Gross National Product

Preliminary estimates indicate that nominal Gross National Product, seasonally adjusted at annual rates, rose to a level of $449.3 billion in the second quarter of 1985, an increase of 1.9% over the first quarter. After allowing for a moderate price change of 0.9%, this represents an increase of 1.0% in real GNP.

The 1.0% gain in real GNP is a continuation of similar growth rates in the previous two quarters of 0.9% and 1.0% respectively. Final domestic demand has strengthened over this period, and was up 1.7% in the second quarter, the largest quarterly increase since 1980. The improvement in final domestic demand, however, was partly offset by a slackening of external demand and lower rates of non-farm business stock accumulation.

Following two consecutive quarterly gains of similar magnitude, consumer demand again grew by 1.2% in the second quarter. Among expenditure components, consumer demand has contributed the most to the growth of real GNE over the past seven quarters of 0.9% and 1.0% respectively. Final domestic demand, however, was partly offset by a slackening of external demand and lower rates of non-farm business stock accumulation.

Business investment in plant and equipment rose by 4.0% in volume, the largest quarterly gain since 1981. Most of the increase originated in outlays for non-residential construction, up 8.0%, with particularly large increases in investment in the manufacturing and energy sectors. On the other hand, expenditures on machinery and equipment rose only 0.7%. Residential construction jumped by 8.4% in volume in the second quarter, after seven quarters of declines or minimal growth. The gain originated in new housing construction as well as in continued growth in sales of existing homes. Together with gains in the non-residential sector, increases in investment accounted for about 50% of the growth in final domestic demand.

Real exports of goods and services declined by 2.3%. Merchandise exports recorded a decline of 1.7%. The softening of exports has been most pronounced in end products (notably automotive shipments to the United States) and in shipments of crude materials. Total import demand declined by an estimated 0.9%, this represents an increase of 1.0% in real GNP.
The current account surplus, on a seasonally adjusted basis, showed a significant decline from the first quarter. This was attributable to a reduction in the merchandise trade surplus, as imports increased while exports remained practically unchanged. The deficit on non-merchandise transactions was reduced, the first quarterly decline since the third quarter of 1984. Among capital account transactions, which are not seasonally adjusted, the major developments included a reduction in net outflows on Canadian direct investment abroad, and a substantial increase in sales of new Canadian securities. In short-term capital transactions, there was a shift to a net outflow, largely arising from the foreign currency transactions of the chartered banks.

**Current Account, Seasonally Adjusted**

- A current account surplus of $353 million, down from $765 million in the first quarter. This resulted from a drop of $666 million in the merchandise trade surplus to $4.7 billion, partly offset by a reduction of $255 million in the deficit on non-merchandise transactions to $4.1 billion.
- An increase of 3% to $25.1 billion in merchandise imports, while exports at $29.8 billion were virtually unchanged.
- In service transactions, a decline of $326 million in the deficit to $4.7 billion; lower net payments on investment income arising from a pronounced drop in dividend payments.
- A decrease of $71 million in the surplus from unilateral transfers to $303 million, resulting from declines in immigrants’ funds and withholding tax receipts.

**Current and Capital Accounts, Not Seasonally Adjusted**

- A current account surplus of $61 million, down from the surplus of $400 million in the second quarter of 1984. The decline of $564 million in the merchandise trade surplus to $4.6 billion was partially offset by a decrease of $224 million in the non-merchandise deficit.
- A halving of the net outflow on Canadian direct investment abroad to $600 million.
- A net inflow of $225 million from foreign direct investment in Canada.
- An $820 million increase to $3.8 billion in sales of new Canadian securities to non-residents. The net inflow from foreign purchases of outstanding Canadian bonds remained high at $871 million.
- A net inflow of $309 million from foreign investment in outstanding Canadian equities, largely from the United States.
- Among short-term capital transactions a shift to a net outflow of $2.7 billion from the foreign currency operations of the chartered banks, compared to a net new flow of $2.3 billion in the first quarter.
- A net inflow of $825 million arising from a reduction in Canadian non-bank holdings of United States dollar deposits abroad, compared to a net investment of $2.0 billion in the first quarter.
- A decline of $130 million in net official monetary assets. International reserve assets were reduced by $1.018 million, while official monetary liabilities declined by $889 million. The latter reflected the net repayment of U.S. $650 million of loans under standby credit facilities with banks.

**Building Permits**

The seasonally adjusted value of building permits issued by Canadian municipalities in June reached $1,653.0 million, almost unchanged from the $1,653.4 million recorded in May. The levelling off in June was a result of offsetting tendencies recorded in the residential (increase) and non-residential (decrease) sectors.

The seasonally adjusted value of residential construction in June rose 4.7% from the previous month to $536.2 million. Both single and multi-family building sectors contributed to this increase. On a seasonally adjusted basis, 14,912 units were approved in June compared to 13,881 units in May up 7.4%. Translated into annual terms, these approvals represented 178,500 in June and 166,600 units in May.

The seasonally adjusted value of non-residential projects in June slipped 5.5% to $176.8 million. The industrial (+1.3%) and commercial (+1.4%) sectors increased slightly while the public (-22.4%) sector dropped significantly.

Order the June 1985 issue of Building Permits (64-001, $20/$200), or contact G. Lemay (613-990-9689), Science, Technology and Capital Stock Division.
Labour Income
Labour income for June 1985 was estimated at $21,176.8 million, an increase of $1,212.8 million or 6.1% from June 1984. Adjusted for seasonal variation, wages and salaries increased by $2.6 million between May 1985 and June 1985, to $18,521.9 million.

Order the April-June 1985 issue of Estimates of Labour Income (72-005, $15.50), or contact G. Gauthier (613-990-9900), Labour Division.

Family History Survey
Preliminary findings from the Family History Survey indicate that women 30 years of age and over were five times as likely to experience work interruptions of one year or longer as were men in the same age group. Younger women in the 18 to 29 age bracket experienced work interruptions only twice as frequently as men in the same age group.

The higher a woman's level of education, the more likely she experienced a work interruption to either have or raise children. Less educated women reported marriage as the main reason for work interruptions.

The report also indicated that the work experience of the mother in a family has no bearing on the age at which young adults leave the parental home. However, it was found that step children tend to leave the parental home earlier than natural or adopted children.

At the time of the survey, just over 5% of surveyed adults were living in a common-law union and only 2% had ever been involved in two or more common-law relationships. The report also indicated that about half of those ever in a common-law union married their common-law partner.

Order the Family History Survey - Preliminary Findings (99-955, $20), or contact Maureen Moore (613-990-9295), Housing, Family and Social Statistics Division.

Housing Starts
Housing starts in July were at a seasonally adjusted rate of 162,000 units for all areas, an increase of 12% over June. Major recovery in the multiple dwellings sector is responsible for this upswing.

Order the July 1985 issue of Housing Starts and Completions (64-002, $15.80), or contact R. Pichette (613-990-9689), Science, Technology and Capital Stock Division.

Unemployment Insurance
Unemployment insurance benefits paid to claimants during June 1985 totalled $111 million, down 20.7% from the previous month and 0.8% from June 1984. For the first six months of 1985, unemployment insurance payments amounted to $5,790 million, increasing by 5.4% over the same period in 1984.

The number of claims received decreased 3.7% between May and June to 121,000. Comparing June 1985 with the same month a year earlier, a decline of 9.3% is observed. Between January and June 1985, Commission offices received 1.54 million claims for unemployment insurance benefits, 3.7% fewer than were received during the same period last year.

For the week ending June 15, 1985, the number of beneficiaries stood at 1.02 million, down 10.1% from May and 4.9% from June 1984.

Adjusted for seasonal variation, the number of beneficiaries receiving regular benefits has been decreasing since January 1985. In June, the number of beneficiaries declined 0.6% to 1.006 million.

Order the June 1985 issue of Unemployment Insurance Statistics (73-001, $12.120), or contact H. Stiebert or J.-P. Maynard (613-990-9900), Labour Division.

Construction Building Material Price Indexes
Residential Construction
The price index for residential construction building materials rose to 120.7 in July, up 0.8% from its revised June level of 119.8. This index now stands 5.2% higher than its year-ago level of 114.7. This is the largest 12-month increase since April 1984.

Between June and July 1985, increases were noted in three of the four components. The largest increase was reported for structural materials (0.9%), followed by electrical materials (0.8%) and building materials (0.7%). Mechanical materials decreased 0.2%. Contributing to the increase in the total index were metal doors and windows, mineral wool, Douglas Fir plywood and lumber.

Non-residential Construction
The price index for non-residential construction building materials rose to 120.0 in July, up 0.6% from its revised June level of 119.4. This index now stands 4.3% higher than its year-ago level of 115.1. This is the largest 12-month increase since May 1984.

Between June and July 1985, increases were noted in two of the three components. The largest increase was reported for architectural and structural materials each at 0.7%, followed by electrical materials (0.3%). Mechanical materials remained unchanged. The main contributors to the increase in the total index were metal doors and windows, ready-mix concrete and polyethylene film sheets.

Order the third quarter 1985 issue of Construction Price Statistics (62-007, $15.50), or contact the Prices Division (613-990-9601), Culture and Tourism Division.

New Housing Price Indexes
The New Housing Price Index (1984 = 100) for Canada stood at 95.9 in July, up 0.3% from its June level of 95.6. This index of Canadian housing contractors' selling prices now stands 0.7% higher than the year-earlier level of 95.2, the largest 12-month increase observed since June 1984.

Between June 1985 and July 1985, estimated house only index increased 0.4% to 98.4, while the estimated land only index increased 0.1% to 92.1.

Order the third quarter 1985 issue of Construction Price Statistics (62-007, $15.50), or contact the Prices Division (613-990-9601), Culture and Tourism Division.

Education Price Index
The Education Price Index (EPI) at the elementary and secondary levels rose 4.4% in 1985, reaching a level of 124.7 (1981 = 100). This was the lowest annual increase in the EPI since 1972.

Growth in the EPI has been slowing in recent years, from a high of 13.3% in 1983 to 5.4% in 1983 and 4.4% in 1984. The 1984 increase in the EPI paralleled that of the Consumer Price Index (CPI). Growth in the main component of the EPI - salaries and wages - also slowed significantly in 1984 to 4.0%, down from 5.2% in the previous year. At 3.9%, growth in the "teachers' salaries" sub-index in 1984 was the lowest among all EPI sub-indexes and the lowest in 14 years.

Order the Education Statistics Bulletin, Vol. 7, No. 4 (81-002, $4.50), or contact Louis Pierre (613-991 1507), Education, Culture and Tourism Division.
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<tr>
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<th>In Canada: Price per issue/year</th>
<th>Elsewhere: Price per issue/year</th>
</tr>
</thead>
</table>

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- **Quarterly Estimates of Population for Canada, the Provinces and the Territories, April 1985**
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- **Aviation Statistics Centre Service Bulletin, Vol. 17, No. 7**
  - 51-004: $8.50/$85, $9.50/$95
- **Railway Carloadings, June 1985**
  - 52-001: $7.50/$75, $8.50/$85
- **Railway Carloadings, 7-day Period Ending August 14, 1985**
  - 52-005: $75, $100
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  - 52-003: $9.50/$95, $10.50/$105

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