0                   | 1.6     | -0.6    | 1.8                                  | -0.1  | 0.5   |
| New Orders                                 | Apr 2007            | 0.8                | -0.4    | 1.7     | 2.9                   | 5.9     | 0.0     | 5.4                                  | 2.1   | -1.7  |
| - Durables                                 | Apr 2007            | 1.4                | -2.9    | 3.2     | 3.5                   | 12.7    | 0.1     | 9.3                                  | 3.9   | -4.7  |
| Unfilled Orders                            | Apr 2007            | 1.9                | 0.4     | 4.2     | 35.9                  | 19.7    | 4.7     | 14.8                                 | 10.4  | 9.3   |
| Manufacturer's Inventories                 | Apr 2007            | 0.7                | -0.4    | -0.4    | -2.4                  | -0.3    | 1.2     | 1.2                                  | 0.6   | 2.0   |
| Inventories / Shipments Ratio              | Apr 2007            | 1.26               | 1.25    | 1.29    | 1.27                  | 1.28    | 1.28    | 1.27                                 | 1.28  | 1.27  |
| Manufacturer's Shipments (\$ constant)     | Apr 2007            | 0.5                | 1.2     | 0.3     | 1.8                   | 0.8     | -2.5    | 0.3                                  | -2.3  | -0.1  |
| Housing Starts (000) (1)                   | May 2007            | 229.7              | 211.9   | 214.0   | 218.5                 | 220.1   | 222.5   | 223.3                                | 221.6 | 235.7 |
| <b>PRODUCTION</b>                          |                     |                    |         |         |                       |         |         |                                      |       |       |
| Real Domestic Product                      | Mar 2007            | 0.3                | 0.4     | 0.1     | 3.8                   | 2.1     | 2.4     | 2.3                                  | 2.2   | 3.4   |
| - Manufacturing                            | Mar 2007            | 0.8                | 0.2     | -1.1    | 0.1                   | -2.6    | -2.4    | -1.9                                 | -3.2  | 1.1   |
| - Construction                             | Mar 2007            | 0.1                | 0.2     | 0.2     | 4.7                   | 5.5     | 6.6     | 4.4                                  | 5.0   | 8.1   |
| Services                                   | Mar 2007            | 0.5                | 0.2     | 0.1     | 3.9                   | 3.0     | 3.5     | 3.4                                  | 3.3   | 3.6   |
| <b>FOREIGN SECTOR</b>                      |                     |                    |         |         |                       |         |         |                                      |       |       |
| Exports                                    | Apr 2007            | -0.3               | 3.3     | -0.9    | 7.9                   | 12.6    | 1.4     | 8.5                                  | 6.4   | 5.1   |
| Imports                                    | Apr 2007            | -2.2               | 2.9     | -0.2    | 4.1                   | 6.2     | 5.0     | 4.4                                  | 6.5   | 4.1   |
| - Capital Goods                            | Apr 2007            | -4.8               | 2.3     | -1.2    | -7.3                  | 6.4     | 3.4     | 2.8                                  | 4.5   | 7.0   |
| Merch. Trade Balance (\$ millions)         | Apr 2007            | 5,760              | 5,096   | 4,783   | 5,213                 | 5,007   | 4,372   | 4,046                                | 5,174 | 4,884 |
| Change in Official Reserves                | Apr 2007            | 874                | 2,999   | 402     | 1,425                 | 757     | 372     | 4,467                                | 5,120 | 3,593 |
| Level (US\$):                              |                     | 40,183             |         |         |                       |         |         |                                      |       |       |
| <b>INFLATION AND COSTS</b>                 |                     |                    |         |         |                       |         |         |                                      |       |       |
| Consumer Prices                            | * May 2007          | 0.4                | 0.5     | 0.8     | 7.2                   | 2.3     | 1.8     | 2.2                                  | 2.0   | 2.5   |
| - Excluding Food and Energy                | * May 2007          | 0.3                | 0.2     | 0.5     | 3.8                   | 2.1     | 1.6     | 1.9                                  | 1.8   | 1.5   |
| - Core inflation (4)                       | * May 2007          | 0.3                | 0.1     | 0.4     | 3.6                   | 2.3     | 2.2     | 2.2                                  | 2.3   | 1.7   |
| Average Hourly Earnings (2)                | May 2007            | -0.3               | 0.6     | 0.0     | 2.5                   | 4.0     | 3.0     | 3.0                                  | 2.6   | 3.4   |
| Price of New Housing                       | Apr 2007            | 0.8                | 0.3     | 0.5     | 5.2                   | 6.4     | 10.5    | 8.9                                  | 9.6   | 7.3   |
| Industrial Prices (1992=100)               | Apr 2007            | 0.2                | 1.3     | 1.0     | 10.1                  | 3.1     | 3.1     | 3.7                                  | 4.0   | 1.7   |
| <b>LABOUR MARKET</b>                       |                     |                    |         |         |                       |         |         |                                      |       |       |
| Labour Force                               | May 2007            | 0.0                | 0.0     | 0.4     | 2.3                   | 2.3     | 1.7     | 1.7                                  | 2.0   | 1.4   |
| Job creation (000)                         | May 2007            | 9.3                | -5.2    | 54.9    | 19.7                  | 35.8    | 24.2    | 289.9                                | 162.1 | 218.7 |
| - Manufacturing                            | May 2007            | -12.3              | -18.6   | 1.4     | -9.8                  | -9.0    | -6.5    | -78.1                                | -60.6 | -34.9 |
| - Services                                 | May 2007            | -6.4               | 0.0     | 66.0    | 19.9                  | 35.5    | 24.2    | 290.3                                | 175.8 | 217.9 |
| - Full Time                                | May 2007            | 9.3                | -5.2    | 54.9    | 19.7                  | 35.8    | 24.2    | 289.9                                | 162.1 | 218.7 |
| - Part Time                                | May 2007            | -23.4              | 9.7     | 24.5    | 3.6                   | 12.9    | 10.1    | 121.4                                | 57.4  | -1.7  |
| Unemployment Rate                          | May 2007            | 6.1                | 6.1     | 6.1     | 6.1                   | 6.1     | 6.2     | 6.1                                  | 6.1   | 6.3   |
| <b>NATIONAL ACCOUNTS AND OTHER</b>         |                     |                    |         |         |                       |         |         |                                      |       |       |
| <b>QUARTERLY INDICATORS</b>                |                     |                    |         |         |                       |         |         |                                      |       |       |
|  |                     | Q1 2007            | Q4 2006 | Q3 2006 | Q2 2006               | Q1 2006 | Q4 2005 | 2006                                 | 2005  | 2004  |
| GDP Chained (1997) \$                      |                     | 3.7                | 1.5     | 1.3     | 1.5                   | 3.4     | 3.5     | 2.8                                  | 3.1   | 3.1   |
| Consumption                                |                     | 3.9                | 3.7     | 5.1     | 3.8                   | 5.5     | 3.6     | 4.2                                  | 3.8   | 3.4   |
| Business Investments                       |                     | -0.6               | 6.8     | 9.7     | 7.5                   | 8.8     | 12.6    | 9.9                                  | 10.8  | 8.4   |
| - Machinery and Equipment                  |                     | -6.0               | 2.3     | 7.1     | 5.0                   | 4.3     | 11.3    | 7.4                                  | 10.8  | 9.3   |
| Residential Construction                   |                     | 7.5                | -0.1    | -6.2    | -5.2                  | 9.5     | 3.5     | 2.1                                  | 3.5   | 7.5   |
| Government Expenditures                    |                     | 2.7                | 3.0     | 1.5     | 3.2                   | 4.9     | 3.1     | 3.3                                  | 2.2   | 2.5   |
| Final Domestic Demand                      |                     | 3.2                | 3.7     | 4.0     | 3.5                   | 6.2     | 4.9     | 4.7                                  | 4.5   | 4.1   |
| Exports                                    |                     | 2.1                | 2.7     | 2.6     | -1.8                  | -6.9    | 7.4     | 0.7                                  | 2.2   | 4.8   |
| Imports                                    |                     | 2.6                | -0.9    | 6.2     | 9.8                   | -2.6    | 11.3    | 5.0                                  | 7.5   | 8.3   |
| Change in Inventories (1)                  |                     | 3.6                | 0.1     | 13.0    | 17.7                  | 10.2    | 12.5    | 10.2                                 | 13.5  | 7.9   |
| Current Account (current \$) (1)           |                     | 26.0               | 18.5    | 22.7    | 17.3                  | 35.9    | 48.8    | 23.6                                 | 27.9  | 29.1  |
| as a % of GDP                              |                     | 1.7                | 1.3     | 1.6     | 1.2                   | 2.5     | 3.4     | 1.6                                  | 2.0   | 2.3   |
| Real Disposable Income                     |                     | 5.3                | 6.0     | 5.4     | -2.5                  | 12.7    | 4.1     | 4.9                                  | 2.6   | 3.6   |
| Savings Rate                               |                     | 2.6                | 2.2     | 1.8     | 1.7                   | 3.3     | 1.7     | 2.2                                  | 1.6   | 2.9   |
| GDP Price Deflator                         |                     | 6.1                | 0.4     | 1.4     | 1.8                   | 0.0     | 4.8     | 2.4                                  | 3.4   | 3.2   |
| Corporate Profits (nominal)                |                     | 13.0               | -0.8    | 9.3     | 5.8                   | -14.9   | 22.8    | 5.0                                  | 11.9  | 17.1  |
| as a % of GDP                              |                     | 13.9               | 13.8    | 13.9    | 13.7                  | 13.6    | 14.3    | 13.7                                 | 13.8  | 13.1  |
| Indust. Capacity Utilization Rate          |                     | 83.0               | 82.4    | 83.5    | 84.6                  | 85.8    | 86.0    | 84.1                                 | 85.3  | 85.4  |
| Labour Productivity, Business Sector       |                     | 2.8                | 0.7     | -0.7    | -0.3                  | 1.0     | 1.7     | 1.1                                  | 2.4   | 0.0   |
| Unit Labour Cost, Business Sector          |                     | 3.0                | 5.5     | 5.2     | 2.4                   | 1.7     | 3.2     | 3.1                                  | 2.8   | 2.4   |

\* Update

(1) Annual Rate, \$ billions  
(2) Not Seasonally Adjusted  
(3) Current and before taxes

(4) C.P.I. excluding the 8 most volatile components and the effect of indirect taxes

**TABLE 4 - REGIONAL ECONOMIC INDICATORS**

June 22, 2007

| Growth Rates Unless<br>Otherwise Indicated | Reference<br>Period | Monthly Growth (%) |                |                 | Annualized Growth (%) |        |         | Since<br>12 Mos. | Cumulated since<br>beginning of year |       |
|--|---------------------|--------------------|----------------|-----------------|-----------------------|--------|---------|------------------|--------------------------------------|-------|
|  |                     | Past<br>Month      | Prev.<br>Month | Month<br>Before | Average of the last   |        |         |                  | ref.                                 | prec. |
|  |                     |                    |                |                 | 3 Mos.                | 6 Mos. | 12 Mos. |                  |                                      |       |
| <b>QUEBEC</b>                              |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| <u>DOMESTIC DEMAND AND REVENUE</u>         |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| Retail Sales                               | * Apr 2007          | 1.5                | 0.7            | -0.2            | 6.0                   | 3.7    | 5.2     | 4.4              | 4.4                                  | 4.1   |
| Manufacturing Shipments                    | Apr 2007            | 1.5                | 2.5            | 2.0             | 5.7                   | 2.3    | 2.6     | 6.3              | 1.3                                  | 2.3   |
| Housing Starts (000) (2)                   | May 2007            | 47.0               | 45.3           | 47.8            | 46.7                  | 47.1   | 47.3    | 46.0             | 46.7                                 | 47.7  |
| Wages and Salaries                         | Mar 2007            | 5.0                | 0.4            | 0.6             | 11.1                  | 6.0    | 4.2     | 8.7              | 5.6                                  | 4.1   |
| <u>PRICES</u>                              |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| Consumer Price Index (1)                   | * May 2007          | 0.5                | 0.2            | 0.7             | 6.3                   | 1.9    | 1.3     | 1.6              | 1.4                                  | 2.4   |
| Average Hourly Earnings (1)                | May 2007            |                    |                |                 |                       |        | 2.0     | 1.7              | 1.6                                  | 2.5   |
| Price of New Housing (Mtl.)                | Apr 2007            | 0.1                | 0.1            | 0.9             | 5.5                   | 4.4    | 4.5     | 3.9              | 4.6                                  | 3.7   |
| <u>LABOR MARKET</u>                        |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| Job creation (000)                         | May 2007            | -2.2               | 10.9           | 29.2            | 12.6                  | 8.9    | 6.1     | 73.4             | 47.5                                 | 13.0  |
| Unemployment rate                          | May 2007            | 7.2                | 7.2            | 7.6             | 7.3                   | 7.5    | 7.7     | 7.9              | 7.5                                  | 8.2   |
| Participation rate                         | May 2007            | 65.5               | 65.7           | 65.8            | 65.7                  | 65.5   | 65.5    | 65.4             | 65.6                                 | 65.6  |
| <b>ONTARIO</b>                             |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| <u>DOMESTIC DEMAND AND REVENUE</u>         |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| Retail Sales                               | * Apr 2007          | -0.3               | 1.7            | 1.0             | 5.2                   | 3.5    | 3.5     | 1.9              | 2.7                                  | 4.3   |
| Manufactures' Shipments                    | Apr 2007            | -2.0               | 4.0            | -0.5            | -1.2                  | 1.6    | -3.5    | -1.5             | -2.0                                 | -3.4  |
| Housing Starts (000) (2)                   | May 2007            | 72.4               | 60.2           | 55.8            | 62.8                  | 65.8   | 68.6    | 77.5             | 65.8                                 | 79.3  |
| Wages and Salaries                         | Mar 2007            | 0.6                | 0.2            | 0.3             | 5.6                   | 5.2    | 4.5     | 4.9              | 4.8                                  | 5.2   |
| <u>INCOME AND PRICES</u>                   |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| Consumer Price Index (1)                   | * May 2007          | 0.5                | 0.3            | 1.0             | 8.1                   | 2.4    | 1.4     | 1.9              | 1.5                                  | 2.5   |
| Average Hourly Earnings (1)                | May 2007            |                    |                |                 |                       |        | 2.3     | 2.5              | 1.7                                  | 3.3   |
| Price of New Housing (Tor.)                | Apr 2007            | 0.0                | 0.1            | 0.1             | 1.3                   | 1.9    | 3.2     | 2.3              | 2.6                                  | 4.4   |
| <u>LABOR MARKET</u>                        |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| Job creation (000)                         | May 2007            | 11.9               | -16.8          | 12.3            | 2.5                   | 9.7    | 4.2     | 50.2             | 21.0                                 | 86.6  |
| Unemployment                               | May 2007            | 6.3                | 6.6            | 6.5             | 6.5                   | 6.4    | 6.4     | 6.0              | 6.4                                  | 6.2   |
| Participation rate                         | May 2007            | 67.8               | 68.0           | 68.1            | 68.0                  | 67.9   | 67.8    | 67.9             | 68.0                                 | 67.7  |
| <b>NEWFOUNDLAND &amp; LABRADOR</b>         |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| <u>DOMESTIC DEMAND AND REVENUE</u>         |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| Retail Sales                               | * Apr 2007          | 0.9                | 0.4            | 1.0             | 8.9                   | 13.6   | 6.6     | 7.5              | 9.6                                  | 1.1   |
| Manufactures' Shipments                    | Apr 2007            | -4.2               | 24.4           | 1.8             | 129.5                 | 48.3   | 1.5     | 35.6             | 23.4                                 | -13.4 |
| Housing Starts (000) (2)                   | May 2007            | 1.7                | 1.8            | 1.9             | 1.8                   | 2.1    | 2.2     | 2.1              | 2.1                                  | 2.3   |
| Wages and Salaries                         | Mar 2007            | 0.2                | 0.0            | 0.3             | 5.1                   | 4.8    | 4.8     | 4.4              | 4.9                                  | 4.1   |
| <u>INCOME AND PRICES</u>                   |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| Consumer Price Index (1)                   | * May 2007          | 0.3                | 0.3            | 0.6             | 5.3                   | 0.9    | 1.4     | 0.7              | 1.3                                  | 2.3   |
| Average Hourly Earnings (1)                | May 2007            |                    |                |                 |                       |        | 1.7     | 4.1              | 1.7                                  | 5.3   |
| <u>LABOR MARKET</u>                        |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| Job creation (000)                         | May 2007            | -1.1               | 1.9            | -0.6            | 0.1                   | -0.1   | 0.2     | 2.2              | -0.4                                 | 6.0   |
| Unemployment                               | May 2007            | 12.9               | 12.9           | 14.3            | 13.4                  | 13.9   | 14.1    | 14.6             | 14.0                                 | 15.5  |
| Participation rate                         | May 2007            | 59.2               | 59.3           | 59.7            | 59.4                  | 59.6   | 59.4    | 59.2             | 59.6                                 | 59.0  |
| <b>PRINCE EDWARD ISLAND</b>                |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| <u>DOMESTIC DEMAND AND REVENUE</u>         |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| Retail Sales                               | * Apr 2007          | -0.5               | 1.4            | 0.2             | 14.1                  | 14.2   | 5.1     | 7.9              | 7.2                                  | 4.1   |
| Manufactures' Shipments                    | Apr 2007            | 0.6                | 2.4            | 0.3             | 6.5                   | 20.7   | 11.8    | 23.0             | 20.8                                 | -4.6  |
| Housing Starts (000) (2)                   | May 2007            | 0.5                | 0.7            | 0.5             | 0.6                   | 0.6    | 0.6     | 0.6              | 0.5                                  | 1.1   |
| Wages and Salaries                         | Mar 2007            | 0.1                | 1.6            | 1.0             | 13.2                  | 7.1    | 3.5     | 6.0              | 6.2                                  | 3.4   |
| <u>INCOME AND PRICES</u>                   |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| Consumer Price Index (1)                   | * May 2007          | 0.4                | 0.4            | 1.3             | 7.6                   | 1.6    | 1.5     | 1.2              | 1.5                                  | 3.3   |
| Average Hourly Earnings (1)                | May 2007            |                    |                |                 |                       |        | 4.3     | 4.6              | 4.3                                  | -0.7  |
| <u>LABOR MARKET</u>                        |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| Job creation (000)                         | May 2007            | -1.4               | 0.3            | 0.2             | -0.3                  | 0.0    | 0.0     | -0.6             | 0.4                                  | 1.0   |
| Unemployment                               | May 2007            | 10.0               | 9.4            | 10.3            | 9.9                   | 10.5   | 10.8    | 9.9              | 10.1                                 | 10.9  |
| Participation rate                         | May 2007            | 67.9               | 68.8           | 69.4            | 68.7                  | 69.1   | 68.7    | 69.0             | 69.0                                 | 69.0  |
| <b>NOVA SCOTIA</b>                         |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| <u>DOMESTIC DEMAND AND REVENUE</u>         |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| Retail Sales                               | * Apr 2007          | -0.5               | 0.5            | 0.3             | 4.5                   | 5.6    | 4.8     | 2.5              | 3.5                                  | 8.0   |
| Manufactures' Shipments                    | Apr 2007            | -2.8               | 1.8            | -2.1            | -0.5                  | 4.4    | -3.8    | -2.9             | 0.3                                  | -3.0  |
| Housing Starts (000) (2)                   | May 2007            | 4.1                | 3.3            | 2.9             | 3.4                   | 4.5    | 4.5     | 5.3              | 4.5                                  | 6.2   |
| Wages and Salaries                         | Mar 2007            | 0.1                | 0.5            | 0.2             | 4.4                   | 5.5    | 4.4     | 4.6              | 5.0                                  | 4.2   |
| <u>INCOME AND PRICES</u>                   |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| Consumer Price Index (1)                   | * May 2007          | 0.5                | 0.5            | 0.8             | 7.7                   | 1.2    | 1.5     | 1.7              | 1.5                                  | 2.8   |
| Average Hourly Earnings (1)                | May 2007            |                    |                |                 |                       |        | 2.8     | 5.5              | 4.0                                  | 3.5   |
| <u>LABOR MARKET</u>                        |                     |                    |                |                 |                       |        |         |                  |                                      |       |
| Job creation (000)                         | May 2007            | -4.4               | 3.1            | -3.0            | -1.4                  | 0.4    | 0.3     | 3.4              | 1.1                                  | 2.3   |
| Unemployment                               | May 2007            | 8.0                | 8.0            | 7.9             | 8.0                   | 7.7    | 7.9     | 8.0              | 7.8                                  | 8.0   |
| Participation rate                         | May 2007            | 63.5               | 64.2           | 63.7            | 63.8                  | 63.6   | 63.2    | 63.2             | 63.8                                 | 63.2  |

|          |                             |                 |
|----------|-----------------------------|-----------------|
| * Update | (1) Not Seasonally Adjusted | (2) Annual Rate |
|----------|-----------------------------|-----------------|



**TABLE 4 - REGIONAL ECONOMIC INDICATORS (Continues from page A4)**

June 22, 2007

| Growth Rates Unless<br>Otherwise Indicated | Reference<br>Period | Monthly Growth (%) |       |        | Annualized Growth (%) |        |         | Since<br>12 Mos. | Cumulated since<br>beginning of year |       |
|--|---------------------|--------------------|-------|--------|-----------------------|--------|---------|------------------|--------------------------------------|-------|
|  |                     | Past               | Prev. | Month  | Average of the last   |        |         |                  | ref.                                 | prec. |
|  |                     | Month              | Month | Before | 3 Mos.                | 6 Mos. | 12 Mos. |                  |                                      |       |
| <b>NEW BRUNSWICK</b>                       |                     |                    |       |        |                       |        |         |                  |                                      |       |
| <u>DOMESTIC DEMAND AND REVENUE</u>         |                     |                    |       |        |                       |        |         |                  |                                      |       |
| Retail Sales                               | * Apr 2007          | -0.8               | -0.5  | 0.3    | -1.5                  | 6.2    | 5.3     | 1.1              | 3.5                                  | 6.0   |
| Manufactures' Shipments                    | Apr 2007            | 5.2                | 2.3   | -4.7   | -3.5                  | -13.4  | -3.7    | -0.3             | -3.2                                 | 4.3   |
| Housing Starts (000) (2)                   | May 2007            | 4.0                | 3.7   | 4.5    | 4.1                   | 3.7    | 3.9     | 3.4              | 3.7                                  | 4.0   |
| Wages and Salaries                         | Mar 2007            | 0.6                | 0.1   | 0.0    | 5.2                   | 7.1    | 4.4     | 5.2              | 5.3                                  | 4.1   |
| <u>INCOME AND PRICES</u>                   |                     |                    |       |        |                       |        |         |                  |                                      |       |
| Consumer Price Index (1)                   | * May 2007          | 0.4                | 0.5   | 1.0    | 7.0                   | 2.1    | 1.0     | 1.4              | 1.0                                  | 2.7   |
| Average Hourly Earnings (1)                | May 2007            |                    |       |        |                       |        | 4.1     | 7.3              | 4.9                                  | 4.1   |
| <u>LABOR MARKET</u>                        |                     |                    |       |        |                       |        |         |                  |                                      |       |
| Job creation (000)                         | May 2007            | -1.5               | 2.5   | 0.2    | 0.4                   | 1.4    | 0.2     | 2.2              | 6.7                                  | 3.4   |
| Unemployment                               | May 2007            | 7.8                | 7.3   | 7.4    | 7.5                   | 7.7    | 8.1     | 8.6              | 7.5                                  | 9.0   |
| Participation rate                         | May 2007            | 63.9               | 63.9  | 63.5   | 63.8                  | 63.6   | 63.4    | 64.2             | 63.6                                 | 64.5  |
| <b>MANITOBA</b>                            |                     |                    |       |        |                       |        |         |                  |                                      |       |
| <u>DOMESTIC DEMAND AND REVENUE</u>         |                     |                    |       |        |                       |        |         |                  |                                      |       |
| Retail Sales                               | * Apr 2007          | 0.2                | 2.4   | 0.2    | 11.6                  | 8.6    | 6.9     | 8.3              | 9.2                                  | 2.0   |
| Manufactures' Shipments                    | Apr 2007            | -10.4              | 11.8  | 2.9    | 34.0                  | 16.4   | 8.5     | 9.9              | 12.5                                 | 2.4   |
| Housing Starts (000) (2)                   | May 2007            | 8.1                | 4.5   | 5.4    | 6.0                   | 5.7    | 5.4     | 5.0              | 6.1                                  | 5.1   |
| Wages and Salaries                         | Mar 2007            | 0.7                | 0.9   | 0.7    | 10.3                  | 6.5    | 4.9     | 5.5              | 5.8                                  | 4.8   |
| <u>INCOME AND PRICES</u>                   |                     |                    |       |        |                       |        |         |                  |                                      |       |
| Consumer Price Index (1)                   | * May 2007          | 0.7                | 0.5   | 0.9    | 7.3                   | 1.5    | 1.9     | 2.3              | 2.1                                  | 2.1   |
| Average Hourly Earnings (1)                | May 2007            |                    |       |        |                       |        | 3.1     | 5.0              | 4.5                                  | 2.5   |
| <u>LABOR MARKET</u>                        |                     |                    |       |        |                       |        |         |                  |                                      |       |
| Job creation (000)                         | May 2007            | 2.7                | -0.9  | 3.1    | 1.6                   | 1.3    | 0.6     | 7.3              | 7.8                                  | 4.1   |
| Unemployment                               | May 2007            | 5.2                | 4.8   | 4.3    | 4.8                   | 4.6    | 4.4     | 4.1              | 4.6                                  | 4.3   |
| Participation rate                         | May 2007            | 70.0               | 69.4  | 69.2   | 69.2                  | 69.2   | 69.0    | 68.8             | 69.4                                 | 68.8  |
| <b>SASKATCHEWAN</b>                        |                     |                    |       |        |                       |        |         |                  |                                      |       |
| <u>DOMESTIC DEMAND AND REVENUE</u>         |                     |                    |       |        |                       |        |         |                  |                                      |       |
| Retail Sales                               | * Apr 2007          | 0.8                | 6.1   | -2.2   | 15.9                  | 10.0   | 8.4     | 12.2             | 10.9                                 | 5.1   |
| Manufactures' Shipments                    | Apr 2007            | 7.8                | -2.9  | -4.7   | 14.1                  | 1.4    | 0.4     | 0.9              | 0.0                                  | 12.8  |
| Housing Starts (000) (2)                   | May 2007            | 5.7                | 5.0   | 4.6    | 5.1                   | 4.9    | 4.4     | 3.3              | 5.1                                  | 3.3   |
| Wages and Salaries                         | Mar 2007            | 0.9                | 0.7   | -0.1   | 5.1                   | 6.5    | 6.8     | 6.6              | 6.4                                  | 7.8   |
| <u>INCOME AND PRICES</u>                   |                     |                    |       |        |                       |        |         |                  |                                      |       |
| Consumer Price Index (1)                   | * May 2007          | 0.7                | 0.7   | 1.0    | 8.9                   | 2.0    | 2.0     | 2.7              | 2.2                                  | 2.1   |
| Average Hourly Earnings (1)                | May 2007            |                    |       |        |                       |        | 4.0     | 3.6              | 3.6                                  | 5.5   |
| <u>LABOR MARKET</u>                        |                     |                    |       |        |                       |        |         |                  |                                      |       |
| Job creation (000)                         | May 2007            | -1.5               | -1.8  | 1.1    | -0.7                  | 0.1    | 1.2     | 14.0             | -1.7                                 | 7.6   |
| Unemployment                               | May 2007            | 4.5                | 3.9   | 3.8    | 4.1                   | 4.1    | 4.3     | 4.8              | 4.1                                  | 5.0   |
| Participation rate                         | May 2007            | 70.0               | 69.9  | 70.1   | 70.0                  | 70.1   | 69.8    | 68.6             | 70.1                                 | 68.4  |
| <b>ALBERTA</b>                             |                     |                    |       |        |                       |        |         |                  |                                      |       |
| <u>DOMESTIC DEMAND AND REVENUE</u>         |                     |                    |       |        |                       |        |         |                  |                                      |       |
| Retail Sales                               | * Apr 2007          | -0.5               | 3.1   | -0.6   | 11.3                  | 7.0    | 13.8    | 7.5              | 10.8                                 | 15.8  |
| Manufactures' Shipments                    | Apr 2007            | -0.2               | -0.1  | 2.2    | 17.5                  | 0.7    | 4.1     | 4.3              | 2.6                                  | 11.4  |
| Housing Starts (000) (2)                   | May 2007            | 46.3               | 50.7  | 53.1   | 50.0                  | 48.8   | 49.1    | 50.4             | 49.5                                 | 49.1  |
| Wages and Salaries                         | Mar 2007            | 0.7                | 0.8   | 0.8    | 10.7                  | 11.7   | 12.5    | 11.1             | 11.6                                 | 14.2  |
| <u>INCOME AND PRICES</u>                   |                     |                    |       |        |                       |        |         |                  |                                      |       |
| Consumer Price Index (1)                   | * May 2007          | 0.3                | 0.9   | 1.2    | 9.4                   | 4.7    | 4.4     | 5.0              | 4.9                                  | 3.7   |
| Average Hourly Earnings (1)                | May 2007            |                    |       |        |                       |        | 6.2     | 4.9              | 5.2                                  | 6.9   |
| <u>LABOR MARKET</u>                        |                     |                    |       |        |                       |        |         |                  |                                      |       |
| Job creation (000)                         | May 2007            | -7.6               | 12.1  | -0.1   | 1.5                   | 5.1    | 5.5     | 66.5             | 34.7                                 | 69.9  |
| Unemployment                               | May 2007            | 3.8                | 3.4   | 3.6    | 3.6                   | 3.5    | 3.5     | 3.4              | 3.5                                  | 3.4   |
| Participation rate                         | May 2007            | 73.9               | 74.1  | 74.0   | 74.0                  | 73.9   | 73.7    | 74.0             | 74.0                                 | 73.1  |
| <b>BRITISH COLUMBIA</b>                    |                     |                    |       |        |                       |        |         |                  |                                      |       |
| <u>DOMESTIC DEMAND AND REVENUE</u>         |                     |                    |       |        |                       |        |         |                  |                                      |       |
| Retail Sales                               | * Apr 2007          | 1.5                | 1.9   | 0.1    | 15.3                  | 5.2    | 7.3     | 8.1              | 7.5                                  | 5.9   |
| Manufactures' Shipments                    | Apr 2007            | 2.2                | 0.9   | -1.3   | 1.9                   | -2.0   | 0.6     | 2.9              | -1.3                                 | 4.0   |
| Housing Starts (000) (2)                   | May 2007            | 39.7               | 36.5  | 37.5   | 37.9                  | 37.1   | 36.6    | 29.7             | 37.7                                 | 37.5  |
| Wages and Salaries                         | Mar 2007            | 0.4                | 0.4   | 0.8    | 4.6                   | 3.9    | 8.2     | 7.0              | 6.9                                  | 8.1   |
| <u>INCOME AND PRICES</u>                   |                     |                    |       |        |                       |        |         |                  |                                      |       |
| Consumer Price Index (1)                   | * May 2007          | 0.5                | 0.4   | 0.4    | 3.7                   | 1.5    | 1.8     | 1.7              | 2.0                                  | 1.8   |
| Average Hourly Earnings (1)                | May 2007            |                    |       |        |                       |        | 3.6     | 3.6              | 3.7                                  | 1.9   |
| <u>LABOR MARKET</u>                        |                     |                    |       |        |                       |        |         |                  |                                      |       |
| Job creation (000)                         | May 2007            | 14.2               | -16.3 | 12.5   | 3.5                   | 8.8    | 5.9     | 71.2             | 44.8                                 | 24.8  |
| Unemployment                               | May 2007            | 4.2                | 4.4   | 3.9    | 4.2                   | 4.3    | 4.5     | 4.7              | 4.2                                  | 4.7   |
| Participation rate                         | May 2007            | 66.3               | 66.2  | 66.4   | 66.3                  | 66.3   | 66.0    | 65.7             | 66.3                                 | 65.6  |

|          |                             |                 |
|----------|-----------------------------|-----------------|
| * Update | (1) Not Seasonally Adjusted | (2) Annual Rate |
|----------|-----------------------------|-----------------|



## TABLE 5 - INTERNATIONAL ECONOMIC INDICATORS

June 22, 2007

| Growth Rates Unless<br>Otherwise Indicated | Reference<br>Period   | Monthly Growth (%) |                |                | Annualized Growth (%)     |                |                | Since<br>12 Mos.           | Cumulated since<br>beginning of year |              |
|--|-----------------------|--------------------|----------------|----------------|---------------------------|----------------|----------------|----------------------------|--------------------------------------|--------------|
|  |                       | Past               | Prev.          | Month          | Average of the last       |                |                |                            | ref.                                 | prec.        |
|  |                       | Month              | Month          | Before         | 3 Mos.                    | 6 Mos.         | 12 Mos.        |                            |                                      |              |
| OECD leading index                         | Apr 2007              | 0.3                | 0.2            | 0.2            | 2.2                       | 1.6            | 2.3            | 1.4                        | 1.4                                  | 3.0          |
| <b>JAPAN</b>                               |                       |                    |                |                |                           |                |                |                            |                                      |              |
| Retail Sales                               | Apr 2007              | -7.5               | 17.7           | -6.7           | -20.1                     | 9.1            | -0.1           | -0.7                       | -0.6                                 | 0.2          |
| Industrial Production                      | Apr 2007              | -12.3              | 14.3           | 4.2            | 9.9                       | 4.2            | 4.6            | 2.2                        | 2.9                                  | 3.3          |
| Exports                                    | * May 2007            | 2.8                | 0.7            | 0.4            | 5.7                       | 12.4           | 13.1           | 13.9                       | 12.2                                 | 16.7         |
| Imports                                    | * May 2007            | 8.3                | 1.6            | -8.2           | -8.5                      | 7.2            | 11.3           | 16.7                       | 7.1                                  | 24.6         |
| Merchandise trade bal. (Billions of ¥)     | * May 2007            | 788                | 1,073          | 1,119          | 993                       | 881            | 789            | 824                        | 924                                  | 575          |
| Current account (Billions of ¥)            | Apr 2007              | 2,279              | 2,424          | 1,484          | 2,063                     | 1,982          | 1,810          | 1,343                      | 2,006                                | 1,563        |
| Inflation (CPI)                            | Apr 2007              | 0.2                | 0.0            | -0.3           | -0.9                      | -0.6           | 0.3            | 0.0                        | -0.1                                 | -0.1         |
| Industrial Prices (1)                      | May 2007              | 0.5                | 0.9            | 0.3            | 3.9                       | 0.6            | 2.7            | 2.2                        | 2.1                                  | 2.8          |
| Unemployment Rate                          | Apr 2007              | 3.8                | 4.0            | 4.0            | 3.9                       | 4.0            | 4.1            | 4.1                        | 4.0                                  | 4.2          |
|  |                       | <b>Q1 2007</b>     | <b>Q4 2006</b> | <b>Q3 2006</b> | <b>Q2 2006</b>            | <b>Q1 2006</b> | <b>Q4 2005</b> | <b>2006</b>                | <b>2005</b>                          | <b>2004</b>  |
| Gross Domestic Product (Constant Yen)      |                       | 3.3                | 5.4            | 0.3            | 1.8                       | 2.2            | 1.5            | 2.2                        | 1.9                                  | 2.7          |
| <b>Euro-zone</b>                           |                       |                    |                |                |                           |                |                |                            |                                      |              |
| Economic sentiment (index)                 | Feb 2007              | 110.1              | 110.3          | 110.4          | 110.3                     | 109.4          | 107.3          | 101.1                      | 110.2                                | 100.7        |
| Business climate (index)                   | Feb 2007              | 1.6                | 1.6            | 1.4            | 1.5                       | 1.4            | 1.1            | 0.3                        | 1.6                                  | 0.2          |
| Retail Sales                               | * Apr 2007            | 0.0                | 0.5            | 0.5            | 1.5                       | 1.6            | 2.0            | 1.7                        | 1.7                                  | 1.7          |
| Industrial Production                      | * Apr 2007            | -0.8               | 0.5            | 0.5            | 2.3                       | 2.4            | 4.1            | 3.1                        | 3.6                                  | 3.2          |
| Exports                                    | * Apr 2007            | 0.6                | 0.7            | 0.1            | 4.3                       | 11.2           | 10.3           | 10.3                       | 9.8                                  | 13.0         |
| Imports                                    | * Apr 2007            | 2.2                | -3.1           | 1.0            | 0.9                       | 3.3            | 9.4            | 4.8                        | 5.8                                  | 18.9         |
| Merch. Trade Bal. (Millions of euros)      | * Apr 2007            | 3,528              | 5,406          | 744            | 3,226                     | 2,648          | 1,164          | 2,231                      | 2,868                                | -1,500       |
| Inflation (CPI)                            | May 2007              | 0.2                | 0.6            | 0.7            | 4.9                       | 1.7            | 2.0            | 1.9                        | 1.9                                  | 2.4          |
| Industrial Prices (1)                      | * Apr 2007            | 0.4                | 0.3            | 0.3            | 3.5                       | 1.2            | 4.3            | 2.4                        | 2.8                                  | 5.3          |
| Unemployment Rate                          | Apr 2007              | 7.1                | 7.2            | 7.3            | 7.2                       | 7.4            | 7.6            | 8.0                        | 7.3                                  | 8.2          |
|  |                       | <b>Q1 2007</b>     | <b>Q4 2006</b> | <b>Q3 2006</b> | <b>Q2 2006</b>            | <b>Q1 2006</b> | <b>Q4 2005</b> | <b>2006</b>                | <b>2005</b>                          | <b>2004</b>  |
| Gross Domestic Product (Constant Euro)     |                       | 3.9                | 3.5            | 2.4            | 3.8                       | 3.6            | 1.6            | 2.8                        | 1.6                                  | 1.8          |
| <b>UNITED KINGDOM</b>                      |                       |                    |                |                |                           |                |                |                            |                                      |              |
| Consumer Confidence Indicator              | May 2007              | -3                 | -7             | -5             | -5                        | -6             | -6             | -6                         | -6                                   | -4           |
| Retail Sales                               | May 2007              | 0.4                | -0.1           | 0.5            | 4.8                       | 3.8            | 4.0            | 3.9                        | 4.4                                  | 2.4          |
| Industrial Production                      | Apr 2007              | 0.3                | 0.1            | -0.4           | -0.9                      | -0.1           | 0.3            | 0.4                        | 0.0                                  | -0.8         |
| Exports (1)                                | Apr 2007              | -0.4               | 2.5            | -1.7           | -4.4                      | -17.3          | -2.0           | -19.0                      | -17.6                                | 34.9         |
| Imports (1)                                | Apr 2007              | -3.6               | 2.5            | -0.2           | -2.7                      | -14.4          | 1.2            | -17.4                      | -14.0                                | 32.6         |
| Merchandise Trade Bal. (Millions of £)     | Apr 2007              | -6,316             | -7,157         | -6,967         | -6,813                    | -6,939         | -6,879         | -6,781                     | -6,784                               | -6,977       |
| Inflation (CPI harmonized) (1)             | May 2007              | 0.3                | 0.3            | 0.5            | 3.4                       | 2.2            | 2.6            | 2.5                        | 2.8                                  | 2.0          |
| Industrial Prices (1)                      | May 2007              | 0.4                | 0.5            | 0.6            | 6.1                       | 2.1            | 2.4            | 2.5                        | 2.4                                  | 2.8          |
| House prices                               | May 2007              | 0.3                | 0.9            | 1.2            | 15.2                      | 12.8           | 9.7            | 10.3                       | 10.7                                 | 7.4          |
|  |                       | <b>Q1 2007</b>     | <b>Q4 2006</b> | <b>Q3 2006</b> | <b>Q2 2006</b>            | <b>Q1 2006</b> | <b>Q4 2005</b> | <b>2006</b>                | <b>2005</b>                          | <b>2004</b>  |
| Gross Domestic Product (Constant £)        |                       | 2.9                | 2.7            | 2.7            | 3.1                       | 3.3            | 3.1            | 2.8                        | 1.9                                  | 3.3          |
| <b>INTEREST AND EXCHANGE RATES</b>         |                       |                    |                |                |                           |                |                |                            |                                      |              |
|  | Reference<br>Thursday | Current<br>Week    | Prev.<br>Week  | Week<br>Before | Average of last Thursdays |                |                | 13 w.<br>ago               | 26 w.<br>ago                         | 52 w.<br>ago |
|  |                       |                    |                |                | 13 W.                     | 26 W.          | 52 W.          |                            |                                      |              |
| <b>JAPAN</b>                               |                       |                    |                |                |                           |                |                |                            |                                      |              |
| Prime Rate                                 | * 21-Jun-07           | 0.75               | 0.75           | 0.75           | 0.75                      | 0.64           | 0.50           | 0.75                       | 0.40                                 | 0.10         |
| 3-month Financing Bill Rate                | * 21-Jun-07           | 0.00               | 0.63           | 0.58           | 0.57                      | 0.54           | 0.46           | 0.59                       | 0.45                                 | 0.29         |
| - Spread with U.S.                         | * 21-Jun-07           | -4.61              | -3.89          | -4.09          | -4.18                     | -4.32          | -4.42          | -4.34                      | -4.39                                | -4.50        |
| Yield on 10-year Gov't Bonds               | * 21-Jun-07           | 1.91               | 1.94           | 1.86           | 1.72                      | 1.70           | 1.72           | 1.55                       | 1.61                                 | 1.85         |
| - Spread with U.S.                         | * 21-Jun-07           | -3.25              | -3.27          | -3.24          | -3.10                     | -3.06          | -3.04          | -3.04                      | -2.94                                | -3.34        |
| Exchange Rate (¥/U.S.\$)                   | * 21-Jun-07           | 123.7              | 123.0          | 121.0          | 120.4                     | 120.0          | 118.4          | 118.2                      | 118.4                                | 116.1        |
| <b>Euro Zone</b>                           |                       |                    |                |                |                           |                |                |                            |                                      |              |
| 3-month Treasury Bills                     | * 21-Jun-07           | 4.16               | 4.15           | 4.13           | 4.05                      | 3.93           | 3.66           | 3.90                       | 3.71                                 | 2.99         |
| - Spread with U.S.                         | * 21-Jun-07           | -0.45              | -0.37          | -0.54          | -0.70                     | -0.93          | -1.22          | -1.02                      | -1.13                                | -1.80        |
| Yield on 10-year Gov't Bonds               | * 21-Jun-07           | 4.63               | 4.63           | 4.45           | 4.29                      | 4.09           | 3.94           | 3.83                       | 3.70                                 | 3.85         |
| - Spread with U.S.                         | * 21-Jun-07           | -0.53              | -0.59          | -0.64          | -0.54                     | -0.66          | -0.82          | -0.76                      | -0.85                                | -1.35        |
| Exchange Rate (U.S.\$/Euro)                | * 21-Jun-07           | 1.34               | 1.33           | 1.34           | 1.35                      | 1.33           | 1.30           | 1.33                       | 1.32                                 | 1.26         |
| (Yen/Euro)                                 | * 21-Jun-07           | 165.50             | 163.56         | 163.43         | 162.16                    | 159.38         | 154.52         | 157.27                     | 155.85                               | 145.48       |
| (Euro / £)                                 | * 21-Jun-07           | 1.49               | 1.48           | 1.47           | 1.47                      | 1.48           | 1.48           | 1.47                       | 1.49                                 | 1.45         |
| <b>UNITED KINGDOM</b>                      |                       |                    |                |                |                           |                |                |                            |                                      |              |
| Prime Rate                                 | * 21-Jun-07           | 6.50               | 6.50           | 6.50           | 6.50                      | 6.50           | 6.50           | 6.50                       | 6.50                                 | 6.50         |
| 3-month Treasury Bills                     | * 21-Jun-07           | 0.00               | 0.00           | 0.00           | 5.47                      | 5.42           | 5.10           | 5.47                       | 5.06                                 | 4.67         |
| - Spread with U.S.                         | * 21-Jun-07           | -4.61              | -4.52          | -4.67          | 0.72                      | 0.56           | 0.22           | 0.55                       | 0.22                                 | -0.12        |
| Yield on 30-year Gov't Bonds               | * 21-Jun-07           | 4.86               | 4.85           | 4.75           | 4.61                      | 4.45           | 4.31           | 4.33                       | 4.20                                 | 4.34         |
| - Spread with U.S.                         | * 21-Jun-07           | -0.42              | -0.45          | -0.46          | -0.37                     | -0.43          | -0.58          | -0.46                      | -0.49                                | -0.89        |
| Exchange Rate (U.S.\$ / £)                 | * 21-Jun-07           | 1.99               | 1.97           | 1.98           | 1.98                      | 1.97           | 1.93           | 1.96                       | 1.96                                 | 1.83         |
| <b>STOCK INDICES</b>                       |                       |                    |                |                |                           |                |                |                            |                                      |              |
|  | Reference             | Monthly Growth (%) |                |                | Growth Over (%)           |                |                | Since<br>beginning of year |                                      |              |
|  |                       | Level              | Past<br>Month  | Prev.<br>Month | Month<br>Before           | 3 Months       | 6 Months       | 1 Year                     | ref.                                 | prec.        |
| MSCI Eafe                                  | * Jun 2007            | 291                | -1.7           | 0.4            | 7.3                       | 5.9            | 7.6            | 31.4                       | 7.6                                  | 0.7          |

\* Update

(1) Not Seasonally Adjusted

**TABLE 6 - COMMODITY PRICES**

June 22, 2007

|   | <u>Spot Price</u> |               | <u>Weekly Growth (%)</u> |                   |                    | <u>Annualized Growth (%)</u> |              |              | <u>Last Year</u> |
|---|-------------------|---------------|--------------------------|-------------------|--------------------|------------------------------|--------------|--------------|------------------|
|   | <u>Jun 21</u>     | <u>Jun 14</u> | <u>Last Week</u>         | <u>Prev. Week</u> | <u>Week Before</u> | <u>For the Last</u>          |              |              |                  |
|   |                   |               |                          |                   |                    | <u>13 W.</u>                 | <u>26 W.</u> | <u>52 W.</u> |                  |
| <b><u>CRB Index</u></b>                                     |                   |               |                          |                   |                    |                              |              |              |                  |
| Total   | 412.8             | 413.6         | -0.2                     | 0.8               | 0.6                | 6.0                          | 9.9          | 11.2         | 371.1            |
| Energy  | 689.4             | 699.9         | -1.5                     | 0.8               | 2.8                | 43.0                         | 24.1         | 1.5          | 679.3            |
| Grain   | 315.6             | 322.2         | -2.1                     | 6.5               | 2.0                | 41.4                         | 35.5         | 54.1         | 204.8            |
| Industrials   | 408.4             | 398.8         | 2.4                      | 1.9               | 0.2                | 48.1                         | 24.4         | 12.3         | 363.6            |
| Livestock & Meat  | 302.6             | 308.3         | -1.9                     | 1.4               | -1.4               | -11.2                        | 7.0          | 5.7          | 286.4            |
| Precious Metals   | 648.8             | 648.5         | 0.0                      | -1.5              | 0.4                | 0.4                          | 17.9         | 16.5         | 557.0            |
| <b><u>PRECIOUS METALS</u></b>                               |                   |               |                          |                   |                    |                              |              |              |                  |
| Gold (\$/ounce)<br>(AM fixing London)                       | 654.50            | 650.75        | 0.6                      | -3.0              | 2.2                | -5.6                         | 10.7         | 10.1         | 594.40           |
| Platinum (\$/ounce)<br>(AM fixing London)                   | 1288.0            | 1281.0        | 0.5                      | -1.6              | 2.4                | 17.9                         | 32.5         | 7.5          | 1198.0           |
| Silver (\$/ounce)<br>(Handy & Harman)                       | 13.3              | 13.2          | 0.7                      | -3.6              | 1.9                | -5.5                         | 13.3         | 28.4         | 10.3             |
| Palladium (\$/ounce troy)                                   | 375.0             | 368.0         | 1.9                      | 0.3               | 0.0                | 27.4                         | 34.0         | 18.7         | 316.0            |
| <b><u>OTHER METALS (LME)</u></b>                            |                   |               |                          |                   |                    |                              |              |              |                  |
| Aluminum (\$/tonne)   | 2,667             | 2,650         | 0.6                      | -1.5              | -1.5               | -14.5                        | -8.0         | 8.3          | 2,462            |
| Copper (\$/tonne)   | 7,550             | 7,372         | 2.4                      | -1.0              | 0.1                | 51.3                         | 37.9         | 7.2          | 7,041            |
| Zinc (\$/tonne)   | 3,574             | 3,700         | -3.4                     | 1.6               | -1.2               | 63.5                         | -30.2        | 16.3         | 3,075            |
| Nickel (\$/tonne)   | 36,775            | 41,098        | -10.5                    | -7.7              | -12.6              | -64.4                        | 26.5         | 77.2         | 20,753           |
| Lead (\$/tonne)   | 2,523             | 2,335         | 8.0                      | 1.4               | -2.0               | 186.3                        | 134.1        | 174.1        | 920              |
| Uranium (Neuxco spot \$/lb U308)                            | 138               | 138           | 0.0                      | 0.0               | 13.1               | 452.8                        | 267.4        | 206.7        | 45               |
| <b><u>OTHER COMMODITIES</u></b>                             |                   |               |                          |                   |                    |                              |              |              |                  |
| Oil (\$/barrel) 1-month future<br>(West Texas Intermediate) | 68.31             | 67.63         | 1.0                      | 1.2               | 4.1                | 60.6                         | 20.4         | -3.1         | 70.50            |
| Corn (¢/bushel)<br>(Illinois #2)                            | 381.5             | 398.0         | -4.1                     | 7.0               | -1.7               | 2.1                          | 16.8         | 82.1         | 209.5            |
| Soy beans (¢/bushel)<br>(Illinois #1)                       | 791.0             | 783.5         | 1.0                      | -0.5              | 3.1                | 39.8                         | 58.9         | 42.3         | 556.0            |
| Pork (¢/lb)   | 105.0             | 89.0          | 18.0                     | -15.2             | 1.4                | 69.7                         | 64.0         | 5.0          | 100.0            |
| Beef (\$/100 lbs)<br>(CME)                                  | 107.9             | 106.7         | 1.2                      | -0.9              | -0.2               | 13.2                         | 17.4         | -4.1         | 112.5            |
| Woodpulp NBSK<br>Metric ton delivered in U.S.               | 810               | 810           | 0.0                      | 0.0               | 0.0                | 10.5                         | 10.7         | 14.9         | 705              |
| Natural Gas (mmbtu)<br>Henry Hub future NYMEX               | 7.24              | 7.48          | -3.1                     | -5.1              | 1.7                | 10.6                         | 39.7         | 11.4         | 6.50             |
| Lumber 2X4  | 285               | 270           | 5.6                      | -1.8              | 0.0                | 92.4                         | 27.9         | -5.3         | 301              |

All prices are in US dollars

## United States & Canada

### The Week Ahead (June 25 – June 29)

#### US Indicators

| Date   | Time  | Release                                      | Month        | Previous | Estimate  |        | NBF |
|--------|-------|--|--------------|----------|-----------|--------|-----|
|        |       |  |              |          | Consensus |        |     |
| 25-Jun | 10:00 | Existing home sales                          | May          | 5.99 M   | 5.97 M    | 5.95 M |     |
| 26-Jun | 10:00 | New home sales                               | May          | 981 K    | 925 K     | 900 K  |     |
|        | 10:00 | Consumer confidence ( <i>Conf.Board</i> )    | June         | 108.0    | 105.5     | 104.0  |     |
| 27-Jun | 08:30 | Durable goods orders                         | May          | 0.6%     | -1.0%     | -1.2%  |     |
| 28-Jun | 08:30 | GDP annualized                               | 20071Q Final | 0.6%     | 0.8%      | 0.6%   |     |
|        | 14:15 | FOMC rate decision                           | June 28      | 5.25%    | 5.25%     | 5.25%  |     |
| 29-Jun | 08:30 | Personal income                              | May          | -0.1%    | 0.6%      | 0.5%   |     |
|        | 08:30 | Consumption                                  | May          | 0.5%     | 0.7%      | 0.5%   |     |
|        | 08:30 | PCE Core (Y/Y)                               | May          | 2.0%     | 1.9%      | 1.9%   |     |
|        | 10:00 | Consumer Sentiment Index ( <i>Michigan</i> ) | June Final   | 83.7     | 84.0      | 83.0   |     |

#### Canadian Indicators

| Date   | Time  | Release                         | Month | Previous | Estimate  |      | NBF |
|--------|-------|---------------------------------|-------|----------|-----------|------|-----|
|        |       |                                 |       |          | Consensus |      |     |
| 28-Jun | 08:30 | Industrial Product Price (M/M)  | May   | 0.2%     | 0.1%      | 0.0% |     |
|        | 08:30 | Raw materials Price Index (M/M) | May   | 3.3%     | 0.7%      | 0.5% |     |
| 29-Jun | 08:30 | GDP at factor cost (M/M)        | April | 0.3%     | 0.2%      | 0.3% |     |

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