Industrial Corporations

Final first quarter 1984 data show seasonally adjusted pre-tax profits of Canadian industrial corporations rose 3.3% from the fourth quarter of 1983 to $8.4 billion, following a 6.7% increase in the preceding quarter. This marks the second consecutive quarter of decelerated growth in corporate profits, as the increases for the first three quarters of 1983 were 20.2%, 13.5% and 15.6%. However, the current level of pre-tax profits, despite the slowdown in growth, is at its highest level since the second quarter 1981 total of $8.7 billion, although still below the $9.3 billion recorded in the first quarter of 1980.

On a year-over-year basis, pre-tax profits increased 46.1% to $8.3 billion currently from $5.7 billion in the first quarter of 1983, spurred by a 14.3% increase in sales.

Balance sheet data (available for corporations with assets exceeding $10 million) show that long-term corporate liquidity, as measured by long-term debt (excluding affiliated debt) to equity, continued to improve. This ratio, which indicates the extent to which corporations make use of borrowed funds compared to shareholders’ equity, stood at 53.6% in the first quarter of 1984, compared to the 57.9% high of the fourth quarter of 1982 and 54.5% last quarter.

Over the past year, corporations have relied more heavily on equity financing rather than debt financing as borne out by the $10.9 billion increase in shareholders' equity for the quarter compared to the $1.8 billion increase in long-term debt.

The working capital ratio — an indicator of short-term liquidity — at 1.44 times remained basically flat for the eighth quarter in a row. The actual level of working capital rose to $35.6 billion currently from the recessionary $30.7 billion of the fourth quarter of 1982, and last quarter's $33.9 billion.

Dividends paid by corporations in the first quarter of 1984 totaled $1.637 million, up from $1.333 million a year earlier, but down from the traditionally high fourth quarter figure of $2.225 billion. The dividend coverage ratio (dividends to net profit) declined to 45.0% currently from 58.5% in the first quarter of 1983.

More detailed statistics for the 47 industry groups will be available in catalogue no. 61-003. For further information, contact Tom Maxwell or Bill Potter (613-995-9751).

LATEST MONTHLY STATISTICS

<table>
<thead>
<tr>
<th>EMPLOYMENT, INCOME</th>
<th>Previous Month</th>
<th>% Change From Year Ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Weekly Earnings ($)</td>
<td>Apr. 398.79</td>
<td>399.78</td>
</tr>
<tr>
<td>Labour Income ($ million)</td>
<td>Feb. 184.47</td>
<td>184.46</td>
</tr>
<tr>
<td>Persons with Jobs (million)</td>
<td>May 11.01</td>
<td>10.67</td>
</tr>
<tr>
<td>Unemployed</td>
<td>May 1,460,000</td>
<td>1,468,000</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>INVENTORIES</th>
<th>Previous Month</th>
<th>% Change From Year Ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Store ($ million)</td>
<td>Apr. 3,604.9</td>
<td>3,398.4</td>
</tr>
<tr>
<td>Manufacturers' Owned ($ million)</td>
<td>Apr. 32,343.3</td>
<td>32,165.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ORDERS</th>
<th>Previous Month</th>
<th>% Change From Year Ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturers' New Orders ($ million)</td>
<td>Apr. 18,654.0</td>
<td>19,830.0</td>
</tr>
<tr>
<td>Manufacturers' Unfilled Orders ($ million)</td>
<td>Apr. 21,546.4</td>
<td>21,258.6</td>
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<table>
<thead>
<tr>
<th>PRICES</th>
<th>Previous Month</th>
<th>% Change From Year Ago</th>
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<tbody>
<tr>
<td>Consumer Price Index (1981=100)</td>
<td>May 121.7</td>
<td>121.5</td>
</tr>
<tr>
<td>New House Price Index (1981=100)</td>
<td>Apr. 95.5</td>
<td>95.3</td>
</tr>
<tr>
<td>Raw Materials Price Index (1977=100)</td>
<td>May 218.3</td>
<td>218.4</td>
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<table>
<thead>
<tr>
<th>CONSTRUCTION</th>
<th>Previous Month</th>
<th>% Change From Year Ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Permits ($ million)</td>
<td>Apr. 1,331.0</td>
<td>4,004.5</td>
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<table>
<thead>
<tr>
<th>Wages, Salaries and Supplementary Labour Income</th>
<th>Previous Month</th>
<th>% Change From Year Ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Store Sales ($ million)</td>
<td>Apr. 2,958.1</td>
<td>3,093.1</td>
</tr>
<tr>
<td>Manufacturers' Shipments ($ million)</td>
<td>Apr. 18,366.2</td>
<td>18,359.0</td>
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<tr>
<td>New Motor Vehicle Sales ($ million)</td>
<td>Apr. 1,471.4</td>
<td>1,470.3</td>
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<tr>
<td>Retail Sales ($ million)</td>
<td>Apr. 9,178.6</td>
<td>9,165.9</td>
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</tbody>
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* - new this week.
Wholesale Trade, 1982

Preliminary results indicate that the total volume of trade (net sales and receipts plus value of goods bought or sold on a commission basis) of the wholesale trade sector for the year 1982 amounted to $170.1 billion, down 3.6% from the $176.4 billion reported in 1981. Wholesale merchants accounted for $143.0 billion, or 84.1% of the total volume of trade, while agents and brokers - the other segment of the wholesale trade sector - accounted for $27.1 billion, or 15.9%.

Net sales and receipts totalled $135.6 billion in 1982, down 3.3% from the $140.3 billion reported in 1981. Closing inventories were $19.2 billion in 1982 compared to $21.7 billion in 1981, a decline of 11.7%.

The decline in wholesale trade in 1982 reflected weakness both in domestic demand by retailers and industrial and commercial users as well as by foreign markets for goods handled by Canadian wholesalers.

For further information, contact the Wholesale Trade Section (613-996-9307).

Gross Domestic Product

Gross Domestic Product in constant 1971 prices advanced 0.4% in April 1984 to $122.7 billion at annual rates from $122.1 billion in March. Industrial production rose 0.7% in April to $336.6 billion from $334.4 billion in March, although output for the mining, manufacturing and utilities component remained below the level reached in January of this year.

The April growth in GDP was led by significant gains in three major areas: manufacturing, trade, and transport industries. The growth in manufacturing was almost entirely due to increased production in the paper and allied industries, and wood products industries (output of these two industries had been sharply reduced in the January-March period due to a labour dispute in British Columbia). Elsewhere in manufacturing, moderate production increases were reported by manufacturers of miscellaneous machinery, office and store machinery, pharmaceuticals, and industrial chemicals. But manufacturers of motor vehicles and motor vehicle parts and accessories both reported significant output declines in April and motor vehicle exports fell sharply from the March level. Automobile and truck production in April 1984 was at its lowest level since September 1983, while production of motor vehicle parts and accessories had slipped to almost the same low level as in October 1983.

Trade - including both wholesale and retail trade - advanced by a substantial 1.8% in April 1984, posting the strongest monthly increase since June 1983. Wholesalers of automotive products, industrial machinery and equipment, and farm machinery reported significant output gains. In retail trade, increases were widespread.

For further information, order the April 1984 issue of Gross Domestic Product by Industry (61-005, $3.85-$36.50), or contact Ron Kennedy (613-995-0568).

Accrued Net Income of Farm Operators from Farm Production

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of dollars</th>
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<tbody>
<tr>
<td>1980</td>
<td>0</td>
</tr>
<tr>
<td>1981</td>
<td>0</td>
</tr>
<tr>
<td>1982</td>
<td>0</td>
</tr>
<tr>
<td>1983</td>
<td>0</td>
</tr>
<tr>
<td>1984</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Statistics Canada, National Income and Expenditure Accounts (13-001)

Current Economic Analysis, Monthly Review

Aggregate demand continued to decelerate in the first quarter of 1984, and modest growth is indicated for the second quarter and beyond. The restrained growth reflects a number of cross-currents in macroeconomic activity. Although the U.S. economy decelerated in the second quarter, it is still growing at a rapid rate. Canadian exports to that country have also decelerated, but continue to provide impetus to export-oriented industries. Also, there are some indications that the period of large declines in business investment may be coming to an end. Sluggish growth of total domestic demand, however, has resulted in restrained growth in the industries that produce for domestic markets. At the same time, the resulting slack in the utilization of manpower and capacity has continued to check wage and price inflation.

The weak outlook for domestic demand increases the importance of the recent indications of a moderation of external demand. Exports to the United States have begun to lose some of their vigor of late, as the rapid expansion of the auto and housing sectors has softened following an upturn in interest rates. Nevertheless, the U.S. economy is still growing at a brisk rate, which will continue to support our exports in the short term. Shipments to Europe declined sharply entering the second quarter as the recovery in Europe has been disrupted by widespread labour disputes. The more moderate growth of industrial activity in the OECD region in the second quarter was evident in restrained price increases in April and May for non-food commodities; following signs of a revival in the first quarter.

The modest first quarter increase in business investment and the slight growth recorded in the survey of investment intentions of large firms in 1984 suggest that the period of large cuts in outlays is past. The outlook for investment remains guarded, however, as a number of the cyclical determinants of investment weakened in the first quarter. The notion of continued sluggish investment demand is supported by the recent slackening evident in related indicators such as building permits, contract awards, and import demand for machinery and equipment. The upturn of profits in the recovery has not resulted in an increase in investment sufficient to counterbalance the weakness of household demand. This discrepancy between business revenues and investment is in plant and equipment reflects a number of factors, including the relatively small number of industries recording higher profits (notably in the non-financial sector of the economy) and capacity utilization, and the ongoing need for firms to reduce debt burdens and to repair balance sheets at a time of weakening bond and stock market prices.

For the detailed analysis as well as a new summary of major domestic and international developments and extensive analytical charts and tables, order Current Economic Analysis (13-004E, Canada: $27.50; other countries: $33.00). For further information contact D. Rhodes (613-992-4441), Current Economic Analysis Division.
Composite Leading Indicator

According to the Canadian leading indicator in March, economic activity in the second quarter should continue to grow at about the same modest rate recorded in the first quarter of 1984. The growth of the index (+1.17%) equaled the average monthly gain since the turn of the year, with five components declining. The gain of 1.5% in the non-filtered version in March reflected strength in the motor vehicle component and vigor in external demand, which should continue to account for most of the growth in manufacturing activity in the short term. The indicators of domestic demand, however, and particularly those with the longest leads at turning points - continued to signal a slowdown of output and incomes in Canada.

Within personal expenditure, the indicators signalled that the slow growth which became evident in the first quarter of the year will continue, reflecting the ongoing weakness during the expansion of the determinants of consumer demand. Spending on furniture and appliances remained substantially below pre-recession levels in March (-0.05%), while new motor vehicle sales continued to lose some of their previous strength (+2.88%) as interest rates remained high and personal disposable incomes relatively weak. In the first quarter, there was a further slowdown in the rate of growth of base salaries negotiated in major collective agreements, as the average increase (excluding indexation clauses) of 3.5% was below the inflation rate.

The residential construction index continued to decline in March (-0.78%), and the signs of weakness spread among the regions, in line with the slowdown of employment growth. While building intentions for multiple housing firms in Ontario - due to the very low vacancy rate in several large cities - elsewhere in the country demand for all types of housing was slow.

The indicators for manufacturing suggest a continuation of a lower rate of growth of output and employment in the second quarter, due to the sluggishness of domestic demand. The average workweek reflected this trend, essentially unchanged in March (-0.00). While it did account for much of the gain in the non-filtered indices for this sector in March, the continued expansion of external demand was not sufficient to reverse the decline of production. The weakening of household demand and the slowdown of inventory accumulation were evident in the second straight decline for new orders for durables (-0.32%) and the weak increase in the ratio of shipments to stocks of finished goods (+0.01 to 1.66). The sustained growth in the percent change of price per unit labour cost (+0.07) reflects the continued gains in productivity and moderate increases in wage rates.

Industry Selling Price Index

Preliminary estimates show the Industry Selling Price Index (ISPI) for manufacturing (1971=100) edged up 0.1% to 310.6 in May 1984 from the revised April level of 310.3. With this small increase, the year-over-year rise - from May 1983 to May 1984 - was 4.1%, a marginal deceleration from the increases recorded between January and April 1984. Although the monthly change in the total index was only 0.1%, there were divergent price movements within the components: increases in paper and allied industries (1.2%), the food and beverage industry (0.3%) and the chemical and medical products industry (0.7%) were almost offset by declines in the wood industry (-3.3%) and the primary metal industries (-0.4%).

The paper and allied industries component index climbed 1.2% in May to a level 11.5% higher than a year earlier. Most of the increase for the month was due to a 1.4% rise in the pulp and paper mills index which stemmed from the depreciation of the Canadian dollar against its U.S. counterpart (since most prices for the industries that comprise the pulp and paper mills index are quoted in U.S. dollars, any decrease in the value of the Canadian dollar accentuates increases in the pulp and paper mills index). A 4.8% jump in the asphalt roofing manufacturers index also contributed to the monthly rise in the group index.

The proportion of industry indexes that posted increases in May 1984 (55%) was down sharply from April (65%). The proportion of indexes showing no change (30%) was much higher than in the preceding month (18%), and the proportion that registered declines (15%) was little changed from April (17%).

For further information, order the May 1984 issue of Industry Price Indexes (62-011, $3.85-$38.50), or contact the Information Unit (613-995-5738), Industrial Prices Section, Prices Division, Statistics Canada, Ottawa K1A 0T6.

Building Permits

Building permits value posted an 18.2% increase to a seasonally adjusted $1,322.4 million in April 1984 from $1,118.7 million in March, reaching the highest level since April 1983 when $1,354.6 million of building construction work was authorized.

Residential construction permits were issued for a seasonally adjusted total of $666.4 million in April, up 1.0% from the revised March level of $659.9 million.

Non-residential building permits rose 43.0% to $555.0 million in April from $458.8 million in March, reflecting increased permit activity in all the provinces except Saskatchewan, Alberta and British Columbia. All three components of non-residential construction contributed to the rise.

For further information, order the April 1984 issue of Building Permits (64-001, $3.85-$38.50), or contact J.P. Delisle (621-995-6213), Construction Division, Statistics Canada, Ottawa K1A 0T6.

Market Research Handbook
Near Sell-out

A very limited number of copies of the Market Research Handbook 1983 revised edition - the latest edition of one of the Bureau's perennial best-sellers - are still available.

The 803-page publication, containing some 278 tables and 45 charts, provides the most comprehensive array of Canadian marketing information available in a single volume and can be used for analysis of markets of all sizes, ranging from local or regional to national in scope.

Copies of the Market Research Handbook (catalogue 63-224: Canada: $31.80; Other Countries: $38.15) can be ordered from Publication Sales and Services or any regional reference centre.
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Building Permits, March 1984
Construction in Canada, 1982-1984

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Service Bulletin
Education Statistics, Vol. 6, No. 4, University Financial Statistics, 1982-83

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