



# Canadian economic accounts quarterly review

Second quarter 2004



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..	not available for a specific reference period
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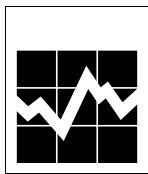
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# Canadian economic accounts quarterly review

Second quarter 2004

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Publication:	
National income and expenditure accounts, quarterly estimates	13-001-XIB
Tables and analytical documents:	
Income and expenditure accounts	13-001-PPB
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### GDP by industry

CANSIM tables	379-0017 to 379-0022
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### Latest developments in the Canadian economic accounts

Publication:	13-605-XIE
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## About this publication

This publication presents an overview of the economic developments reported in Canada's national accounts for the most recent quarter. The overview covers several broad areas: 1) Gross domestic product (GDP) by income and by expenditure, 2) GDP by industry, 3) Balance of international payments accounts, 4) Labour productivity and other related variables, 5) International investment position and 6) National balance sheet accounts.

The publication examines quarterly trends in the major aggregates that comprise GDP, both income- and expenditure-based, as well as prices and the financing of economic activity by institutional sector. GDP is also examined by industry, both for the last month of the quarter and the quarter as a whole. Canada's transactions with non-residents related to international trade, investment income flows, transfers and international investing and financing activities are summarized. The quarterly productivity estimates are meant to assist in the analysis of the short-run relationship between the fluctuations of output, employment, compensation and hours worked. Complete national balance sheets provide estimates of Canada's wealth. Canada's financial position with the rest of the world is also articulated. The overview is accompanied by graphics and several detailed statistical tables. Some issues also contain more technical articles, explaining national accounts methodology or analysing a particular aspect of the economy.

This publication carries the detailed analyses, charts and statistical tables that, prior to its first issue, were released in *The Daily* (11-001-XIE) under the headings National Economic and Financial Accounts, Canada's Balance of International Payments and Gross Domestic Product by industry.

## Revision policy

**GDP by income and by expenditure, Balance of international payments, Labour productivity, hourly compensation and unit labour cost, International investment position, National balance sheet accounts**

Preceding quarters of the year are revised when the current quarter is published. Each year revisions extending back four years are made with the publication of first quarter data. They are not normally revised again except when historical revisions are carried out.

### **GDP by industry**

Revisions arise from updates to benchmark data, projectors and seasonal adjustment. January to June: Back to the beginning of the previous year; July: Back to January of fifth previous year; August to December: Back to January of current year. Occasionally, there are historical revisions due to conceptual, methodological and classification changes - the most recent with the July 2002 GDP release.

## Overview

Second quarter 2004

Real Gross Domestic Product (GDP) was up a solid 1.1% in the second quarter of 2004, boosted by a surge in exports that spurred manufacturing, wholesaling, and rail and truck transportation. After a slow start in April, the economy picked up steam in May and June, up 0.3% in both months.

### Real Gross domestic product, chained (1997) dollars<sup>1</sup>

	Change	Annualized change	Year-over- year change
	%		
First quarter 2003	0.7	2.8	3.1
Second quarter 2003	-0.2	-0.7	2.0
Third quarter 2003	0.3	1.4	1.3
Fourth quarter 2003	0.8	3.3	1.7
First quarter 2004	0.7	3.0	1.7
Second quarter 2004	1.1	4.3	3.0

1. The change is the growth rate from one period to the next. The annualized change is the growth compounded annually. The year-over-year change is the growth of a given quarter compared with the same quarter in a previous year.

Final domestic demand made a lacklustre 0.4% showing in the second quarter, as consumer spending slowed to 0.3%. The housing boom continued, albeit at a slower pace, while business investment in plant and equipment advanced 1.0%. Both labour income and corporate profits made solid gains.

The Canadian dollar lost ground against the US dollar, depreciating 3.1% for the quarter. Merchandise exports were up strongly across the board. Imports of goods also showed renewed strength.

Industrial production (the output of Canada's factories, mines and utilities) advanced 1.5%. Exports boosted output in the manufacturing sector, while diamonds propelled the mining industry. Lower output in the utilities industry had a dampening effect. In the United States, the index of industrial production increased 1.2%, as higher manufacturing output offset declines in mining and utilities.

Economy-wide prices, as measured by the chain price index for GDP, were up 1.4%, the fastest pace in five quarters. Overall, the Canadian economy grew at an annualized 4.3% in the second quarter of 2004, compared to an annualized 2.8% for the US economy.

## Revisions in this issue

**GDP by income and by expenditure, Balance of international payments, International investment position, National balance sheet accounts:**

With this release revisions have been made back to the first quarter of 2004.

### IGDP by industry:

Since the June release of the *Canadian economic accounts quarterly review*, revisions were made back to January 2003.

### Labour productivity, hourly compensation and unit labour cost

With this release revisions have been made back to the first quarter of 2004. However, the labour productivity, unit labour cost and output series by industry have been revised beginning with the first quarter of 2003.

## Canadian economic accounts key indicators[1]

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Seasonally adjusted at annual rates, millions of dollars at current prices								
<b>GDP by income and by expenditure</b>								
Wages, salaries and supplementary labour income	609,020 <i>0.9</i>	610,460 <i>0.2</i>	614,552 <i>0.7</i>	620,840 <i>1.0</i>	627,584 <i>1.1</i>	636,032 <i>1.3</i>	592,692 <i>4.0</i>	613,718 <i>3.5</i>
Corporation profits before taxes	159,680 <i>9.0</i>	142,180 <i>-11.0</i>	148,916 <i>4.7</i>	154,064 <i>3.5</i>	166,316 <i>8.0</i>	177,120 <i>6.5</i>	137,480 <i>8.6</i>	151,210 <i>10.0</i>
Interest and miscellaneous investment income	49,872 <i>1.3</i>	51,548 <i>3.4</i>	53,308 <i>3.4</i>	51,304 <i>-3.8</i>	54,756 <i>6.7</i>	59,096 <i>7.9</i>	48,188 <i>-9.0</i>	51,508 <i>6.9</i>
Net income of unincorporated business	77,224 <i>0.9</i>	77,688 <i>0.6</i>	78,160 <i>0.6</i>	79,232 <i>1.4</i>	81,012 <i>2.2</i>	82,268 <i>1.6</i>	74,730 <i>6.8</i>	78,076 <i>4.5</i>
Taxes less subsidies	139,924 <i>-1.5</i>	139,428 <i>-0.4</i>	144,664 <i>3.8</i>	146,596 <i>1.3</i>	148,464 <i>1.3</i>	152,836 <i>2.9</i>	139,259 <i>7.5</i>	142,653 <i>2.4</i>
Personal disposable income	707,264 <i>1.0</i>	712,876 <i>0.8</i>	714,548 <i>0.2</i>	719,504 <i>0.7</i>	731,080 <i>1.6</i>	745,344 <i>2.0</i>	692,691 <i>3.8</i>	713,548 <i>3.0</i>
Personal saving rate[2]	1.7 <i>...</i>	2.0 <i>...</i>	0.7 <i>...</i>	1.3 <i>...</i>	0.8 <i>...</i>	1.5 <i>...</i>	3.2 <i>...</i>	1.4 <i>...</i>
Seasonally adjusted at annual rates, millions of chained (1997) dollars								
Personal expenditure on consumer goods and services	613,183 <i>0.8</i>	618,084 <i>0.8</i>	624,729 <i>1.1</i>	625,780 <i>0.2</i>	635,614 <i>1.6</i>	637,677 <i>0.3</i>	601,594 <i>3.4</i>	620,444 <i>3.1</i>
Government current expenditure on goods and services	203,647 <i>0.9</i>	206,608 <i>1.5</i>	206,820 <i>0.1</i>	208,788 <i>1.0</i>	210,429 <i>0.8</i>	211,079 <i>0.3</i>	198,902 <i>2.8</i>	206,466 <i>3.8</i>
Gross fixed capital formation	219,629 <i>1.8</i>	221,037 <i>0.6</i>	227,857 <i>3.1</i>	230,826 <i>1.3</i>	234,892 <i>1.8</i>	236,854 <i>0.8</i>	214,350 <i>2.4</i>	224,837 <i>4.9</i>
Investment in inventories	17,271 <i>...</i>	14,698 <i>...</i>	3,434 <i>...</i>	12,150 <i>...</i>	891 <i>...</i>	381 <i>...</i>	2,079 <i>...</i>	11,888 <i>...</i>
Exports of goods and services	442,704 <i>-1.2</i>	436,945 <i>-1.3</i>	434,813 <i>-0.5</i>	444,732 <i>2.3</i>	451,358 <i>1.5</i>	473,948 <i>5.0</i>	450,568 <i>1.1</i>	439,799 <i>-2.4</i>
Imports of goods and services	400,836 <i>0.7</i>	404,169 <i>0.8</i>	401,081 <i>-0.8</i>	417,823 <i>4.2</i>	421,709 <i>0.9</i>	435,119 <i>3.2</i>	391,070 <i>1.4</i>	405,977 <i>3.8</i>
Gross domestic product at market prices	1,093,793 <i>0.7</i>	1,091,782 <i>-0.2</i>	1,095,469 <i>0.3</i>	1,104,391 <i>0.8</i>	1,112,597 <i>0.7</i>	1,124,350 <i>1.1</i>	1,074,621 <i>3.4</i>	1,096,359 <i>2.0</i>
<b>GDP by industry</b>								
Goods producing industries	318,114 <i>0.7</i>	315,765 <i>-0.7</i>	317,203 <i>0.5</i>	321,592 <i>1.4</i>	323,583 <i>0.6</i>	327,616 <i>1.2</i>	313,380 <i>1.9</i>	318,168 <i>1.5</i>
Services producing industries	691,790 <i>0.4</i>	694,565 <i>0.4</i>	698,202 <i>0.5</i>	703,225 <i>0.7</i>	707,486 <i>0.6</i>	714,361 <i>1.0</i>	681,647 <i>4.2</i>	696,946 <i>2.2</i>
Industrial production	241,248 <i>0.1</i>	238,011 <i>-1.3</i>	238,671 <i>0.3</i>	242,219 <i>1.5</i>	243,570 <i>0.6</i>	247,135 <i>1.5</i>	239,278 <i>2.4</i>	240,037 <i>0.3</i>
Non-durable manufacturing	73,115 <i>-0.3</i>	72,334 <i>-1.1</i>	71,965 <i>-0.5</i>	72,769 <i>1.1</i>	72,795 <i>0.0</i>	73,369 <i>0.8</i>	72,531 <i>3.1</i>	72,546 <i>0.0</i>
Durable manufacturing	104,695 <i>-0.2</i>	102,528 <i>-2.1</i>	101,792 <i>-0.7</i>	104,431 <i>2.6</i>	105,451 <i>1.0</i>	107,745 <i>2.2</i>	104,182 <i>2.7</i>	103,362 <i>-0.8</i>
Information and communication technologies sector (ICT)	56,629 <i>1.1</i>	56,748 <i>0.2</i>	56,656 <i>-0.2</i>	57,118 <i>0.8</i>	57,527 <i>0.7</i>	58,431 <i>1.6</i>	55,361 <i>1.8</i>	56,788 <i>2.6</i>
Manufacturing	177,904 <i>-0.2</i>	174,951 <i>-1.7</i>	173,845 <i>-0.6</i>	177,295 <i>2.0</i>	178,346 <i>0.6</i>	181,222 <i>1.6</i>	176,808 <i>2.9</i>	175,999 <i>-0.5</i>
Agriculture, forestry, fishing and hunting	22,953 <i>4.8</i>	23,735 <i>3.4</i>	23,886 <i>0.6</i>	23,616 <i>-1.1</i>	23,583 <i>-0.1</i>	23,925 <i>1.5</i>	21,412 <i>-3.5</i>	23,548 <i>10.0</i>
Construction	54,043 <i>1.9</i>	54,381 <i>0.6</i>	55,065 <i>1.3</i>	56,124 <i>1.9</i>	56,808 <i>1.2</i>	56,873 <i>0.1</i>	52,555 <i>1.7</i>	54,903 <i>4.5</i>
Wholesale trade	61,716 <i>1.3</i>	61,785 <i>0.1</i>	61,955 <i>0.3</i>	64,952 <i>4.8</i>	64,615 <i>-0.5</i>	66,183 <i>2.4</i>	59,635 <i>8.1</i>	62,602 <i>5.0</i>
Retail trade	55,647 <i>0.6</i>	56,354 <i>1.3</i>	57,427 <i>1.9</i>	56,903 <i>-0.9</i>	58,011 <i>1.9</i>	58,189 <i>0.3</i>	54,905 <i>5.5</i>	56,583 <i>3.1</i>

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line, italicized, is the period to period percentage change at quarterly rates.

2. Actual rate.

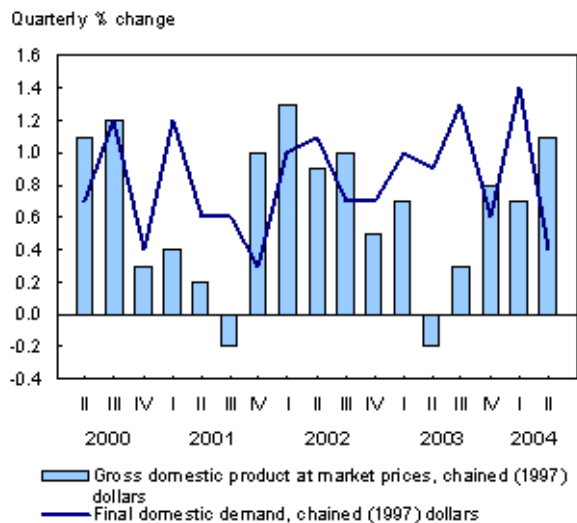


## GDP by income and by expenditure

Second quarter 2004

Real Gross domestic product (GDP) advanced a solid 1.1% in the second quarter, up from 0.7% in the first, driven by strong export gains. Final domestic demand slowed to 0.4%, well below its pace in the first quarter, as spending by consumers slowed markedly.

### GDP posted solid gain



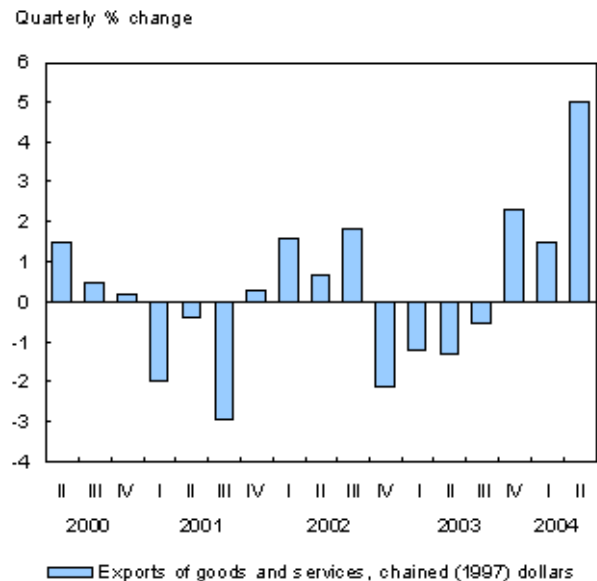
Economy-wide prices, as measured by the chain price index for GDP, rose 1.4%. Excluding energy, the index was up 1.1%. The Canadian dollar depreciated 3.1% against the US dollar for the quarter.

Overall, the Canadian economy grew at an annualized rate of 4.3% in the second quarter, compared to a 2.8% annualized rate in the U.S.

### Strong performance in goods exports drove the economy

Exports of goods and services made the strongest quarterly gain (+5.0%) in more than seven years on a surge in international demand, mostly from the US. Exports in nominal terms broke through the one-half trillion dollar level, a level not seen since the last quarter of 2000.

### Exports surged with international demand



All major categories of goods exports posted growth of 5.5% or more. Industrial goods and materials (+6.7%) and automotive products (+6.7%) led the way, after weak showings in the first quarter. Machinery and equipment matched its first quarter growth of 6.1%, and energy products exports picked up further steam after healthy gains in the first quarter. Exports of agricultural and fish products rebounded 5.5%, while exports of forestry products posted the strongest advance in nearly eight years stimulated by the US housing market.

In contrast, exports of services edged up only 0.4% in the second quarter, after gaining 2.5% in the first quarter. Transportation services slowed substantially and commercial services declined. Exports of travel services were up 5.5%, the fourth consecutive quarter of sustained growth.

### Imports accelerated as well

Imports of goods and services did not keep pace with exports, advancing 3.2% in the second quarter, well up from the 0.9% gain in the first quarter.

All categories of goods imports increased, as imports of machinery and equipment remained strong, up 4.9% in the second quarter. Imports of industrial goods and materials more than doubled their pace (+5.3%). Energy imports were also up substantially and imports of agriculture and fish products posted their strongest gain (+3.1%) since the third quarter of 2002.

Imports of services declined 2.2%, the first decline since the first quarter of 2002. This weakness was widespread as all categories of services declined, with the exception of transportation services which slowed to 1.6%.

With exports outpacing imports, the surplus on international trade in goods and services jumped to \$69.5 billion (in nominal terms) in the second quarter.

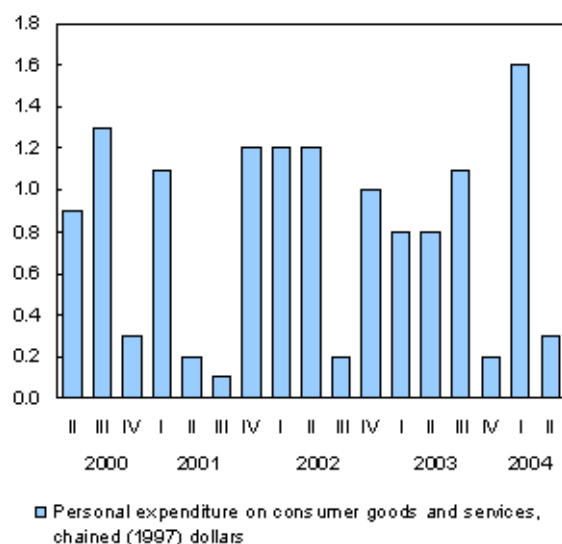
### Consumer spending slowed

Personal expenditures on consumer goods and services slowed to 0.3% in the second quarter, one-fifth their pace in the first quarter. Spending on durable and semi-durable goods slowed considerably and spending on non-durable goods declined (-0.3%). Spending on services also weakened markedly.

Consumer spending has posted 0.8% average growth per quarter in the past two years.

### Consumer spending slowed considerably

Quarterly % change



Expenditures on clothing and footwear, and on motor vehicle repairs and parts, both slowed to 0.2% in the second quarter, after substantial increases in the first quarter. Spending on furniture, furnishings and household equipment and maintenance also slowed but still posted a 1.0% increase.

Consumption of electricity, natural gas and other fuels was down sharply.

Purchases of motor vehicles posted another 1.0% increase, buoyed by higher purchases of new passenger cars, as retailers continued offering lucrative incentives. Purchased transportation increased 2.6%, boosted by higher spending on airfares.

### Investment in residential structures slowed

Investment in residential structures remained at a record level but slowed to 1.5% in the second quarter, down from 2.9% in the first quarter. Expenditures on new housing construction and alterations and improvements both slowed considerably. This was only partly offset by accelerated activity in the resale market.

### Investment in plant and equipment advanced

Business investment in non-residential structures rebounded 0.8%, due to higher investment in engineering projects which was partly offset by declines in non-residential building investments.

Business investment in machinery and equipment advanced 1.1%, down from its 2.3% pace in the first quarter. Growth was sustained by outlays for computers and other office equipment and other transportation equipment, including a major investment related to Newfoundland and Labrador offshore oil.

Outlays on agricultural and industrial machinery, automobiles and trucks, software and telecommunications equipment all declined.

### Little change in business investment in inventories

Non-farm businesses ran down inventories by \$2.8 billion in the second quarter, after a similar reduction in the first, and following the large inventory build-up in the fourth quarter of 2003. The run-down was widespread, as manufacturers, wholesalers and retailers all depleted their inventories.

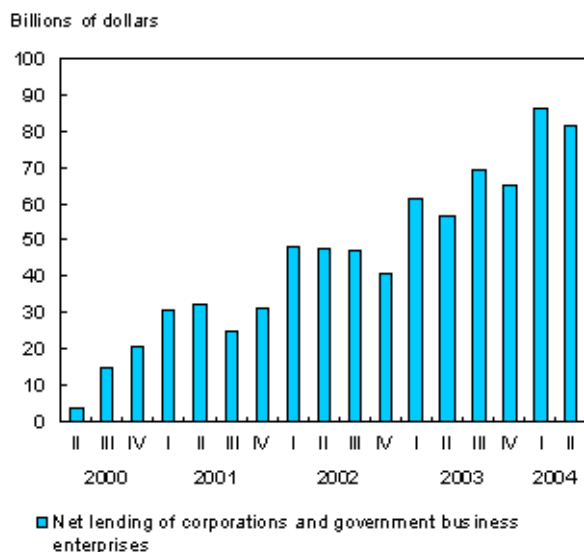
On the other hand, farmers continued accumulating inventories (\$2.7 billion) but at a reduced pace.

The economy-wide inventory-to-sales ratio slipped to a record low, leaving just enough inventories to satisfy 58 days of sales.

### Corporate profits posted further increases

Corporate profits posted further solid gains (+6.5%), though at a slightly reduced pace from the first quarter. This extends the string of strong quarterly advances that began in the third quarter of 2003. Manufacturers, oil and gas producers, and retailers all posted healthy profit gains.

### Corporate sector surplus remained high



The corporate surplus remained at near-record levels but slipped from its first quarter peak, largely as a result of increased dividend payments and fixed capital acquisitions. This was the eighteenth straight quarter in which corporations racked up surpluses.

### Government surplus improved

The government surplus (on a national accounts basis) nearly doubled to \$14.6 billion. Government income was pushed up by strong corporate tax liabilities and higher resource royalties, while the growth in outlays was held back by lower interest payments and the end of natural gas rebates in Alberta. Provincial governments benefited from a \$1.4 billion one-time supplement to the federal Canada Health and Social Transfer.

### Labour income strengthened further

Wages and salaries and supplementary labour income increased 1.3% in the second quarter following two similar quarterly gains. The wage bill increased notably in the mining, construction, and trade industries. Employment advanced 0.4%, and average weekly earnings were up 0.8%.

Personal disposable income increased 2.0% in the second quarter, up from 1.6% in the first, after averaging 0.7% throughout 2003. The personal saving rate rose to 1.5%, and, with weaker household demand for funds, the debt-to-income ratio remained at 103.0 (i.e., households carried \$1.03 of debt for each dollar of disposable income).

**Gross domestic product, income-based, current prices and quarterly percentage change[1]**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Seasonally adjusted data at annual rates, millions of dollars								
Wages, salaries and supplementary labour income	609,020 <i>0.9</i>	610,460 <i>0.2</i>	614,552 <i>0.7</i>	620,840 <i>1.0</i>	627,584 <i>1.1</i>	636,032 <i>1.3</i>	592,692 <i>4.0</i>	613,718 <i>3.5</i>
Corporation profits before taxes	159,680 <i>9.0</i>	142,180 <i>-11.0</i>	148,916 <i>4.7</i>	154,064 <i>3.5</i>	166,316 <i>8.0</i>	177,120 <i>6.5</i>	137,480 <i>8.6</i>	151,210 <i>10.0</i>
Government business enterprise profits before taxes	13,876 <i>15.2</i>	10,600 <i>-23.6</i>	10,544 <i>-0.5</i>	11,552 <i>9.6</i>	12,268 <i>6.2</i>	12,364 <i>0.8</i>	11,478 <i>9.5</i>	11,643 <i>1.4</i>
Interest and miscellaneous investment income	49,872 <i>1.3</i>	51,548 <i>3.4</i>	53,308 <i>3.4</i>	51,304 <i>-3.8</i>	54,756 <i>6.7</i>	59,096 <i>7.9</i>	48,188 <i>-9.0</i>	51,508 <i>6.9</i>
Accrued net income of farm operators from farm production	1,232 <i>-8.1</i>	792 <i>-35.7</i>	252 <i>-68.2</i>	500 <i>98.4</i>	1,440 <i>188.0</i>	1,404 <i>-2.5</i>	889 <i>-45.6</i>	694 <i>-21.9</i>
Net income of non-farm unincorporated business, including rent	75,992 <i>1.1</i>	76,896 <i>1.2</i>	77,908 <i>1.3</i>	78,732 <i>1.1</i>	79,572 <i>1.1</i>	80,864 <i>1.6</i>	73,841 <i>8.0</i>	77,382 <i>4.8</i>
Inventory valuation adjustment	3,232 ...	11,012 ...	2,832 ...	2,428 ...	-3,308 ...	-6,520 ...	-2,959 ...	4,876 ...
Taxes less subsidies, on factors of production	54,212 <i>-0.0</i>	55,328 <i>2.1</i>	55,836 <i>0.9</i>	56,484 <i>1.2</i>	57,048 <i>1.0</i>	57,840 <i>1.4</i>	53,721 <i>2.2</i>	55,465 <i>3.2</i>
<b>Net domestic product at basic prices</b>	<b>967,116 <i>2.9</i></b>	<b>958,816 <i>-0.9</i></b>	<b>964,148 <i>0.6</i></b>	<b>975,904 <i>1.2</i></b>	<b>995,676 <i>2.0</i></b>	<b>1,018,200 <i>2.3</i></b>	<b>915,330 <i>3.7</i></b>	<b>966,496 <i>5.6</i></b>
Taxes less subsidies, on products	85,712 <i>-2.4</i>	84,100 <i>-1.9</i>	88,828 <i>5.6</i>	90,112 <i>1.4</i>	91,416 <i>1.4</i>	94,996 <i>3.9</i>	85,538 <i>11.1</i>	87,188 <i>1.9</i>
Capital consumption allowances	161,228 <i>1.2</i>	163,192 <i>1.2</i>	165,520 <i>1.4</i>	167,672 <i>1.3</i>	169,968 <i>1.4</i>	172,896 <i>1.7</i>	156,146 <i>5.8</i>	164,403 <i>5.3</i>
Statistical discrepancy	824 ...	924 ...	956 ...	36 ...	-440 ...	1,384 ...	954 ...	685 ...
<b>Gross domestic product at market prices</b>	<b>1,214,880 <i>2.3</i></b>	<b>1,207,032 <i>-0.6</i></b>	<b>1,219,452 <i>1.0</i></b>	<b>1,233,724 <i>1.2</i></b>	<b>1,256,620 <i>1.9</i></b>	<b>1,287,476 <i>2.5</i></b>	<b>1,157,968 <i>4.5</i></b>	<b>1,218,772 <i>5.3</i></b>

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line, italicized, is the period to period percentage change at quarterly rates.

**Gross domestic product, expenditure-based, current prices and quarterly percentage change[1]**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Seasonally adjusted data at annual rates, millions of dollars								
Personal expenditure on consumer goods and services	680,656 <i>1.3</i>	684,216 <i>0.5</i>	694,632 <i>1.5</i>	695,324 <i>0.1</i>	710,336 <i>2.2</i>	718,136 <i>1.1</i>	657,302 <i>5.5</i>	688,707 <i>4.8</i>
Durable goods	93,168 <i>-0.7</i>	93,572 <i>0.4</i>	95,208 <i>1.7</i>	90,772 <i>-4.7</i>	92,424 <i>1.8</i>	93,132 <i>0.8</i>	92,052 <i>8.4</i>	93,180 <i>1.2</i>
Semi-durable goods	57,900 <i>1.1</i>	58,248 <i>0.6</i>	58,392 <i>0.2</i>	58,640 <i>0.4</i>	60,548 <i>3.3</i>	60,880 <i>0.5</i>	56,900 <i>4.3</i>	58,295 <i>2.5</i>
Non-durable goods	168,572 <i>2.9</i>	166,764 <i>-1.1</i>	168,884 <i>1.3</i>	168,804 <i>-0.0</i>	173,324 <i>2.7</i>	176,184 <i>1.7</i>	158,504 <i>5.3</i>	168,256 <i>6.2</i>
Services	361,016 <i>1.2</i>	365,632 <i>1.3</i>	372,148 <i>1.8</i>	377,108 <i>1.3</i>	384,040 <i>1.8</i>	387,940 <i>1.0</i>	349,846 <i>5.1</i>	368,976 <i>5.5</i>
Government current expenditure on goods and services	232,324 <i>1.3</i>	236,548 <i>1.8</i>	238,812 <i>1.0</i>	243,160 <i>1.8</i>	246,636 <i>1.4</i>	248,868 <i>0.9</i>	223,677 <i>6.0</i>	237,711 <i>6.3</i>
Government gross fixed capital formation	31,204 <i>4.0</i>	31,348 <i>0.5</i>	31,572 <i>0.7</i>	31,880 <i>1.0</i>	32,652 <i>2.4</i>	32,768 <i>0.4</i>	29,617 <i>9.7</i>	31,501 <i>6.4</i>
Government investment in inventories	-4 <i>...</i>	44 <i>...</i>	28 <i>...</i>	-8 <i>...</i>	-100 <i>...</i>	284 <i>...</i>	-45 <i>...</i>	15 <i>...</i>
Business gross fixed capital formation	202,604 <i>0.9</i>	201,196 <i>-0.7</i>	208,660 <i>3.7</i>	211,040 <i>1.1</i>	216,260 <i>2.5</i>	223,164 <i>3.2</i>	197,828 <i>3.8</i>	205,875 <i>4.1</i>
Residential structures	70,412 <i>2.3</i>	71,024 <i>0.9</i>	75,380 <i>6.1</i>	78,212 <i>3.8</i>	81,088 <i>3.7</i>	84,064 <i>3.7</i>	65,829 <i>19.4</i>	73,757 <i>12.0</i>
Non-residential structures	50,336 <i>2.8</i>	50,576 <i>0.5</i>	51,456 <i>1.7</i>	52,252 <i>1.5</i>	52,576 <i>0.6</i>	53,808 <i>2.3</i>	49,686 <i>-6.1</i>	51,155 <i>3.0</i>
Machinery and equipment	81,856 <i>-1.4</i>	79,596 <i>-2.8</i>	81,824 <i>2.8</i>	80,576 <i>-1.5</i>	82,596 <i>2.5</i>	85,292 <i>3.3</i>	82,313 <i>-0.3</i>	80,963 <i>-1.6</i>
Business investment in inventories	14,600 <i>...</i>	11,524 <i>...</i>	-2,576 <i>...</i>	7,100 <i>...</i>	-4,300 <i>...</i>	-3,840 <i>...</i>	-568 <i>...</i>	7,662 <i>...</i>
Non-farm	13,800 <i>...</i>	10,260 <i>...</i>	-4,520 <i>...</i>	4,936 <i>...</i>	-6,028 <i>...</i>	-5,300 <i>...</i>	1,094 <i>...</i>	6,119 <i>...</i>
Farm	800 <i>...</i>	1,264 <i>...</i>	1,944 <i>...</i>	2,164 <i>...</i>	1,728 <i>...</i>	1,460 <i>...</i>	-1,662 <i>...</i>	1,543 <i>...</i>
Exports of goods and services	486,680 <i>0.3</i>	454,720 <i>-6.6</i>	452,796 <i>-0.4</i>	452,188 <i>-0.1</i>	468,112 <i>3.5</i>	510,004 <i>8.9</i>	479,358 <i>-0.8</i>	461,596 <i>-3.7</i>
Goods	423,400 <i>1.2</i>	394,328 <i>-6.9</i>	392,108 <i>-0.6</i>	390,180 <i>-0.5</i>	404,948 <i>3.8</i>	445,692 <i>10.1</i>	413,788 <i>-1.6</i>	400,004 <i>-3.3</i>
Services	63,280 <i>-5.7</i>	60,392 <i>-4.6</i>	60,688 <i>0.5</i>	62,008 <i>2.2</i>	63,164 <i>1.9</i>	64,312 <i>1.8</i>	65,570 <i>5.1</i>	61,592 <i>-6.1</i>
Deduct: Imports of goods and services	432,360 <i>-1.3</i>	411,640 <i>-4.8</i>	403,520 <i>-2.0</i>	406,924 <i>0.8</i>	413,416 <i>1.6</i>	440,524 <i>6.6</i>	428,248 <i>2.1</i>	413,611 <i>-3.4</i>
Goods	359,836 <i>-1.2</i>	341,032 <i>-5.2</i>	332,576 <i>-2.5</i>	333,896 <i>0.4</i>	339,100 <i>1.6</i>	365,496 <i>7.8</i>	356,582 <i>1.7</i>	341,835 <i>-4.1</i>
Services	72,524 <i>-1.6</i>	70,608 <i>-2.6</i>	70,944 <i>0.5</i>	73,028 <i>2.9</i>	74,316 <i>1.8</i>	75,028 <i>1.0</i>	71,666 <i>4.1</i>	71,776 <i>0.2</i>
Statistical discrepancy	-824 <i>...</i>	-924 <i>...</i>	-952 <i>...</i>	-36 <i>...</i>	440 <i>...</i>	-1,384 <i>...</i>	-953 <i>...</i>	-684 <i>...</i>
<b>Gross domestic product at market prices</b>	<b>1,214,880 <i>2.3</i></b>	<b>1,207,032 <i>-0.6</i></b>	<b>1,219,452 <i>1.0</i></b>	<b>1,233,724 <i>1.2</i></b>	<b>1,256,620 <i>1.9</i></b>	<b>1,287,476 <i>2.5</i></b>	<b>1,157,968 <i>4.5</i></b>	<b>1,218,772 <i>5.3</i></b>
<i>Final domestic demand</i>	<i>1,146,788 <i>1.3</i></i>	<i>1,153,308 <i>0.6</i></i>	<i>1,173,676 <i>1.8</i></i>	<i>1,181,404 <i>0.7</i></i>	<i>1,205,884 <i>2.1</i></i>	<i>1,222,936 <i>1.4</i></i>	<i>1,108,424 <i>5.4</i></i>	<i>1,163,794 <i>5.0</i></i>

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line, italicized, is the period to period percentage change at quarterly rates.

**Real Gross domestic product, expenditure-based, quarterly percentage change[1]**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Seasonally adjusted at annual rates, millions of chained (1997) dollars[2]								
Personal expenditure on consumer goods and services	613,183 <i>0.8</i>	618,084 <i>0.8</i>	624,729 <i>1.1</i>	625,780 <i>0.2</i>	635,614 <i>1.6</i>	637,677 <i>0.3</i>	601,594 <i>3.4</i>	620,444 <i>3.1</i>
Durable goods	94,080 <i>-0.7</i>	94,992 <i>1.0</i>	97,399 <i>2.5</i>	93,220 <i>-4.3</i>	95,286 <i>2.2</i>	96,145 <i>0.9</i>	93,099 <i>8.3</i>	94,923 <i>2.0</i>
Semi-durable goods	55,720 <i>1.5</i>	56,103 <i>0.7</i>	56,448 <i>0.6</i>	56,297 <i>-0.3</i>	58,391 <i>3.7</i>	58,720 <i>0.6</i>	54,472 <i>3.8</i>	56,142 <i>3.1</i>
Non-durable goods	139,816 <i>0.7</i>	139,720 <i>-0.1</i>	139,941 <i>0.2</i>	140,836 <i>0.6</i>	142,661 <i>1.3</i>	142,269 <i>-0.3</i>	137,196 <i>2.3</i>	140,078 <i>2.1</i>
Services	324,309 <i>1.1</i>	328,125 <i>1.2</i>	332,052 <i>1.2</i>	335,907 <i>1.2</i>	339,967 <i>1.2</i>	341,399 <i>0.4</i>	317,627 <i>2.6</i>	330,098 <i>3.9</i>
Government current expenditure on goods and services	203,647 <i>0.9</i>	206,608 <i>1.5</i>	206,820 <i>0.1</i>	208,788 <i>1.0</i>	210,429 <i>0.8</i>	211,079 <i>0.3</i>	198,902 <i>2.8</i>	206,466 <i>3.8</i>
Government gross fixed capital formation	30,107 <i>4.0</i>	30,708 <i>2.0</i>	30,787 <i>0.3</i>	31,233 <i>1.4</i>	31,692 <i>1.5</i>	31,277 <i>-1.3</i>	28,758 <i>9.1</i>	30,709 <i>6.8</i>
Government investment in inventories	-4 ...	40 ...	24 ...	-4 ...	-88 ...	244 ...	-40 ...	14 ...
Business gross fixed capital formation	189,630 <i>1.4</i>	190,451 <i>0.4</i>	197,167 <i>3.5</i>	199,693 <i>1.3</i>	203,299 <i>1.8</i>	205,654 <i>1.2</i>	185,677 <i>1.4</i>	194,235 <i>4.6</i>
Residential structures	60,614 <i>1.6</i>	60,515 <i>-0.2</i>	63,298 <i>4.6</i>	64,621 <i>2.1</i>	66,485 <i>2.9</i>	67,429 <i>1.4</i>	57,937 <i>14.5</i>	62,262 <i>7.5</i>
Non-residential structures	44,429 <i>2.4</i>	44,671 <i>0.5</i>	45,109 <i>1.0</i>	45,501 <i>0.9</i>	45,238 <i>-0.6</i>	45,613 <i>0.8</i>	44,493 <i>-8.3</i>	44,928 <i>1.0</i>
Machinery and equipment	83,935 <i>0.7</i>	84,681 <i>0.9</i>	88,229 <i>4.2</i>	88,920 <i>0.8</i>	90,973 <i>2.3</i>	91,985 <i>1.1</i>	82,715 <i>-1.2</i>	86,441 <i>4.5</i>
Business investment in inventories	17,276 ...	14,657 ...	3,410 ...	12,160 ...	992 ...	106 ...	2,123 ...	11,876 ...
Non-farm	14,318 ...	10,685 ...	-1,212 ...	7,766 ...	-2,406 ...	-2,838 ...	2,876 ...	7,889 ...
Farm	2,619 ...	3,598 ...	4,558 ...	4,086 ...	3,177 ...	2,664 ...	-866 ...	3,715 ...
Exports of goods and services	442,704 <i>-1.2</i>	436,945 <i>-1.3</i>	434,813 <i>-0.5</i>	444,732 <i>2.3</i>	451,358 <i>1.5</i>	473,948 <i>5.0</i>	450,568 <i>1.1</i>	439,799 <i>-2.4</i>
Goods	383,873 <i>-0.8</i>	379,747 <i>-1.1</i>	377,254 <i>-0.7</i>	386,402 <i>2.4</i>	391,576 <i>1.3</i>	413,959 <i>5.7</i>	390,278 <i>0.7</i>	381,819 <i>-2.2</i>
Services	58,944 <i>-4.3</i>	57,303 <i>-2.8</i>	57,654 <i>0.6</i>	58,445 <i>1.4</i>	59,879 <i>2.5</i>	60,110 <i>0.4</i>	60,450 <i>3.8</i>	58,087 <i>-3.9</i>
Deduct: Imports of goods and services	400,836 <i>0.7</i>	404,169 <i>0.8</i>	401,081 <i>-0.8</i>	417,823 <i>4.2</i>	421,709 <i>0.9</i>	435,119 <i>3.2</i>	391,070 <i>1.4</i>	405,977 <i>3.8</i>
Goods	340,394 <i>0.6</i>	343,451 <i>0.9</i>	339,224 <i>-1.2</i>	352,555 <i>3.9</i>	355,292 <i>0.8</i>	370,750 <i>4.4</i>	332,512 <i>1.5</i>	343,906 <i>3.4</i>
Services	60,485 <i>1.2</i>	60,791 <i>0.5</i>	61,695 <i>1.5</i>	64,972 <i>5.3</i>	66,035 <i>1.6</i>	64,605 <i>-2.2</i>	58,651 <i>1.3</i>	61,986 <i>5.7</i>
Statistical discrepancy	-742 ...	-836 ...	-855 ...	-32 ...	390 ...	-1,209 ...	-889 ...	-616 ...
<b>Gross domestic product at market prices</b>	<b>1,093,793 <i>0.7</i></b>	<b>1,091,782 <i>-0.2</i></b>	<b>1,095,469 <i>0.3</i></b>	<b>1,104,391 <i>0.8</i></b>	<b>1,112,597 <i>0.7</i></b>	<b>1,124,350 <i>1.1</i></b>	<b>1,074,621 <i>3.4</i></b>	<b>1,096,359 <i>2.0</i></b>
Final domestic demand	1,036,393 <i>1.0</i>	1,045,724 <i>0.9</i>	1,059,110 <i>1.3</i>	1,065,043 <i>0.6</i>	1,080,474 <i>1.4</i>	1,085,091 <i>0.4</i>	1,014,795 <i>3.1</i>	1,051,568 <i>3.6</i>

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line, italicized, is the period to period percentage change at quarterly rates.

2. Chained dollar series are calculated as the product of the chain-type quantity index and the current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates are usually not additive.

**Real Gross domestic product, expenditure-based, annualized percentage change[1]**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Quarter to quarter % change at annual rates, chained (1997) dollars								
Personal expenditure on consumer goods and services	3.1	3.2	4.4	0.7	6.4	1.3	3.4	3.1
Durable goods	-2.7	3.9	10.5	-16.1	9.2	3.7	8.3	2.0
Semi-durable goods	6.0	2.8	2.5	-1.1	15.7	2.3	3.8	3.1
Non-durable goods	2.8	-0.3	0.6	2.6	5.3	-1.1	2.3	2.1
Services	4.4	4.8	4.9	4.7	4.9	1.7	2.6	3.9
Government current expenditure on goods and services	3.7	5.9	0.4	3.9	3.2	1.2	2.8	3.8
Government gross fixed capital formation	17.0	8.2	1.0	5.9	6.0	-5.1	9.1	6.8
Government investment in inventories[2]	56	44	-16	-28	-84	332	-53	54
Business gross fixed capital formation	5.9	1.7	14.9	5.2	7.4	4.7	1.4	4.6
Residential structures	6.6	-0.7	19.7	8.6	12.0	5.8	14.5	7.5
Non-residential structures	9.9	2.2	4.0	3.5	-2.3	3.4	-8.3	1.0
Machinery and equipment	3.0	3.6	17.8	3.2	9.6	4.5	-1.2	4.5
Business investment in inventories[2]	5,978	-2,619	-11,247	8,750	-11,168	-886	6,466	9,753
Non-farm[2]	2,138	-3,633	-11,897	8,978	-10,172	-432	6,558	5,013
Farm[2]	3,568	979	960	-472	-909	-513	-94	4,581
Exports of goods and services	-4.9	-5.1	-1.9	9.4	6.1	21.6	1.1	-2.4
Goods	-3.0	-4.2	-2.6	10.1	5.5	24.9	0.7	-2.2
Services	-16.2	-10.7	2.5	5.6	10.2	1.6	3.8	-3.9
Deduct: Imports of goods and services	2.8	3.4	-3.0	17.8	3.8	13.3	1.4	3.8
Goods	2.4	3.6	-4.8	16.7	3.1	18.6	1.5	3.4
Services	4.9	2.0	6.1	23.0	6.7	-8.4	1.3	5.7
Statistical discrepancy[2]	-486	-94	-19	823	422	-1,599	-214	272
<b>Gross domestic product at market prices</b>	<b>2.8</b>	<b>-0.7</b>	<b>1.4</b>	<b>3.3</b>	<b>3.0</b>	<b>4.3</b>	<b>3.4</b>	<b>2.0</b>
<i>Final domestic demand</i>	<i>4.1</i>	<i>3.7</i>	<i>5.2</i>	<i>2.3</i>	<i>5.9</i>	<i>1.7</i>	<i>3.1</i>	<i>3.6</i>

1. Quarter to quarter percentage change, annualized.

2. Actual change in millions of dollars, at annual rates.

**Contributions to percentage change in real Gross domestic product, expenditure-based[1]**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Using seasonally adjusted data, percentage points								
Personal expenditure on consumer goods and services	0.434	0.448	0.609	0.096	0.883	0.183	1.872	1.799
Durable goods	-0.053	0.074	0.195	-0.334	0.162	0.066	0.624	0.158
Semi-durable goods	0.070	0.033	0.030	-0.013	0.175	0.027	0.182	0.151
Non-durable goods	0.096	-0.010	0.022	0.088	0.178	-0.038	0.305	0.294
Services	0.321	0.351	0.362	0.354	0.369	0.128	0.761	1.197
Government current expenditure on goods and services	0.175	0.279	0.020	0.187	0.155	0.060	0.522	0.743
Government gross fixed capital formation	0.100	0.051	0.007	0.037	0.038	-0.034	0.218	0.175
Government investment in inventories	0.005	0.004	-0.001	-0.003	-0.007	0.030	-0.005	0.005
Business gross fixed capital formation	0.240	0.072	0.586	0.219	0.308	0.200	0.227	0.785
Residential structures	0.093	-0.010	0.272	0.130	0.183	0.092	0.731	0.429
Non-residential structures	0.098	0.023	0.041	0.037	-0.025	0.035	-0.401	0.044
Machinery and equipment	0.050	0.059	0.274	0.052	0.150	0.073	-0.103	0.312
Business investment in inventories	0.533	-0.233	-0.956	0.725	-0.914	-0.070	0.583	0.791
Non-farm	0.188	-0.316	-1.022	0.763	-0.851	-0.034	0.600	0.401
Farm	0.346	0.083	0.066	-0.038	-0.063	-0.036	-0.017	0.390
Exports of goods and services	-0.505	-0.508	-0.183	0.835	0.549	1.886	0.542	-0.915
Goods	-0.265	-0.364	-0.214	0.767	0.426	1.867	0.334	-0.705
Services	-0.240	-0.144	0.031	0.068	0.122	0.019	0.208	-0.210
Deduct: Imports of goods and services	0.255	0.288	-0.258	1.357	0.306	1.056	0.496	1.385
Goods	0.182	0.259	-0.344	1.052	0.210	1.185	0.422	1.043
Services	0.073	0.030	0.086	0.305	0.096	-0.129	0.074	0.343
Statistical discrepancy	-0.045	-0.009	-0.002	0.075	0.038	-0.144	-0.020	0.025
<b>Gross domestic product at market prices</b>	<b>0.683</b>	<b>-0.184</b>	<b>0.338</b>	<b>0.814</b>	<b>0.743</b>	<b>1.056</b>	<b>3.444</b>	<b>2.023</b>
<i>Final domestic demand</i>	<i>0.950</i>	<i>0.850</i>	<i>1.222</i>	<i>0.539</i>	<i>1.384</i>	<i>0.409</i>	<i>2.840</i>	<i>3.503</i>

1. The chained (1997) dollars data shown in the table "Real Gross domestic product, expenditure-based, quarterly percentage change" are not additive. The contributions to percentage change shown in the above table are additive and provide a measure of the composition of GDP growth.

**Gross domestic product, implicit chain price indexes[1]**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Using seasonally adjusted data, (1997 = 100)								
Personal expenditure on consumer goods and services	111.0 <i>0.5</i>	110.7 <i>-0.3</i>	111.2 <i>0.5</i>	111.1 <i>-0.1</i>	111.8 <i>0.6</i>	112.6 <i>0.7</i>	109.3 <i>2.1</i>	111.0 <i>1.6</i>
Government current expenditure on goods and services	114.1 <i>0.4</i>	114.5 <i>0.4</i>	115.5 <i>0.9</i>	116.5 <i>0.9</i>	117.2 <i>0.6</i>	117.9 <i>0.6</i>	112.5 <i>3.1</i>	115.2 <i>2.4</i>
Government gross fixed capital formation	103.6 <i>0.0</i>	102.1 <i>-1.4</i>	102.5 <i>0.4</i>	102.1 <i>-0.4</i>	103.0 <i>0.9</i>	104.8 <i>1.7</i>	103.0 <i>0.5</i>	102.6 <i>-0.4</i>
Business gross fixed capital formation	106.8 <i>-0.6</i>	105.6 <i>-1.1</i>	105.8 <i>0.2</i>	105.7 <i>-0.1</i>	106.4 <i>0.7</i>	108.5 <i>2.0</i>	106.6 <i>2.3</i>	106.0 <i>-0.5</i>
Exports of goods and services	109.9 <i>1.5</i>	104.1 <i>-5.3</i>	104.1 <i>0.0</i>	101.7 <i>-2.3</i>	103.7 <i>2.0</i>	107.6 <i>3.8</i>	106.4 <i>-1.8</i>	105.0 <i>-1.4</i>
Imports of goods and services	107.9 <i>-1.9</i>	101.8 <i>-5.7</i>	100.6 <i>-1.2</i>	97.4 <i>-3.2</i>	98.0 <i>0.6</i>	101.2 <i>3.3</i>	109.5 <i>0.6</i>	101.9 <i>-6.9</i>
<b>Gross domestic product at market prices</b>	<b>111.1 <i>1.6</i></b>	<b>110.6 <i>-0.5</i></b>	<b>111.3 <i>0.6</i></b>	<b>111.7 <i>0.4</i></b>	<b>112.9 <i>1.1</i></b>	<b>114.5 <i>1.4</i></b>	<b>107.8 <i>1.0</i></b>	<b>111.2 <i>3.2</i></b>
<i>Final domestic demand</i>	<i>110.7 <i>0.4</i></i>	<i>110.3 <i>-0.4</i></i>	<i>110.8 <i>0.5</i></i>	<i>110.9 <i>0.1</i></i>	<i>111.6 <i>0.6</i></i>	<i>112.7 <i>1.0</i></i>	<i>109.2 <i>2.3</i></i>	<i>110.7 <i>1.3</i></i>

1. The first line is the series itself. The second line, italicized, is the period to period percentage change at quarterly rates.



## Financial market summary table

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Seasonally adjusted data at annual rates, millions of dollars								
<b>Funds raised:</b>								
<b>Persons and unincorporated business</b>	<b>49,408</b>	<b>49,024</b>	<b>52,664</b>	<b>49,908</b>	<b>53,088</b>	<b>53,064</b>	<b>46,993</b>	<b>50,251</b>
Consumer credit	16,268	18,260	18,972	17,056	17,792	18,064	16,499	17,639
Bank loans	1,592	1,116	1,324	692	2,468	2,388	442	1,181
Other loans	2,888	648	1,520	1,152	1,132	332	2,962	1,552
Mortgages	28,660	29,000	30,848	31,008	31,696	32,280	27,090	29,879
<b>Non-financial private corporations</b>	<b>32,688</b>	<b>29,752</b>	<b>37,164</b>	<b>62,892</b>	<b>77,168</b>	<b>70,468</b>	<b>40,084</b>	<b>40,624</b>
Bank loans	-1,588	-3,772	2,520	-736	8,492	4,660	1,035	-894
Other loans	-9,264	1,492	-5,848	204	-640	960	-277	-3,354
Other short-term paper	-6,012	-13,056	-6,068	-15,200	3,812	2,340	-4,580	-10,084
Mortgages	4,036	4,200	5,980	5,672	5,936	6,148	4,915	4,972
Bonds	18,636	19,576	7,776	28,064	19,028	19,136	8,043	18,513
Shares	26,880	21,312	32,804	44,888	40,540	37,224	30,948	31,471
<b>Non-financial government enterprises</b>	<b>2,240</b>	<b>4,804</b>	<b>-4,320</b>	<b>-5,844</b>	<b>-5,288</b>	<b>708</b>	<b>-891</b>	<b>-780</b>
Bank loans	1,204	552	-1,128	748	-196	-264	301	344
Other loans	9,004	1,372	-368	-1,220	-1,852	1,340	1,056	2,197
Other short-term paper	596	-852	-1,940	-4,616	-3,164	3,420	318	-1,703
Mortgages	-12	-4	-4	-4	-8	0	6	-6
Bonds	-8,544	3,788	-864	-736	-68	-3,836	-2,572	-1,589
Shares	-8	-52	-16	-16	0	48	0	-23
<b>Federal government</b>	<b>-2,664</b>	<b>4,132</b>	<b>2,036</b>	<b>-9,772</b>	<b>-5,740</b>	<b>-11,672</b>	<b>-1,246</b>	<b>-1,567</b>
Bank loans	88	116	112	108	224	108	106	106
Other loans	0	-4	-4	8	0	0	0	0
Canada short-term paper	14,480	10,748	14,232	9,464	-3,348	3,200	7,756	12,231
Canada Savings Bonds	-564	-1,660	-1,544	-1,392	-1,988	-788	-1,510	-1,290
Other bonds	-16,668	-5,068	-10,760	-17,960	-628	-14,192	-7,598	-12,614
<b>Other levels of government</b>	<b>3,716</b>	<b>16,444</b>	<b>10,700</b>	<b>2,768</b>	<b>28,108</b>	<b>18,800</b>	<b>9,739</b>	<b>8,407</b>
Bank loans	472	140	-304	752	-1,140	192	205	265
Other loans	268	896	824	532	1,980	260	454	630
Other short-term paper	1,948	-2,980	-5,644	2,624	-4,484	15,628	-2,300	-1,013
Mortgages	-4	0	-76	28	60	0	-7	-13
Provincial bonds	1,476	15,904	13,996	-568	29,420	536	10,906	7,702
Municipal bonds	-472	2,460	1,872	-608	2,240	2,160	463	813
Other bonds	28	24	32	8	32	24	18	23
<b>Total funds raised by domestic non-financial sectors</b>	<b>85,388</b>	<b>104,156</b>	<b>98,244</b>	<b>99,952</b>	<b>147,336</b>	<b>131,368</b>	<b>94,679</b>	<b>96,935</b>
<b>Consumer credit</b>	<b>16,268</b>	<b>18,260</b>	<b>18,972</b>	<b>17,056</b>	<b>17,792</b>	<b>18,064</b>	<b>16,499</b>	<b>17,639</b>
<b>Bank loans</b>	<b>1,768</b>	<b>-1,848</b>	<b>2,524</b>	<b>1,564</b>	<b>9,848</b>	<b>7,084</b>	<b>2,089</b>	<b>1,002</b>
<b>Other loans</b>	<b>2,896</b>	<b>4,404</b>	<b>-3,876</b>	<b>676</b>	<b>620</b>	<b>2,892</b>	<b>4,195</b>	<b>1,025</b>
<b>Canada short-term paper</b>	<b>14,480</b>	<b>10,748</b>	<b>14,232</b>	<b>9,464</b>	<b>-3,348</b>	<b>3,200</b>	<b>7,756</b>	<b>12,231</b>
<b>Other short-term paper</b>	<b>-3,468</b>	<b>-16,888</b>	<b>-13,652</b>	<b>-17,192</b>	<b>-3,836</b>	<b>21,388</b>	<b>-6,562</b>	<b>-12,800</b>
<b>Mortgages</b>	<b>32,680</b>	<b>33,196</b>	<b>36,748</b>	<b>36,704</b>	<b>37,684</b>	<b>38,428</b>	<b>32,004</b>	<b>34,832</b>
<b>Bonds</b>	<b>-6,108</b>	<b>35,024</b>	<b>10,508</b>	<b>6,808</b>	<b>48,036</b>	<b>3,040</b>	<b>7,750</b>	<b>11,558</b>
<b>Shares</b>	<b>26,872</b>	<b>21,260</b>	<b>32,788</b>	<b>44,872</b>	<b>40,540</b>	<b>37,272</b>	<b>30,948</b>	<b>31,448</b>

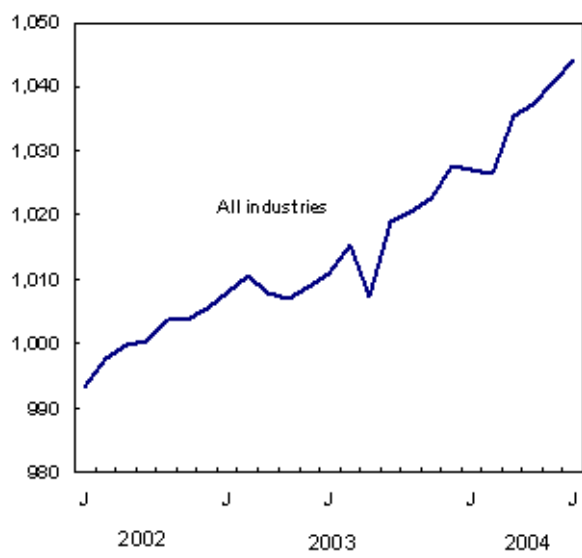
## GDP by industry

June 2004 and second quarter 2004

The Canadian economy expanded 0.3% in June 2004, maintaining the same pace as in May. This marks the fourth consecutive monthly increase in Gross domestic product.

### Economic expansion continued

GDP billions of chained \$ (1997)



Strong exports pushed manufacturing output significantly higher in June. Wholesaling activity was up by a similar proportion. The public sector also contributed significantly to June's economic growth in the areas of health and education. Economic expansion was restrained by the mining, oil and gas sector, construction and lower stock market activity that held the reins on the financial sector. Industrial production (the output of Canada's factories, mines and utilities) was up 0.4% in June. Even though manufacturing, the dominant component, was up 1.1%, industrial production was dampened by a 1.4% drop in the mining, oil and gas sector, while utilities edged up 0.2%. The U.S. Index of Industrial Production fell 0.4% in June with all three principal components down.

### Manufacturers responded to strong export demand

Output of the manufacturing sector increased 1.1% largely in response to strong export demand. Growth was widespread as 17 of the 21 major manufacturing groups posted gains. Output of motor vehicles was up 3.2% with fabricators of heavy duty trucks ramping up production by 13% in June. Production of automobiles and light duty trucks increased 2.0%. The aerospace industry expanded output by 3.5% - the fourth consecutive monthly increase and the strongest since May 2002. This gives some indication that the industry is starting to recover from the low of September 2001. Production of machinery increased 1.8%, with higher output in all categories of machinery.

Manufacturing of fabricated metals was up 1.9% with higher production of all types of metal products. Primary metals were up 0.8% following declines in April and May, with strength in iron and steel products. Manufacturing of wood products was also 0.8% higher in June, helped by high lumber prices and strong domestic and U.S. demand.

### Manufacturing spurred by strong exports

GDP billions of chained \$ (1997)



On the downside, ICT manufacturing declined 1.6% as these industries are still struggling to recover from the "Tech Wreck" that began in late 2000. Production of communications equipment and semi-conductors were lower. Canada's clothing industry continued to decline a further 2.4% in June. This industry has been shrinking in the face of fierce foreign competition. Output has fallen 32% since its peak of November 2000.

### The oil price conundrum

Output of the mining oil and gas sector fell 1.4% in June. Despite the high price level, oil and gas extraction and exploration activity were lower in June. Oil and gas extraction declined 1.8% - mostly attributable to natural gas. Drilling activity fell for a second consecutive month. Rigging services also dropped in June.

The output of metal ore mines declined 2.0% in June with the mining of all metals lower. Coal mining was also down. Non-metallic mineral mining got a boost from higher potash extraction, up sharply in the past two months, and diamond mining in the Northwest Territories, jumping 4.2% after a 23% surge in May.

### Housing market took a breather

Residential construction fell 1.3% in June – the third consecutive monthly decline. However new homebuilding activity, coming off a strong March, was actually up 0.7% in the second quarter and levels remain high by historical standards. Construction was lower for all dwelling types, with apartments and singles posting the largest declines. Housing starts in June were flat – up for rows and apartments and down for single-detached dwellings. Housing starts were particularly strong in Alberta and most Atlantic provinces, but down significantly in Quebec, British Columbia, Saskatchewan and New Brunswick. Real estate agents and brokers reported a 0.7% drop in activity as re-sales of existing homes were lower.

Non-residential building activity fell 1.3% in June with all major building types lower. The largest declines were seen in construction of industrial and institutional buildings. Nevertheless, the value of commercial and institutional building permits rose sharply in June.

### Autos drove wholesale and retail trade

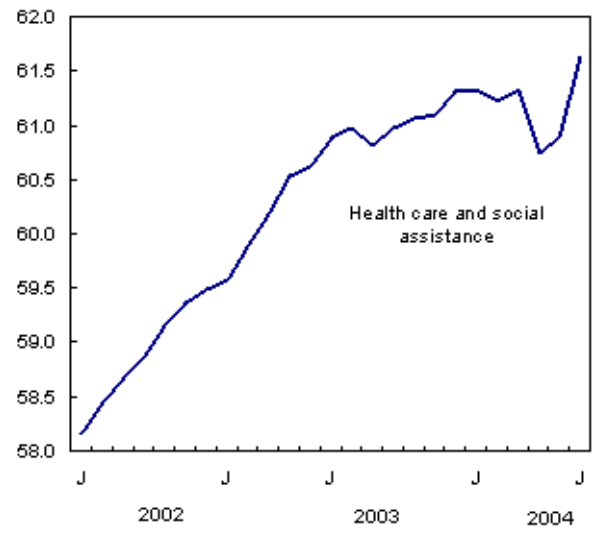
The June increase in automotive production reflected positively on the wholesaling activity. Wholesale trade services were up 1.1% on the strength of motor vehicles and parts. Wholesalers of lumber and millwork and of machinery and equipment also reported increased activity. Autos also added some shine to an otherwise lacklustre month for retail services. Retail trade services were up a modest 0.3%. Excluding motor vehicle dealer sales, retailing output fell 0.2%. Pharmaceuticals were the other bright spot.

### Other industries

The end of a labour dispute in British Columbia in May was largely responsible for the rebound of 1.2% in health care and social assistance.

### Health sector recovered from strike activity

GDP billions of chained \$ (1997)



**Industry overview, second quarter 2004**

After a slow start in April 2004, the economy picked up steam in May and June, up 0.3% in both months.

A sharp rise in international merchandise trade in the second quarter of 2004 boosted the output of manufacturers and spurred wholesaling activity as well as rail and truck transportation services. Strength was mainly concentrated in the goods-producing sector of the economy. Industrial production (the output of Canada's factories, mines and utilities) rose 1.5% as higher output in the manufacturing and mining, oil and gas sectors of the economy was somewhat dampened by lower utilities output. The 1.6% increase in manufacturing was largely centered in the production of durable goods. The mining, oil and gas sector grew by 2.1% led by a sharp increase in diamond mining in the Northwest Territories. The output of utilities fell back (-1.2%) to more normal levels after a spike caused by bitter cold weather in the first quarter.

Growth in manufacturing was widespread as 17 of the 21 major groups reported gains. Production of transportation equipment saw motor vehicles up 4.4% after a 5.4% surge in the first quarter. Fabrication of auto parts was up 2.2%. The aerospace industry posted a 4.1% increase, after six consecutive quarters of decline. Manufacturing of wood products rose 3.0% as export demand pushed up prices. Logging activities were also sharply higher. Production of fabricated metal products was up significantly (3.4%) with strong export demand for most types of products. Increased fabrication of machinery was concentrated in construction, mining and oil and gas machinery.

Wholesalers benefited from the higher export and import traffic - reporting a gain of 2.4% in the second quarter. In particular, there was increased activity in the wholesaling of motor vehicles and parts, building supplies and machinery. Retailers, on the other hand, posted only a 0.3% gain in the second quarter. Consumers, however, continued to shop in the housing market as real estate agents and brokers recorded a 6.3% increase in activity. New housing construction was up a modest 0.7%, but remains at high levels after three years of robust growth. Non-residential building, on the other hand, receded 1.7% in the second quarter.

Air transportation was up 3.4%, marking the fourth consecutive quarterly increase since the devastating effect of SARS in the second quarter of 2003. Nevertheless, the level of activity for this industry remains below its August 2001 level. Rail and truck transportation responded to the increased flow of goods in the second quarter, posting gains of 5.3% and 4.2% respectively.

**Real Gross domestic product by industry, at basic prices, monthly[1]**

	January 2004	February 2004	March 2004	April 2004	May 2004	June 2004	June 2003 to June 2004
Seasonally adjusted at annual rates, millions chained (1997) dollars							%
<b>All industries</b>	<b>1,027,028</b> <i>-0.0</i>	<b>1,026,521</b> <i>-0.0</i>	<b>1,035,681</b> <i>0.9</i>	<b>1,037,159</b> <i>0.1</i>	<b>1,040,743</b> <i>0.3</i>	<b>1,044,176</b> <i>0.3</i>	<b>3.3</b>
<b>Goods producing industries</b>	<b>323,716</b> <i>0.0</i>	<b>321,828</b> <i>-0.6</i>	<b>325,206</b> <i>1.0</i>	<b>326,009</b> <i>0.2</i>	<b>328,082</b> <i>0.6</i>	<b>328,756</b> <i>0.2</i>	<b>4.5</b>
Agriculture, forestry, fishing and hunting	23,438 <i>-0.6</i>	23,478 <i>0.2</i>	23,832 <i>1.5</i>	23,820 <i>-0.1</i>	23,891 <i>0.3</i>	24,065 <i>0.7</i>	2.4
Mining and oil and gas extraction	37,885 <i>0.3</i>	37,743 <i>-0.4</i>	37,354 <i>-1.0</i>	37,932 <i>1.5</i>	38,994 <i>2.8</i>	38,453 <i>-1.4</i>	4.6
Utilities	27,130 <i>5.1</i>	25,581 <i>-5.7</i>	25,188 <i>-1.5</i>	25,525 <i>1.3</i>	25,706 <i>0.7</i>	25,757 <i>0.2</i>	0.7
Construction	56,814 <i>0.6</i>	56,170 <i>-1.1</i>	57,441 <i>2.3</i>	57,225 <i>-0.4</i>	56,972 <i>-0.4</i>	56,423 <i>-1.0</i>	3.4
Manufacturing	177,122 <i>-0.9</i>	177,451 <i>0.2</i>	180,465 <i>1.7</i>	180,272 <i>-0.1</i>	180,744 <i>0.3</i>	182,649 <i>1.1</i>	5.7
<b>Services producing industries</b>	<b>704,544</b> <i>-0.1</i>	<b>706,083</b> <i>0.2</i>	<b>711,830</b> <i>0.8</i>	<b>712,477</b> <i>0.1</i>	<b>713,904</b> <i>0.2</i>	<b>716,701</b> <i>0.4</i>	<b>2.7</b>
Wholesale trade	64,261 <i>-2.4</i>	63,490 <i>-1.2</i>	66,093 <i>4.1</i>	66,067 <i>-0.0</i>	65,892 <i>-0.3</i>	66,591 <i>1.1</i>	6.6
Retail trade	56,833 <i>0.9</i>	58,367 <i>2.7</i>	58,834 <i>0.8</i>	58,247 <i>-1.0</i>	58,072 <i>-0.3</i>	58,247 <i>0.3</i>	3.1
Transportation and warehousing	47,063 <i>-0.7</i>	46,709 <i>-0.8</i>	47,325 <i>1.3</i>	48,066 <i>1.6</i>	48,460 <i>0.8</i>	48,628 <i>0.3</i>	4.9
Information and cultural industries	41,794 <i>0.6</i>	41,774 <i>-0.0</i>	42,037 <i>0.6</i>	42,436 <i>0.9</i>	42,900 <i>1.1</i>	42,884 <i>-0.0</i>	1.1
Finance, insurance and real estate	206,750 <i>0.3</i>	207,317 <i>0.3</i>	208,622 <i>0.6</i>	209,359 <i>0.4</i>	209,634 <i>0.1</i>	209,656 <i>0.0</i>	2.7
Professional, scientific and technical services	45,039 <i>0.6</i>	45,114 <i>0.2</i>	45,347 <i>0.5</i>	45,445 <i>0.2</i>	45,467 <i>0.0</i>	45,638 <i>0.4</i>	2.2
Administrative and waste management services	22,440 <i>0.1</i>	22,465 <i>0.1</i>	22,571 <i>0.5</i>	22,714 <i>0.6</i>	22,741 <i>0.1</i>	22,780 <i>0.2</i>	2.3
Educational services	45,081 <i>-1.3</i>	45,255 <i>0.4</i>	45,430 <i>0.4</i>	45,431 <i>0.0</i>	45,836 <i>0.9</i>	46,241 <i>0.9</i>	1.8
Health care and social assistance	61,328 <i>0.0</i>	61,218 <i>-0.2</i>	61,324 <i>0.2</i>	60,742 <i>-0.9</i>	60,880 <i>0.2</i>	61,630 <i>1.2</i>	1.2
Arts, entertainment and recreation	9,278 <i>-0.1</i>	9,371 <i>1.0</i>	9,370 <i>-0.0</i>	9,373 <i>0.0</i>	9,349 <i>-0.3</i>	9,367 <i>0.2</i>	-0.5
Accommodation and food services	22,701 <i>-0.5</i>	22,875 <i>0.8</i>	23,034 <i>0.7</i>	22,806 <i>-1.0</i>	23,016 <i>0.9</i>	22,942 <i>-0.3</i>	4.0
Other services (except public administration)	24,370 <i>-0.0</i>	24,369 <i>-0.0</i>	24,362 <i>-0.0</i>	24,437 <i>0.3</i>	24,406 <i>-0.1</i>	24,487 <i>0.3</i>	1.7
Public administration	58,595 <i>0.3</i>	58,680 <i>0.1</i>	58,631 <i>-0.1</i>	58,585 <i>-0.1</i>	58,502 <i>-0.1</i>	58,838 <i>0.6</i>	1.0
<b>Other aggregations</b>							
Industrial production	243,817 <i>-0.0</i>	242,521 <i>-0.5</i>	244,372 <i>0.8</i>	245,353 <i>0.4</i>	247,528 <i>0.9</i>	248,524 <i>0.4</i>	5.0
Non-durable manufacturing industries	72,679 <i>-0.4</i>	72,437 <i>-0.3</i>	73,269 <i>1.1</i>	72,979 <i>-0.4</i>	73,233 <i>0.3</i>	73,894 <i>0.9</i>	3.2
Durable manufacturing industries	104,348 <i>-1.2</i>	104,913 <i>0.5</i>	107,091 <i>2.1</i>	107,186 <i>0.1</i>	107,404 <i>0.2</i>	108,646 <i>1.2</i>	7.4
Business sector industries	870,791 <i>-0.0</i>	870,098 <i>-0.1</i>	879,070 <i>1.0</i>	881,269 <i>0.3</i>	884,468 <i>0.4</i>	886,491 <i>0.2</i>	3.7
Non-business sector industries	156,401 <i>-0.2</i>	156,583 <i>0.1</i>	156,784 <i>0.1</i>	156,073 <i>-0.5</i>	156,460 <i>0.2</i>	157,863 <i>0.9</i>	1.1
ICT sector, total	57,353 <i>0.1</i>	57,255 <i>-0.2</i>	57,973 <i>1.3</i>	58,074 <i>0.2</i>	58,660 <i>1.0</i>	58,560 <i>-0.2</i>	3.1

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line, italicized, is the period to period percentage change at monthly rates.

**Real Gross domestic product by industry, at basic prices, quarterly and annually[1]**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Seasonally adjusted at annual rates, millions chained (1997) dollars								
<b>Goods producing industries</b>	<b>318,114</b> <i>0.7</i>	<b>315,765</b> <i>-0.7</i>	<b>317,203</b> <i>0.5</i>	<b>321,592</b> <i>1.4</i>	<b>323,583</b> <i>0.6</i>	<b>327,616</b> <i>1.2</i>	<b>313,380</b> <i>1.9</i>	<b>318,168</b> <i>1.5</i>
Agriculture, forestry, fishing and hunting	22,953 <i>4.8</i>	23,735 <i>3.4</i>	23,886 <i>0.6</i>	23,616 <i>-1.1</i>	23,583 <i>-0.1</i>	23,925 <i>1.5</i>	21,412 <i>-3.5</i>	23,548 <i>10.0</i>
Mining and oil and gas extraction	35,900 <i>1.2</i>	36,107 <i>0.6</i>	37,251 <i>3.2</i>	37,585 <i>0.9</i>	37,661 <i>0.2</i>	38,460 <i>2.1</i>	35,329 <i>0.8</i>	36,711 <i>3.9</i>
Utilities	26,760 <i>-0.1</i>	25,833 <i>-3.5</i>	25,806 <i>-0.1</i>	25,659 <i>-0.6</i>	25,966 <i>1.2</i>	25,663 <i>-1.2</i>	26,626 <i>2.2</i>	26,014 <i>-2.3</i>
Construction	54,043 <i>1.9</i>	54,381 <i>0.6</i>	55,065 <i>1.3</i>	56,124 <i>1.9</i>	56,808 <i>1.2</i>	56,873 <i>0.1</i>	52,555 <i>1.7</i>	54,903 <i>4.5</i>
Manufacturing	177,904 <i>-0.2</i>	174,951 <i>-1.7</i>	173,845 <i>-0.6</i>	177,295 <i>2.0</i>	178,346 <i>0.6</i>	181,222 <i>1.6</i>	176,808 <i>2.9</i>	175,999 <i>-0.5</i>
<b>Services producing industries</b>	<b>691,790</b> <i>0.4</i>	<b>694,565</b> <i>0.4</i>	<b>698,202</b> <i>0.5</i>	<b>703,225</b> <i>0.7</i>	<b>707,486</b> <i>0.6</i>	<b>714,361</b> <i>1.0</i>	<b>681,647</b> <i>4.2</i>	<b>696,946</b> <i>2.2</i>
Wholesale trade	61,716 <i>1.3</i>	61,785 <i>0.1</i>	61,955 <i>0.3</i>	64,952 <i>4.8</i>	64,615 <i>-0.5</i>	66,183 <i>2.4</i>	59,635 <i>8.1</i>	62,602 <i>5.0</i>
Retail trade	55,647 <i>0.6</i>	56,354 <i>1.3</i>	57,427 <i>1.9</i>	56,903 <i>-0.9</i>	58,011 <i>1.9</i>	58,189 <i>0.3</i>	54,905 <i>5.5</i>	56,583 <i>3.1</i>
Transportation and warehousing	46,798 <i>-0.1</i>	46,257 <i>-1.2</i>	46,189 <i>-0.1</i>	46,974 <i>1.7</i>	47,032 <i>0.1</i>	48,385 <i>2.9</i>	46,401 <i>1.7</i>	46,554 <i>0.3</i>
Information and cultural industries	42,248 <i>1.2</i>	42,319 <i>0.2</i>	42,189 <i>-0.3</i>	41,699 <i>-1.2</i>	41,868 <i>0.4</i>	42,740 <i>2.1</i>	41,274 <i>6.4</i>	42,114 <i>2.0</i>
Finance, insurance and real estate	201,381 <i>-0.0</i>	202,687 <i>0.6</i>	204,730 <i>1.0</i>	205,334 <i>0.3</i>	207,563 <i>1.1</i>	209,550 <i>1.0</i>	199,890 <i>4.9</i>	203,533 <i>1.8</i>
Professional, scientific and technical services	44,154 <i>0.7</i>	44,543 <i>0.9</i>	44,657 <i>0.3</i>	44,774 <i>0.3</i>	45,167 <i>0.9</i>	45,517 <i>0.8</i>	43,255 <i>3.1</i>	44,532 <i>3.0</i>
Administrative and waste management services	22,066 <i>0.7</i>	22,159 <i>0.4</i>	22,319 <i>0.7</i>	22,384 <i>0.3</i>	22,492 <i>0.5</i>	22,745 <i>1.1</i>	21,424 <i>5.0</i>	22,232 <i>3.8</i>
Educational services	45,469 <i>-0.5</i>	45,441 <i>-0.1</i>	45,157 <i>-0.6</i>	45,308 <i>0.3</i>	45,255 <i>-0.1</i>	45,836 <i>1.3</i>	45,377 <i>1.7</i>	45,344 <i>-0.1</i>
Health care and social assistance	59,881 <i>0.9</i>	60,678 <i>1.3</i>	60,918 <i>0.4</i>	61,161 <i>0.4</i>	61,290 <i>0.2</i>	61,084 <i>-0.3</i>	58,337 <i>3.6</i>	60,659 <i>4.0</i>
Arts, entertainment and recreation	9,154 <i>2.3</i>	9,334 <i>2.0</i>	9,280 <i>-0.6</i>	9,308 <i>0.3</i>	9,340 <i>0.3</i>	9,363 <i>0.2</i>	8,924 <i>4.8</i>	9,269 <i>3.9</i>
Accommodation and food services	22,786 <i>-2.1</i>	21,992 <i>-3.5</i>	22,408 <i>1.9</i>	22,884 <i>2.1</i>	22,870 <i>-0.1</i>	22,921 <i>0.2</i>	23,159 <i>0.5</i>	22,518 <i>-2.8</i>
Other services (except public administration)	24,047 <i>0.1</i>	24,107 <i>0.2</i>	24,117 <i>0.0</i>	24,326 <i>0.9</i>	24,367 <i>0.2</i>	24,443 <i>0.3</i>	23,753 <i>3.4</i>	24,149 <i>1.7</i>
Public administration	57,394 <i>0.6</i>	57,803 <i>0.7</i>	57,753 <i>-0.1</i>	58,261 <i>0.9</i>	58,635 <i>0.6</i>	58,642 <i>0.0</i>	56,180 <i>2.5</i>	57,803 <i>2.9</i>
<b>Other aggregations</b>								
Industrial production	241,248 <i>0.1</i>	238,011 <i>-1.3</i>	238,671 <i>0.3</i>	242,219 <i>1.5</i>	243,570 <i>0.6</i>	247,135 <i>1.5</i>	239,278 <i>2.4</i>	240,037 <i>0.3</i>
Non-durable manufacturing industries	73,115 <i>-0.3</i>	72,334 <i>-1.1</i>	71,965 <i>-0.5</i>	72,769 <i>1.1</i>	72,795 <i>0.0</i>	73,369 <i>0.8</i>	72,531 <i>3.1</i>	72,546 <i>0.0</i>
Durable manufacturing industries	104,695 <i>-0.2</i>	102,528 <i>-2.1</i>	101,792 <i>-0.7</i>	104,431 <i>2.6</i>	105,451 <i>1.0</i>	107,745 <i>2.2</i>	104,182 <i>2.7</i>	103,362 <i>-0.8</i>
Business sector industries	854,381 <i>0.5</i>	853,497 <i>-0.1</i>	858,730 <i>0.6</i>	867,492 <i>1.0</i>	873,320 <i>0.7</i>	884,076 <i>1.2</i>	841,623 <i>3.6</i>	858,525 <i>2.0</i>
Non-business sector industries	154,478 <i>0.2</i>	155,557 <i>0.7</i>	155,389 <i>-0.1</i>	156,164 <i>0.5</i>	156,589 <i>0.3</i>	156,799 <i>0.1</i>	152,370 <i>2.2</i>	155,397 <i>2.0</i>
ICT sector, total	56,629 <i>1.1</i>	56,748 <i>0.2</i>	56,656 <i>-0.2</i>	57,118 <i>0.8</i>	57,527 <i>0.7</i>	58,431 <i>1.6</i>	55,361 <i>1.8</i>	56,788 <i>2.6</i>

1. The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line, italicized, is the period to period percentage change at quarterly rates.

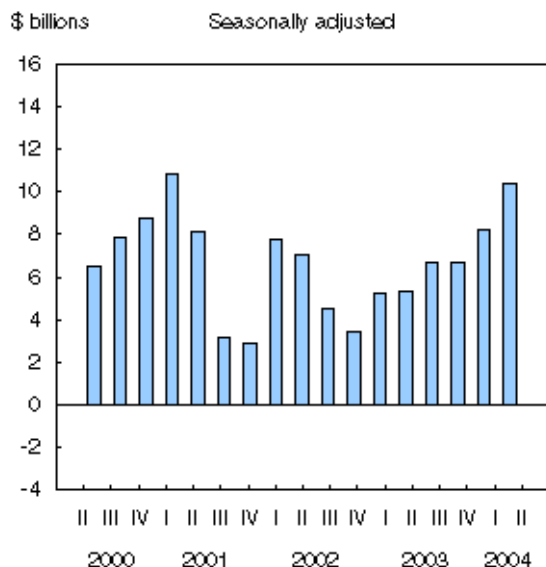
## Balance of international payments

Second quarter 2004

Canada's **current account** surplus with the rest of the world, on a seasonally adjusted basis, increased by \$2.2 billion in the second quarter of 2004 to reach \$10.4 billion, its second highest level ever. A surging surplus for goods trade more than offset weakness in other current account transactions.

The **capital and financial account** (not seasonally adjusted) showed funds flowing out of Canada to the rest of the world for a fifth straight quarter. Canada's direct investment assets abroad went up by a record amount, spurred by the largest ever Canadian takeover of a foreign company. On the other side of the ledger, this same acquisition which involved an exchange of shares, helped push Canadian portfolio liabilities up by the largest amount in ten quarters.

### Second largest surplus of the current account



During the quarter, the Canadian dollar declined against the US dollar for a second straight quarter, closing just under 75 US cents. The Canadian dollar also lost ground against other major foreign currencies except the yen.

### Current account

#### Goods surplus continued to rise

The surplus on trade in goods increased to \$20.0 billion in the second quarter, up \$3.6 billion from the first quarter. This was the second highest surplus on goods, only surpassed by the \$22.2 billion surplus recorded during the first quarter of 2001.

Exports were up \$10.2 billion to \$111.4 billion. Automotive products, industrial goods, and energy products increased by roughly \$2 billion each while exports of machinery and equipment and forestry products were also significantly higher.

Again, price increases affected the value of trade in energy products but were even more important for the exports of forestry products, where two-thirds of the \$1.4 billion increase came from higher prices.

Imports rose by \$6.6 billion to \$91.4 billion. As with exports, the values of all the major categories of imported goods increased during the second quarter, with machinery and equipment and industrial goods showing the largest gains.

#### Note to readers

Exports of goods for the second quarter have been revised downward by about \$1.3 billion from the values published August 13, 2004, as part of the monthly international merchandise trade data. New information on the export volume and price for natural gas and revision to the adjustment for exchange rate shifts were the principal contributors. These revisions will be reflected in the monthly merchandise trade series with the next release, September 10, 2004.

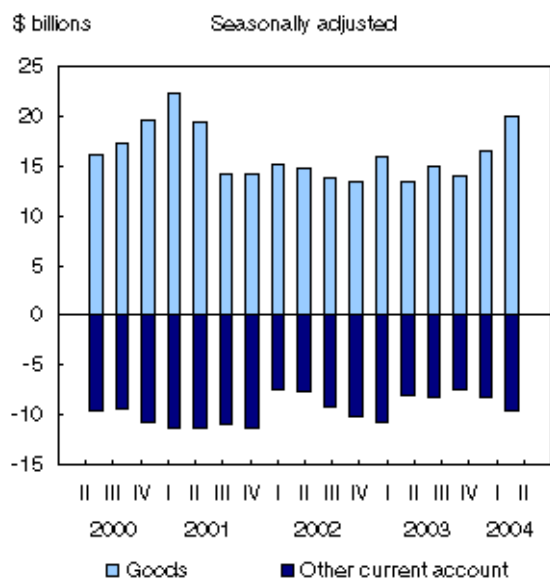
The **balance of payments** covers all economic transactions between Canadian residents and non-residents. It includes the **current account** and the **capital and financial account**.

The current account covers transactions on goods, services, investment income and current transfers. Transactions in exports and interest income are examples of receipts, while imports and interest expense are payments. The balance from these transactions determines if Canada's current account is in **surplus** or **deficit**.

The **capital and financial account** is mainly comprised of transactions in financial instruments. Financial assets and liabilities with non-residents are presented under three functional classes: direct investment, portfolio investment and other investment. These investments belong either to Canadian residents (Canadian assets) or to foreign residents (Canadian liabilities). Transactions resulting in a capital inflow are presented as positive values while capital outflows from Canada are shown as negative values.

A current account surplus or deficit should correspond to an equivalent outflow or inflow in the capital and financial account. In other words, the two accounts should add to zero. In fact, as data are compiled from multiple sources, the two balance of payments accounts rarely equate. As a result, the statistical discrepancy is the net unobserved inflow or outflow needed to balance the accounts.

### Strong increase of the goods surplus



### Higher profits earned on foreign direct investment in Canada

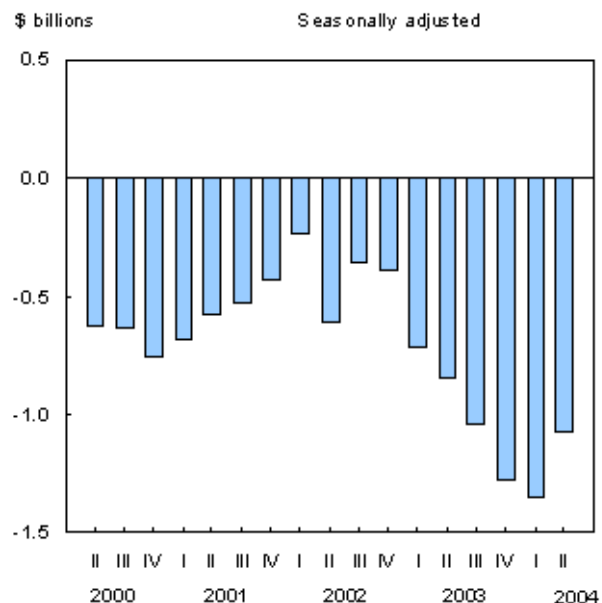
The deficit on investment income expanded by \$1.5 billion to \$6.8 billion as profits earned by foreign direct investors in Canada rose by \$1.3 billion in the second quarter. Receipts of investment income remained unchanged as higher interest income offset lower returns on equity.

The largest increases in profits earned on foreign direct investments came from the food, beverage, and tobacco industries and the transportation equipment sector.

### Services deficit remained stable

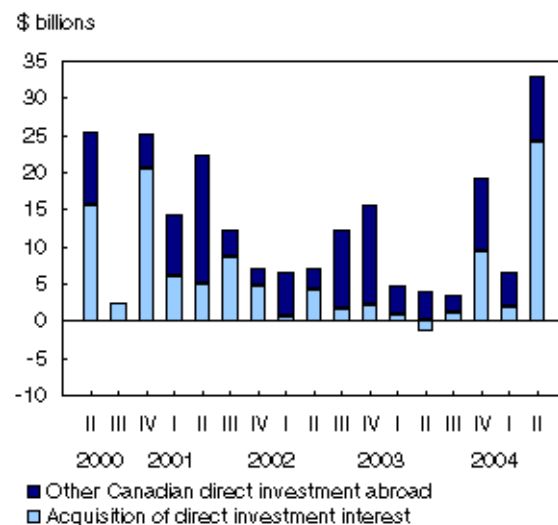
In the second quarter, the deficit on trade in services shrank by \$0.1 billion to \$2.9 billion. A smaller travel deficit was offset by a higher deficit for commercial services.

### First improvement of the travel deficit in almost two years



The travel deficit improved by \$0.3 billion in the second quarter as spending by foreign visitors to Canada rose during the quarter. For the first time in a year, the number of travellers coming from countries other than United States was comparable with pre-SARS levels.

### Record investment by Canadian direct investors<sup>1</sup>



<sup>1</sup> Reverse of Balance of Payments signs.



## Financial account

### Direct investment abroad jumped by record amount

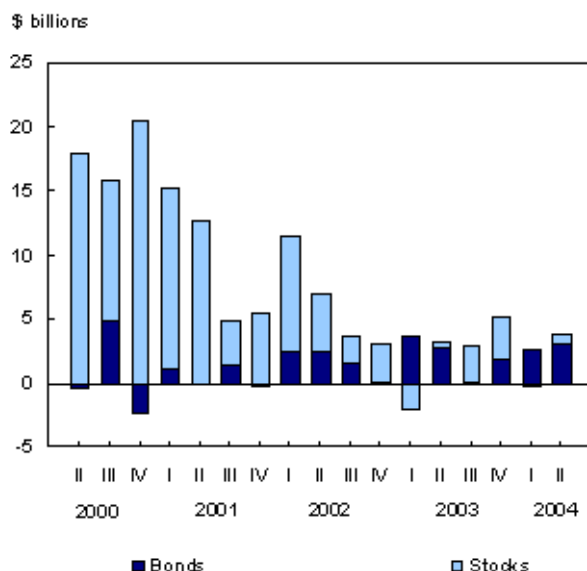
After a moderate \$6.6 billion investment in the first quarter, Canadian direct investors pumped a record \$33 billion into foreign economies in the second quarter. Much of it came from acquisitions that included the largest Canadian takeover of a foreign company in history. Two-thirds of the direct investment abroad went to the finance and insurance industry with significant investments in the energy and metallic minerals industry and the wood and paper industry. About 85% of the investment went to the US economy.

### Canadian investment in foreign securities again mainly in bonds

The \$3.8 billion investment in foreign securities in the second quarter was an increase of 60% from the first quarter. While most Canadian investment went to foreign bonds, residents added to their holdings of foreign equities after a one quarter hiatus.

Of the \$3.0 billion worth of foreign bonds bought by Canadians, nearly three-quarters were US treasuries. This was a switch from the previous two quarters when the preference was for overseas and US corporate bonds over US treasuries. Like the first quarter, Canadian investors bought US shares but sold overseas shares with the net result a modest \$739 million investment in foreign equities.

### Most Canadian portfolio investment went to foreign bonds<sup>1</sup>

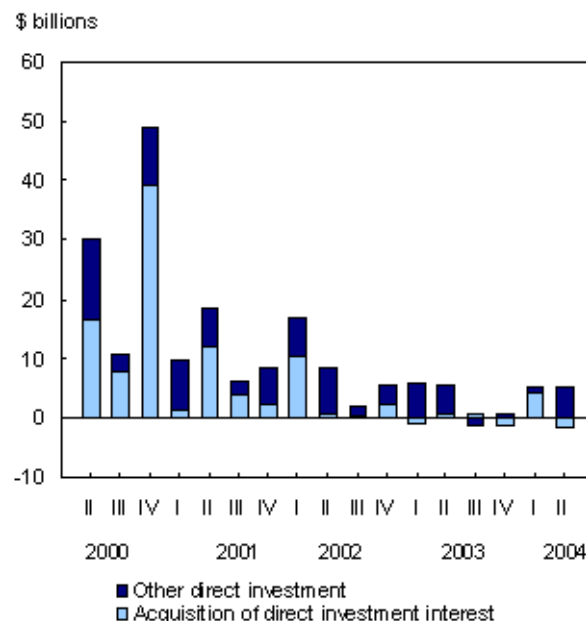


1. Reverse of Balance of Payments signs.

### Foreign direct investment in Canada stayed low

The \$3.3 billion of foreign direct investment in Canada was driven by reinvested earnings as acquisitions were negative for the second time in three quarters. Negative acquisitions result when Canadians on balance repatriate companies from foreign investors. Virtually all the quarter's investment came from US and European investors. On an industry basis, the investment was spread with the machinery and transportation sector leading the way.

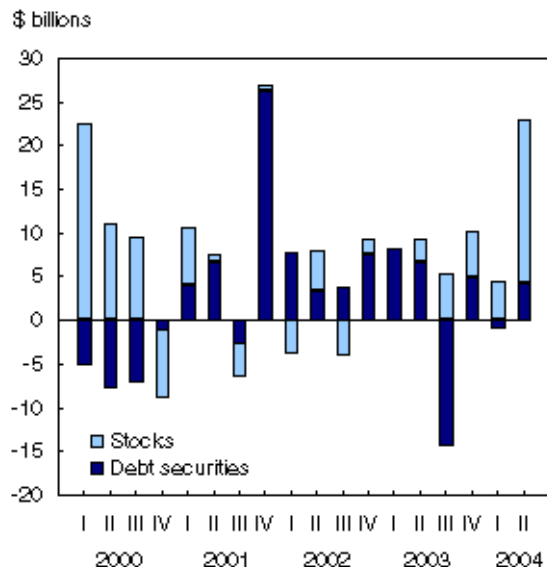
### Foreign direct investment in Canada slowed further



### Equities led higher foreign investment in Canadian securities

The large \$22.9 billion foreign portfolio investment in Canadian securities was four-fifths due to equities, specifically new treasury shares issued as part of Canadian acquisitions of foreign firms. Non-residents bought bonds similar to their purchases of the first quarter and acquired the largest value of money market instruments in six quarters.

### New treasury shares led foreign investment in Canadian securities



The second quarter produced the second highest investment ever in Canadian equities, virtually all of it coming from new treasury shares issued in two acquisitions of American firms and some new issues sold in foreign markets. With Canadian stock prices down marginally in the quarter, foreign investment in outstanding shares was negligible after four quarters of buying totalling \$14.9 billion.

In the market for short-term instruments, the \$1.8 billion foreign investment was the largest since the fourth quarter of 2002. This investment went to government paper led by paper issued by federal enterprises. While Canadian short-term rates continued to be higher than their American counterparts, the differential has narrowed to three-quarters of a percentage point, its lowest level in just over two years.

Canadian bonds continued to attract foreign investment during the quarter as foreign investors bought \$2.3 billion worth. The investment was primarily in corporate bonds as foreign investors bought federal and federal enterprise bonds but sold an equivalent amount of provincial government and enterprise bonds. The investment originated in the United States and Asia as it did in the first quarter. On a currency basis, foreign investors acquired \$3.6 billion and \$1.5 billion respectively of Canadian-dollar and US-dollar denominated bonds but reduced holdings of debt denominated in other foreign currencies by \$2.8 billion, a pattern similar to the first quarter.

### Other investment

In the other investment category, net transactions resulted in a capital inflow that offset a first quarter outflow of similar magnitude. Gross transactions reached high levels largely due to Canadian banks' activities with non-residents. The deposit liabilities of Canadian banks, which increased massively, led the other liabilities category, and more than offset the previous quarter's large reduction. Loan liabilities also increased due to loans under repurchase agreements.

On the asset side, deposit assets held abroad by Canadians increased markedly, primarily as Canadian banks increased their deposits in foreign currencies with their foreign affiliates. Other investment assets went up as well, particularly with an investment in foreign securities by Canadian banks. Finally, Canada's international reserves contracted for the seventh time in the last eight quarters. The small decline in the quarter reversed an increase of similar size in the first quarter.

**Balance of payments**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Not seasonally adjusted, millions of dollars								
<b>Current account</b>								
<b>Receipts</b>								
Goods and services	119,596	115,187	112,766	112,425	115,675	130,165	477,694	459,974
Goods	105,638	100,587	95,292	98,493	101,718	114,569	413,795	400,010
Services	13,958	14,600	17,475	13,932	13,957	15,596	63,899	59,964
Investment income	7,052	8,172	8,354	9,122	8,710	8,710	31,185	32,700
Direct investment	2,729	4,140	4,348	5,239	4,800	4,677	13,624	16,455
Portfolio investment	2,367	2,359	2,353	2,243	2,196	2,289	9,628	9,321
Other investment	1,956	1,673	1,654	1,640	1,714	1,745	7,934	6,923
Current transfers	1,913	1,490	1,490	1,820	2,008	1,621	6,957	6,714
Current account receipts	128,561	124,849	122,611	123,367	126,391	140,496	515,836	499,388
<b>Payments</b>								
Goods and services	106,798	106,404	98,449	101,037	103,315	113,975	427,382	412,688
Goods	88,644	89,126	80,420	83,643	84,548	95,659	356,581	341,833
Services	18,155	17,278	18,029	17,393	18,768	18,316	70,801	70,855
Investment income	16,149	13,424	13,483	13,387	14,600	15,372	59,839	56,443
Direct investment	6,518	4,696	4,896	4,774	5,860	6,927	20,670	20,884
Portfolio investment	7,545	7,188	7,129	6,893	6,803	6,886	30,466	28,755
Other investment	2,086	1,541	1,458	1,719	1,938	1,558	8,702	6,804
Current transfers	2,124	1,321	1,475	1,520	2,163	1,406	5,951	6,440
Current account payments	125,071	121,149	113,407	115,943	120,078	130,753	493,171	475,570
<b>Balances</b>								
Goods and services	12,798	8,783	14,318	11,388	12,360	16,190	50,312	47,287
Goods	16,994	11,461	14,872	14,850	17,171	18,910	57,214	58,177
Services	-4,197	-2,678	-554	-3,462	-4,811	-2,720	-6,903	-10,891
Investment income	-9,097	-5,252	-5,129	-4,265	-5,891	-6,661	-28,653	-23,743
Direct investment	-3,789	-556	-548	464	-1,060	-2,251	-7,046	-4,429
Portfolio investment	-5,178	-4,829	-4,777	-4,650	-4,607	-4,597	-20,838	-19,433
Other investment	-130	132	196	-80	-224	187	-769	119
Current transfers	-211	169	14	301	-155	215	1,006	274
Current account balance	3,490	3,700	9,204	7,424	6,313	9,744	22,664	23,818
<b>Capital and financial account[1]</b>								
<b>Capital account</b>	<b>1,000</b>	<b>985</b>	<b>1,067</b>	<b>917</b>	<b>923</b>	<b>1,194</b>	<b>4,988</b>	<b>3,968</b>
<b>Financial account</b>	<b>3,550</b>	<b>-13,012</b>	<b>-6,456</b>	<b>-8,775</b>	<b>-6,886</b>	<b>-4,097</b>	<b>-17,837</b>	<b>-24,694</b>
<b>Canadian assets, net flows</b>								
Canadian direct investment abroad	-4,679	-2,743	-3,510	-19,258	-6,636	-33,000	-41,472	-30,191
Portfolio investment	-1,349	-3,204	-2,812	-5,154	-2,336	-3,765	-25,087	-12,519
Foreign bonds	-3,501	-2,664	-5	-1,901	-2,612	-3,026	-6,229	-8,071
Foreign stocks	2,151	-540	-2,807	-3,253	277	-739	-18,858	-4,449
Other investment	-23,541	3,959	2,227	-8,046	1,298	-12,241	-13,206	-25,401
Loans	-5,625	2,913	6,256	2,627	-309	-1,733	-8,182	6,171
Deposits	-17,387	3,066	292	-9,205	-1,469	-7,105	5,731	-23,234
Official international reserves	2,711	229	4	1,749	-236	243	298	4,693
Other assets	-3,240	-2,249	-4,325	-3,217	3,312	-3,645	-11,053	-13,030
Total Canadian assets, net flows	-29,569	-1,988	-4,095	-32,459	-7,673	-49,005	-79,765	-68,111
<b>Canadian liabilities, net flows</b>								
Foreign direct investment in Canada	5,233	5,679	-863	-827	4,951	3,283	33,026	9,222
Portfolio investment	7,956	9,204	-8,820	10,130	3,668	22,892	20,935	18,469
Canadian bonds	9,131	6,161	-12,240	3,947	2,040	2,329	18,684	7,000
Canadian stocks	-265	2,575	5,394	5,227	4,401	18,723	-1,531	12,931
Canadian money market	-910	467	-1,975	956	-2,772	1,841	3,782	-1,461
Other investment	19,930	-25,907	7,323	14,380	-7,832	18,733	7,967	15,726
Loans	1,013	-3,480	-264	4,472	1,763	4,079	1,400	1,741
Deposits	21,200	-20,592	7,525	10,131	-10,520	14,714	13,568	18,265
Other liabilities	-2,284	-1,835	61	-223	925	-60	-7,001	-4,280
Total Canadian liabilities, net flows	33,119	-11,024	-2,361	23,683	788	44,908	61,928	43,417
<b>Total capital and financial account, net flows</b>	<b>4,550</b>	<b>-12,027</b>	<b>-5,389</b>	<b>-7,859</b>	<b>-5,962</b>	<b>-2,903</b>	<b>-12,850</b>	<b>-20,725</b>
Statistical discrepancy	-8,040	8,328	-3,814	434	-350	-6,841	-9,815	-3,092

1. A minus sign (-) denotes an outflow of capital resulting from an increase in claims on non-residents or from a decrease in liabilities to non-residents. Transactions are recorded on a net basis.

**Current account**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Seasonally adjusted at quarterly rates, millions of dollars								
<b>Receipts</b>								
Goods and services	121,274	113,279	112,786	112,635	116,576	127,027	477,694	459,974
Goods	105,857	98,578	98,030	97,545	101,240	111,419	413,795	400,010
Services	15,417	14,700	14,757	15,090	15,336	15,608	63,899	59,964
Travel	4,020	3,443	3,552	3,732	3,876	4,112	16,747	14,746
Transportation	2,701	2,430	2,517	2,637	2,746	2,884	11,115	10,285
Commercial services	8,357	8,484	8,338	8,372	8,372	8,261	34,599	33,551
Government services	340	344	349	350	342	351	1,438	1,382
Investment income	7,036	8,233	8,362	9,068	8,749	8,758	31,185	32,700
Direct investment	2,697	4,229	4,398	5,131	4,817	4,757	13,624	16,455
Interest	217	171	185	175	129	145	471	748
Profits	2,480	4,058	4,213	4,956	4,687	4,612	13,153	15,707
Portfolio investment	2,367	2,312	2,327	2,315	2,212	2,242	9,628	9,321
Interest	439	432	463	480	469	546	1,775	1,814
Dividends	1,927	1,881	1,864	1,836	1,743	1,695	7,853	7,508
Other investment	1,973	1,692	1,637	1,622	1,720	1,760	7,934	6,923
Current transfers	1,707	1,650	1,651	1,706	1,790	1,809	6,957	6,714
Private	685	589	651	632	697	620	2,567	2,558
Official	1,021	1,061	1,000	1,073	1,094	1,189	4,390	4,156
<b>Total receipts</b>	<b>130,018</b>	<b>123,163</b>	<b>122,799</b>	<b>123,409</b>	<b>127,115</b>	<b>137,594</b>	<b>515,836</b>	<b>499,388</b>
<b>Payments</b>								
Goods and services	107,851	102,689	100,644	101,505	103,116	109,912	427,382	412,688
Goods	89,960	85,260	83,143	83,469	84,776	91,380	356,581	341,833
Services	17,890	17,428	17,501	18,035	18,340	18,532	70,801	70,855
Travel	4,731	4,284	4,590	5,002	5,224	5,180	18,333	18,608
Transportation	3,581	3,450	3,603	3,592	3,731	3,852	14,122	14,225
Commercial services	9,353	9,470	9,082	9,213	9,158	9,271	37,464	37,119
Government services	225	224	226	228	228	229	883	903
Investment income	15,367	13,521	13,913	13,641	14,110	15,569	59,839	56,443
Direct investment	6,026	4,646	5,174	5,039	5,644	6,930	20,670	20,884
Interest	452	462	474	475	496	494	1,385	1,862
Profits	5,574	4,184	4,700	4,564	5,147	6,437	19,285	19,022
Portfolio investment	7,470	7,195	7,147	6,942	6,764	6,900	30,466	28,755
Interest	6,728	6,503	6,429	6,189	6,117	6,192	27,714	25,849
Dividends	743	692	718	753	647	709	2,753	2,905
Other investment	1,871	1,681	1,592	1,660	1,703	1,739	8,702	6,804
Current transfers	1,580	1,653	1,606	1,601	1,639	1,696	5,951	6,440
Private	873	906	902	925	945	974	3,382	3,607
Official	707	746	704	676	694	722	2,569	2,833
<b>Total payments</b>	<b>124,798</b>	<b>117,863</b>	<b>116,163</b>	<b>116,747</b>	<b>118,866</b>	<b>127,178</b>	<b>493,171</b>	<b>475,570</b>
<b>Balances</b>								
Goods and services	13,424	10,590	12,142	11,130	13,459	17,115	50,312	47,287
Goods	15,897	13,318	14,887	14,075	16,463	20,039	57,214	58,177
Services	-2,473	-2,728	-2,744	-2,945	-3,004	-2,924	-6,903	-10,891
Travel	-712	-842	-1,038	-1,271	-1,347	-1,068	-1,586	-3,862
Transportation	-879	-1,020	-1,086	-955	-985	-968	-3,007	-3,940
Commercial services	-996	-986	-744	-841	-786	-1,010	-2,865	-3,567
Government services	114	120	123	121	114	123	555	479
Investment income	-8,331	-5,288	-5,551	-4,572	-5,361	-6,811	-28,653	-23,743
Direct investment	-3,329	-417	-776	92	-827	-2,174	-7,046	-4,429
Interest	-235	-291	-289	-300	-367	-349	-914	-1,114
Profits	-3,094	-126	-487	392	-460	-1,825	-6,132	-3,315
Portfolio investment	-5,104	-4,883	-4,820	-4,626	-4,551	-4,659	-20,838	-19,433
Interest	-6,288	-6,072	-5,966	-5,709	-5,647	-5,645	-25,939	-24,036
Dividends	1,185	1,189	1,146	1,083	1,096	987	5,100	4,602
Other investment	102	11	45	-38	17	21	-769	119
Current transfers	127	-2	45	104	151	113	1,006	274
Private	-188	-317	-251	-293	-248	-354	-815	-1,049
Official	314	315	296	397	400	467	1,821	1,323
<b>Current account</b>	<b>5,220</b>	<b>5,300</b>	<b>6,636</b>	<b>6,662</b>	<b>8,250</b>	<b>10,416</b>	<b>22,664</b>	<b>23,818</b>

## Labour productivity, hourly compensation and unit labour cost

Second quarter 2004

Labour productivity in Canada's business sector was only slightly up between April and June as economic output and hours worked grew at almost the same pace.

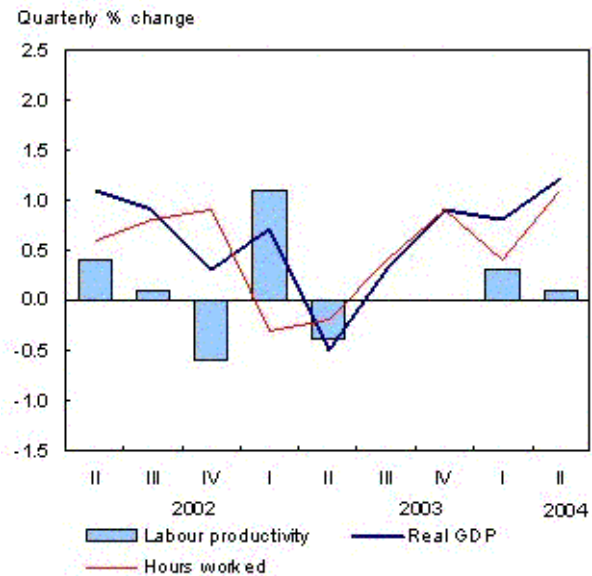
Productivity increased 0.1% in the second quarter, continuing the lacklustre performance that began a year ago. After posting a strong 1.1% gain in the first quarter of 2003, productivity has been virtually flat during five consecutive quarters.

However, with the appreciation of the Canadian dollar slowing in early 2004, Canadian businesses significantly increased their exports in the second quarter as their unit labour costs stabilized relative to their American counterparts.

Productivity, as measured by output per hour worked, improves when gross domestic product increases more rapidly than the number of hours worked. Productivity growth contributes to raising and maintaining the living standard of Canadian residents.

In the second quarter, real GDP in the business sector rose 1.2%, while the number of hours worked went up an almost identical 1.1%.

### Productivity growth remained weak in second quarter



South of the border, growth in labour productivity in the American business sector outpaced that in Canada for the fifth consecutive quarter, although it slowed considerably.

#### Note to readers

This chapter presents an analysis of labour productivity not only for the business sector as a whole but also in detail, reflecting 15 industries of the business sector (including the goods sector and the services sector). Quarterly measures of labour productivity by industry appeared for the first time last December. The statistical series for these industries start as of the first quarter of 1997.

In this chapter, the use of the term "productivity" refers to labour productivity. Calculations of the productivity growth rate and its related variables are based on index numbers rounded to one decimal place.

The quarterly productivity estimates provide a preliminary indication of recent productivity trends in the Canadian economy. These data are produced on the basis of preliminary Gross domestic product (GDP) estimates, which are eventually revised when additional and more precise information on the National Accounts becomes available.

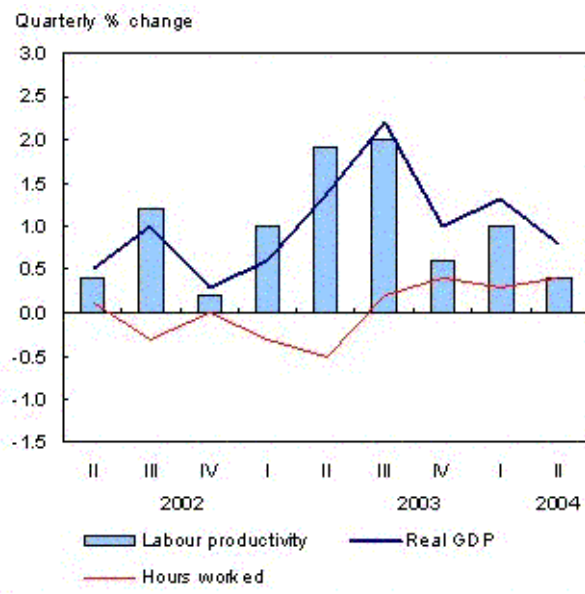
For more information about the productivity program, see the *Overview and description of publications* page online ([www.statcan.ca/english/studies/eaupdate/prdescrip.htm](http://www.statcan.ca/english/studies/eaupdate/prdescrip.htm)). You can also order a copy of a technical note about the quarterly estimates of productivity by sending an e-mail message to [productivity.measures@statcan.ca](mailto:productivity.measures@statcan.ca)

**Labour productivity** is the ratio of output to labour input (hours worked). Quarterly estimates of productivity are derived from a Fisher chained index of GDP, or of value added, in the business sector. Economic performance as measured by labour productivity must be interpreted carefully, since these estimates reflect changes in other inputs in addition to the growth in productive efficiency.

**Labour compensation** includes all payments in cash or in kind made by domestic producers to persons as remuneration for work. This includes salaries and supplementary labour income of paid workers, plus the imputed labour income of self-employed workers.

**Unit labour cost** is the labour cost per unit of output. It is calculated as the ratio of labour compensation to real value added. It is also the equivalent of the ratio of labour compensation per hour worked to labour productivity. The unit labour cost will increase when hourly compensation rises faster than labour productivity.

## Productivity growth in the U.S. slowed



Productivity increased only 0.4% in the United States between April and June, less than half the rate in the first quarter. US productivity has fluctuated since the third quarter of 2003.

### Productivity continued to grow in the services sector

Productivity in the services sector continued to progress in the second quarter, while the downward trend continued in the goods sector.

Productivity in the services sector rose 0.4% in the second quarter, following a 0.5% rise in the previous quarter.

In contrast, productivity in the goods sector fell for a second straight quarter (-0.9%). The lacklustre second quarter performance in this sector occurred in a context of stronger growth in output (1.2%), that was double that observed in the first quarter.

At the industry level, the agriculture, forestry, fishing and hunting sector recorded the strongest growth in productivity in the second quarter.

With the exception of that industry, all other industries in the goods sector, and manufacturing industries in particular, experienced a decline in productivity in the second quarter. Despite a 1.6% growth in output fuelled by significantly higher exports of goods, manufacturing experienced a 0.9% decline in second quarter productivity after a flat first quarter.

In the context of virtually no growth in its activities, construction registered productivity losses for a fourth straight quarter, falling 3.0% in the second quarter. This is the sharpest decline among all industries.

In the services sector, second quarter productivity gains were sustained largely by improved productivity growth in finance, insurance, real estate and rental services, in the cultural and information industries and in retail trade. These three large industry groups in the services sector all experienced productivity growth in the previous quarter.

Productivity growth in finance, insurance, real estate and rental services climbed to 2.2% in the second quarter, more than double the 0.9% rate observed in the first quarter. This was the best performance among all industries in the services sector. Output slowed slightly to 1.2% in the second quarter after an increase of 1.4% in the first quarter, while hours worked fell 0.9% after increasing 0.5% in the first quarter.

The cultural and information industries maintained a rate of growth in the second quarter similar to first quarter productivity growth of 0.9%. Output in this sector rose 2.1% in the second quarter, while hours worked climbed 1.2%.

After almost no growth in the first quarter, productivity in retail trade rebounded by 0.9% in the second quarter. Retail trade benefited from the strong recovery in international merchandise trade, its economic growth climbing 2.4% in the second quarter.

### Unit labour costs fell marginally in the business sector

On a quarter-to-quarter basis, unit labour costs – an indicator of the extent to which hourly compensation outgrew productivity growth – fell marginally by 0.1% in the second quarter. This is the first quarterly decline in seven quarters.

Over the last four quarters, unit labour costs in the business sector have progressed at about the same pace as hourly compensation since labour productivity was virtually flat over that period.

As was the case for the business sector as a whole, underlying labour pressures continued to be contained in the second quarter in most industries.

For a third straight quarter, unit labour costs in the services sector remained unchanged. In the goods sector, unit costs fell slightly by 0.2% in the second quarter after increasing 0.7% in the first quarter.

At the industry level, the most significant decrease occurred in the agriculture, forestry, fishing and hunting sector (-4.7%), while retail trade registered the greatest increase (+3.1%).

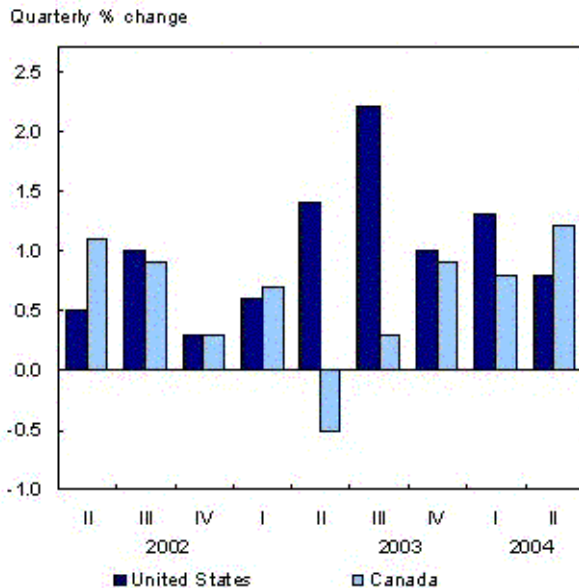
Despite lacklustre productivity performance, the manufacturing sector saw a decline of 1.2% in its unit labour costs in the second quarter. This was the fourth straight quarter of decreases.

### Stronger output growth but no productivity gains in Canada

Growth in real GDP in Canada's business sector in the second quarter of 2004 was stronger than in the American business sector for the first time since the first quarter of 2003.

Economic output among Canadian businesses increased 1.2% between April and June, a faster pace than the growth of 0.8% in the first quarter. This faster pace was largely attributable to the surge in exports (+5.0%).

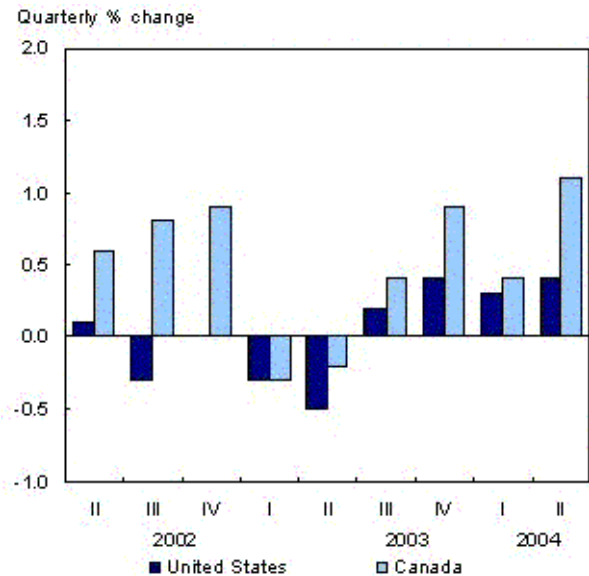
### Output growth higher in Canadian businesses



In contrast, the pace of growth in output among American businesses decelerated to 0.8% in the second quarter, well below the 1.3% in the first quarter. This deceleration was due both to the slowdown in the growth of spending by American consumers and strong goods and services imports. However, growth in spending by businesses offset most of these two sources of slowdown.

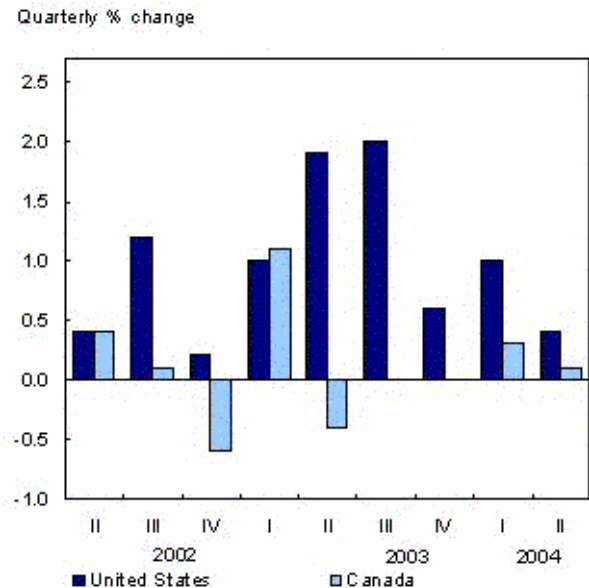
In Canada, the sharp growth in output was accompanied by a more dynamic labour market. While production hours worked in Canadian businesses rose by 0.4% in the first quarter, they experienced a marked 1.1% increase in the second quarter.

### Stronger increase in hours worked in Canada



Meanwhile, hours worked in American businesses increased only 0.4% in the second quarter. Growth in hours worked in the United States has continued at about the same pace in the last four quarters, on average, increasing by 0.4% per quarter during this period.

### Canada-U.S. productivity gap narrowed





The higher productivity performance in the United States was due mainly to a very different performance of its labour market.

Despite the fact that growth in real GDP was more robust in Canada than in the United States in the second quarter, the weaker labour market south of the border allowed American businesses to post higher productivity gains than in Canada.

#### Canadian unit labour costs in \$US continued to rise, but at slower pace

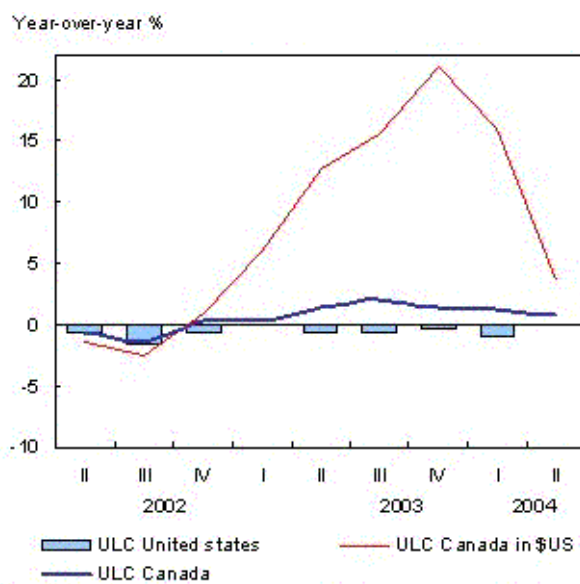
As was the case with productivity, the United States continued to have a significant advantage over Canada with respect to unit labour costs in the second quarter, especially when the exchange rate was taken into account.

However, the annual gap in unit labour costs that has favoured the United States since the fourth quarter of 2002 narrowed considerably in the second quarter. Thus, Canadian businesses regained some of the competitiveness lost to their American counterparts since the first quarter of 2003. This situation aided the rise in real exports to the United States between April and June.

On a year-over-year basis, the growth in labour costs per unit of output of Canadian businesses has gradually slowed during the last four quarters, when measured in Canadian dollars.

During the second quarter of 2004, unit labour costs rose only 0.7%, a substantial deceleration from a gain of 2.0% in the third quarter of 2003.

#### Growth in Canadian US\$ unit labour costs decelerated



Meanwhile, American businesses have seen their unit labour costs fall or remain flat over the last 10 quarters. In the second quarter of 2004, unit labour costs in the United States remained stable, compared with the same quarter a year earlier. Unit labour costs last rose in the United States on a year-over-year basis during the last quarter of 2001 when they went up 0.4%.

The stronger Canadian dollar had a marked impact on unit labour costs in Canada. Measured in US dollars, labour costs in Canada recorded double-digit increases through most of 2003.

#### Comparison of annual labour productivity growth in the business sector before and after revision

	Canada	United States	
		Before revision	After revision
		annual % change	
1989-2000	1.8	2.0	2.1
2000-2003	1.4	3.9	2.8
2000	3.9	2.9	2.9
2001	1.4	2.2	2.5
2002	2.3	4.9	4.3
2003	0.4	4.5	4.5

Source: U.S. data are from the Bureau of Labor Statistics, Productivity and Costs - Second quarter 2004, published in NEWS, September 2.



However, unit labour costs in Canada expressed in US\$ have recently slowed as the climb in the value of the Canadian dollar has stalled. Between April and June of 2004, unit labour costs in Canada increased only 3.5% on a year-over-year basis as the value of the Canadian dollar relative to the US greenback experienced its smallest appreciation during the past six quarters. This compares with a gain of 16.0% during the first quarter of this year.

#### **Recent revisions in the United States impacted the 2001 and 2002 productivity gaps**

The United States recently made revisions to its labour productivity estimates. Data released today incorporates these revisions in American data affecting both GDP and hours worked.

American GDP estimates have been revised back to the first quarter of 2001, while measures of hours worked have been revised retroactively to 1947 to reflect new estimates for hours of work for non-production workers and those designated as supervisory workers.

No corresponding revision to hours worked has been done in Canada. The most recent revisions for the last four years of GDP in Canada were released in the June 11, 2004 Daily.

For recent years, revisions to American data have resulted in an increase in the growth of labour productivity in the United States in 2001 and a reduction in 2002; the growth rates for 2003 and 2004 remaining unchanged.

For 2001, productivity growth in the United States rose from 2.2% before revision to 2.5% after revision, which is greater than the 1.4% growth observed in Canada during the same year. In contrast, American productivity growth in 2002 was revised downward from 4.9% to 4.3%. This revised rate, however, is still higher than the rate in Canada, which was 2.3% for the same period.

It is evident that these revisions do not significantly modify the comparisons made in recent years between these two countries. The productivity gap in favour of the United States remains. The gap in productivity growth in favour of the United States for the period 2000-2003 changed from 2.5 percentage points before revision to 2.4 percentage points after revision. However, it is important to note that the annual productivity differences for this period are based on preliminary data, which are subject to revisions.

The revisions also had almost no effect on the period representing Canada's last economic cycle. Between 1989 and 2000, the average gap in annual productivity growth in favour of the United States remained low (0.3 percentage points).

**Business sector: Labour productivity and related variables for Canada and the United States[1]**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004
Seasonally adjusted						
% change from previous quarter						
<b>Canada</b>						
Labour productivity	1.1	-0.4	0.0	0.0	0.3	0.1
Real GDP	0.7	-0.5	0.3	0.9	0.8	1.2
Hours worked	-0.3	-0.2	0.4	0.9	0.4	1.1
Hourly compensation	1.5	0.2	0.3	0.1	0.6	0.0
Unit labour cost	0.5	0.5	0.4	0.1	0.3	-0.1
Exchange rate[2]	-3.8	-7.4	-1.3	-4.7	0.2	3.2
Unit labour cost in US\$	4.5	8.5	1.7	5.0	0.1	-3.2
<b>United States</b>						
Labour productivity	1.0	1.9	2.0	0.6	1.0	0.4
Real GDP	0.6	1.4	2.2	1.0	1.3	0.8
Hours worked	-0.3	-0.5	0.2	0.4	0.3	0.4
Hourly compensation	1.3	1.5	1.4	1.0	0.7	0.9
Unit labour cost	0.4	-0.3	-0.7	0.3	-0.3	0.5
% change from same quarter of previous year						
<b>Canada</b>						
Labour productivity	0.9	0.2	0.1	0.7	-0.1	0.4
Real GDP	3.0	1.4	0.9	1.4	1.5	3.2
Hours worked	2.1	1.3	0.8	0.8	1.5	2.9
Hourly compensation	1.2	1.6	2.0	2.2	1.2	1.0
Unit labour cost	0.3	1.4	2.0	1.4	1.2	0.7
Exchange rate[2]	-5.3	-10.0	-11.7	-16.2	-12.7	-2.8
Unit labour cost in US\$	5.9	12.7	15.5	21.0	16.0	3.5
<b>United States</b>						
Labour productivity	2.9	4.4	5.3	5.6	5.6	4.0
Real GDP	2.3	3.2	4.5	5.3	6.1	5.4
Hours worked	-0.6	-1.1	-0.7	-0.3	0.5	1.3
Hourly compensation	2.9	3.6	4.6	5.3	4.6	4.0
Unit labour cost	0.0	-0.7	-0.6	-0.3	-0.9	0.0
% change from previous quarter at annualized rate[3]						
<b>Canada</b>						
Labour productivity	4.3	-1.4	0.0	0.0	1.1	0.4
Real GDP	2.9	-1.9	1.3	3.5	3.2	5.0
Hours worked	-1.1	-0.7	1.4	3.6	1.8	4.6
Hourly compensation	6.2	1.0	1.3	0.3	2.3	0.0
Unit labour cost	1.9	1.9	1.5	0.4	1.1	-0.4
Unit labour cost in US\$	19.0	38.4	7.0	21.5	0.5	-12.0
<b>United States</b>						
Labour productivity	3.9	7.6	8.5	2.4	3.9	1.5
Real GDP	2.2	5.6	9.3	4.2	5.3	3.2
Hours worked	-1.6	-1.9	0.7	1.7	1.3	1.6
Hourly compensation	5.5	6.1	5.6	4.0	2.8	3.7
Unit labour cost	1.6	-1.4	-2.6	1.6	-1.1	2.1

1. Source: U.S. data are from the Bureau of Labor Statistics, Productivity and costs, published in NEWS.

2. The exchange rate corresponds to the U.S. dollar value expressed in Canadian dollars.

3. The change at annualized rates corresponds to the annual growth rate that would have been observed if the growth over the quarter had been the same for the whole year.

**Business sector: Some related variables for labour markets[1]**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004
Seasonally adjusted						
% change from previous quarter						
<b>Canada</b>						
All jobs	0.0	-0.1	0.4	1.0	-0.1	0.7
Hours worked	-0.3	-0.2	0.4	0.9	0.4	1.1
Average hours	-0.3	-0.1	0.0	-0.1	0.5	0.5
Labour share[2]	-1.5	1.3	-0.3	-0.1	-1.0	-1.7
<b>United States</b>						
All jobs	-0.3	-0.2	0.2	0.2	0.2	0.6
Hours worked	-0.3	-0.5	0.2	0.4	0.3	0.4
Average hours	-0.2	-0.3	0.1	0.2	0.2	-0.3
Labour share[2]	-0.2	-0.5	-0.9	0.2	-0.8	-0.2
% change from same quarter of previous year						
<b>Canada</b>						
All jobs	2.8	1.7	1.2	1.2	1.1	1.9
Hours worked	2.1	1.3	0.8	0.8	1.5	2.9
Average hours	-0.6	-0.4	-0.4	-0.5	0.3	0.9
Labour share[2]	-5.3	-1.3	-1.2	-0.7	-0.2	-3.1
<b>United States</b>						
All jobs	-0.3	-0.4	-0.2	-0.1	0.3	1.1
Hours worked	-0.6	-1.1	-0.7	-0.3	0.5	1.3
Average hours	-0.2	-0.7	-0.5	-0.2	0.2	0.2
Labour share[2]	-1.4	-2.0	-1.9	-1.4	-2.0	-1.7
% change from previous quarter at annualized rates[3]						
<b>Canada</b>						
All jobs	0.0	-0.3	1.4	3.9	-0.3	2.8
Hours worked	-1.1	-0.7	1.4	3.6	1.8	4.6
Average hours	-1.2	-0.4	0.0	-0.4	2.1	2.0
Labour share[2]	-6.0	5.1	-1.2	-0.4	-4.1	-6.5
<b>United States</b>						
All jobs	-1.0	-0.7	0.7	0.7	0.7	2.4
Hours worked	-1.6	-1.9	0.7	1.7	1.3	1.6
Average hours	-0.8	-1.2	0.4	0.8	0.8	-1.2
Labour share[2]	-0.8	-2.0	-3.6	0.8	-3.2	-0.8

1. Source: U.S. data are from the Bureau of Labor Statistics, Productivity and costs, published in NEWS.

2. This is the ratio of labour compensation to GDP at market prices in current dollars.

3. The change at annualized rates corresponds to the annual growth rate that would have been observed if the growth over the quarter had been the same for the whole year.

**Labour productivity by industry**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
	Seasonally adjusted							
<b>Business sector - goods</b>	<b>112.8</b>	<b>112.5</b>	<b>112.4</b>	<b>112.9</b>	<b>112.2</b>	<b>111.2</b>	<b>111.8</b>	<b>112.7</b>
	<b>1.9</b>	<b>-0.3</b>	<b>-0.1</b>	<b>0.4</b>	<b>-0.6</b>	<b>-0.9</b>	<b>1.0</b>	<b>0.8</b>
Agriculture, forestry, fishing and hunting	132.0	138.0	137.8	135.3	133.4	136.9	128.0	135.8
	6.3	4.5	-0.1	-1.8	-1.4	2.6	-1.2	6.1
Construction	107.1	108.1	107.4	107.1	106.0	102.8	106.0	107.4
	2.1	0.9	-0.6	-0.3	-1.0	-3.0	-2.3	1.4
Manufacturing	117.2	116.3	116.3	118.1	118.1	117.0	115.4	117.0
	1.9	-0.8	0.0	1.5	0.0	-0.9	2.8	1.4
<b>Business sector - services</b>	<b>115.0</b>	<b>115.3</b>	<b>115.9</b>	<b>115.8</b>	<b>116.4</b>	<b>116.9</b>	<b>114.1</b>	<b>115.5</b>
	<b>0.3</b>	<b>0.3</b>	<b>0.5</b>	<b>-0.1</b>	<b>0.5</b>	<b>0.4</b>	<b>3.2</b>	<b>1.2</b>
Wholesale trade	129.5	128.2	128.5	133.6	133.7	134.6	124.9	130.0
	1.1	-1.0	0.2	4.0	0.1	0.7	6.6	4.0
Retail trade	122.3	123.1	124.1	122.1	123.7	123.0	119.7	122.9
	1.3	0.7	0.8	-1.6	1.3	-0.6	2.9	2.7
Transportation and warehousing	107.4	106.2	106.8	107.0	107.0	106.6	107.1	106.9
	0.8	-1.1	0.6	0.2	0.0	-0.4	2.4	-0.2
Information and cultural industries	115.7	114.0	111.9	108.4	109.3	110.3	108.6	112.5
	2.8	-1.5	-1.8	-3.1	0.8	0.9	8.5	3.6
Finance, real estate and company management	102.9	105.4	108.6	107.5	108.5	110.9	108.5	106.1
	-5.0	2.4	3.0	-1.0	0.9	2.2	2.8	-2.2
Professional, scientific and technical services	124.4	126.1	125.1	124.2	124.7	123.9	120.5	125.0
	3.4	1.4	-0.8	-0.7	0.4	-0.6	2.6	3.7
Administrative and support, waste management and remediation services	100.2	100.0	98.9	98.9	99.8	99.4	100.8	99.5
	0.2	-0.2	-1.1	0.0	0.9	-0.4	-1.5	-1.3
Accommodation and food services	106.3	103.1	104.8	108.0	107.1	107.1	109.2	105.6
	-1.6	-3.0	1.6	3.1	-0.8	0.0	1.6	-3.3
Other commercial services	113.9	114.4	115.1	114.1	114.2	114.6	112.0	114.4
	0.6	0.4	0.6	-0.9	0.1	0.4	0.9	2.1

## Unit labour cost by industry

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Seasonally adjusted								
<b>Business sector - goods</b>	<b>106.7</b>	<b>107.3</b>	<b>106.9</b>	<b>106.7</b>	<b>107.5</b>	<b>107.3</b>	<b>105.6</b>	<b>106.9</b>
	<b>0.9</b>	<b>0.6</b>	<b>-0.4</b>	<b>-0.2</b>	<b>0.7</b>	<b>-0.2</b>	<b>0.8</b>	<b>1.2</b>
Agriculture, forestry, fishing and hunting	116.4	107.3	105.7	109.8	113.0	107.7	129.5	109.8
	-6.0	-7.8	-1.5	3.9	2.9	-4.7	15.2	-15.2
Construction	109.6	108.6	109.7	110.2	111.0	114.3	107.2	109.5
	1.5	-0.9	1.0	0.5	0.7	3.0	3.6	2.2
Manufacturing	99.4	101.0	100.5	98.8	98.6	97.4	98.2	99.9
	1.1	1.6	-0.5	-1.7	-0.2	-1.2	-1.7	1.8
<b>Business sector - services</b>	<b>105.8</b>	<b>105.7</b>	<b>106.0</b>	<b>106.0</b>	<b>106.0</b>	<b>106.0</b>	<b>104.9</b>	<b>105.9</b>
	<b>0.8</b>	<b>-0.1</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-1.2</b>	<b>0.9</b>
Wholesale trade	93.6	93.1	93.7	90.1	90.9	88.8	93.3	92.6
	1.0	-0.5	0.6	-3.8	0.9	-2.3	-5.2	-0.7
Retail trade	101.4	101.9	100.6	102.0	101.2	104.3	101.0	101.5
	-0.3	0.5	-1.3	1.4	-0.8	3.1	-0.6	0.5
Transportation and warehousing	111.9	113.0	113.1	110.6	110.2	108.5	110.8	112.2
	0.4	1.0	0.1	-2.2	-0.4	-1.5	0.6	1.2
Information and cultural industries	102.7	102.4	104.3	104.9	105.3	104.7	103.4	103.6
	-0.3	-0.3	1.9	0.6	0.4	-0.6	-4.6	0.1
Finance, real estate and company management	106.8	106.5	107.2	109.0	108.5	107.8	103.7	107.4
	2.6	-0.3	0.7	1.7	-0.5	-0.6	-3.5	3.5
Professional, scientific and technical services	116.8	114.6	114.6	116.2	117.9	118.1	116.6	115.6
	-0.4	-1.9	0.0	1.4	1.5	0.2	0.9	-0.9
Administrative and support, waste management and remediation services	116.7	118.1	116.8	119.7	121.4	121.4	112.7	117.8
	2.1	1.2	-1.1	2.5	1.4	0.0	2.9	4.5
Accommodation and food services	111.1	112.6	113.3	111.1	111.6	110.9	113.0	112.0
	0.1	1.4	0.6	-1.9	0.5	-0.6	4.5	-0.9
Other commercial services	102.3	103.3	105.0	103.7	102.1	105.1	102.0	103.6
	1.0	1.0	1.6	-1.2	-1.5	2.9	1.9	1.6

## International investment position

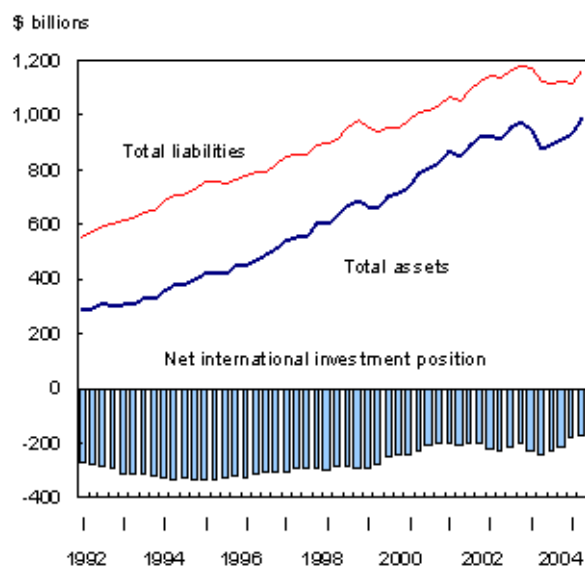
Second quarter 2004

Driven by the increase in Canadian direct investment abroad, Canada's net liability to foreign residents fell to its lowest level in about 20 years during the second quarter of 2004.

Canada's net external liabilities (the difference between its external assets and foreign liabilities) declined \$10.5 billion to \$175.9 billion at the end of June. As a result, net external liabilities at the end of June represented 13.7% of Canada's gross domestic product, down a full point from 14.8% at the end of March. This ratio has steadily decreased since the peak of 44.3% observed in 1994.

The value of international assets rose by 6.4% from the first quarter to \$993.1 billion. Canadian direct investment abroad, which increased \$36.3 billion, is the major contributor to this increase.

### Canada's international investment position



On the liability side, important increases in foreign holdings of Canadian stocks and in bank deposits led the 4.4% increase in Canada's international liabilities, which reached \$1,169.0 billion at the end of June.

During the second quarter, the Canadian dollar lost ground against the US dollar and other major currencies, except the Japanese yen.

### Canadian direct investment abroad jumped

The largest takeover by a Canadian enterprise of a foreign company in history drove Canadian direct investment abroad to its highest value on record. Canadian direct investment assets abroad reached \$447.4 billion at the end of June, up 8.8% or \$36.3 billion from the end of March.

While total acquisitions by Canadian firms of foreign companies accounted for most of this increase, the impact of the depreciation of the Canadian dollar added another \$3 billion to the position. The increase was largely directed to the United States, while Canadian investors increased their asset position with all other countries by \$5.4 billion to reach \$247.0 billion.

Canadian direct investment in the United States rose \$30.9 billion to \$200.3 billion and now represents almost 45% of total Canadian direct investment abroad. At the end of March, this ratio was only 41%.

### Canadian portfolio investment abroad also increased

After an increase of 6.7% in the first quarter, Canadian holdings of foreign bonds rose by about 7.8% to reach \$51.4 billion, its highest value on record.

Canadian holding of foreign stocks reached \$193.1 billion at the end of June, a modest increase of \$2.2 billion compared to the end of March.

Since the beginning of the year, Canadian residents have increased their position in foreign bonds by \$6.7 billion. At the same time, their holding of foreign stocks have increased by \$4.3 billion. Uncertainty toward some foreign stock markets could explain the preference for bonds.

#### Note to readers

##### Additional estimates at market value

As of the first quarter 2004 additional series measuring portfolio investment at market value have been incorporated into the release. Canadian and foreign shares as well as bonds are available at market value. These additional series are part of a multi-year initiative to improve the balance sheet information for all sectors of the economy. This analysis focuses on the book value series until a full set of market value estimates become available.

##### Currency valuation

The value of assets and liabilities denominated in foreign currency are converted to Canadian dollars at the end of each period for which a balance sheet is calculated. Most of Canada's foreign assets are denominated in foreign currencies while less than half of our international liabilities are in foreign currencies.

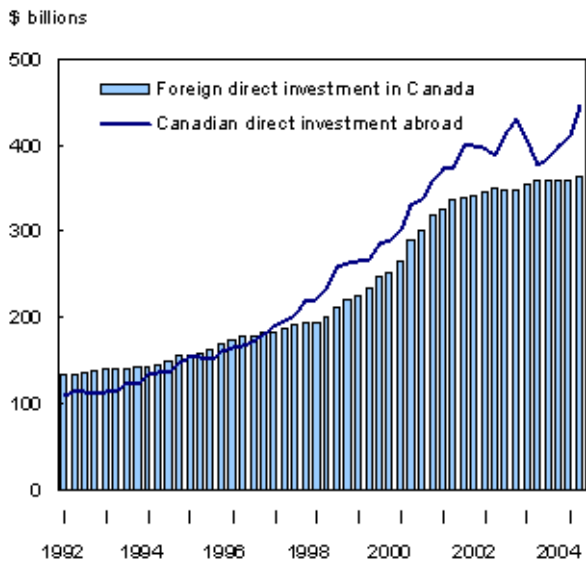
When the Canadian dollar is appreciating in value, the restatement of the value of these assets and liabilities in Canadian dollars lowers the recorded value. The opposite is true when the dollar is depreciating.

### Foreign direct investment in Canada up

Foreign direct investment in Canada increased \$4.6 billion to reach \$364.2 billion. Foreign direct investors increased their foreign direct investment position in Canada mostly with reinvested earnings as net acquisitions were negative during the second quarter.

The net direct investment position (the excess of Canadian direct investment abroad over foreign direct investment in Canada) increased \$31.7 billion and now stands at \$83.2 billion, a record. A year ago, the net direct investment position was at \$17.3 billion.

### Foreign direct investment



### Substantial increase in foreign holdings of Canadian stocks

Foreign holdings of Canadian stocks jumped \$18.5 billion to \$104.7 billion at the end of the second quarter. This substantial increase came largely from new issues of Treasury shares related to the acquisition of an American firm.

Foreign holdings of Canadian bonds from all sources reached \$412.6 billion at the end of June, up \$6.0 billion from the end of March.

Foreign holdings of Canadian money market paper increased more than 10% to \$20.6 billion. The position of short term paper issued by the federal government (including federal government enterprises) increased \$2.1 billion to reach \$15 billion.

**International investment position at period-end**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Millions of dollars								
<b>Assets</b>								
Canadian direct investment abroad	408,337	376,823	383,983	399,134	411,140	447,374	429,633	399,134
Portfolio investment abroad								
Foreign bonds	43,877	43,547	43,773	44,677	47,747	51,365	42,973	44,677
<i>Foreign bonds at market value</i>	<i>46,432</i>	<i>47,170</i>	<i>47,007</i>	<i>47,790</i>	<i>52,285</i>	<i>54,525</i>	<i>45,118</i>	<i>47,790</i>
Foreign stocks	198,662	185,547	189,221	188,787	190,946	193,127	213,562	188,787
<i>Foreign stocks at market value</i>	<i>276,675</i>	<i>293,919</i>	<i>314,341</i>	<i>341,964</i>	<i>348,361</i>	<i>355,909</i>	<i>316,285</i>	<i>341,964</i>
Other investment								
Loans	74,437	66,903	60,569	59,286	66,149	70,566	71,878	59,286
Allowances	-12,079	-11,771	-11,796	-11,605	-11,548	-11,648	-11,918	-11,605
Deposits	114,573	103,948	104,323	110,837	115,495	124,996	103,077	110,837
Official international reserves	50,533	47,173	47,719	45,690	46,116	46,349	56,230	45,690
Other assets	67,530	65,702	70,166	72,178	67,264	70,968	69,574	72,178
Total assets								
at book value	945,871	877,870	887,958	908,983	933,309	993,098	975,009	908,983
<i>with portfolio investment at market value</i>	<i>1,026,438</i>	<i>989,867</i>	<i>1,016,312</i>	<i>1,065,274</i>	<i>1,095,262</i>	<i>1,159,039</i>	<i>1,079,877</i>	<i>1,065,274</i>
<b>Liabilities</b>								
Foreign direct investment in Canada	354,712	359,541	358,732	357,548	359,605	364,175	348,917	357,548
Portfolio investment								
Canadian bonds	435,294	417,465	408,381	405,323	406,642	412,557	448,148	405,323
<i>Canadian bonds at market value</i>	<i>466,625</i>	<i>456,667</i>	<i>440,906</i>	<i>436,591</i>	<i>447,789</i>	<i>435,235</i>	<i>481,176</i>	<i>436,591</i>
Canadian stocks	79,487	80,606	82,764	84,707	86,204	104,652	79,607	84,707
<i>Canadian stocks at market value</i>	<i>124,532</i>	<i>139,669</i>	<i>153,823</i>	<i>175,627</i>	<i>175,980</i>	<i>193,875</i>	<i>130,134</i>	<i>175,627</i>
Canadian money market	23,180	22,735	20,725	21,388	18,693	20,632	25,189	21,388
Other investment								
Loans	55,817	52,704	52,154	53,618	51,790	53,456	58,229	53,618
Deposits	204,091	169,988	178,043	183,135	174,599	191,379	195,038	183,135
Other liabilities	21,964	21,229	21,333	21,219	22,134	22,189	22,189	21,219
Total liabilities								
at book value	1,174,545	1,124,269	1,122,132	1,126,937	1,119,667	1,169,040	1,177,318	1,126,937
<i>with portfolio investment at market value</i>	<i>1,250,921</i>	<i>1,222,533</i>	<i>1,225,716</i>	<i>1,249,126</i>	<i>1,250,590</i>	<i>1,280,941</i>	<i>1,260,872</i>	<i>1,249,126</i>
<b>Net international investment position</b>								
at book value	-228,673	-246,399	-234,174	-217,954	-186,358	-175,942	-202,309	-217,954
<i>with portfolio investment at market value</i>	<i>-224,483</i>	<i>-232,666</i>	<i>-209,404</i>	<i>-183,852</i>	<i>-155,328</i>	<i>-121,902</i>	<i>-180,995</i>	<i>-183,852</i>



# National balance sheet accounts

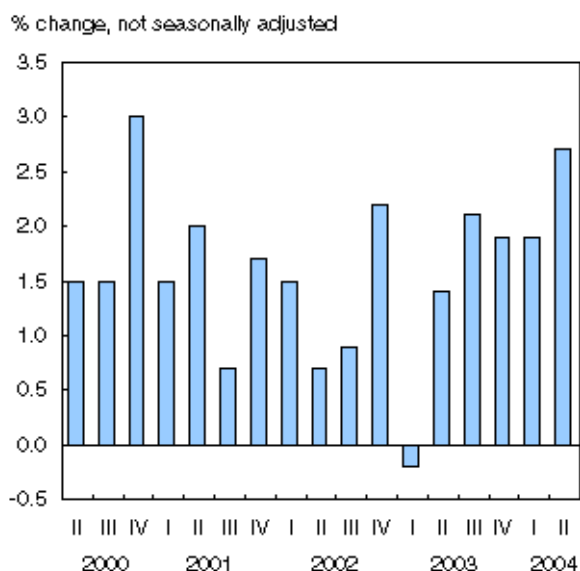
Second quarter 2004

National net worth reached \$4.2 trillion by the end of the second quarter, or \$131,100 per capita.

## Growth in net worth accelerated

National net worth grew 2.7% in the second quarter, the largest increase in over three years. The increase in national net worth resulted from a sharp reduction in net foreign debt and stronger growth in national wealth.

## National net worth



Canadians' net indebtedness to non-residents continued to fall in the second quarter as Canadians increased both their direct and portfolio investment assets abroad by more than their liabilities to non-residents. The gain in Canadian direct investment was driven by the acquisition of a large U.S. firm.

The acceleration in growth of national wealth from 1.1% in the first quarter to 1.9% (1.7% seasonally adjusted) contributed to the gain in net worth. Despite an easing of domestic spending, price increases and investment in residential real estate assets largely accounted for the increase in wealth.

## Household net worth outpaced debt

Household's net worth at market value grew at a faster rate than the previous quarter in both non-financial assets and net financial assets (total financial assets less total financial liabilities). While demand for funds grew in the quarter, the ratio of household debt to net worth declined with a strong increase in net worth (+3.0%). Households had \$103.0 in debt (consumer credit and mortgages) for every \$100 of their disposable income, against a backdrop of stable interest rates.

## Corporations' finances continued to improve

For more than four years on a quarterly basis, corporations have generated more funds from their internal operations than has been required for non-financial capital acquisition. Due to this record string of surpluses, corporations have been a net supplier of funds to the rest of the economy and have substantially restructured their balance sheets. As a result, corporate debt to equity continued its downward trend, reaching a new low in the second quarter.

### Note to readers

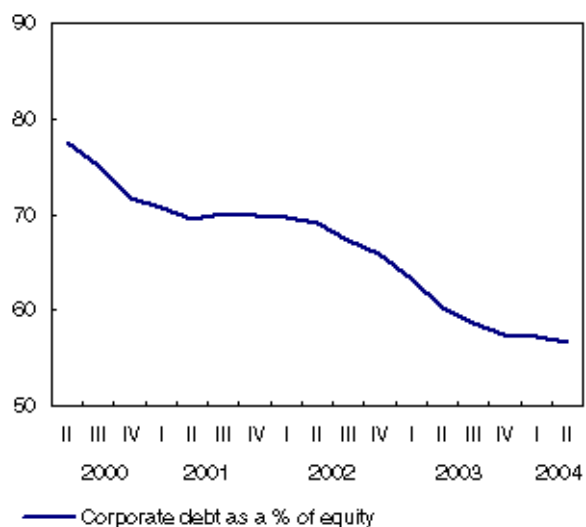
The national balance sheet accounts are statements of the balance sheets of all of the various sectors of the economy. They consist of the non-financial assets owned in the various sectors of the economy and of financial claims outstanding. **National wealth** is the sum of non-financial assets — produced assets, land surrounding structures and agricultural land — in all sectors of the economy. **National net worth** is wealth less net foreign liabilities (i.e., what is owed to non-residents less what non-residents owe to Canadians). Alternatively, it is the sum of the net worth of persons, corporations and governments. Quarterly series run from the first quarter of 1990.

Market value estimates have been available since June 2004. For more information, consult *Balance sheet estimates at market value* ([www.stacan.ca/english/freepub/13-605-XIE/2003001/conceptual/2004marketvalue.htm](http://www.stacan.ca/english/freepub/13-605-XIE/2003001/conceptual/2004marketvalue.htm)).

An annual measure of national wealth that includes selected natural resources is also available (CANSIM table 378-0005). The estimates of natural resources are updated annually at the time of the fourth quarter.

**Corporate leverage continued to slide**

as a % of equity, unadjusted data

**Government net debt declined**

Net government debt on a book value basis declined (total government financial assets minus total government financial liabilities) reflecting a surplus position in the second quarter. Net government debt has fallen in eight of the last ten quarters. Net government debt as a percentage of GDP continued to fall and has now reached levels last seen in the mid 1980s.

**National balance sheet accounts[1]**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Market value, not seasonally adjusted, billions of dollars								
<b>National net worth</b>								
National wealth	4,013 <i>0.9</i>	4,075 <i>1.5</i>	4,133 <i>1.4</i>	4,182 <i>1.2</i>	4,228 <i>1.1</i>	4,307 <i>1.9</i>	3,978 <i>6.1</i>	4,182 <i>5.1</i>
Net foreign debt	-224 ...	-232 ...	-209 ...	-183 ...	-155 ...	-122 ...	-180 ...	-183 ...
National net worth	3,789 <i>3.6</i>	3,843 <i>4.4</i>	3,924 <i>5.7</i>	3,999 <i>5.3</i>	4,073 <i>7.5</i>	4,185 <i>8.9</i>	3,797 <i>5.3</i>	3,999 <i>5.3</i>
National net worth per capita (dollars)	120,100 <i>-0.4</i>	121,500 <i>1.2</i>	123,700 <i>1.8</i>	125,900 <i>1.8</i>	128,000 <i>1.7</i>	131,100 <i>2.4</i>	120,600 <i>4.3</i>	125,900 <i>4.4</i>
Book value, seasonally adjusted, billions of dollars								
<b>Net worth</b>								
Personal sector	3,568 <i>-0.2</i>	3,622 <i>1.5</i>	3,663 <i>1.1</i>	3,704 <i>1.1</i>	3,773 <i>1.9</i>	3,846 <i>1.9</i>	3,576 <i>5.2</i>	3,704 <i>3.6</i>
Corporate sector	533 <i>-2.2</i>	519 <i>-2.6</i>	530 <i>2.1</i>	557 <i>5.1</i>	564 <i>1.3</i>	576 <i>2.1</i>	545 <i>8.1</i>	557 <i>2.2</i>
Government sector	-195 ...	-191 ...	-182 ...	-175 ...	-169 ...	-161 ...	-215 ...	-175 ...
<b>National net worth</b>	<b>3,906</b> <b>0.0</b>	<b>3,951</b> <b>1.2</b>	<b>4,010</b> <b>1.5</b>	<b>4,086</b> <b>1.9</b>	<b>4,168</b> <b>2.0</b>	<b>4,261</b> <b>2.2</b>	<b>3,906</b> <b>6.5</b>	<b>4,086</b> <b>4.6</b>

1. The first line is the series itself expressed in billions of dollars. The second line, italicized, is the period to period percentage change.

**National balance sheet, market value**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Millions of dollars at quarter end								
<b>Total assets</b>	<b>11,979,396</b>	<b>12,207,404</b>	<b>12,424,469</b>	<b>12,749,291</b>	<b>13,050,342</b>	<b>13,332,921</b>	<b>12,086,485</b>	<b>12,749,291</b>
Non-financial assets	4,012,901	4,074,786	4,132,637	4,182,169	4,228,241	4,306,671	3,977,645	4,182,169
Residential structures	1,041,405	1,063,173	1,091,068	1,110,122	1,133,973	1,165,745	1,030,411	1,110,122
Non-residential structures	987,195	994,307	1,003,797	1,012,940	1,018,857	1,025,788	981,316	1,012,940
Machinery and equipment	430,768	435,037	436,807	438,946	440,635	447,012	428,156	438,946
Consumer durables	331,956	338,615	339,976	345,252	343,594	350,430	330,652	345,252
Inventories	198,391	191,844	189,261	190,082	186,820	185,645	192,616	190,082
Land	1,023,186	1,051,810	1,071,728	1,084,827	1,104,362	1,132,051	1,014,494	1,084,827
Net financial assets	-223,964	-232,152	-208,886	-183,335	-155,327	-121,902	-180,366	-183,335
Financial assets	7,966,495	8,132,618	8,291,832	8,567,122	8,822,101	9,026,250	8,108,840	8,567,122
Official reserves	50,533	47,172	47,719	45,689	46,116	46,349	56,230	45,689
Gold & foreign currency	43,925	40,548	41,287	39,615	40,282	40,768	49,478	39,615
IMF reserve position	5,523	5,592	5,360	4,988	4,723	4,448	5,628	4,988
Special drawing rights	1,085	1,032	1,072	1,086	1,111	1,133	1,124	1,086
Currency and bank deposits	666,727	685,918	687,350	698,263	711,168	736,986	670,724	698,263
Other deposits	166,274	172,223	175,279	179,956	182,176	185,456	165,149	179,956
Foreign currency deposits	101,202	84,841	96,276	89,914	100,897	100,894	95,724	89,914
Consumer credit	205,645	211,584	217,529	222,092	223,717	230,101	204,274	222,092
Trade receivables	222,857	223,480	222,642	226,784	229,957	232,302	220,607	226,784
Bank loans	180,405	181,080	179,887	175,890	183,392	189,331	177,120	175,890
Other loans	186,582	186,821	184,203	187,269	187,983	190,549	189,676	187,269
Canada short-term paper	97,987	99,419	104,085	108,420	108,128	107,981	97,631	108,420
Other short-term paper	165,535	165,149	161,749	157,189	154,890	154,117	168,316	157,189
Mortgages	600,026	611,080	621,259	628,856	635,139	648,247	594,108	628,856
Canada bonds	282,142	288,004	296,836	292,040	292,841	287,441	286,068	292,040
(of which CSB's)	22,034	21,644	21,382	20,468	20,904	20,782	22,309	20,468
Provincial bonds	271,222	275,435	274,521	277,676	291,776	296,290	276,853	277,676
Municipal bonds	33,406	33,257	33,479	32,876	33,035	33,971	35,897	32,876
Other bonds	240,714	249,979	246,567	254,592	264,873	279,938	248,379	254,592
Life insurance & pensions	949,374	987,370	1,009,815	1,044,206	1,078,520	1,103,575	986,002	1,044,206
Corporate claims	1,019,348	996,237	1,005,795	1,047,016	1,072,402	1,109,378	1,038,343	1,047,016
Government claims	180,540	180,821	183,740	181,873	188,315	187,530	191,607	181,873
Shares	1,342,509	1,419,683	1,482,625	1,609,257	1,693,237	1,750,247	1,392,447	1,609,257
Foreign investments	341,192	358,413	383,873	414,174	419,705	431,963	379,411	414,174
Other financial assets	662,275	674,652	676,603	693,090	723,834	723,604	634,274	693,090
<b>Liabilities and net worth</b>	<b>11,979,396</b>	<b>12,207,404</b>	<b>12,424,469</b>	<b>12,749,291</b>	<b>13,050,342</b>	<b>13,332,921</b>	<b>12,086,485</b>	<b>12,749,291</b>
Liabilities	8,190,459	8,364,770	8,500,718	8,750,457	8,977,428	9,148,152	8,289,206	8,750,457
Currency and bank deposits	680,502	700,448	701,331	712,462	725,361	752,464	684,823	712,462
Other deposits	166,274	172,223	175,279	179,956	182,176	185,456	165,149	179,956
Foreign currency deposits	109,189	90,144	104,410	100,917	97,377	100,211	112,225	100,917
Consumer credit	205,645	211,584	217,529	222,092	223,717	230,101	204,274	222,092
Trade payables	220,126	219,763	221,030	225,278	225,231	227,953	227,337	225,278
Bank loans	160,490	160,162	159,275	154,621	161,725	165,496	157,569	154,621
Other loans	189,571	190,409	187,055	191,122	190,897	191,070	193,586	191,122
Canada short-term paper	107,203	109,997	114,699	118,941	116,764	116,791	107,050	118,941
Other short-term paper	178,969	176,629	171,161	166,949	163,983	165,165	183,508	166,949
Mortgages	600,389	611,439	621,620	629,215	635,488	648,597	594,474	629,215
Canada bonds	369,950	374,488	364,420	355,312	356,062	351,066	371,421	355,312
(of which CSB's)	22,034	21,644	21,382	20,468	20,904	20,782	22,309	20,468
Provincial bonds	412,808	414,737	410,149	409,413	427,247	422,508	428,768	409,413
Municipal bonds	37,077	36,776	36,728	36,192	36,350	36,993	39,606	36,192
Other bonds	464,274	468,236	471,344	483,938	501,337	513,283	478,689	483,938
Life insurance & pensions	949,374	987,370	1,009,815	1,044,206	1,078,520	1,103,575	986,002	1,044,206
Corporate claims	464,279	436,267	436,272	442,565	452,556	460,014	460,006	442,565
Government claims	180,540	180,821	183,740	181,873	188,315	187,530	191,607	181,873
Shares	2,037,797	2,150,348	2,233,344	2,395,758	2,490,635	2,565,968	2,073,403	2,395,758
Other liabilities	656,002	672,929	681,517	699,647	723,687	723,911	629,709	699,647
<b>Net worth</b>	<b>3,788,937</b>	<b>3,842,634</b>	<b>3,923,751</b>	<b>3,998,834</b>	<b>4,072,914</b>	<b>4,184,769</b>	<b>3,797,279</b>	<b>3,998,834</b>

**Credit market summary table**

	First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003	First quarter 2004	Second quarter 2004	2002	2003
Millions of dollars at quarter end								
<b>Debt outstanding of:</b>								
Persons and unincorporated business	802,967	819,399	834,781	844,768	853,354	871,533	795,090	844,768
Consumer credit	205,645	211,584	217,529	222,092	223,717	230,101	204,274	222,092
Bank loans	33,555	33,717	33,538	33,417	34,907	34,617	32,075	33,417
Other loans	68,319	68,504	68,801	68,557	69,185	69,907	67,522	68,557
Mortgages	495,448	505,594	514,913	520,702	525,545	536,908	491,219	520,702
Non-financial private corporations	556,461	542,326	540,634	544,885	555,450	565,055	567,930	544,885
Bank loans	107,908	106,903	107,774	106,069	108,762	110,638	108,663	106,069
Other loans	77,986	77,355	76,169	77,407	75,927	75,082	81,943	77,407
Other short-term paper	47,517	40,596	40,500	36,092	39,467	39,575	48,644	36,092
Mortgages	98,339	99,421	99,913	100,954	102,536	104,177	97,030	100,954
Bonds	224,711	218,051	216,278	224,363	228,758	235,583	231,650	224,363
Non-financial government enterprises	70,611	70,811	67,766	66,214	68,247	68,175	70,065	66,214
Bank loans	2,650	3,085	2,223	3,233	3,024	3,029	2,456	3,233
Other loans	7,437	6,690	6,752	5,942	5,944	5,946	4,536	5,942
Other short-term paper	7,794	8,053	8,005	7,078	6,262	7,369	8,409	7,078
Mortgages	104	100	99	99	99	97	104	99
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	50,320	50,084	48,116	48,051	51,185	49,615	52,809	48,051
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	2,185	2,678	2,450	1,690	1,612	1,998	1,630	1,690
Federal government	435,222	433,457	434,204	430,411	431,050	427,008	434,865	430,411
Bank loans	103	103	103	103	103	103	101	103
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	107,203	109,997	114,699	118,941	116,764	116,791	107,050	118,941
Canada bonds	327,916	323,357	319,402	311,367	314,183	310,114	327,714	311,367
Canada savings bonds	22,034	21,644	21,382	20,468	20,904	20,782	22,309	20,468
Other bonds	305,882	301,713	298,020	290,899	293,279	289,332	305,405	290,899
Other levels of government	364,142	370,081	373,850	373,043	380,949	387,641	365,835	373,043
Bank loans	4,099	4,083	4,350	4,341	3,894	3,858	4,076	4,341
Other loans	11,264	11,503	11,698	11,804	11,545	11,654	10,935	11,804
Other short-term paper	15,575	16,201	13,847	14,797	14,130	20,678	15,132	14,797
Mortgages	2,304	2,304	2,304	2,304	2,084	2,084	2,367	2,304
Provincial bonds	293,446	299,189	304,466	302,938	312,275	311,196	295,154	302,938
Municipal bonds	35,631	34,972	35,350	35,018	35,180	36,324	36,353	35,018
Other bonds	1,823	1,829	1,835	1,841	1,841	1,847	1,818	1,841
Total funds raised by domestic non-financial sectors	2,229,403	2,236,074	2,251,235	2,259,321	2,289,050	2,319,412	2,233,785	2,259,321
Consumer credit	205,645	211,584	217,529	222,092	223,717	230,101	204,274	222,092
Bank loans	148,315	147,891	147,988	147,163	150,690	152,245	147,371	147,163
Other loans	165,006	164,052	163,420	163,710	162,601	162,589	164,936	163,710
Canada short-term paper	107,203	109,997	114,699	118,941	116,764	116,791	107,050	118,941
Other short-term paper	70,886	64,850	62,352	57,967	59,859	67,622	72,185	57,967
Mortgages	596,195	607,419	617,229	624,059	630,264	643,266	590,720	624,059
Bonds	936,153	930,281	928,018	925,389	945,155	946,798	947,249	925,389
Non-residents	57,835	56,493	56,176	55,470	55,640	58,819	60,081	55,470
Bank loans	19,915	20,918	20,612	21,269	21,667	23,835	19,551	21,269
Other loans	37,920	35,575	35,564	34,201	33,973	34,984	40,530	34,201
Mortgages	...	...	...	...	...	...	0	...
Total borrowing excluding domestic financial institutions	2,287,238	2,292,567	2,307,411	2,314,791	2,344,690	2,378,231	2,293,866	2,314,791
Domestic financial institutions	380,527	382,135	382,326	388,566	396,199	399,110	382,721	388,566
Bank loans	12,175	12,271	11,287	7,458	11,035	13,251	10,198	7,458
Other loans	26,140	27,144	24,664	28,712	28,296	28,481	28,170	28,712
Other short-term paper	108,083	111,779	108,809	108,982	104,124	97,543	111,323	108,982
Mortgages	4,194	4,020	4,391	5,156	5,224	5,331	3,754	5,156
Bonds	229,935	226,921	233,175	238,258	247,520	254,504	229,276	238,258
Total funds raised = total funds supplied	2,667,765	2,674,702	2,689,737	2,703,357	2,740,889	2,777,341	2,676,587	2,703,357
<b>Assets of:</b>								
Persons and unincorporated business	137,955	136,692	131,987	135,556	143,417	132,764	133,136	135,556
Non-financial corporations	73,260	73,769	71,453	71,425	75,174	74,455	75,260	71,425
Governments	180,181	183,497	190,512	186,654	188,819	192,264	178,007	186,654
Non-residents	489,547	470,271	457,848	455,428	452,621	459,576	508,128	455,428
Domestic financial institutions	1,813,392	1,836,441	1,863,385	1,879,532	1,906,077	1,943,374	1,808,896	1,879,532