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I•N•F•O•M•A•T

A WEEKLY REVIEW

Friday, July 24, 1987

OVERVIEW

Economy Regains Momentum

In the first quarter of 1987, real gross domestic product at market prices expanded by 1.5%, the seventeenth consecutive quarterly increase and the largest in over a year.

Consumer Prices Continue To Advance

Food prices continued to be the main source of upward pressure on the CPI. The year-over-year advance in the CPI was 4.8%, the highest rate in three years.

Manufacturing Shows Modest But Positive Improvement

In May, the seasonally adjusted value of shipments increased (0.3%) for a second consecutive month, as did new orders and the backlog of unfilled orders.

Department Store Sales Unchanged in 1987

Department store sales have fluctuated significantly on a month-to-month basis in 1987 but show virtually no growth when compared to 1986.

Retail Sales Down Slightly in May

A sharp reversal in the rising trend of motor vehicle sales was the main factor in the 0.3% decline in retail sales.

Declines in Non-residential Sector Pushes Down Value of Building Permits

The value of building permits dropped 8.2% in May as a decrease in the non-residential sector more than offset a 3.1% advance in the residential sector.

This issue **also** includes an article on **Labour Income**.

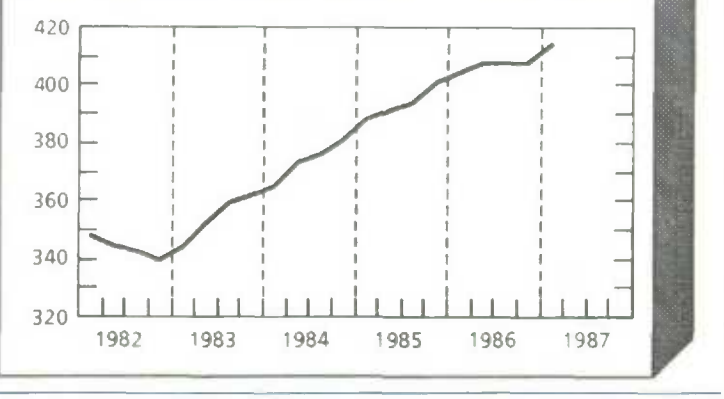
Economy Regains Momentum

In the first quarter of 1987, Gross Domestic Product rose 2.9% to a level of $534.3 billion. After allowing for a 1.3% increase in prices, real GDP expanded by 1.5%. This marked the seventeeth consecutive quarterly increase and the largest in over a year. Demand rose in all the major sectors of the economy; unlike the previous two quarters, the increase in demand was met more by higher domestic production than by increased imports or lowering of inventories.

Domestic and export demand each grew by 1.5% in volume in the first quarter. The largest gains occurred in residential construction and business investment in plant and equipment. Consumer spending also picked up, after slackening in the fourth quarter. Part of the gain in exports reflected the end of labour disputes in grain transportation, and resulted in sharply lower farm inventories. In terms of incomes, there were large increases in total labour income and corporate profits.

(continued on page 2)

Gross Domestic Product at Market Prices
(Billions of 1981 dollars)



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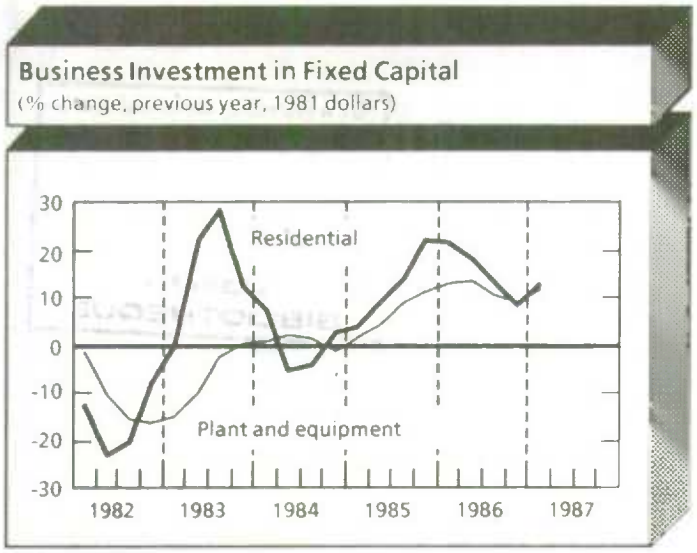
... Economy Regains Momentum



Business Investment in Fixed Capital

Residential construction continued to strengthen, up 4.8% in volume, compared with increases of about 3% in the previous two quarters. The first quarter growth was widespread by type of spending, as new housing construction, commissions on the resale of houses, and alterations and improvements all rose. Housing activity continued to be highly concentrated in central Canada, and was accompanied by large increases in housing prices.

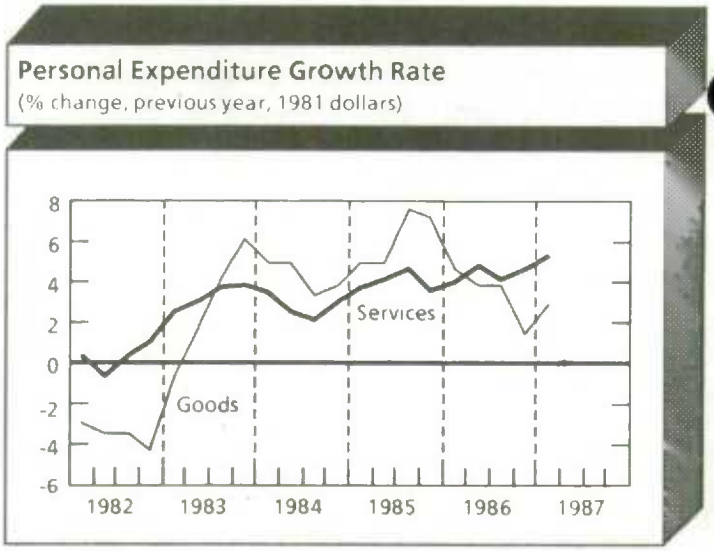
Business investment in plant and equipment posted a 3.5% increase in volume, the largest increase since mid-1985. Both non-residential construction and machinery and equipment rose; the first time the two have risen at the same time in the past year. The 5.1% gain in machinery and equipment was most evident in imported components. The rise in non-residential construction reflected higher building construction and a gradual recovery in expenditures on exploration and development of oil and gas, after large drops in mid-1986.

Personal Expenditures

Constant dollar personal expenditure on goods and services grew by 1.1%, with spending on services rising by 1.6% and goods by 0.7%. The change in spending on services was led by higher travel expenditure abroad, while the increase for goods was concentrated in spending on durable goods, notably motor vehicles. Higher purchases of durable goods were associated with lower interest rates and little price increase, particularly as auto rebates were common. Relatively rapid price increases (1.5%) for non-durable goods – notably for energy products – accompanied lower consumption of these goods.

Exports of Goods and Services

Net exports of goods and services rose by $0.9 billion in 1981 dollars, growing slightly faster than imports during the quarter. Most of the 1.5% gain in exports was accounted for by a resumption of grain shipments and by higher exports of fabricated materials. Exports of end products eased slightly, as non-automotive shipments fell, while demand for crude materials such as oil remained weak. Virtually all of the gain in imports reflected higher demand for machinery and equipment, and crude materials such as metal ores and crude oil.



For further information, contact Income and Expenditure Accounts Division at (613) 990-9158 or order National Income and Expenditure Accounts (catalogue number 13-001).

Consumer Prices Continue to Advance

The all-items Consumer Price Index for Canada advanced by 0.3% between May and June. Four of the seven major component indexes advanced. The monthly increase was largely due to an increase in the food index, although the housing, transportation, and health and personal care indexes also advanced.

Consumer Price Index

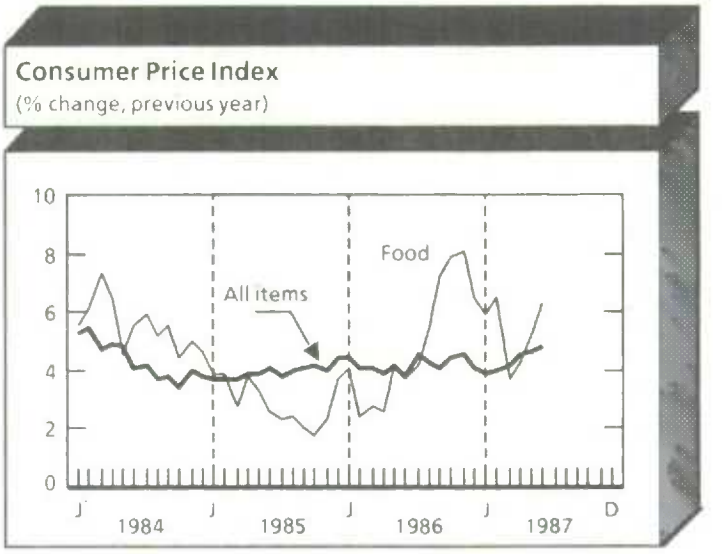
	Feb.	Mar.	Apr.	May	June
	% change, previous month				
All-items	0.2	0.4	0.4	0.4	0.3
Food	1.1	0.0	-0.1	0.0	1.1
All-items, excl. food	0.0	0.5	0.6	0.5	0.1
Energy	1.3	1.6	2.0	0.7	1.1
All-items, excl. energy	0.1	0.4	0.3	0.4	0.3
All-items, excl. food & energy	0.1	0.6	0.4	0.5	0.1

... Consumer Prices Continue to Advance

The year-over-year change in June was 4.8%, up from the 4.6% posted in the 12-month period ending in May. This was the highest rate of year-over-year change since May 1984.

After posting a 0.9% increase in May, the food index rose 1.1% in June. The June increase was entirely due to a 1.7% rise in the food purchased from stores, while food purchased from restaurants was down 0.5%. Food purchased from stores rose on the strength of price gains for meat products, fresh fruit and fresh vegetables. Seasonal factors are mainly responsible for the strong increases in both fresh fruit and fresh vegetables. Meat prices are also showing some seasonal increases due to the popularity of BBQ cuts. However, the strong increases for pork and bacon reflect limited U.S. supplies of hogs for slaughter which, in turn, have pushed up the North American price for all pork products.

The housing index rose 0.2%, as increases in the shelter and the household operation components were moderated by the decline in the household furnishings and equipment component. Within shelter, price gains were led by new housing prices, rent and homeowners' insurance premiums. Year-over-year housing prices have increased 16.9% (the bulk of this increase was due to the Toronto housing market where prices have risen 40.2%).



The transportation index recorded a 0.4% increase in June identical to that of May. An increase in the public transportation component was moderated by a smaller gain posted for the private transportation component. Although manufacturers' discounts caused the price of new cars to fall, this decrease was more than offset by a rise in the prices of gasoline and air fare.

A rise in personal care products and a gain in the cost of health care contributed to the 0.1% increase in the health and personal care index.

For further information, contact Prices Division at (613) 990-9606 or order the April 1987 issue of the Consumer Price Index (catalogue number 62-001).

Manufacturing Shows Modest But Positive Improvement

Shipments by Canadian manufacturers in the first five months of 1987 have been estimated at $105.1 billion, 0.4% higher than the value of shipments in the same period of last year. Thus, the upward trend observed during the last half of 1986 has flattened out somewhat in 1987.

In May, the seasonally adjusted value of shipments registered a modest increase for the second consecutive month. The 0.3% advance nudged the value of shipments up to $21.2 billion. New orders and the backlog of unfilled orders also rose for the second consecutive month, but the increases were more substantial. New orders increased 0.6% to a level of $21.4 billion. The backlog of unfilled orders was valued at $24 billion, 1% higher than in the previous month.

Manufacturing Activity

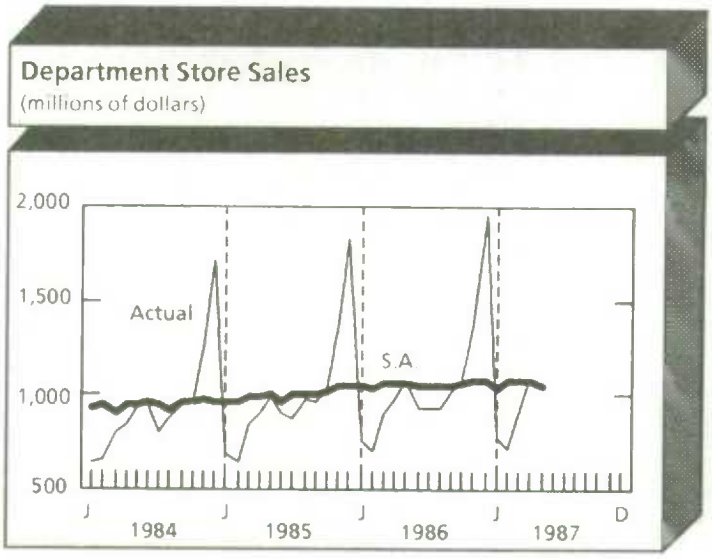
	Jan.	Feb.	Mar.	Apr.	May
	% change, previous month				
Shipments	-0.3	1.6	-1.8	0.1	0.3
New orders	-2.9	3.7	-2.4	1.3	0.6
Unfilled orders	-1.6	0.2	-0.4	0.7	1.0
Inventory to shipments ratio	1.57	1.55	1.57	1.58	1.59

Inventory owned by manufacturers increased to a level of $33.7 billion in May. This was the second increase in a row and indicates a reversal of the trend observed from November 1986 to March 1987 when inventory levels declined. The ratio of inventory owned to shipments rose marginally to 1.59:1. This was the fifth month in which the ratio remained below 1.60:1.

For further information, contact Industry Division at (613) 990-9832 or order Inventories, Shipments and Orders in Manufacturing Industries (catalogue number 31-001).

Department Store Sales Unchanged in 1987

- In the first five months of 1987, department store sales fluctuated significantly but showed virtually no growth as sales increases in February and April were offset by decreases in the other three months.
- Unadjusted sales amounted to $4.4 billion for the year-to-date, basically unchanged from 1986.
- Adjusted for seasonal fluctuations and the number of trading days, department store sales totalled $1,053 million in May, down 2.9% from the previous month.
- Department store stocks rose, as did the inventory to sales ratio. The ratio stood at 4.22:1, up from the average of 4.11:1 observed in the four previous months.



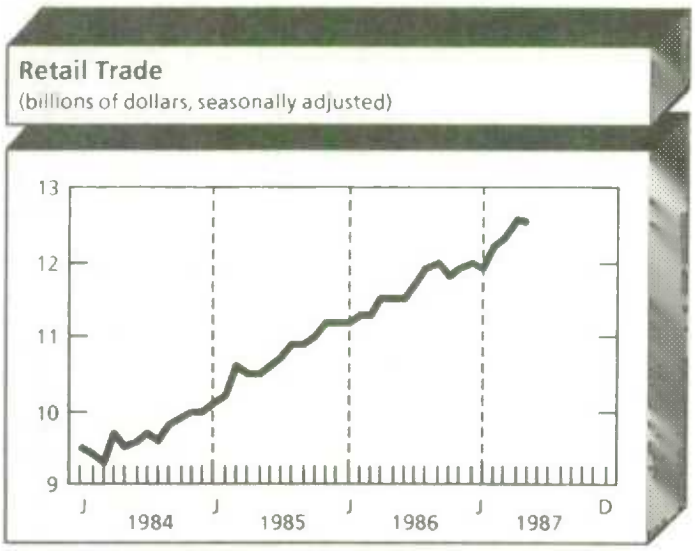
For further information, contact Industry Division at (613) 991-3549 or order Department Store Sales and Stocks (catalogue number 63-002).

Retail Trade Down Slightly in May

- The average monthly growth of retail sales, which was strong in the opening months of 1987, moderated in May.
- Adjusted for seasonal fluctuations and the number of trading days, preliminary estimates indicate that retail sales totalled $12.5 billion in May, dropping slightly (-0.3%) from the previous month.

Retail Trade

	Jan.	Feb.	Mar.	Apr.	May
	% change, previous month				
Grocery & meat stores	-0.8	0.4	0.7	0.7	1.7
Department stores	-3.5	3.4	-0.3	1.2	-2.9
Motor vehicle dealers	-3.0	6.9	1.3	3.3	-3.0
All stores	-0.9	2.6	0.6	1.9	-0.3
All stores excl. motor	-0.4	1.5	0.4	1.5	0.4



- A sharp reversal in the rising trend of motor vehicle sales was the main feature of this decline. Motor vehicle dealers reported a 3.0% dropped in sales, as demand for both passenger cars and commercial vehicles tailed off.
- Excluding new and used motor vehicle dealers, retail trade rose by 0.4% in May.
- Department and variety store sales also decreased, but higher sales by grocery and meat stores, household furniture stores and sundries stores offset the effect.

For further information contact Industry Division at (613) 991-3549 or order Retail Trade (catalogue number 63-005).

Declines in Non-residential Sector Pushes Down Value of Building Permits

In May, the seasonally adjusted value of building permits issued by Canadian municipalities was $2.5 billion, down 8.2% from April. Contributing to the decline was a 24% decrease in the non-residential sector which more than offset the 3.1% increase in the residential sector.

The value of residential permits experienced a month-over-month increase in May, reaching $1.6 billion. The single-family dwelling sector was enitrely responsible for this increase, rising 5.0% from the previous month. The multi-family dwelling sector declined slightly (-0.1%) from April. The number of dwelling units authorized in April, presented as an annual rate, was 281,000. The annual rates for single-detached dwellings and multiple dwellings were 148,200 and 132,800.

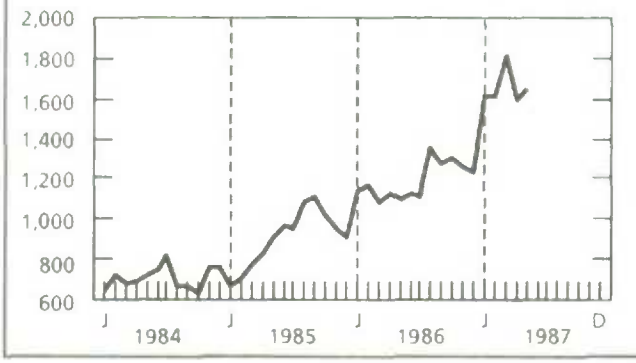
Following the record high level in April, the value of non-residential permits declined in May to $869.2 million. In spite of this decrease, the non-residential sector remains strong. Only the government component rose in May, up 6% over the previous month. The largest component of non-residential construction, the commercial component, declined slightly (-1.0%) for the fourth straight month-over-month decrease. Following several months of no growth, the industrial component plummeted in May, dropping 63% from April's level to total $162.8 million.

For further information, contact Science, Technology and Capital Stock Division at (613) 991-2583 or order Building Permits (catalogue number 64-001).

Building Permits

	Jan.	Feb.	Mar.	Apr.	May
	% change, previous month				
Residential	38.6	-4.9	13.9	-12.7	3.1
Non-residential	14.8	3.6	-9.5	22.8	-24.0
Total	28.7	-1.8	4.8	-0.7	-8.2

Residential Construction
(millions of dollars, seasonally adjusted)



Growth Rate of Labour Income Accelerates

The preliminary estimate of total labour income in March 1987 was $23.0 billion, up 6.2% from the same month a year earlier. Year-over-year increases in total labour income have been rising since August 1986 when the growth rate was 5.6%. The seasonally adjusted estimates of wages and salaries, which account for 90% of labour income, rose 0.6% over the previous month. Similar growth rates were recorded in both January and February.

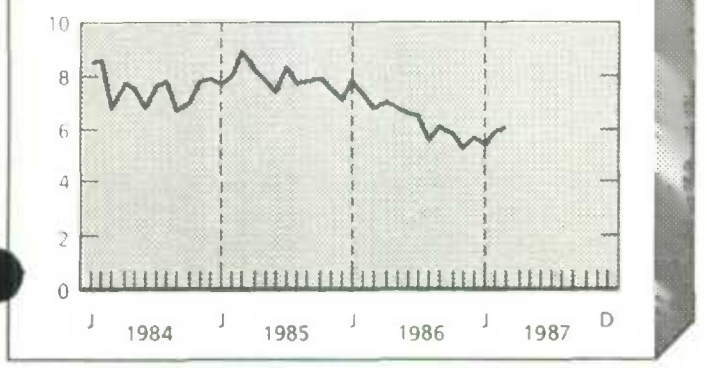
The estimate of wages and salaries in the goods-producing industries increased by 0.6% in March, slightly higher than the average monthly change in the preceding twelve months of 0.4%. Increases in wages and salaries were noted in mines, quarries and oil wells, manufacturing and construction. The remaining industries within this group experienced little change.

In March, wages and salaries in the service-producing industries advanced 0.8%, following increases of 0.4% and 0.6% in January and February. All industries contributed to this growth with the exceptions of commercial and related services, and local administration, which were little changed.

Users should note that the results of an annual revision were incorporated with this data month. The revision affected the levels of the estimates, as well as, the industrial and provincial distributions for the years 1982 to 1986.

For further information, contact Labour Division at (613) 991-4051 or order Estimates of Labour Income (catalogue number 72-005).

Labour Income
(% change, previous year)



PUBLICATIONS RELEASED FROM JULY 17 TO 23

EDUCATION, CULTURE AND TOURISM

International Travel – Advance Information, May 1987. Catalogue number 66-001P (Canada: $5/$50; Other Countries: $6/$60).

INDUSTRY

Asphalt Roofing, May 1987. Catalogue number 45-001 (Canada: $4/$40; Other Countries: $5/$50).

Capital Expenditures of Domestic and Foreign Controlled Establishments in Manufacturing, Mining and Forestry, 1987. Catalogue number 61-215 (Canada: $15; Other Countries: $16).

Cement, May 1987. Catalogue number 44-001 (Canada: $4/$40; Other Countries: $5/$50).

Coal and Coke Statistics, April 1987. Catalogue number 45-002 (Canada: $8/$80; Other Countries: $9/$90).

Electric Power Statistics, April 1987. Catalogue number 57-001 (Canada: $8/$80; Other Countries: $9/$90).

Electrical and Electronic Products Industries, Electronic Computing and Peripheral Equipment Industry, 1985 Census of Manufactures. Catalogue number 43-250B 3361 (Canada: $4; Other Countries: $5).

Electrical and Electronic Products Industries, Electronic Parts and Components Industry, 1985 Census of Manufactures. Catalogue number 43-250B 3352 (Canada: $4; Other Countries: $5).

Electrical and Electronic Products Industries, Electrical Switchgear and Protective Equipment Industry, 1985 Census of Manufactures. Catalogue number 43-250B 3372 (Canada: $4; Other Countries: $5).

Electrical and Electronic Products Industries, Electrical Transformer Industry, 1985 Census of Manufactures. Catalogue number 43-250B 3371 (Canada: $4; Other Countries: $5).

Electrical and Electronic Products Industries, Major Appliance Industry (Electric and Non-electric), 1985 Census of Manufactures. Catalogue number 43-250B 3321 (Canada: $4; Other Countries: $5).

Electrical and Electronic Products Industries, Other Electrical Industrial Equipment Industries, 1985 Census of Manufactures. Catalogue number 43-250B 3379 (Canada: $4; Other Countries: $5).

Electrical and Electronic Products Industries, Other Electrical Products Industries n.e.c., 1985 Census of Manufactures. Catalogue number 43-250B 3399 (Canada: $4; Other Countries: $5).

Electrical and Electronic Products Industries, Telecommunication Equipment Industry, 1985 Census of Manufactures. Catalogue number 43-250B 3351 (Canada: $4; Other Countries: $5).

Fabricated Metal Products Industries, Machine Shop Industry, 1985 Census of Manufactures. Catalogue number 41-251B 3081 (Canada: $4; Other Countries: $5).

Fabricated Metal Products Industries, Metal Door and Window Industry, 1985 Census of Manufactures. Catalologue number 41-251B 3031 (Canada: $4; Other Countries: $5).

Fabricated Metal Products Industries, Other Fabricated Structural Metal Products Industries, 1985 Census of Manufactures. Catalogue number 41-215B 3029 (Canada: $4; Other Countries: $5).

Fabricated Metal Products Industries, Other Hardware and Cutlery Industries, 1985 Census of Manufactures. Catalogue number 41-251B 3069 (Canada: $4; Other Countries: $5).

Fabricated Metal Products Industries, Other Metal Fabricating Industries, 1985 Census of Manufactures. Catalogue number 41-251B 3099 (Canada: $4; Other Countries: $5).

Fabricated Metal Products Industries, Other Ornamental and Architectural Metal Products Industries, 1985 Census of Manufactures. Catalogue number 41-251B 3039 (Canada: $4; Other Countries: $5).

Gas Utilities, March 1987. Catalogue number 55-002 (Canada: $10/$100; Other Countries: $11/$110).

Machinery Industries (except Electrical Machinery), Construction and Mining Machinery and Materials Handling Equipment Industry, 1985 Census of Manufactures. Catalogue number 42-250B 319[illegible] (Canada: $4; Other Countries: $5).

PUBLICATIONS RELEASED FROM JULY 17 TO 23 – Concluded

INDUSTRY – Concluded

Production and Shipments of Blow-moulded Plastic Bottles, Quarter Ended March 31, 1987. Catalogue number 47-006 (Canada: $5/$20; Other Countries: $6/$24).

Production, Shipments and Stocks on Hand of Sawmills in British Columbia, April 1987. Catalogue number 35-003 (Canada: $6/$60; Other Countries: $7/$70).

Production and Stocks of Tea, Coffee and Cocoa, Quarter Ended March 1987. Catalogue number 32-025 (Canada: $5/20; Other Countries: $6/$24).

Quarterly Report on Energy Supply-Demand in Canada, Fourth Quarter 1986. Catalogue number 57-003 (Canada: $25/$100; Other Countries: $26.50/$106).

Specified Domestic Electrical Appliances, May 1987. Catalogue number 43-003 (Canada: $4/$40; Other Countries: $5/$50).

The Sugar Situation, May 1987. Catalogue number 32-013 (Canada: $4/$40; Other Countries: $5/$50).

Wholesale Trade, April 1987. Catalogue 63-008 (Canada: $5/$50; Other Countries: $6/$60).

Wood Industries, Wooden Kitchen Cabinet and Bathroom Vanity Industry, 1985 Census of Manufactures. Catalogue number 35-250B 2542 (Canada: $4; Other Countries: $5).

INDUSTRY MEASURES AND ANALYSIS

Gross Domestic Product by Industry, April 1987. Catalogue number 15-001 (Canada: $10/$100; Other Countries: $11/$110).

INTERNATIONAL AND FINANCIAL ECONOMICS

Quarterly Estimates of the Canadian Balance of International Payments, First Quarter 1987. Catalogue number 67-001 (Canada: $25/$100; Other Countries: $26/$104).

Security Transactions with Non-residents, April 1987. Catalogue number 67-002 (Canada: $15/$150; Other Countries: $16/$160).

JUSTICE

Police Administration – Statistical Highlights, 1986. Catalogue number 85-002 (Canada: $2/$10; Other Countries: $3/$15)

LABOUR

The Labour Force, June 1987. Catalogue number 71-001 (Canada: $20/$200; Other Countries: $21.50/$215).

Unemployment Insurance Statistics, April 1987. Catalogue number 73-001 (Canada: $12/$120; Other Countries: $13/$130).

SCIENCE, TECHNOLOGY AND CAPITAL STOCK

Housing Starts and Completions, March 1987. Catalogue number 64-002 (Canada: $15/$150; Other Countries: $16/$160).

TRANSPORTATION

Trucking in Canada, 1985. Catalogue number 53-222 (Canada: $32; Other Countries: $33.50)

Employment Estimates from the Labour Force Survey and the Survey of Employment, Payrolls and Hours

The Labour Force Survey (LFS) and the Survey of Employment, Payrolls and Hours (SEPH) are Canada's two sources of monthly employment data. These two surveys produce employment estimates that differ in level and occasionally in trend.

The feature article in the June issue of **The Labour Force** (71-001) looks at the reasons behind the difference. Concepts, coverage, methodology and other aspects of the two surveys are examined to show why the LFS comes up with higher employment estimates than SEPH.

Some factors are: SEPH surveys employers in both the private and public sectors while the LFS interviews Canadians at their dwellings. The LFS includes industries not covered by SEPH (agriculture, fishing and trapping, religious organizations and private household services). But SEPH covers the Yukon and Northwest Territories, and the LFS does not. Also, multiple jobholders and employees absent without pay are treated differently in the two surveys.

Order the June 1987 issue of **The Labour Force** (71-001, $20/$200), now available. Contact Henry Pold (613-991-4608), Labour and Household Surveys Analysis Division.

LATEST MONTHLY STATISTICS

			Previous Month	% Change From Year Ago
EMPLOYMENT, INCOME				
Average Weekly Earnings ($)	Mar.	437.56	438.02	2.1
Labour Income ($ million)	Mar.*	22,968	22,717	6.2
Persons with Jobs (million)	June	12.32	12.02	2.7
Unemployed (million)	June	1.1	1.2	-5.2
INVENTORIES				
Department Store ($ million)	May*	4,540	4,678	7.1
Manufacturers' Owned ($ million)	May*	33,811	33,767	0.3
ORDERS				
Manufacturers' New Orders ($ million)	May*	22,147	21,484	1.8
Manufacturers' Unfilled Orders ($ million)	May*	24,319	23,957	-1.8
PRICES				
Consumer Price Index (1981 = 100)	June*	138.2	137.8	4.8
New House Price Index (1981 = 100)	May	119.0	118.0	16.0
Raw Materials Price Index (1981 = 100)	May	101.8	99.0	12.1
Excl. mineral fuels	May	110.0	105.6	7.1
Industrial Product Price Index (1981 = 100)	May	121.7	120.8	2.8
CONSTRUCTION			Year-to-date	
Building Permits ($ million)	May*	2,907	**12,143**	**38.0**
Housing Starts – Urban Centres (units)	May	24,944	**82,734**	**36.6**
ENERGY				
Coal Production (thousand tonnes)	Mar.	4,955	**14,410**	**-4.3**
Electricity Generation (gigawatt hours)	Mar.	44,123	**134,545**	**5.7**
Natural Gas Production (million cubic metres)	Mar.	10,131	**30,160**	**0.1**
FOREIGN TRADE				
Exports – Balance of Payments Basis ($ million)	May	10,501	**50,672**	**-0.6**
Imports – Balance of Payments Basis ($ million)	May	9,512	**46,309**	**0.4**
SALES				
Department Store Sales ($ million)	May	1,033	**4,438**	**0.0**
Manufacturers' Shipments ($ million)	May*	21,786	**105,142**	**0.4**
New Motor Vehicle Sales ($ million)	May	2,306	**9,912**	**7.2**
Refined Petroleum Products (thousand cubic metres)	May*	6,484	**31,646**	**2.6**
Retail Sales ($ million)	May*	13,469	**58,081**	**7.6**

Statistics are in current dollars and are not seasonally adjusted.
** new this week.*

INFOMAT

A WEEKLY REVIEW

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