

WEEKLY ECONOMIC REVIEW

May 25, 2007

The Canadian dollar hit 92.6 cents US today, the highest since October 1977. The 7.4% appreciation since early March is due to both the general weakness of the US dollar and strong commodity prices (particularly natural gas). Analysts have recently increased their expectations for the exchange rate, with a few discussing the possibility of parity.

Canadian corporations recorded operating profits of \$63.8 billion in the first quarter of 2007, their ninth gain in the past ten quarters. Profits are up 2.9% from the previous quarter and up 7.0% from a year ago. About half the gain can be attributed to strong commodity prices.

Forecasters were caught off guard when US new home sales jumped 16% in April, the largest increase in 14 years. It was coupled with an 11% decline in the median price of a new single family home, the worst since 1970. The housing sector continues to struggle as existing home sales fell 2.6% in April to the lowest level in almost four years and building permits are at a ten-year low. According to the Federal Reserve Board, housing remains a risk to their forecast that growth will pick up later this year.

US durable goods orders rose by less than expected in April, at 0.6%. However, the

↑	Cdn Dollar (US\$/C\$)	May 25, 2007	92.6
		May 18, 2007	91.9
		2007-08	89.5
↓	WTI Oil US\$/bbl	May 24, 2007	\$64.18
		May 17, 2007	\$64.86
		2007-08	\$63.74
↓	Nymex Natural Gas C\$/mcf *		
	April Contract	May 25, 2007	\$8.32
		May 18, 2007	\$9.00

*Estimate based on Nymex Futures Market Price

March numbers were revised upwards, to 5% from 3.7% making up for the shortfall. Core capital goods orders gained 1.2% in April, leading orders into positive territory for the first time since December 2006, with a 2.2% increase year-over-year.

Petroleum prices have been strong throughout the last half of May. Strong prices can be attributed to refinery output shortfalls (in turn affecting inventory levels) and ongoing geopolitical concerns. Canadian natural gas sales in March were up 6.1% from March of 2006, and up 10% for the year-to-date. This was driven by demand in industrial sectors and direct sales, as residential consumption declined slightly.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month(Y/Y)	Year-to-date ¹
Canada	April			
Composite Index of 10 indicators; Smoothed	225.2	0.4%	5.1%	5.2%
		Quarter/Previous Quarter(Q/Q)	Quarter/Previous Year's Quarter	Year-to-date
Operating Profits for all industries (seasonally adjusted, \$Billions)	63.8	2.9%	7.0%	7.0%

Source: Statistics Canada

¹Year-to-date 2007 compared to the same period in 2006.