May 27, 1983

Canadian Leading Indicator

According to the record increase of the composite leading indicator in February 1983, the recovery in economic activity will maintain its momentum during the next few months. In February the composite leading index (1971 = 100) rose by 5.2% to 121.33 from a level of 117.85 in January, a gain of 2.9% on a year-over-year basis. The April figure increased a substantial 0.6% in April.

The April figure, while showing limited signs of recovery last October were widespread as all 10 component indicators increased, something that maintained its momentum during the next few months. In February the composite leading indicator in February to 131.7, mainly because of the record increase of Ito

LATEST MONTHLY STATISTICS

<table>
<thead>
<tr>
<th>Category</th>
<th>Previous Month</th>
<th>% Change From Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMPLOYMENT, INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Weekly Earnings ($)</td>
<td>Feb 405.67</td>
<td>10.3%</td>
</tr>
<tr>
<td>Labour Income ($ million)</td>
<td>Jan 16,733.3</td>
<td>1.5%</td>
</tr>
<tr>
<td>Manufacturers' Owned ($ million)</td>
<td>Mar 31,863.7</td>
<td>-8.5%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>Apr 1,570,000</td>
<td>27.3%</td>
</tr>
<tr>
<td>INVENTORIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department Store ($ million)</td>
<td>Feb 2,686.8</td>
<td>2.6%</td>
</tr>
<tr>
<td>Manufacturers' New Orders ($ million)</td>
<td>Mar 16,726.4</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Manufacturers' Unfilled Orders ($ million)</td>
<td>Mar 17,292.8</td>
<td>-7.7%</td>
</tr>
<tr>
<td>ORDERS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Price Index (1981=100)</td>
<td>Apr 7,158</td>
<td>6.6%</td>
</tr>
<tr>
<td>New House Price Index (1976=100)</td>
<td>Mar 129.5</td>
<td>-4.1%</td>
</tr>
<tr>
<td>Excl coal, crude oil, nat gas</td>
<td>Mar 208.5</td>
<td>5.9%</td>
</tr>
<tr>
<td>Excl coal, crude oil, nat gas</td>
<td>Mar 148.8</td>
<td>0.1%</td>
</tr>
<tr>
<td>Industry Selling Price Index (1971=100)</td>
<td>Mar 295.6</td>
<td>3.8%</td>
</tr>
<tr>
<td>CONSTRUCTION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building Permits ($ million)</td>
<td>Feb 8,264.7</td>
<td>-6.3%</td>
</tr>
<tr>
<td>Housing Starts - Urban Centres (units)</td>
<td>Mar 8,403</td>
<td>-10.2%</td>
</tr>
<tr>
<td>ENERGY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal Production (thousand tonnes)</td>
<td>Feb 3,223</td>
<td>4.4%</td>
</tr>
<tr>
<td>Electricity Generation (terawatt hours)</td>
<td>Jan 36.7</td>
<td>-7.8%</td>
</tr>
<tr>
<td>Natural Gas Production (million cubic metres)</td>
<td>Feb 8,515.1</td>
<td>-6.4%</td>
</tr>
<tr>
<td>Petroleum Refining (million cubic metres)</td>
<td>Mar 7.1</td>
<td>-8.4%</td>
</tr>
<tr>
<td>FOREIGN TRADE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports - Balance of Payments Basis ($ million)</td>
<td>Mar 7,509</td>
<td>1.0%</td>
</tr>
<tr>
<td>Imports - Balance of Payments Basis ($ million)</td>
<td>Mar 6,174.4</td>
<td>2.8%</td>
</tr>
<tr>
<td>PRODUCTION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Railway Carloadings (million tonnes)</td>
<td>Apr 16,472</td>
<td>-10.1%</td>
</tr>
<tr>
<td>Steel (ingots - thousand tonnes)</td>
<td>Mar 1,079.7</td>
<td>-27.3%</td>
</tr>
<tr>
<td>SALES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department Store Sales ($ million)</td>
<td>Mar 787.6</td>
<td>7.6%</td>
</tr>
<tr>
<td>Manufacturers' Shipments ($ million)</td>
<td>Mar 16,696.8</td>
<td>-0.2%</td>
</tr>
<tr>
<td>New Motor Vehicle Sales ($ million)</td>
<td>Mar 1,138.3</td>
<td>5.6%</td>
</tr>
<tr>
<td>Retail Sales ($ million)</td>
<td>Feb 6,760.2</td>
<td>3.6%</td>
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The residential construction index accelerated to a 12.32% gain in February. The signs of strength have become more widespread geographically so that the non-filtered index maintained a high level in January and February in spite of some weakening in Quebec. Indicators of construction of single dwelling units point to continued strength in this sector as lower mortgage rates replace the beneficial effect of government programs, which were responsible for the strength in Central Canada in the fourth quarter. Indicators of multiple unit activity have remained weak, however, as vacancy rates have remained high across the country, particularly in the West. This situation may be reversed if economic activity picks up in Western Canada.

Employment improved considerably in April in Alberta (+0.5%) and British Columbia (+1.4%), while the rate of increase for men in both provinces was 1.5%.

Recovery in the indicators of manufacturing became more noticeable in February, following the relatively weak contribution of these indicators to growth of the leading index up to January. Increased consumer and export demand throughout the autumn has finally reversed the trend of new orders for durable goods (+0.56%), while the ratio of shipments to finished goods inventories registered a second consecutive increase, climbing to 1.39. The acceleration in the upward trend of the average workweek (+0.27%) indicates that the trend in employment in manufacturing should begin to pick up.

According to the Labour Force Survey, employment in manufacturing has continued to be more evident in the non-filtered series (up +0.27% to +0.25%) which, combined with increased sales, suggests that profits will increase in manufacturing in the first quarter. The improvement in profit margins appears to be mainly due to an increase in output per employee in January and February, as selling prices have increased only marginally. Unit labour costs posted an increase of +0.14% to -0.13%. The improvement continued in February as the percentage change in the all-items-excluding-load index stood 7.1% above its level a year earlier. The load-purchased-from-restaurants index increased 0.3% and stood 7.1% above its level of April 1982. As a result, the aggregate food index advanced 4.6% on an annual basis.

The decline of 0.3% in the all-items-excluding-food index was virtually entirely attributable to a drop in gasoline prices, most notably in Ontario, resulting from the impact of "price wars". Widespread price increases among the other components in the all-items-excluding-food index only partially offset the effect of the decline in gasoline prices. Electricity charges rose in the provinces of Nova Scotia, New Brunswick, Alberta and British Columbia while telephone rates rose in Alberta. Increased prices for tobacco products reflected, in part, higher manufacturers' prices as well as increased provincial tobacco taxes in the provinces of Prince Edward Island, Manitoba, Saskatchewan and Alberta. Between April 1982 and April 1983, the all-items-excluding-food index advanced 7.2%.

Viewed in terms of goods and services, the price level for goods declined 0.3%, largely reflecting the decline in gasoline prices, while that for services advanced by 0.3%. As a result, between April 1982 and April 1983, the price level for goods advanced by 6.0% while that for services increased by 7.5%.

On a seasonally adjusted basis, the all-items CPI rose 0.3% in April; this comprised an increase of 0.9% in the food index and no change in the all-items-excluding-food index.

For further information, order the April 1983 issue of Consumer Price Index (62-007), $2.65/$26.50, or contact Sandra Shaeflick or Suzanne Gratton (613-995-4078), Prices Division, Statistics Canada, Ottawa K1A 0T6.
Industrial Corporations

The long awaited recovery in corporate profits finally has begun with a healthy surge in the first quarter of 1983. Book profits of Canadian industrial corporations before taxes and extraordinary items jumped 21.1% over the previous quarter on a seasonally adjusted basis. Even more dramatically, profits after taxes soared 36.2% in the quarter reflecting reduced capital losses. The current improvement in profitability is a result of higher sales (up 2.8%), coupled with savings from leaner operating expenses, "pared to the bone" inventories, and reduced interest costs.

A full recovery remains several quarters away, however, as profit levels (before taxes) are still more than one-third below those of the second quarter of 1981, just before the recession began. The current quarter's encouraging results have been preceded by four quarters of sharp declines in seasonally adjusted profits (before taxes) up to mid-1982, and a moderate 6.5% increase over the last half of the year.

It should be noted that seasonally adjusted profits data are highlighted because elimination of seasonal fluctuations permits a more valid comparison on a quarter-to-quarter basis. This in turn can better reveal the current profit picture as distinct from the effects of last year's situation.

On a year-to-year basis, unadjusted data also reveal a stronger first quarter, with profits before taxes rising to $5.7 billion in the current quarter from $5.1 billion in the first quarter of 1982, an increase of 12.1%. This is the first year-over-year increase in profits before taxes since the second quarter of 1981.

On the same basis, profits after taxes and extraordinary items rose 4.2% in the first quarter of 1983 over the first quarter of 1982. Excluding the effects of large extraordinary items in the first quarter of 1982, however, year-over-year net profits increased 20.9%.

The recent decline in interest rates was a prime factor in this quarter's improved results. First quarter 1983 interest expense of $3.842 billion showed a 12.6% decline from the $4.326 billion incurred in the 1982 period.

The strongest performers this quarter were the mineral fuels sector and the transportation equipment industry. The manufacturing sector as a whole provided the weakest profit performance, with 10 of the 22 industries still registering declines in year-to-year profits before taxes.

First Quarter Results: 1983 Compared to 1982

The mining sector posted a strong first quarter 1983 performance, particularly in the mineral fuels industry where price rises and inventory cost cuttings contributed to a 65% increase in net profits. Falling interest rates contributed $84 million to profits on a year-over-year basis.

The manufacturing sector as a whole showed a 1.3% decline in profits before taxes on a year-to-year basis. However, one bright spot was the transportation equipment industry where first quarter sales increased 25% and before-tax profits rose to $322 million in the current quarter from a $42 million loss in the first quarter of 1982. A strong marketing push including discount financing programs and a solid demand from the United States for larger Canadian models have boosted the first quarter results significantly.

The paper industry provided the largest drop in year-over-year profits before taxes, falling to a loss of $106 million currently from a profit of $187 million in the first quarter of 1982. While demand for lumber products is picking up, pulp and paper remain severely depressed, with massive excess capacity and depressed prices persisting.

Also slow to recover has been the primary metals industry, where sales declined 19.0% and profit before taxes fell to a loss of $66 million currently from a profit of $177 million in the first quarter of 1982. Although demand for consumer-related items such as home appliances and automobiles is on the rise, the larger capital goods market has generally been slow to respond.

While profits before taxes in the trade and services sector increased 11.4% year-over-year, net profit declined 13.8% over the same period. This anomaly is caused by the retail department store industry, where large extraordinary gains in the first quarter of 1982 render a rather distorted year-over-year comparison of net profits. Excluding the effects of extraordinary items, net profits in the trade and services sector increased 8.8% in the current quarter.

For further information, contact Tom Maxwell (613-995-9751), Business Finance Division, Statistics Canada, Ottawa K1A 0T6.

Historical Statistics of Canada — Second Edition

A unique reference volume, depicting in text and extensive statistical series the growth and development of Canada from Confederation in 1867 to the modern era, was released recently by Statistics Canada.

The compendium, published jointly by the Social Science Federation of Canada and Statistics Canada, provides professionals and students alike with an important new source for historical research and analysis. Besides offering time series for such vital factors as employment, housing, health care, education and the national accounts, it includes descriptions designed to aid interpretation and use of the data and draws together references to the many original sources.

The first edition of Historical Statistics of Canada was released in 1965. A full recovery remains several quarters away, however, as profit levels (before taxes) are still more than one-third below those of the second quarter of 1981, just before the recession began. The current quarter's encouraging results have been preceded by four quarters of sharp declines in seasonally adjusted profits (before taxes) up to mid-1982, and a moderate 6.5% increase over the last half of the year.

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Health Report

Female reproductive surgical procedures are the most common elective surgical operations performed in Canada, at a rate of approximately 50 per 100 000 women.

According to In Sickness and in Health: Health Statistics at a Glance (catalogue 82-541, Canada: $4.75; other countries: $5.70), released this year by Statistics Canada, this is a significant change from the early 1970s, when tonsillectomy and adenoidectomy rates were far higher, and when the most frequently performed operations for both sexes were the most frequently performed operations for both sexes.

The report indicates that women are admitted to psychiatric facilities for neurotic conditions at a higher rate than men but men are admitted for alcoholism at twice the rate of women. (With voices, a person is generally handicapped from living effectively by impairment of judgment or thinking.)

The report also notes that men, far more often than women, are involved in accidents, which account for significant demands on health facilities. Each year, accidents kill twice as many men as women. In the period between 1969 and 1980, more than 70% of all accidental deaths involved men, and half of these were due to automobile accidents.

For further information, contact Deirdre Gillieson (613-995-7408), Health Division, or Kathy Kennedy (613-995-7444), Federal and Media Relations Division, Statistics Canada, Ottawa K1A 0T6.
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