



# Canadian economic accounts quarterly review

Second quarter 2005



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...	not applicable
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r	revised
x	suppressed to meet the confidentiality requirements of the Statistics Act
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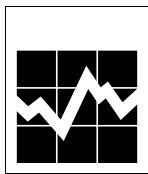
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### GDP by industry

CANSIM tables	379-0017 to 379-0022
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Canada's international investment position	67-202-XIE

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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, 4) Financial flow accounts 5) Labour productivity and other related variables, 6) International investment position and 7) National balance sheet.

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, Financial flow accounts, Labour productivity, hourly compensation and unit labour cost, International investment position, National balance sheet:**

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.

## Revisions in this issue

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

With this release revisions have been made back to the first quarter of 2005.

### **GDP by industry:**

Since the first quarter release of the *Canadian economic accounts quarterly review*, revisions were made back to January 2004.

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

With this release revisions have been made back to the first quarter of 2005 at the aggregate level and to the first quarter of 2004 at the industry level.

## Overview

Second quarter 2005 and June 2005

Real gross domestic product (GDP) advanced 0.8% in the second quarter, as continued strength in personal expenditures drove up output in the services sector. In June, economic output edged up 0.2%, after increasing 0.3% in May and 0.4% in April.

### Real Gross Domestic Product, chained (1997) dollars<sup>1</sup>

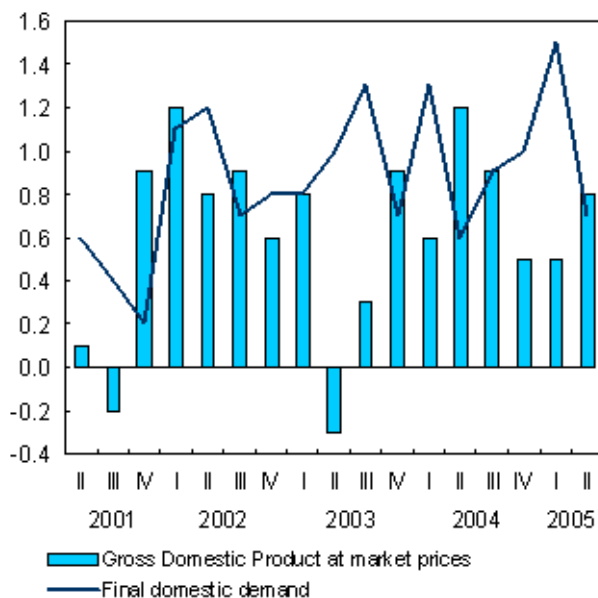
	Change	Annualized change	Year-over-year change
	%		
First quarter 2004	0.6	2.6	1.6
Second quarter 2004	1.2	5.0	3.1
Third quarter 2004	0.9	3.5	3.7
Fourth quarter 2004	0.5	2.1	3.3
First quarter 2005	0.5	2.1	3.2
Second quarter 2005	0.8	3.2	2.7

<sup>1</sup> 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.

The Canadian economy grew at an annualized rate of 3.2% in the second quarter of the year, compared to 2.1% last quarter.

### GDP accelerates in the second quarter

Quarterly % change, chained (1997) dollars



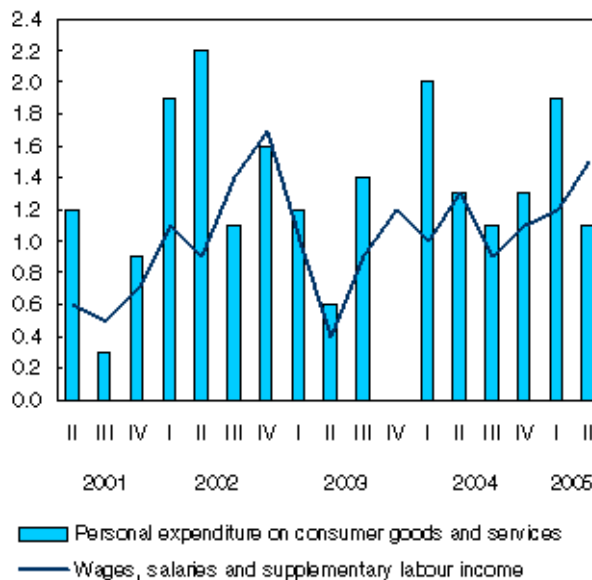
Growth in final domestic demand slowed to 0.7% in the second quarter, down from a very strong 1.5% jump in the first quarter. While the growth in final domestic demand was much stronger in the first quarter, much of it was satisfied through a surge in imports rather than domestic production, moderating the overall growth in GDP. The opposite was the case in the second quarter; even though final domestic demand slowed, a much greater share of this demand was satisfied through domestic production, resulting in an acceleration in GDP.

### Consumer spending continues to drive growth

Personal expenditures grew 0.6% following a stellar performance in the first quarter. Strong demand for durable and semi-durable goods continued to drive up output in the retail trade (+1.1%) and wholesale (+2.3%) trade sectors.

### Growth in labour income outpaces consumption in second quarter

Quarterly % change



Some of the recent growth in personal expenditures has been spurred on by the growth in labour income. Labour income grew 1.5%, outpacing the growth of consumption for the first time since the fourth quarter of 2003.



**Real Gross Domestic Product at basic prices, by industry**

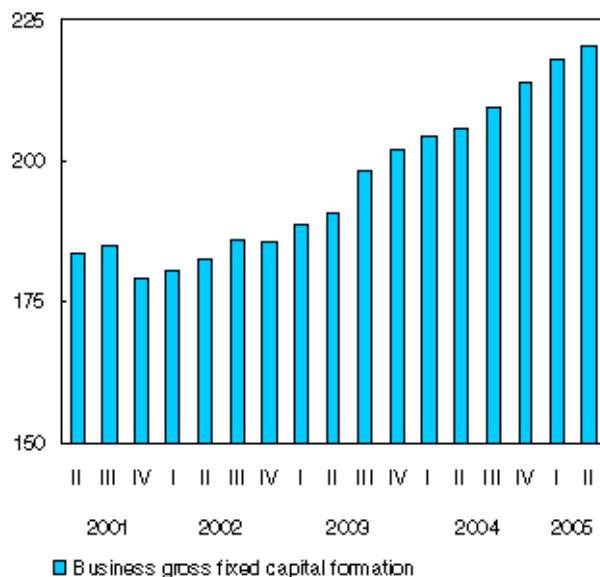
	January 2005 <sup>r</sup>	February 2005 <sup>r</sup>	March 2005 <sup>r</sup>	April 2005 <sup>r</sup>	May 2005 <sup>r</sup>	June 2005 <sup>p</sup>
Seasonally adjusted, chained (1997) dollars, month-to-month % change						
<b>All industries</b>	<b>0.3</b>	<b>0.2</b>	<b>-0.1</b>	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>
Goods-producing industries	0.2	-0.3	-0.6	0.3	0.6	-0.1
Service-producing industries	0.3	0.4	0.1	0.4	0.2	0.4
Industrial production	0.3	-0.6	-0.7	0.4	0.8	-0.3
Manufacturing sector	-0.2	-1.2	-1.0	1.9	1.8	-2.0
Construction	-0.2	1.3	0.6	0.8	0.5	0.9
Wholesale trade	2.4	1.2	-0.3	1.3	-1.1	1.0

<sup>r</sup> Revised figure<sup>p</sup> Preliminary figure**Housing rebounds after a first quarter pause**

Strength in business investment moved the economy forward as investment in housing pushed ahead (+1.9%) following a slight decline in the previous quarter. As a result, both the finance and insurance and the real estate sectors advanced 0.9%. The output of real estate agents and brokers jumped 4.4% due to the strength of the home resale market. Investment in plant and equipment grew another 0.9% after jumping 3.2% in the first quarter. Overall, business investment grew 1.3%—its tenth consecutive quarterly increase.

**Investment continues its steady climb**

Billions of chained (1997) dollars

**Exports of goods slow, driving down manufacturing output**

Exports edged up a moderate 0.2% in the second quarter after rising 1.3% in the first quarter. Much of the slowdown resulted from a substantial drop in the exports of automotive products (-3.1%) and energy products (-1.8%). The slowdown in exports was felt among Canadian manufacturers who saw overall output decrease by 0.4%, led by declines in the production of motor vehicles (-5.0%) and parts (-2.1%). There were widespread declines in petroleum-related manufacturing industries such as chemical and plastic products. One bright spot remains the manufacturing of information and communication technology products which grew 5.8%.

Industrial production (the output of factories, mines and utilities) edged up 0.1%. The growth in mining, oil and gas extraction (+1.4%) and in utilities (+0.9%) was nearly offset by lower output of manufacturers (-0.4%). In the United States, the index of industrial production increased by 0.3% with gains in all three sectors: manufacturing, utilities and mining.

Economy wide prices, as measured by the chain price index for GDP, rose 0.5%. Excluding energy, the index was up 0.1%.

### **GDP by industry: highlights for June 2005**

The Canadian economy edged up 0.2% in June. Growth was mostly confined to services-producing industries. Economic activity was restrained by widespread decreases in manufacturing output and by unfavourable weather in the Prairies that sharply curtailed oil and gas exploration after a surge in May. Services-producing industries rose 0.4% while goods-producing industries edged down 0.1%.

Industrial production (the output of mines, utilities and factories) decreased 0.3% as the drop in the mining, oil and gas extraction sector and the contraction in manufacturing industries more than offset the 2.8% jump in the output of utilities due to the start of a heat wave in Central Canada. In the United States, the index of industrial production rose 0.8%.

Manufacturing output declined 0.2% in June, with 15 of the 21 major groups, accounting for 73% of this sector's output, recording decreases. The largest gainers were manufacturers of machinery, and of information and communication technology products. Those gains were cancelled however by widespread decreases in other manufacturing sectors, notably chemical products and transportation equipment.

Wholesale trade activity increased 0.9% in June helped by the demand for computers and other electronic equipment. New motor vehicle dealers enjoyed a month of brisk sales, kindled by special incentive programs, pushing the output of the retail trade sector to a 1.0% gain. Retailing activity excluding new motor vehicle dealers edged up 0.2%.

Construction activity moved ahead 0.5% in June. Much of the strength was in residential construction (+1.0%) which reached a new height after easing back in the first three months of the year. The financial sector benefited from the increased demand for housing and the higher volumes of transactions on the Canadian stock exchanges.

## Canadian economic accounts key indicators[1]

	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
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	633,052	641,204	647,288	654,312	661,864	671,856	617,753	643,964
	<i>1.0</i>	<i>1.3</i>	<i>0.9</i>	<i>1.1</i>	<i>1.2</i>	<i>1.5</i>	<i>4.2</i>	<i>4.2</i>
Corporation profits before taxes	163,128	177,176	178,804	181,484	184,580	188,828	147,592	175,148
	<i>8.4</i>	<i>8.6</i>	<i>0.9</i>	<i>1.5</i>	<i>1.7</i>	<i>2.3</i>	<i>8.7</i>	<i>18.7</i>
Interest and miscellaneous investment income	51,828	55,380	57,112	57,312	57,572	57,972	50,223	55,408
	<i>3.3</i>	<i>6.9</i>	<i>3.1</i>	<i>0.4</i>	<i>0.5</i>	<i>0.7</i>	<i>6.5</i>	<i>10.3</i>
Net income of unincorporated business	81,496	83,712	85,068	85,296	85,324	85,480	78,438	83,893
	<i>1.8</i>	<i>2.7</i>	<i>1.6</i>	<i>0.3</i>	<i>0.0</i>	<i>0.2</i>	<i>4.4</i>	<i>7.0</i>
Taxes less subsidies	144,672	148,568	150,276	151,212	152,476	155,376	141,424	148,682
	<i>-0.1</i>	<i>2.7</i>	<i>1.1</i>	<i>0.6</i>	<i>0.8</i>	<i>1.9</i>	<i>2.1</i>	<i>5.1</i>
Personal disposable income	733,644	747,232	751,336	757,772	761,980	770,072	719,553	747,496
	<i>1.1</i>	<i>1.9</i>	<i>0.5</i>	<i>0.9</i>	<i>0.6</i>	<i>1.1</i>	<i>3.7</i>	<i>3.9</i>
Personal saving rate[2]	1.4	1.9	1.4	1.0	-0.4	-0.5	2.4	1.4
	...	...	...	...	...	...	...	...
Seasonally adjusted at annual rates, millions of chained (1997) dollars								
Personal expenditure on consumer goods and services	633,820	637,204	642,702	648,794	659,323	663,207	619,401	640,630
	<i>1.5</i>	<i>0.5</i>	<i>0.9</i>	<i>0.9</i>	<i>1.6</i>	<i>0.6</i>	<i>3.1</i>	<i>3.4</i>
Government current expenditure on goods and services	208,019	209,664	210,713	211,801	213,700	215,332	204,593	210,049
	<i>0.6</i>	<i>0.8</i>	<i>0.5</i>	<i>0.5</i>	<i>0.9</i>	<i>0.8</i>	<i>2.9</i>	<i>2.7</i>
Gross fixed capital formation	236,204	237,551	241,206	245,637	250,127	252,735	225,199	240,150
	<i>1.4</i>	<i>0.6</i>	<i>1.5</i>	<i>1.8</i>	<i>1.8</i>	<i>1.0</i>	<i>5.9</i>	<i>6.6</i>
Investment in inventories	3,944	2,367	17,458	22,370	15,292	11,444	11,065	11,535
	...	...	...	...	...	...	...	...
Exports of goods and services	449,268	469,204	465,940	462,289	468,491	469,458	439,784	461,675
	<i>0.1</i>	<i>4.4</i>	<i>-0.7</i>	<i>-0.8</i>	<i>1.3</i>	<i>0.2</i>	<i>-2.1</i>	<i>5.0</i>
Imports of goods and services	422,115	433,860	446,727	455,772	467,840	463,738	406,664	439,619
	<i>0.3</i>	<i>2.8</i>	<i>3.0</i>	<i>2.0</i>	<i>2.6</i>	<i>-0.9</i>	<i>4.1</i>	<i>8.1</i>
Gross domestic product at market prices	1,107,771	1,121,455	1,131,229	1,137,256	1,143,279	1,152,277	1,092,388	1,124,428
	<i>0.6</i>	<i>1.2</i>	<i>0.9</i>	<i>0.5</i>	<i>0.5</i>	<i>0.8</i>	<i>2.0</i>	<i>2.9</i>
<b>GDP at basic prices, by industry</b>								
Goods producing industries	322,736	327,377	331,595	332,153	332,506	333,289	317,208	328,465
	<i>0.6</i>	<i>1.4</i>	<i>1.3</i>	<i>0.2</i>	<i>0.1</i>	<i>0.2</i>	<i>1.7</i>	<i>3.5</i>
Services producing industries	709,228	715,757	721,138	725,709	731,911	738,518	697,886	717,958
	<i>0.7</i>	<i>0.9</i>	<i>0.8</i>	<i>0.6</i>	<i>0.9</i>	<i>0.9</i>	<i>2.5</i>	<i>2.9</i>
Industrial production	241,580	245,842	248,988	248,848	248,497	248,763	238,435	246,314
	<i>0.3</i>	<i>1.8</i>	<i>1.3</i>	<i>-0.1</i>	<i>-0.1</i>	<i>0.1</i>	<i>0.7</i>	<i>3.3</i>
Non-durable manufacturing	73,212	74,183	74,933	74,458	73,906	73,344	72,913	74,196
	<i>0.4</i>	<i>1.3</i>	<i>1.0</i>	<i>-0.6</i>	<i>-0.7</i>	<i>-0.8</i>	<i>-0.0</i>	<i>1.8</i>
Durable manufacturing	103,661	106,761	109,321	109,589	110,741	110,548	101,679	107,333
	<i>0.3</i>	<i>3.0</i>	<i>2.4</i>	<i>0.2</i>	<i>1.1</i>	<i>-0.2</i>	<i>0.2</i>	<i>5.6</i>
Information and communication technologies sector (ICT)	60,472	61,276	62,150	62,785	63,991	65,113	57,076	61,671
	<i>2.8</i>	<i>1.3</i>	<i>1.4</i>	<i>1.0</i>	<i>1.9</i>	<i>1.8</i>	<i>3.8</i>	<i>8.0</i>
Manufacturing	177,071	181,108	184,391	184,164	184,723	183,956	174,820	181,684
	<i>0.3</i>	<i>2.3</i>	<i>1.8</i>	<i>-0.1</i>	<i>0.3</i>	<i>-0.4</i>	<i>0.1</i>	<i>3.9</i>
Agriculture, forestry, fishing and hunting	23,444	23,595	24,180	24,249	24,340	24,438	22,842	23,867
	<i>1.9</i>	<i>0.6</i>	<i>2.5</i>	<i>0.3</i>	<i>0.4</i>	<i>0.4</i>	<i>7.6</i>	<i>4.5</i>
Construction	58,168	58,319	58,815	59,503	60,180	60,637	56,273	58,701
	<i>1.1</i>	<i>0.3</i>	<i>0.8</i>	<i>1.2</i>	<i>1.1</i>	<i>0.8</i>	<i>4.4</i>	<i>4.3</i>
Wholesale trade	63,792	65,349	66,649	67,585	68,915	70,518	61,941	65,844
	<i>-0.5</i>	<i>2.4</i>	<i>2.0</i>	<i>1.4</i>	<i>2.0</i>	<i>2.3</i>	<i>5.6</i>	<i>6.3</i>
Retail trade	58,581	58,897	59,796	60,323	61,627	62,281	57,126	59,399
	<i>2.0</i>	<i>0.5</i>	<i>1.5</i>	<i>0.9</i>	<i>2.2</i>	<i>1.1</i>	<i>2.8</i>	<i>4.0</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.

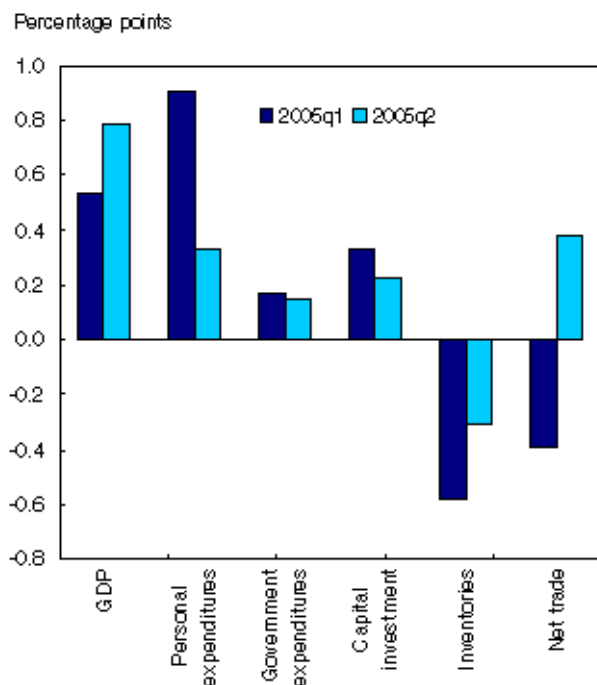
2 Actual rate.

## GDP by income and by expenditure

Second quarter 2005

Widespread growth in demand for goods and services led to a 0.8% increase in real GDP in the second quarter following a 0.5% increase in the first. Continued strength in personal expenditures and a rebound in housing contributed to the strong second quarter performance.

### Contributions to GDP growth by expenditure category



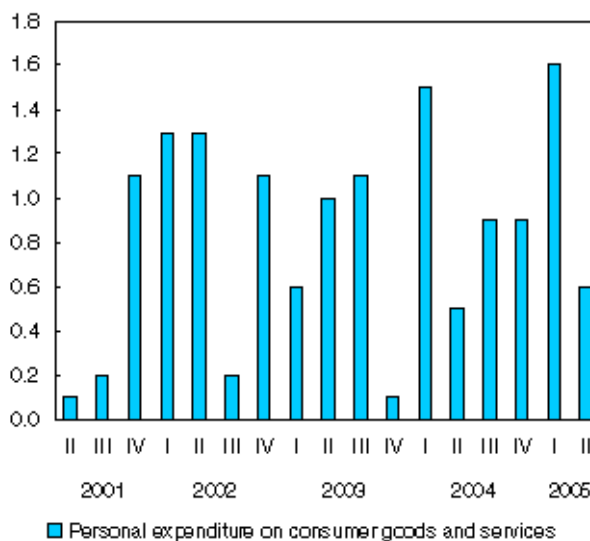
### Consumer spending continues to climb after stellar first quarter performance

Consumer spending on goods and services grew 0.6% following a stellar first quarter performance which saw them jump 1.6%. Purchases of durable goods such as motor vehicles, recreational, sporting and camping equipment and household appliances were particularly strong. Expenditures on non-durable goods fell slightly, driven down by a decline in the purchase of motor vehicle fuels and lubricants as consumers reduced usage in reaction to facing a 4.9% price increase.

While the growth in personal expenditures slowed, it follows five quarters of solid performance and continues to account for much of the growth in overall GDP.

### Consumer spending increases on top of stellar first quarter

Quarterly % change, chained (1997) dollars



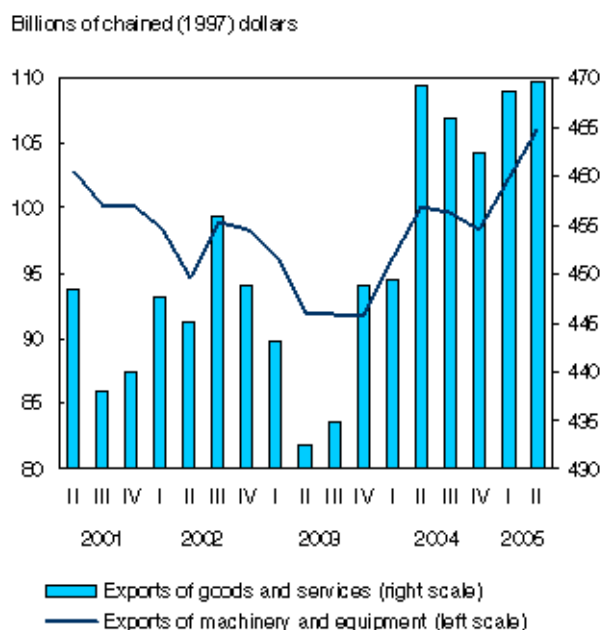
Much of the recent growth in personal expenditures has been financed through borrowing. Over the last four years, there has been a steady quarterly rise in the household sector's net borrowing (the difference between financial transactions in financial assets and liabilities). A large share of this is due to sustained quarterly increases in consumer credit and mortgages as consumers take advantage of low interest rates. While the household sector's net borrowing and indebtedness has been steadily increasing, this has been more than matched by an increase in the market value of their assets, notably residential real estate. The end result is that even with the increase in borrowing activity that has gone on in recent years, net worth in the household sector continues to climb.

### Exports of machinery and equipment push up total exports

Exports edged up 0.2% in the second quarter of 2005 and have now returned to the peak level posted in the second quarter of 2004. Growth was mixed as exports of industrial goods, machinery and equipment, agricultural and fishing products, and other consumer goods and services all registered gains while exports of automotive products, energy products and forestry products fell.

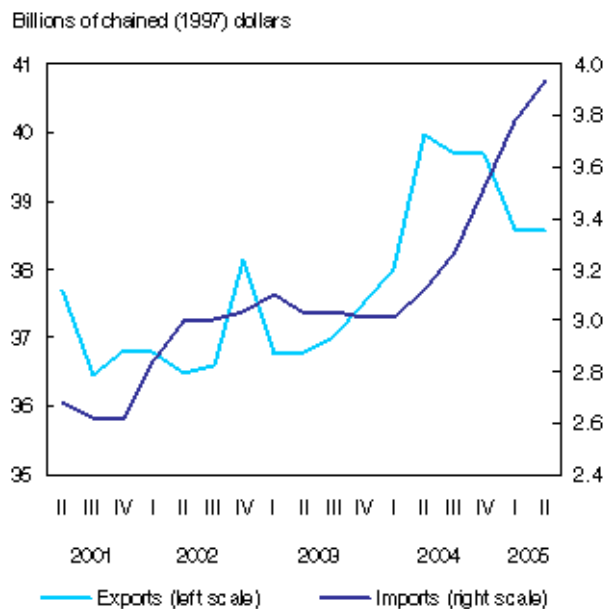
Exports of machinery and equipment surged ahead, jumping another 3.7% on the heels of a 3.9% increase in the first quarter, matching the growth that was achieved in the first half of 2004. Exports of telecommunication equipment, agricultural machinery and aircraft, engines and parts accounted for much of this increase. Exports of telecommunication equipment have increased over 10% in the last year and production has jumped over 5% in both the first and second quarters, a positive sign for the struggling telecommunication industry.

### Exports of machinery and equipment push up total exports



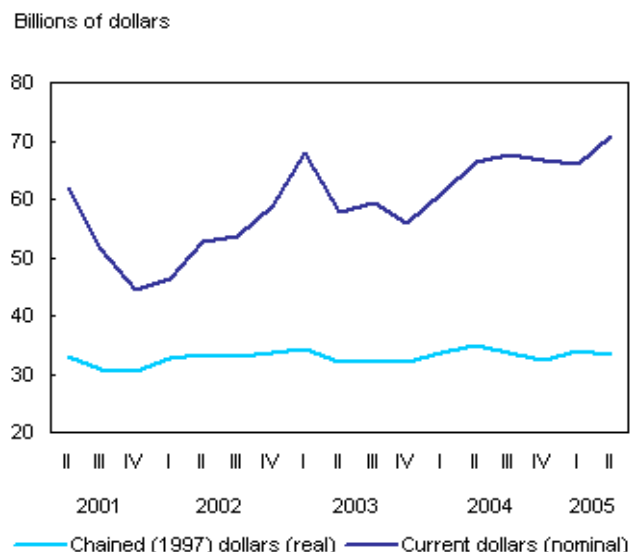
Following solid gains in the first half of 2004, exports of forestry products have now declined for a fourth consecutive quarter. Growth in imports, however, has remained strong. Although only one-tenth the size of exports, imports of forestry products registered a fifth consecutive quarterly increase of more than 3%. The growth in construction has had an impact on imports of forestry products as Canadian companies complement domestic materials with those from abroad. A rise in imports of wood fabricated materials, such as wood siding, flooring and doors, is accounting for much of the increase.

### Imports of forestry products climbs while exports falter



While the increase in energy prices had a large impact on the value of energy exports, the volume of energy exports fell 1.8%, following a 5.3% increase in the first quarter. Since the beginning of 2000 the value of Canada's energy exports has almost doubled and has been subject to large quarterly swings. The quantity of energy exports, on the other hand, has been remarkably stable, increasing 7% since the start of 2000, growing an average of 0.4% per quarter. In comparison, the value of energy exports has increased 84% with an average quarterly movement of 4% over the same period.

### Value of energy exports fluctuates while volumes remain stable



Total imports were down 0.9% after four quarters of solid growth. Imports of automotive products, energy products, industrial goods and materials, and other consumer goods all declined while machinery and equipment posted moderate growth, its ninth consecutive quarter of growth.

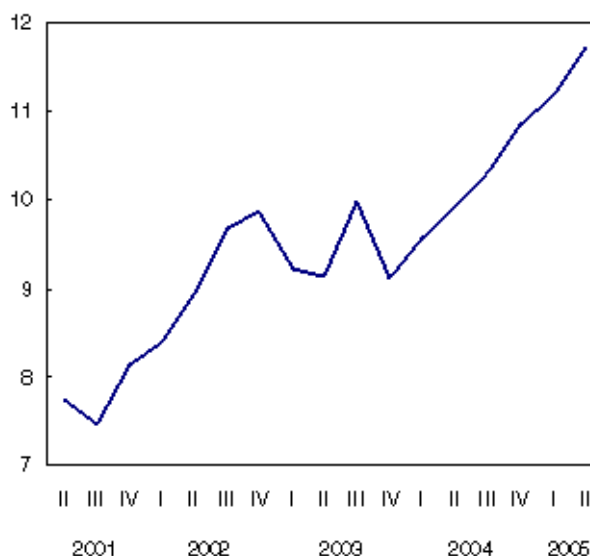
### Housing boom continues after a first quarter pause

Business residential construction rebounded this quarter (+1.9%), after posting a decline last quarter (-0.4%), its first decline since the first quarter of 2000. The housing boom continues to push up demand for mortgages by the household sector, which jumped 5.3% in the second quarter. Sales of completed single dwellings far outpaced multiple dwellings, reversing the trend set last quarter. Renovation activity also picked up this quarter (+2.0%), and has now posted increases of 2% or more in 6 of the last 10 quarters. Ownership transfer costs, reflecting the strong housing resale market, skyrocketed (+7.6%), returning to record mid-2004 levels.

While investment in residential structures rebounded from its decline in the first quarter, investment in non-residential structures and machinery and equipment both slowed following a very strong first quarter. Investment in machinery and equipment, the main contributor to growth in overall business investment over the last two years, slowed in the second quarter as investment in industrial machinery, telecommunication equipment and other machinery all declined. Investment in trucks continued to surge ahead as demand for commercial heavy-duty transport trucks has been rising non-stop since 2003. Orders are rising as companies replace their aging truck fleets and boost capacity. Industry reports indicate that operating rates for trucking firms are now more than 95 per cent, the highest level in more than a decade.

### Investment in trucks keeps on trucking

Billions of chained (1997) dollars



### Inventory accumulation slows

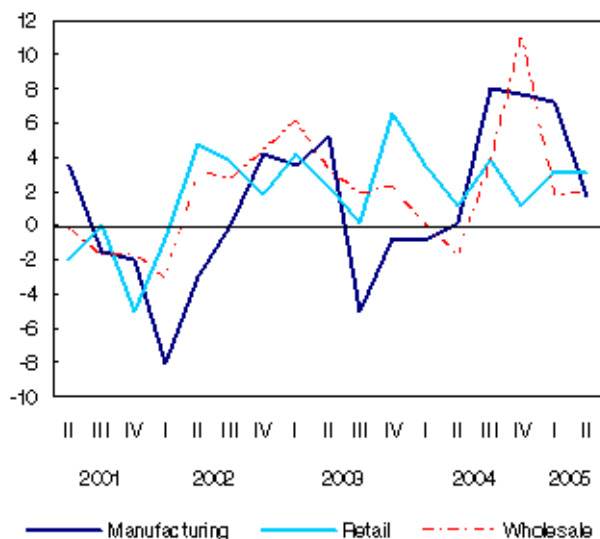
Business inventories (excluding farm inventories) increased \$8.7 billion in the quarter, \$3.8 billion less than in the previous quarter. After a massive build-up in inventories in the last two quarters of 2004, inventory accumulation has slowed considerably, especially manufacturing inventories.

Much of the slowdown in manufacturing inventories in the second quarter is a result of a draw down in inventories of aircraft. Investment in wholesale inventories increased slightly after a significant drop in accumulation in the first quarter. Increases in building materials, motor vehicles and other durables were offset by the drawdown in machinery and equipment.

The economy-wide inventory-to-sales ratio edged up slightly, leaving sufficient inventories to satisfy 62 days of sales at current prices.

### Investment in manufacturing inventories slows

Billions of chained (1997) dollars

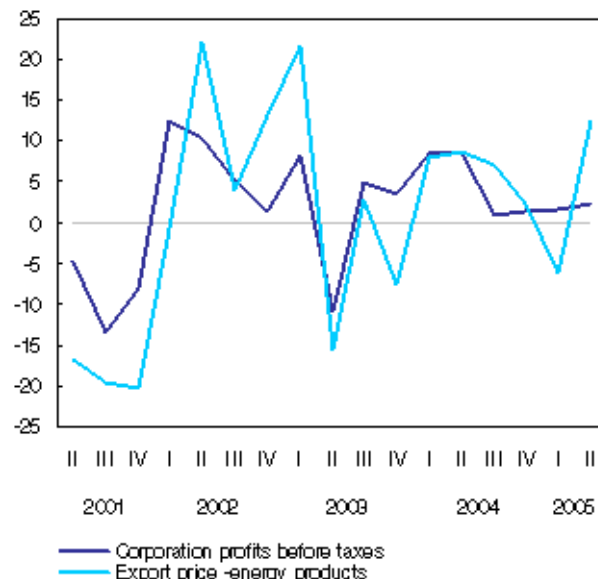


### Commodity prices push up corporate profits

Corporate profits climbed 2.3%, up from the 1.7% increase in the first quarter but far off last year's pace. Growth in profits was concentrated in non-financial industries, where mining and mineral fuel industries posted healthy profits stimulated by higher commodity prices. Most of the recent swings in corporate profits have been fueled by fluctuating resource prices.

### Energy prices fuel corporate profits

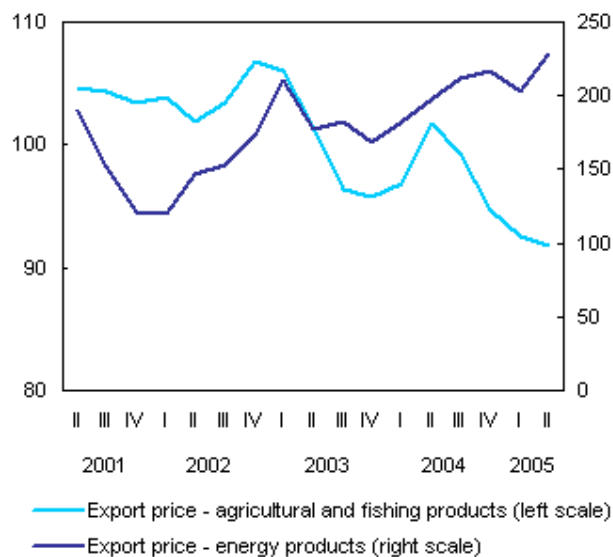
Quarterly % change



While prices in the energy sector have been contributing to the growth in income, the same cannot be said for the agricultural sector. Prices of agricultural goods (grains and oilseeds) have been driven down by lower quality grains harvested in the Prairies in 2004, the strong Canadian dollar and low world prices due to large world stocks.

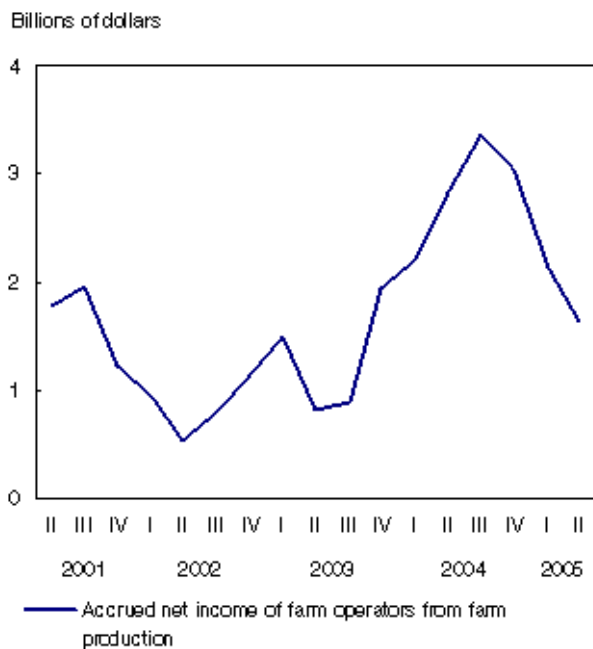
### Not all resource prices moving in the same direction

1997 = 100



The end result has been a substantial decline in the income of farm operators from farm production, which fell for a third consecutive quarter.

### Lower agricultural prices drive down farm income



### National saving climbs following two quarters of decline

Government saving grew to \$29.6 billion, up \$4.5 billion from the first quarter. Revenues grew 1.7%, almost double the pace of the previous quarter, mostly as a result of increases in income tax revenue from corporations and government business enterprises (+2.6%), and persons (+3.4%). Outlays slowed to 1.0%, as a result of a slowdown in government current expenditures on goods and services (+1.3%) and declining government transfers to businesses (-6.1%) and non-residents (-27.5%).

Household saving remained relatively unchanged as both income and outlays grew 1.5%. Growth in personal income accelerated over the last quarter, aided by growth in labour income and increased social security transfer payments. The household sector's saving rate sits at -0.5%.

Corporate saving eased slightly in the second quarter but remains near the record high set last quarter. National saving—the saving of Canadian households, businesses and governments—was up 2.3% in the quarter.



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

	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
Wages, salaries and supplementary labour income	633,052 <i>1.0</i>	641,204 <i>1.3</i>	647,288 <i>0.9</i>	654,312 <i>1.1</i>	661,864 <i>1.2</i>	671,856 <i>1.5</i>	617,753 <i>4.2</i>	643,964 <i>4.2</i>
Corporation profits before taxes	163,128 <i>8.4</i>	177,176 <i>8.6</i>	178,804 <i>0.9</i>	181,484 <i>1.5</i>	184,580 <i>1.7</i>	188,828 <i>2.3</i>	147,592 <i>8.7</i>	175,148 <i>18.7</i>
Government business enterprise profits before taxes	11,836 <i>2.5</i>	11,324 <i>-4.3</i>	12,084 <i>6.7</i>	12,124 <i>0.3</i>	12,692 <i>4.7</i>	12,344 <i>-2.7</i>	11,630 <i>0.9</i>	11,842 <i>1.8</i>
Interest and miscellaneous investment income	51,828 <i>3.3</i>	55,380 <i>6.9</i>	57,112 <i>3.1</i>	57,312 <i>0.4</i>	57,572 <i>0.5</i>	57,972 <i>0.7</i>	50,223 <i>6.5</i>	55,408 <i>10.3</i>
Accrued net income of farm operators from farm production	2,220 <i>14.9</i>	2,828 <i>27.4</i>	3,364 <i>19.0</i>	3,052 <i>-9.3</i>	2,140 <i>-29.9</i>	1,632 <i>-23.7</i>	1,280 <i>49.7</i>	2,866 <i>123.9</i>
Net income of non-farm unincorporated business, including rent	79,276 <i>1.5</i>	80,884 <i>2.0</i>	81,704 <i>1.0</i>	82,244 <i>0.7</i>	83,184 <i>1.1</i>	83,848 <i>0.8</i>	77,158 <i>3.9</i>	81,027 <i>5.0</i>
Inventory valuation adjustment	-4,444 ...	-5,856 ...	796 ...	2,828 ...	84 ...	-2,224 ...	5,075 ...	-1,669 ...
Taxes less subsidies, on factors of production	57,576 <i>0.8</i>	58,508 <i>1.6</i>	58,672 <i>0.3</i>	59,160 <i>0.8</i>	59,340 <i>0.3</i>	60,240 <i>1.5</i>	56,376 <i>4.4</i>	58,479 <i>3.7</i>
<b>Net domestic product at basic prices</b>	<b>994,472</b> <b><i>1.8</i></b>	<b>1,021,448</b> <b><i>2.7</i></b>	<b>1,039,824</b> <b><i>1.8</i></b>	<b>1,052,516</b> <b><i>1.2</i></b>	<b>1,061,456</b> <b><i>0.8</i></b>	<b>1,074,496</b> <b><i>1.2</i></b>	<b>967,087</b> <b><i>5.9</i></b>	<b>1,027,065</b> <b><i>6.2</i></b>
Taxes less subsidies, on products	87,096 <i>-0.6</i>	90,060 <i>3.4</i>	91,604 <i>1.7</i>	92,052 <i>0.5</i>	93,136 <i>1.2</i>	95,136 <i>2.1</i>	85,048 <i>0.6</i>	90,203 <i>6.1</i>
Capital consumption allowances	168,948 <i>1.6</i>	171,540 <i>1.5</i>	173,552 <i>1.2</i>	175,408 <i>1.1</i>	177,644 <i>1.3</i>	180,020 <i>1.3</i>	163,602 <i>4.9</i>	172,362 <i>5.4</i>
Statistical discrepancy	1,864 ...	1,220 ...	504 ...	-1,368 ...	-1,832 ...	-2,044 ...	454 ...	555 ...
<b>Gross domestic product at market prices</b>	<b>1,252,380</b> <b><i>1.6</i></b>	<b>1,284,268</b> <b><i>2.5</i></b>	<b>1,305,484</b> <b><i>1.7</i></b>	<b>1,318,608</b> <b><i>1.0</i></b>	<b>1,330,404</b> <b><i>0.9</i></b>	<b>1,347,608</b> <b><i>1.3</i></b>	<b>1,216,191</b> <b><i>5.4</i></b>	<b>1,290,185</b> <b><i>6.1</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 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
Personal expenditure on consumer goods and services	708,200 <i>2.0</i>	717,384 <i>1.3</i>	724,980 <i>1.1</i>	734,376 <i>1.3</i>	748,520 <i>1.9</i>	756,532 <i>1.1</i>	687,791 <i>4.8</i>	721,235 <i>4.9</i>
Durable goods	93,688 <i>2.6</i>	94,412 <i>0.8</i>	95,236 <i>0.9</i>	96,964 <i>1.8</i>	99,772 <i>2.9</i>	100,528 <i>0.8</i>	93,600 <i>1.3</i>	95,075 <i>1.6</i>
Semi-durable goods	60,616 <i>2.8</i>	61,188 <i>0.9</i>	62,116 <i>1.5</i>	62,140 <i>0.0</i>	63,964 <i>2.9</i>	64,644 <i>1.1</i>	58,642 <i>2.7</i>	61,515 <i>4.9</i>
Non-durable goods	173,088 <i>2.4</i>	176,340 <i>1.9</i>	178,728 <i>1.4</i>	182,132 <i>1.9</i>	185,200 <i>1.7</i>	187,676 <i>1.3</i>	168,502 <i>6.4</i>	177,572 <i>5.4</i>
Services	380,808 <i>1.6</i>	385,444 <i>1.2</i>	388,900 <i>0.9</i>	393,140 <i>1.1</i>	399,584 <i>1.6</i>	403,684 <i>1.0</i>	367,047 <i>5.3</i>	387,073 <i>5.5</i>
Government current expenditure on goods and services	244,564 <i>1.2</i>	248,040 <i>1.4</i>	249,356 <i>0.5</i>	252,176 <i>1.1</i>	257,156 <i>2.0</i>	261,260 <i>1.6</i>	236,631 <i>5.7</i>	248,534 <i>5.0</i>
Government gross fixed capital formation	32,596 <i>3.7</i>	33,116 <i>1.6</i>	33,272 <i>0.5</i>	33,380 <i>0.3</i>	33,912 <i>1.6</i>	34,236 <i>1.0</i>	30,953 <i>4.1</i>	33,091 <i>6.9</i>
Government investment in inventories	-76 <i>...</i>	260 <i>...</i>	156 <i>...</i>	-256 <i>...</i>	20 <i>...</i>	112 <i>...</i>	15 <i>...</i>	21 <i>...</i>
Business gross fixed capital formation	218,556 <i>2.1</i>	224,716 <i>2.8</i>	228,744 <i>1.8</i>	231,452 <i>1.2</i>	237,424 <i>2.6</i>	242,600 <i>2.2</i>	207,120 <i>5.8</i>	225,867 <i>9.1</i>
Residential structures	79,820 <i>3.4</i>	83,016 <i>4.0</i>	84,876 <i>2.2</i>	86,516 <i>1.9</i>	87,156 <i>0.7</i>	89,484 <i>2.7</i>	72,971 <i>11.0</i>	83,557 <i>14.5</i>
Non-residential structures	55,576 <i>0.1</i>	56,652 <i>1.9</i>	57,828 <i>2.1</i>	58,500 <i>1.2</i>	60,684 <i>3.7</i>	62,160 <i>2.4</i>	53,883 <i>7.8</i>	57,139 <i>6.0</i>
Machinery and equipment	83,160 <i>2.1</i>	85,048 <i>2.3</i>	86,040 <i>1.2</i>	86,436 <i>0.5</i>	89,584 <i>3.6</i>	90,956 <i>1.5</i>	80,266 <i>0.1</i>	85,171 <i>6.1</i>
Business investment in inventories	-764 <i>...</i>	-1,276 <i>...</i>	13,636 <i>...</i>	19,436 <i>...</i>	12,196 <i>...</i>	7,216 <i>...</i>	7,239 <i>...</i>	7,758 <i>...</i>
Non-farm	-1,968 <i>...</i>	-2,708 <i>...</i>	12,088 <i>...</i>	17,636 <i>...</i>	10,960 <i>...</i>	6,004 <i>...</i>	6,018 <i>...</i>	6,262 <i>...</i>
Farm	1,204 <i>...</i>	1,432 <i>...</i>	1,548 <i>...</i>	1,800 <i>...</i>	1,236 <i>...</i>	1,212 <i>...</i>	1,221 <i>...</i>	1,496 <i>...</i>
Exports of goods and services	466,872 <i>2.2</i>	507,364 <i>8.7</i>	505,948 <i>-0.3</i>	490,136 <i>-3.1</i>	495,680 <i>1.1</i>	507,376 <i>2.4</i>	461,266 <i>-3.5</i>	492,580 <i>6.8</i>
Goods	404,808 <i>2.6</i>	443,740 <i>9.6</i>	442,276 <i>-0.3</i>	425,736 <i>-3.7</i>	430,088 <i>1.0</i>	441,000 <i>2.5</i>	400,176 <i>-3.4</i>	429,140 <i>7.2</i>
Services	62,064 <i>-0.4</i>	63,624 <i>2.5</i>	63,672 <i>0.1</i>	64,400 <i>1.1</i>	65,592 <i>1.9</i>	66,376 <i>1.2</i>	61,090 <i>-4.6</i>	63,440 <i>3.8</i>
Deduct: Imports of goods and services	415,708 <i>1.3</i>	444,116 <i>6.8</i>	450,100 <i>1.3</i>	443,460 <i>-1.5</i>	456,336 <i>2.9</i>	463,768 <i>1.6</i>	414,370 <i>-3.1</i>	438,346 <i>5.8</i>
Goods	340,772 <i>1.4</i>	367,712 <i>7.9</i>	375,832 <i>2.2</i>	368,000 <i>-2.1</i>	378,680 <i>2.9</i>	384,480 <i>1.5</i>	342,611 <i>-4.0</i>	363,079 <i>6.0</i>
Services	74,936 <i>1.2</i>	76,404 <i>2.0</i>	74,268 <i>-2.8</i>	75,460 <i>1.6</i>	77,656 <i>2.9</i>	79,288 <i>2.1</i>	71,759 <i>1.2</i>	75,267 <i>4.9</i>
Statistical discrepancy	-1,860 <i>...</i>	-1,220 <i>...</i>	-508 <i>...</i>	1,368 <i>...</i>	1,832 <i>...</i>	2,044 <i>...</i>	-454 <i>...</i>	-555 <i>...</i>
<b>Gross domestic product at market prices</b>	<b>1,252,380</b> <i>1.6</i>	<b>1,284,268</b> <i>2.5</i>	<b>1,305,484</b> <i>1.7</i>	<b>1,318,608</b> <i>1.0</i>	<b>1,330,404</b> <i>0.9</i>	<b>1,347,608</b> <i>1.3</i>	<b>1,216,191</b> <i>5.4</i>	<b>1,290,185</b> <i>6.1</i>
<i>Final domestic demand</i>	<i>1,203,916</i> <i>1.9</i>	<i>1,223,256</i> <i>1.6</i>	<i>1,236,352</i> <i>1.1</i>	<i>1,251,384</i> <i>1.2</i>	<i>1,277,012</i> <i>2.0</i>	<i>1,294,628</i> <i>1.4</i>	<i>1,162,495</i> <i>5.1</i>	<i>1,228,727</i> <i>5.7</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 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Seasonally adjusted at annual rates, millions of chained (1997) dollars[2]								
Personal expenditure on consumer goods and services	633,820 <i>1.5</i>	637,204 <i>0.5</i>	642,702 <i>0.9</i>	648,794 <i>0.9</i>	659,323 <i>1.6</i>	663,207 <i>0.6</i>	619,401 <i>3.1</i>	640,630 <i>3.4</i>
Durable goods	96,473 <i>3.1</i>	97,320 <i>0.9</i>	98,552 <i>1.3</i>	100,130 <i>1.6</i>	102,841 <i>2.7</i>	104,293 <i>1.4</i>	95,189 <i>2.1</i>	98,119 <i>3.1</i>
Semi-durable goods	58,512 <i>3.3</i>	59,140 <i>1.1</i>	60,337 <i>2.0</i>	60,344 <i>0.0</i>	61,932 <i>2.6</i>	62,698 <i>1.2</i>	56,474 <i>3.4</i>	59,583 <i>5.5</i>
Non-durable goods	142,733 <i>1.2</i>	142,697 <i>-0.0</i>	143,747 <i>0.7</i>	145,154 <i>1.0</i>	147,201 <i>1.4</i>	147,032 <i>-0.1</i>	140,349 <i>2.3</i>	143,583 <i>2.3</i>
Services	336,948 <i>1.0</i>	339,036 <i>0.6</i>	341,202 <i>0.6</i>	344,352 <i>0.9</i>	348,810 <i>1.3</i>	350,935 <i>0.6</i>	328,208 <i>3.7</i>	340,385 <i>3.7</i>
Government current expenditure on goods and services	208,019 <i>0.6</i>	209,664 <i>0.8</i>	210,713 <i>0.5</i>	211,801 <i>0.5</i>	213,700 <i>0.9</i>	215,332 <i>0.8</i>	204,593 <i>2.9</i>	210,049 <i>2.7</i>
Government gross fixed capital formation	31,743 <i>2.9</i>	31,635 <i>-0.3</i>	31,614 <i>-0.1</i>	31,894 <i>0.9</i>	32,394 <i>1.6</i>	32,254 <i>-0.4</i>	30,237 <i>4.5</i>	31,722 <i>4.9</i>
Government investment in inventories	-68 ...	224 ...	136 ...	-216 ...	16 ...	92 ...	14 ...	19 ...
Business gross fixed capital formation	204,552 <i>1.1</i>	205,996 <i>0.7</i>	209,654 <i>1.8</i>	213,796 <i>2.0</i>	217,784 <i>1.9</i>	220,514 <i>1.3</i>	195,047 <i>6.2</i>	208,500 <i>6.9</i>
Residential structures	65,048 <i>2.1</i>	66,017 <i>1.5</i>	67,165 <i>1.7</i>	68,019 <i>1.3</i>	67,765 <i>-0.4</i>	69,058 <i>1.9</i>	61,436 <i>6.2</i>	66,562 <i>8.3</i>
Non-residential structures	47,785 <i>-1.5</i>	47,815 <i>0.1</i>	48,018 <i>0.4</i>	48,124 <i>0.2</i>	49,631 <i>3.1</i>	50,132 <i>1.0</i>	47,534 <i>5.7</i>	47,936 <i>0.8</i>
Machinery and equipment	91,328 <i>2.0</i>	91,675 <i>0.4</i>	94,175 <i>2.7</i>	97,838 <i>3.9</i>	101,025 <i>3.3</i>	101,815 <i>0.8</i>	85,415 <i>6.4</i>	93,754 <i>9.8</i>
Business investment in inventories	4,021 ...	2,118 ...	17,308 ...	22,619 ...	15,271 ...	11,334 ...	11,052 ...	11,517 ...
Non-farm	834 ...	-610 ...	14,331 ...	19,281 ...	12,462 ...	8,681 ...	7,327 ...	8,459 ...
Farm	2,881 ...	2,369 ...	2,285 ...	2,555 ...	2,115 ...	2,030 ...	3,438 ...	2,523 ...
Exports of goods and services	449,268 <i>0.1</i>	469,204 <i>4.4</i>	465,940 <i>-0.7</i>	462,289 <i>-0.8</i>	468,491 <i>1.3</i>	469,458 <i>0.2</i>	439,784 <i>-2.1</i>	461,675 <i>5.0</i>
Goods	392,184 <i>0.3</i>	411,461 <i>4.9</i>	408,164 <i>-0.8</i>	404,037 <i>-1.0</i>	409,216 <i>1.3</i>	409,557 <i>0.1</i>	383,414 <i>-1.8</i>	403,962 <i>5.4</i>
Services	57,240 <i>-1.1</i>	57,967 <i>1.3</i>	57,991 <i>0.0</i>	58,439 <i>0.8</i>	59,454 <i>1.7</i>	60,061 <i>1.0</i>	56,495 <i>-4.0</i>	57,909 <i>2.5</i>
Deduct: Imports of goods and services	422,115 <i>0.3</i>	433,860 <i>2.8</i>	446,727 <i>3.0</i>	455,772 <i>2.0</i>	467,840 <i>2.6</i>	463,738 <i>-0.9</i>	406,664 <i>4.1</i>	439,619 <i>8.1</i>
Goods	355,794 <i>0.3</i>	367,858 <i>3.4</i>	381,683 <i>3.8</i>	387,869 <i>1.6</i>	398,506 <i>2.7</i>	393,799 <i>-1.2</i>	344,797 <i>3.6</i>	373,301 <i>8.3</i>
Services	65,934 <i>0.3</i>	65,924 <i>-0.0</i>	65,358 <i>-0.9</i>	68,008 <i>4.1</i>	69,496 <i>2.2</i>	69,925 <i>0.6</i>	61,787 <i>6.4</i>	66,306 <i>7.3</i>
Statistical discrepancy	-1,645 ...	-1,065 ...	-440 ...	1,180 ...	1,574 ...	1,748 ...	-405 ...	-493 ...
<b>Gross domestic product at market prices</b>	<b>1,107,771</b> <i>0.6</i>	<b>1,121,455</b> <i>1.2</i>	<b>1,131,229</b> <i>0.9</i>	<b>1,137,256</b> <i>0.5</i>	<b>1,143,279</b> <i>0.5</i>	<b>1,152,277</b> <i>0.8</i>	<b>1,092,388</b> <i>2.0</i>	<b>1,124,428</b> <i>2.9</i>
Final domestic demand	1,077,392 <i>1.3</i>	1,083,788 <i>0.6</i>	1,093,886 <i>0.9</i>	1,105,353 <i>1.0</i>	1,122,149 <i>1.5</i>	1,130,237 <i>0.7</i>	1,048,895 <i>3.6</i>	1,090,105 <i>3.9</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 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Quarter to quarter % change at annual rates, chained (1997) dollars								
Personal expenditure on consumer goods and services	6.1	2.2	3.5	3.8	6.7	2.4	3.1	3.4
Durable goods	12.9	3.6	5.2	6.6	11.3	5.8	2.1	3.1
Semi-durable goods	13.9	4.4	8.3	0.0	10.9	5.0	3.4	5.5
Non-durable goods	5.0	-0.1	3.0	4.0	5.8	-0.5	2.3	2.3
Services	3.9	2.5	2.6	3.7	5.3	2.5	3.7	3.7
Government current expenditure on goods and services	2.6	3.2	2.0	2.1	3.6	3.1	2.9	2.7
Government gross fixed capital formation	12.2	-1.4	-0.3	3.6	6.4	-1.7	4.5	4.9
Government investment in inventories[2]	-100	292	-88	-352	232	76	54	5
Business gross fixed capital formation	4.6	2.9	7.3	8.1	7.7	5.1	6.2	6.9
Residential structures	8.8	6.1	7.1	5.2	-1.5	7.9	6.2	8.3
Non-residential structures	-5.8	0.3	1.7	0.9	13.1	4.1	5.7	0.8
Machinery and equipment	8.0	1.5	11.4	16.5	13.7	3.2	6.4	9.8
Business investment in inventories[2]	-5,777	-1,903	15,190	5,311	-7,348	-3,937	9,252	464
Non-farm[2]	-4,939	-1,444	14,941	4,950	-6,819	-3,781	4,936	1,132
Farm[2]	-864	-512	-84	270	-440	-85	4,193	-916
Exports of goods and services	0.3	19.0	-2.8	-3.1	5.5	0.8	-2.1	5.0
Goods	1.1	21.2	-3.2	-4.0	5.2	0.3	-1.8	5.4
Services	-4.3	5.2	0.2	3.1	7.1	4.1	-4.0	2.5
Deduct: Imports of goods and services	1.1	11.6	12.4	8.3	11.0	-3.5	4.1	8.1
Goods	1.0	14.3	15.9	6.6	11.4	-4.6	3.6	8.3
Services	1.2	-0.1	-3.4	17.2	9.0	2.5	6.4	7.3
Statistical discrepancy[2]	-488	580	625	1,620	394	174	222	-88
<b>Gross domestic product at market prices</b>	<b>2.6</b>	<b>5.0</b>	<b>3.5</b>	<b>2.1</b>	<b>2.1</b>	<b>3.2</b>	<b>2.0</b>	<b>2.9</b>
<i>Final domestic demand</i>	5.3	2.4	3.8	4.3	6.2	2.9	3.6	3.9

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 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Using seasonally adjusted data, percentage points								
Personal expenditure on consumer goods and services	0.844	0.301	0.481	0.526	0.904	0.331	1.769	1.933
Durable goods	0.227	0.065	0.093	0.117	0.199	0.105	0.164	0.232
Semi-durable goods	0.157	0.052	0.096	0.001	0.124	0.059	0.164	0.262
Non-durable goods	0.169	-0.003	0.101	0.134	0.195	-0.016	0.314	0.320
Services	0.291	0.188	0.191	0.275	0.386	0.183	1.126	1.118
Government current expenditure on goods and services	0.124	0.154	0.096	0.099	0.172	0.148	0.564	0.521
Government gross fixed capital formation	0.074	-0.009	-0.002	0.022	0.040	-0.011	0.118	0.126
Government investment in inventories	-0.009	0.027	-0.008	-0.031	0.021	0.007	0.005	0.000
Business gross fixed capital formation	0.195	0.124	0.310	0.344	0.328	0.224	1.033	1.174
Residential structures	0.133	0.096	0.112	0.083	-0.025	0.125	0.356	0.509
Non-residential structures	-0.067	0.003	0.019	0.010	0.139	0.046	0.247	0.039
Machinery and equipment	0.128	0.025	0.179	0.252	0.214	0.053	0.430	0.627
Business investment in inventories	-0.476	-0.155	1.228	0.414	-0.577	-0.309	0.815	-0.009
Non-farm	-0.416	-0.120	1.234	0.397	-0.550	-0.303	0.452	0.065
Farm	-0.060	-0.035	-0.006	0.017	-0.027	-0.006	0.363	-0.073
Exports of goods and services	0.030	1.677	-0.274	-0.299	0.497	0.077	-0.848	1.901
Goods	0.085	1.614	-0.276	-0.337	0.413	0.027	-0.633	1.774
Services	-0.056	0.063	0.002	0.038	0.085	0.050	-0.214	0.127
Deduct: Imports of goods and services	0.090	0.936	1.014	0.685	0.890	-0.304	1.460	2.707
Goods	0.071	0.937	1.065	0.457	0.765	-0.340	1.084	2.284
Services	0.019	-0.001	-0.050	0.227	0.125	0.036	0.376	0.423
Statistical discrepancy	-0.044	0.052	0.056	0.143	0.035	0.015	0.020	-0.007
<b>Gross domestic product at market prices</b>	<b>0.647</b>	<b>1.235</b>	<b>0.872</b>	<b>0.533</b>	<b>0.530</b>	<b>0.787</b>	<b>2.017</b>	<b>2.933</b>
<i>Final domestic demand</i>	1.237	0.570	0.885	0.991	1.443	0.692	3.484	3.753

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 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Using seasonally adjusted data, (1997 = 100)								
Personal expenditure on consumer goods and services	111.7 <i>0.5</i>	112.6 <i>0.8</i>	112.8 <i>0.2</i>	113.2 <i>0.4</i>	113.5 <i>0.3</i>	114.1 <i>0.5</i>	111.0 <i>1.6</i>	112.6 <i>1.4</i>
Government current expenditure on goods and services	117.6 <i>0.6</i>	118.3 <i>0.6</i>	118.3 <i>0.0</i>	119.1 <i>0.7</i>	120.3 <i>1.0</i>	121.3 <i>0.8</i>	115.7 <i>2.7</i>	118.3 <i>2.3</i>
Government gross fixed capital formation	102.7 <i>0.8</i>	104.7 <i>1.9</i>	105.2 <i>0.5</i>	104.7 <i>-0.5</i>	104.7 <i>0.0</i>	106.1 <i>1.3</i>	102.4 <i>-0.4</i>	104.3 <i>1.9</i>
Business gross fixed capital formation	106.8 <i>0.8</i>	109.1 <i>2.2</i>	109.1 <i>0.0</i>	108.3 <i>-0.7</i>	109.0 <i>0.6</i>	110.0 <i>0.9</i>	106.2 <i>-0.4</i>	108.3 <i>2.0</i>
Exports of goods and services	103.9 <i>2.1</i>	108.1 <i>4.0</i>	108.6 <i>0.5</i>	106.0 <i>-2.4</i>	105.8 <i>-0.2</i>	108.1 <i>2.2</i>	104.9 <i>-1.4</i>	106.7 <i>1.7</i>
Imports of goods and services	98.5 <i>1.0</i>	102.4 <i>4.0</i>	100.8 <i>-1.6</i>	97.3 <i>-3.5</i>	97.5 <i>0.2</i>	100.0 <i>2.6</i>	102.0 <i>-6.9</i>	99.8 <i>-2.2</i>
<b>Gross domestic product at market prices</b>	<b>113.1 <i>1.0</i></b>	<b>114.5 <i>1.2</i></b>	<b>115.4 <i>0.8</i></b>	<b>115.9 <i>0.4</i></b>	<b>116.4 <i>0.4</i></b>	<b>117.0 <i>0.5</i></b>	<b>111.4 <i>3.3</i></b>	<b>114.7 <i>3.0</i></b>
<i>Final domestic demand</i>	<i>111.7 <i>0.5</i></i>	<i>112.9 <i>1.1</i></i>	<i>113.0 <i>0.1</i></i>	<i>113.2 <i>0.2</i></i>	<i>113.8 <i>0.5</i></i>	<i>114.5 <i>0.6</i></i>	<i>110.8 <i>1.4</i></i>	<i>112.7 <i>1.7</i></i>

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

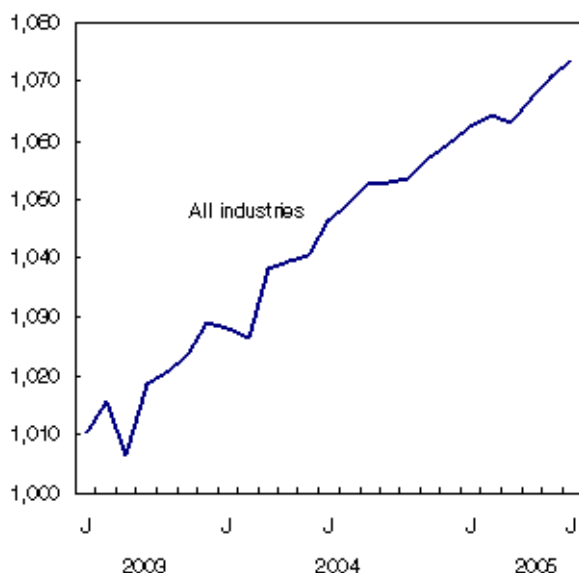
## GDP by industry

June 2005

The Canadian economy edged up 0.2% in June after increasing 0.3% in May and 0.4% in April. The growth in June was mostly confined to services producing industries, as economic activity was restrained by a sharp decrease in oil and gas exploration caused by unfavourable weather in the Prairies. Services producing industries rose 0.4% while goods producing industries edged down 0.1%.

### Economic activity edges up

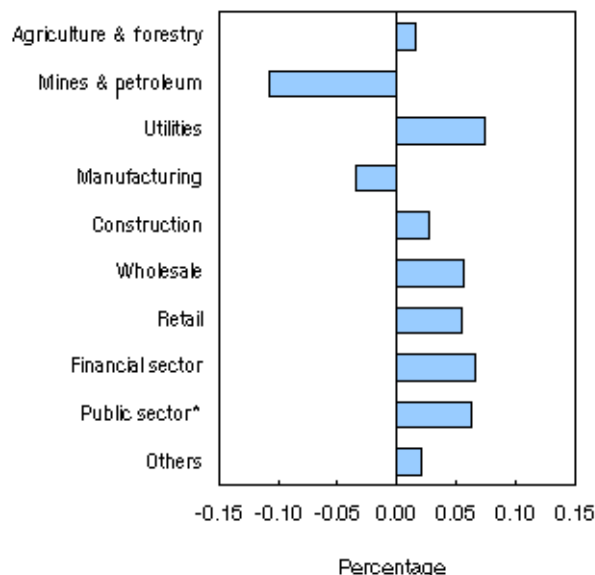
GDP billions of chained \$ (1997)



Industrial production (the output of mines, utilities and factories) decreased 0.3% as the drop in the mining, oil and gas extraction sector and the contraction in manufacturing industries overshadowed the 2.8% jump in the output of utilities. Electricity generation advanced 3.7% boosted by

the start of a heat wave in Central Canada that lasted for much of the summer. In the United States, the index of industrial production increased 0.8% with all three sectors (mining, utilities, and manufacturing) showing growth.

### Main industrial sectors' contribution to total growth: June 2005



\* Education, health and public administration.

#### Note to readers

The monthly gross domestic product (GDP) by industry data are expressed in chained dollars with 1997 as reference year. This means that the estimates for each industry and aggregate are obtained from a chained volume index multiplied by the industry's value added in 1997. For the period 1997 to 2001, the monthly estimates are benchmarked to annually chained Fisher volume indexes of real GDP obtained from the input-output tables. For the period starting with January 2002, the estimates are derived by chaining a Laspeyres volume index at 2001 prices to the prior period. This makes the monthly GDP by industry estimates more comparable with the expenditure-based GDP data, chained quarterly. For more information, see the *Chain Fisher Volume Index* page on our Web site.

#### Conversion to NAICS 2002

With the September 2005 release (July reference month), the monthly GDP by industry program will convert to the 2002 North American Industrial Classification System (NAICS) from NAICS 1997. We are also planning to change the industry detail published. The goal is to reduce the number of industries whose contribution to total economic activity is less relevant, and to increase the detail provided for those that have become more important, such as some of the service industries. With these changes, the monthly GDP program will better reflect the current structure of the Canadian economy. More detailed information on these planned changes will appear soon.

### Rain curtails oil and gas exploration

Output of the mining, oil and gas extraction sector dropped 2.0% as a rainy June in the Prairies sharply curtailed oil and gas exploration (-12%) from its surge in May (+15%). March and April also saw reduced activity due to unfavourable weather. Despite this latest setback, the level of oil and gas exploration remains near those recorded in the first half of 2004 and early indications point toward a return to the high levels seen in the later part of 2004.

Oil and gas extraction decreased further in June (-0.4%) as a complete recovery from the production difficulties experienced earlier in the year in the tar sands area is not expected until this Fall according to industry sources. Mining excluding oil and gas extraction retreated by 3.0% as a drop in output of non-metallic minerals (which include diamonds and potash) erased a 4.5% gain in metal ore mines.

### Wholesale and retail trade continue to advance

Wholesale trade activity increased 0.9% in June pushed by the demand for computers and other electronic equipment and for personal and household products. Wholesalers of motor vehicles and wholesalers of other products (such as chemicals, fertilizers) however recorded the largest decreases in activity.

New motor vehicle dealers enjoyed a month of brisk sales kindled by special incentive programs, pushing the output of the retail trade sector to a 1.0% gain. These special incentive programs continued into the summer and preliminary figures indicate that unit sales of new motor vehicles increased by approximately 7% in July, a rate similar to that in June. Retailing activity excluding new motor vehicle dealers edged up 0.2% with the largest gain recorded in home electronics and appliances stores.

### Construction activity reaches new heights

Construction activity pushed ahead 0.5% in June. Much of the strength was in residential construction (+1.0%) which reached a new height after easing back in the first three months of the year. Housing starts rebounded after declining in May with much of the growth attributable to an increase in multi-units residential buildings in urban areas. Housing starts in urban areas increased in Quebec and Ontario but decreased in other regions.

Non-residential building construction advanced 0.5% with increasing activity on commercial and industrial buildings, but institutional building construction edged down.

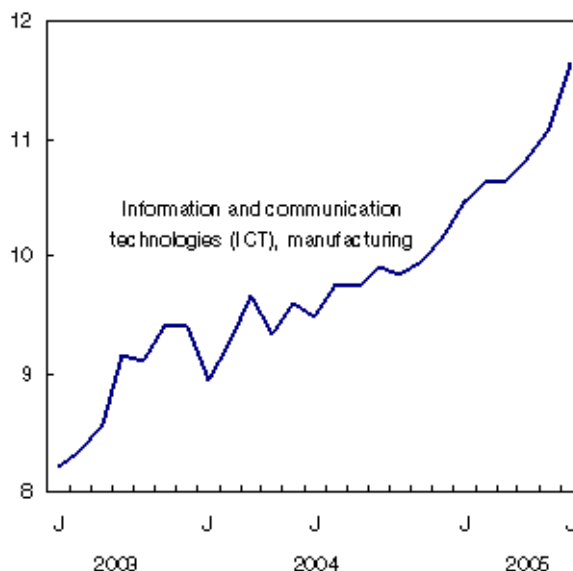
### Renewed vigour in the manufacturing of ICT products

Manufacturing output declined 0.2% in June, with 15 of the 21 major groups, accounting for 73% of this sector's output, recording decreases. The largest gainers were manufacturers of machinery (+3.2%) and of computers and

electronic equipment (+5.7%). Manufacturers of information and communication technology (ICT) products have found a new vigour as their output increased by 3.7% since the beginning of the year.

### Renewed vigour in ICT manufacturing

GDP billions of chained \$ (1997)



Those gains were cancelled however by widespread decreases in the manufacturing of chemical products (-3.5%), transportation equipment (-0.5%), particularly cars and light motor vehicles, food products (-0.8%), and non-metallic mineral products (-2.3%).

### Other sectors

The financial sector benefited from the increased demand for housing and the higher volumes of transactions on the Canadian stock exchanges. Credit intermediation, such as banking, advanced 0.6%, while activity of security and commodity brokers increased 1.4%. Real estate agents and brokers gained 1.3% due to the continuing vigour in sales of existing homes.

### Industry profile, second quarter 2005

Economic activity pushed ahead 0.7% in the second quarter of 2005 on the strength of services producing industries (+0.9%), particularly wholesale and retail trade, finance and insurance, real estate, and the public sector (health, education and public administration). Goods producing industries advanced 0.2% despite reduced manufacturing output. The quarter ended on a weak note, the Canadian economy edging up 0.2% in June pulled down by the mining, oil and gas exploration and manufacturing sectors after increasing 0.3% in May and 0.4% in April.

Wholesale trade increased 2.3% pushed by rising sales of machinery and electronic equipment, motor vehicles, personal and household products, and other products such as chemicals and potash. Retailing activity rose 1.1% in the second quarter, half the pace of the first quarter. Much of this growth was due to rising sales of new and used motor vehicles. Excluding new and used motor vehicles, retail trade increased by 0.7%. Home centres and hardware stores as well as home electronics and appliance stores also contributed to the second quarter gain.

Output of the finance and insurance, and of the real estate sectors both advanced 0.9%. Credit intermediation, such as banking, and related activities climbed 1.1%. Real estate agents and brokers gained 4.4% due to the strength of the home resale market. Security and commodity brokers (+1.2%) benefited from an increase in transactions on the Canadian stock exchanges.

The public sector (education services, health and social assistance, and public administration) gained 0.8% in the second quarter of 2005.

Industrial production (the output of factories, mines and utilities) edged up 0.1%. The growth in mining, oil and gas extraction (+1.4%) and in utilities (+0.9%) was offset by lower output of manufacturers (-0.4%). In the United States, the index of industrial production increased by 0.3% with gains in all three sectors: manufacturing, mining and utilities.

Manufacturing output eased back 0.4% led by decreases in the production of motor vehicles (-5.0%) and parts (-2.1%). There were widespread declines in petroleum-related industries, such as chemical products (-2.4%), plastic products (-1.7%) and petroleum and coal products (-3.0%). Crude petroleum prices on international markets increased 8.1% in the second quarter.

Only 10 of the 21 major manufacturing groups advanced, accounting for 46% of the sector's value added. The largest gain was recorded by manufacturers of information and communication technology products (+5.8%), almost the same pace set in the first quarter. Primary production of aluminium increased 10% with the resumption of output following strike activities that affected this industry in the second half of 2004.

Mining, oil and gas extraction grew by 1.4% after three consecutive quarterly declines. Oil and gas extraction rose 0.8% due to a partial recovery over various production difficulties that hampered this sector earlier in the year. Strike activities reduced the output of iron mines by 29% in the second quarter. This drop was more than offset by increased output in non-metallic mineral mines (+12%) (which include diamonds and potash).

Construction activity increased 0.8% in the second quarter. Residential construction bounced back 0.9% led by increases in new apartment units, while the erection of single detached dwellings edged down. Non-residential building construction activity increased by 1.3%, a pace similar to that in the first quarter. There was strength in the construction of industrial and commercial structures, while institutional structures receded.



**Real Gross domestic product by industry, at basic prices, monthly<sup>1</sup>**

	January 2005	February 2005	March 2005	April 2005	May 2005	June 2005	June 2004 to June 2005
Seasonally adjusted at annual rates, millions chained (1997) dollars							%
<b>All industries</b>	<b>1,062,316</b> <i>0.3</i>	<b>1,064,181</b> <i>0.2</i>	<b>1,062,979</b> <i>-0.1</i>	<b>1,067,231</b> <i>0.4</i>	<b>1,070,767</b> <i>0.3</i>	<b>1,073,306</b> <i>0.2</i>	<b>2.6</b>
<b>Goods producing industries</b>	<b>333,819</b> <i>0.2</i>	<b>332,778</b> <i>-0.3</i>	<b>330,920</b> <i>-0.6</i>	<b>332,038</b> <i>0.3</i>	<b>334,043</b> <i>0.6</i>	<b>333,787</b> <i>-0.1</i>	<b>1.4</b>
Agriculture, forestry, fishing and hunting	23,924 <i>-0.9</i>	24,533 <i>2.5</i>	24,562 <i>0.1</i>	24,467 <i>-0.4</i>	24,334 <i>-0.5</i>	24,512 <i>0.7</i>	3.3
Mining and oil and gas extraction	37,393 <i>-0.2</i>	36,943 <i>-1.2</i>	36,573 <i>-1.0</i>	37,282 <i>1.9</i>	37,942 <i>1.8</i>	37,199 <i>-2.0</i>	-2.8
Utilities	26,639 <i>-0.8</i>	26,423 <i>-0.8</i>	26,796 <i>1.4</i>	26,355 <i>-1.6</i>	26,721 <i>1.4</i>	27,469 <i>2.8</i>	8.1
Construction	60,156 <i>0.4</i>	60,210 <i>0.1</i>	60,175 <i>-0.1</i>	60,398 <i>0.4</i>	60,606 <i>0.3</i>	60,906 <i>0.5</i>	5.0
Manufacturing	185,867 <i>0.6</i>	185,051 <i>-0.4</i>	183,252 <i>-1.0</i>	183,665 <i>0.2</i>	184,286 <i>0.3</i>	183,917 <i>-0.2</i>	0.3
<b>Services producing industries</b>	<b>729,644</b> <i>0.3</i>	<b>732,663</b> <i>0.4</i>	<b>733,426</b> <i>0.1</i>	<b>736,580</b> <i>0.4</i>	<b>738,050</b> <i>0.2</i>	<b>740,925</b> <i>0.4</i>	<b>3.2</b>
Wholesale trade	68,178 <i>-0.2</i>	69,078 <i>1.3</i>	69,490 <i>0.6</i>	70,056 <i>0.8</i>	70,415 <i>0.5</i>	71,082 <i>0.9</i>	8.0
Retail trade	61,193 <i>2.4</i>	61,938 <i>1.2</i>	61,750 <i>-0.3</i>	62,536 <i>1.3</i>	61,850 <i>-1.1</i>	62,456 <i>1.0</i>	5.7
Transportation and warehousing	51,301 <i>0.9</i>	51,162 <i>-0.3</i>	51,095 <i>-0.1</i>	51,133 <i>0.1</i>	51,389 <i>0.5</i>	51,467 <i>0.2</i>	1.8
Information and cultural industries	43,903 <i>0.1</i>	44,017 <i>0.3</i>	44,137 <i>0.3</i>	44,271 <i>0.3</i>	44,509 <i>0.5</i>	44,586 <i>0.2</i>	3.7
Finance, insurance and real estate	213,866 <i>0.2</i>	214,559 <i>0.3</i>	215,068 <i>0.2</i>	215,599 <i>0.2</i>	216,391 <i>0.4</i>	217,134 <i>0.3</i>	3.5
Professional, scientific and technical services	46,563 <i>0.1</i>	46,667 <i>0.2</i>	46,769 <i>0.2</i>	46,802 <i>0.1</i>	47,031 <i>0.5</i>	46,987 <i>-0.1</i>	1.3
Administrative and waste management services	22,210 <i>-0.1</i>	22,311 <i>0.5</i>	22,413 <i>0.5</i>	22,537 <i>0.6</i>	22,606 <i>0.3</i>	22,677 <i>0.3</i>	3.1
Educational services	46,112 <i>0.2</i>	46,167 <i>0.1</i>	45,641 <i>-1.1</i>	46,389 <i>1.6</i>	46,525 <i>0.3</i>	46,756 <i>0.5</i>	2.8
Health care and social assistance	62,767 <i>-0.2</i>	62,888 <i>0.2</i>	63,054 <i>0.3</i>	63,130 <i>0.1</i>	63,179 <i>0.1</i>	63,474 <i>0.5</i>	1.1
Arts, entertainment and recreation	9,313 <i>-1.8</i>	9,455 <i>1.5</i>	9,403 <i>-0.5</i>	9,321 <i>-0.9</i>	9,289 <i>-0.3</i>	9,256 <i>-0.4</i>	-1.8
Accommodation and food services	23,619 <i>-0.0</i>	23,725 <i>0.4</i>	23,687 <i>-0.2</i>	23,717 <i>0.1</i>	23,752 <i>0.1</i>	23,828 <i>0.3</i>	1.9
Other services (except public administration)	24,706 <i>-0.2</i>	24,807 <i>0.4</i>	24,859 <i>0.2</i>	24,895 <i>0.1</i>	24,870 <i>-0.1</i>	24,886 <i>0.1</i>	1.2
Public administration	57,687 <i>0.1</i>	57,742 <i>0.1</i>	57,962 <i>0.4</i>	58,121 <i>0.3</i>	58,205 <i>0.1</i>	58,341 <i>0.2</i>	1.9
<b>Other aggregations</b>							
Industrial production	250,176 <i>0.3</i>	248,562 <i>-0.6</i>	246,753 <i>-0.7</i>	247,729 <i>0.4</i>	249,620 <i>0.8</i>	248,939 <i>-0.3</i>	0.4
Non-durable manufacturing industries	74,184 <i>-0.6</i>	73,831 <i>-0.5</i>	73,703 <i>-0.2</i>	73,376 <i>-0.4</i>	73,738 <i>0.5</i>	72,919 <i>-1.1</i>	-3.2
Durable manufacturing industries	111,616 <i>1.4</i>	111,154 <i>-0.4</i>	109,454 <i>-1.5</i>	110,220 <i>0.7</i>	110,470 <i>0.2</i>	110,955 <i>0.4</i>	2.9
Business sector industries	903,973 <i>0.3</i>	905,600 <i>0.2</i>	904,617 <i>-0.1</i>	907,921 <i>0.4</i>	911,207 <i>0.4</i>	913,260 <i>0.2</i>	2.7
Non-business sector industries	158,581 <i>0.0</i>	158,818 <i>0.1</i>	158,601 <i>-0.1</i>	159,544 <i>0.6</i>	159,799 <i>0.2</i>	160,285 <i>0.3</i>	1.8
ICT sector, total	63,742 <i>0.9</i>	63,888 <i>0.2</i>	64,343 <i>0.7</i>	64,589 <i>0.4</i>	65,196 <i>0.9</i>	65,553 <i>0.5</i>	6.7

<sup>1</sup> 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 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Seasonally adjusted at annual rates, millions chained (1997) dollars								
<b>Goods producing industries</b>	<b>322,736</b> <i>0.6</i>	<b>327,377</b> <i>1.4</i>	<b>331,595</b> <i>1.3</i>	<b>332,153</b> <i>0.2</i>	<b>332,506</b> <i>0.1</i>	<b>333,289</b> <i>0.2</i>	<b>317,208</b> <i>1.7</i>	<b>328,465</b> <i>3.5</i>
Agriculture, forestry, fishing and hunting	23,444 <i>1.9</i>	23,595 <i>0.6</i>	24,180 <i>2.5</i>	24,249 <i>0.3</i>	24,340 <i>0.4</i>	24,438 <i>0.4</i>	22,842 <i>7.6</i>	23,867 <i>4.5</i>
Mining and oil and gas extraction	37,680 <i>0.0</i>	38,163 <i>1.3</i>	37,968 <i>-0.5</i>	37,640 <i>-0.9</i>	36,970 <i>-1.8</i>	37,474 <i>1.4</i>	36,797 <i>3.9</i>	37,863 <i>2.9</i>
Utilities	25,619 <i>0.8</i>	25,501 <i>-0.5</i>	25,949 <i>1.8</i>	26,500 <i>2.1</i>	26,619 <i>0.5</i>	26,848 <i>0.9</i>	25,818 <i>-2.3</i>	25,892 <i>0.3</i>
Construction	58,168 <i>1.1</i>	58,319 <i>0.3</i>	58,815 <i>0.8</i>	59,503 <i>1.2</i>	60,180 <i>1.1</i>	60,637 <i>0.8</i>	56,273 <i>4.4</i>	58,701 <i>4.3</i>
Manufacturing	177,071 <i>0.3</i>	181,108 <i>2.3</i>	184,391 <i>1.8</i>	184,164 <i>-0.1</i>	184,723 <i>0.3</i>	183,956 <i>-0.4</i>	174,820 <i>0.1</i>	181,684 <i>3.9</i>
<b>Services producing industries</b>	<b>709,228</b> <i>0.7</i>	<b>715,757</b> <i>0.9</i>	<b>721,138</b> <i>0.8</i>	<b>725,709</b> <i>0.6</i>	<b>731,911</b> <i>0.9</i>	<b>738,518</b> <i>0.9</i>	<b>697,886</b> <i>2.5</i>	<b>717,958</b> <i>2.9</i>
Wholesale trade	63,792 <i>-0.5</i>	65,349 <i>2.4</i>	66,649 <i>2.0</i>	67,585 <i>1.4</i>	68,915 <i>2.0</i>	70,518 <i>2.3</i>	61,941 <i>5.6</i>	65,844 <i>6.3</i>
Retail trade	58,581 <i>2.0</i>	58,897 <i>0.5</i>	59,796 <i>1.5</i>	60,323 <i>0.9</i>	61,627 <i>2.2</i>	62,281 <i>1.1</i>	57,126 <i>2.8</i>	59,399 <i>4.0</i>
Transportation and warehousing	49,072 <i>0.8</i>	50,274 <i>2.4</i>	50,383 <i>0.2</i>	50,785 <i>0.8</i>	51,186 <i>0.8</i>	51,330 <i>0.3</i>	47,954 <i>0.3</i>	50,129 <i>4.5</i>
Information and cultural industries	42,284 <i>0.8</i>	42,916 <i>1.5</i>	43,154 <i>0.6</i>	43,610 <i>1.1</i>	44,019 <i>0.9</i>	44,455 <i>1.0</i>	42,354 <i>2.3</i>	42,991 <i>1.5</i>
Finance, insurance and real estate	207,470 <i>1.1</i>	209,751 <i>1.1</i>	210,914 <i>0.6</i>	212,717 <i>0.9</i>	214,498 <i>0.8</i>	216,375 <i>0.9</i>	203,060 <i>2.2</i>	210,213 <i>3.5</i>
Professional, scientific and technical services	45,945 <i>0.9</i>	46,359 <i>0.9</i>	46,373 <i>0.0</i>	46,528 <i>0.3</i>	46,666 <i>0.3</i>	46,940 <i>0.6</i>	45,391 <i>3.1</i>	46,301 <i>2.0</i>
Administrative and waste management services	21,807 <i>0.7</i>	21,988 <i>0.8</i>	22,025 <i>0.2</i>	22,157 <i>0.6</i>	22,311 <i>0.7</i>	22,607 <i>1.3</i>	21,531 <i>3.9</i>	21,994 <i>2.2</i>
Educational services	44,689 <i>-0.3</i>	45,081 <i>0.9</i>	45,179 <i>0.2</i>	45,707 <i>1.2</i>	45,973 <i>0.6</i>	46,557 <i>1.3</i>	44,854 <i>0.6</i>	45,164 <i>0.7</i>
Health care and social assistance	62,489 <i>0.3</i>	62,130 <i>-0.6</i>	63,042 <i>1.5</i>	62,885 <i>-0.2</i>	62,903 <i>0.0</i>	63,261 <i>0.6</i>	61,755 <i>3.9</i>	62,636 <i>1.4</i>
Arts, entertainment and recreation	9,618 <i>0.7</i>	9,558 <i>-0.6</i>	9,667 <i>1.1</i>	9,377 <i>-3.0</i>	9,390 <i>0.1</i>	9,289 <i>-1.1</i>	9,508 <i>3.8</i>	9,555 <i>0.5</i>
Accommodation and food services	23,266 <i>-0.2</i>	23,257 <i>-0.0</i>	23,408 <i>0.6</i>	23,581 <i>0.7</i>	23,677 <i>0.4</i>	23,766 <i>0.4</i>	22,909 <i>-1.7</i>	23,378 <i>2.0</i>
Other services (except public administration)	24,413 <i>0.2</i>	24,529 <i>0.5</i>	24,559 <i>0.1</i>	24,725 <i>0.7</i>	24,791 <i>0.3</i>	24,884 <i>0.4</i>	24,184 <i>1.8</i>	24,556 <i>1.5</i>
Public administration	57,042 <i>0.3</i>	57,131 <i>0.2</i>	57,523 <i>0.7</i>	57,403 <i>-0.2</i>	57,797 <i>0.7</i>	58,222 <i>0.7</i>	56,438 <i>2.9</i>	57,275 <i>1.5</i>
<b>Other aggregations</b>								
Industrial production	241,580 <i>0.3</i>	245,842 <i>1.8</i>	248,988 <i>1.3</i>	248,848 <i>-0.1</i>	248,497 <i>-0.1</i>	248,763 <i>0.1</i>	238,435 <i>0.7</i>	246,314 <i>3.3</i>
Non-durable manufacturing industries	73,212 <i>0.4</i>	74,183 <i>1.3</i>	74,933 <i>1.0</i>	74,458 <i>-0.6</i>	73,906 <i>-0.7</i>	73,344 <i>-0.8</i>	72,913 <i>-0.0</i>	74,196 <i>1.8</i>
Durable manufacturing industries	103,661 <i>0.3</i>	106,761 <i>3.0</i>	109,321 <i>2.4</i>	109,589 <i>0.2</i>	110,741 <i>1.1</i>	110,548 <i>-0.2</i>	101,679 <i>0.2</i>	107,333 <i>5.6</i>
Business sector industries	874,441 <i>0.7</i>	885,791 <i>1.3</i>	894,163 <i>0.9</i>	898,920 <i>0.5</i>	904,730 <i>0.6</i>	910,796 <i>0.7</i>	858,512 <i>2.2</i>	888,329 <i>3.5</i>
Non-business sector industries	156,519 <i>0.1</i>	156,439 <i>-0.1</i>	157,743 <i>0.8</i>	158,040 <i>0.2</i>	158,667 <i>0.4</i>	159,876 <i>0.8</i>	155,550 <i>2.2</i>	157,185 <i>1.1</i>
ICT sector, total	60,472 <i>2.8</i>	61,276 <i>1.3</i>	62,150 <i>1.4</i>	62,785 <i>1.0</i>	63,991 <i>1.9</i>	65,113 <i>1.8</i>	57,076 <i>3.8</i>	61,671 <i>8.0</i>

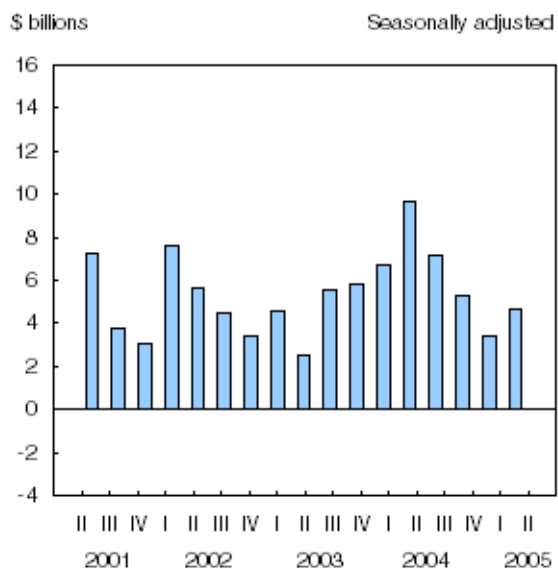
1 The first line is the series itself expressed in millions of dollars, seasonally adjusted at annual rates. The second line, italicized, is the period to period percentage change at quarterly rates.

## Balance of international payments

Second quarter 2005

Canada's current account surplus with the rest of the world, on a seasonally adjusted basis, increased \$1.3 billion in the second quarter of 2005 to \$4.7 billion. This increase followed three consecutive declines in the current account surplus. Higher exports of goods were the main contributor to this increase.

### Current account rebounds after three declines



In the capital and financial account (not seasonally adjusted), Canada's assets abroad again grew more than its international liabilities. Growth in foreign assets came predominantly from portfolio investment in foreign debt securities and stocks. Canadian liabilities to the rest of the world continued to grow despite a halt to the strong foreign portfolio investment observed over the past six quarters.

### Current account

#### Goods surplus rebounds

The surplus on trade in goods rose \$1.3 billion to \$14.1 billion in the second quarter as the value of exports increased more than imports. The surplus on goods had declined in each of the previous three quarters.

The largest gain in exports occurred in energy products which reached the highest value since the first quarter of 2001. Higher prices for most of these products were again the dominant factor. An increase in demand for coal products also contributed to the higher exports values for energy products.

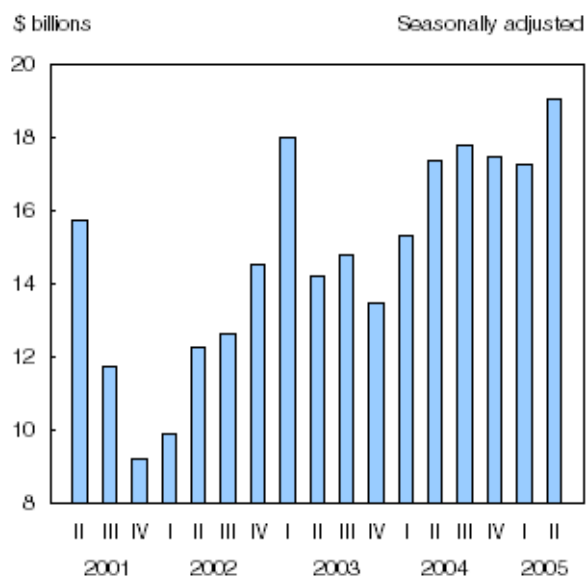
#### Note to readers

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.

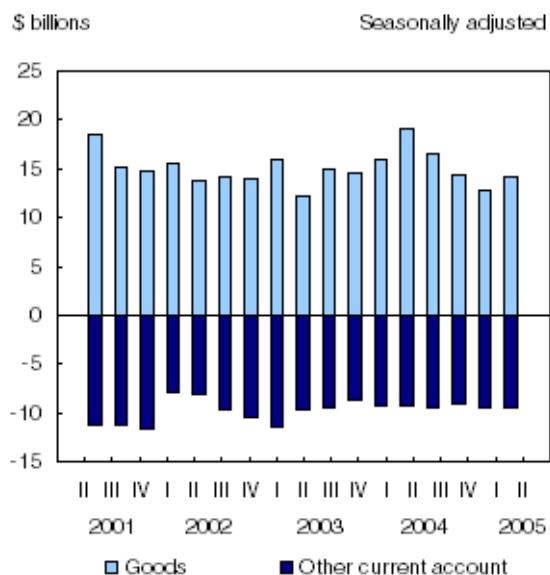
**Value of energy exports at a four-year high**

For a second consecutive quarter, exports of machinery and equipment increased substantially. Television, telecommunication and related equipment reached its highest level in 4 years but remains at only half of the peak level at the end of 2000.

On the other hand, export values of automotive products continued to decline, notably for the passenger autos and chassis which were at the lowest level since the second quarter of 1998.

Most of the large increase for machinery and equipment imports came from aircraft, engines and parts, which were at the highest level since 2002, and from other communication and related equipment.

Prices were also responsible for most of the eighth consecutive increase in the value of imports for energy products. As with exports, higher demand for coal and other related products also contributed to the higher energy import values.

**Goods surplus leads the way****Services deficit increased slightly again**

As in the previous two quarters, the deficit on services increased slightly, up \$0.2 billion, this time led by higher deficits for travel and commercial services. For these two services categories, payments rose faster than receipts.

Canadians continued to increase their travel spending in countries other than United States. The number of Canadians visiting such countries has risen by 12% in the last year. More tourists from countries other than the US visited Canada in the quarter, resulting in higher receipts while there were virtually no changes in cross-border travel between Canada and United States.

**Deficit on investment income up slightly**

The deficit on investment income increased \$0.2 billion to \$6.0 billion. The deficit has remained around this level over the last two years. Both receipts and payments increased in the second quarter.

Dividends paid to foreign investors on their direct investment in Canada rebounded partially after the large reduction of the first quarter. Most of the gain was in the chemical products sector. However, foreign direct investors saw the reinvested earnings of their Canadian holdings fall during the quarter.

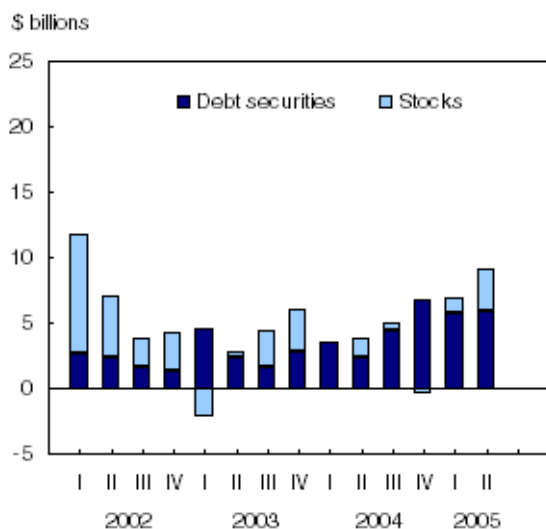
For the third consecutive quarter, payments on portfolio interest on Canadian bonds remained unchanged at \$5.9 billion.

## Financial account

### Strong Canadian demand continues for foreign securities

Over the second quarter, Canadians purchased \$9.1 billion in foreign securities, the highest quarterly amount in over three years. Thus far in 2005, Canadian investors have bought \$16.0 billion worth of foreign securities, compared to less than half that over the same period last year. It should be noted that foreign content limits for tax-deferred Canadian investment vehicles were eliminated late in the quarter.

### Three-year high for Canadian portfolio assets abroad



1. Reverse of Balance of Payments signs.

About two-thirds of the investment went to foreign debt securities with the remainder going to foreign stocks. The investment of \$3.3 billion into foreign equities was the largest since the second quarter of 2002. The current quarter's investment was centred on US shares as Canadian investors sold some of their holdings of overseas shares.

Turning to foreign debt securities, strong Canadian demand for foreign bonds continued for a third straight quarter. A further acquisition of \$4.8 billion worth brought the total investment over the three quarters to \$16.9 billion. The second quarter saw almost 90% go to US bonds, with US government treasuries the security of choice. After two quarters of lower investments, demand for foreign money market instruments jumped to \$1.1 billion. This investment saw a move to overseas paper as Canadian investors sold some of their holdings of US paper.

### Direct investment abroad again moderate

Canadian direct investment abroad was again moderate at \$7.7 billion. The investment for the quarter came largely from increases in working capital as acquisitions were negative. That is, Canadian investors sold some of their holdings abroad. Investment in the financial sector once again led the quarter. While most of the investment went to the United States, the negative acquisitions led to a significant divestment from continental Europe.

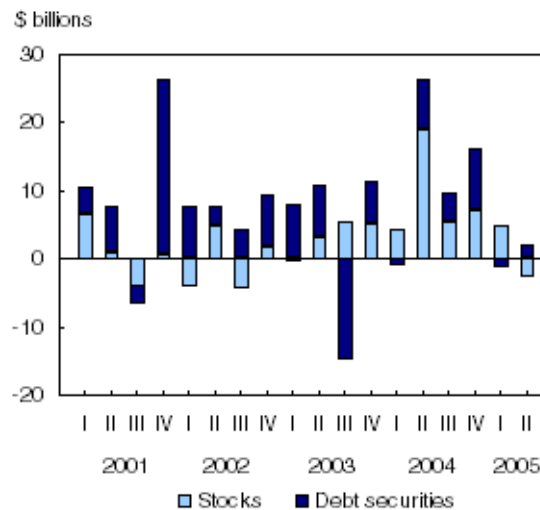
### Foreign direct investment in Canada subdued after big first quarter

Foreign direct investment came in at \$4.8 billion during the second quarter, about half that of the first. Again this quarter net acquisitions accounted for about half of the investment following two years which saw foreign investors sell some of their holdings back to Canadian residents causing net acquisitions to be negative. For the quarter, about four-fifths of the investment came from Europe and the United States while industrially it was well spread, led by investment in energy and metallic minerals.

### Foreign holdings of Canadian securities unchanged

Foreign investors bought \$2.2 billion worth of Canadian debt securities but sold slightly more in Canadian equities leaving their overall holdings little changed for the quarter. This followed a series of robust investments in Canadian securities beginning in the fourth quarter of 2003 that totalled \$70 billion.

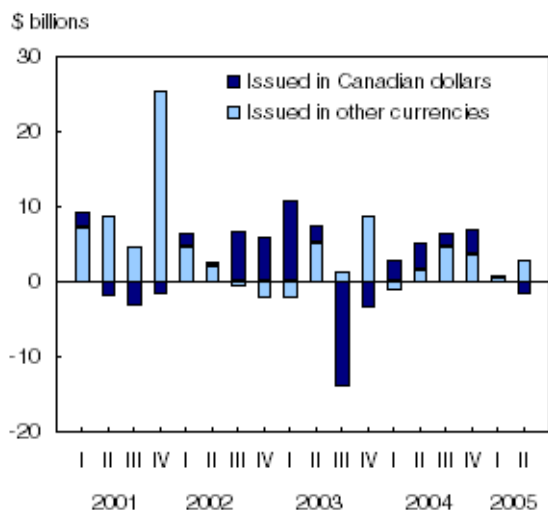
### Strong portfolio investment in Canadian securities ends



During the quarter, foreign investors reduced their holdings of Canadian equities by \$2.5 billion – the first quarterly divestment since the opening quarter of 2003. The entire divestment occurred in trading of outstanding issues with reduced foreign holdings in equities across a broad range of industrial sectors.

Foreign investors acquired just \$1.2 billion in Canadian bonds in the second quarter, a lower amount for a second straight quarter. Viewed from a currency perspective, non-residents bought Canadian bonds denominated in foreign currencies (\$2.9 billion) but sold bonds denominated in Canadian dollars (\$1.7 billion). This was a switch from the previous five quarters where they acquired almost \$12 billion of bonds in Canadian dollars.

#### Foreign investment in Canadian bonds mixed



Over the year thus far, foreign investors have acquired only \$1.9 billion in Canadian bonds, compared to \$16.1 billion and \$6.7 billion purchased over the same period in 2003 and 2004 respectively. The composition of these holdings continues to shift away from federal government bonds which have declined by \$4.7 billion since the beginning of the year. Meanwhile foreign investors continue to purchase bonds issued by other sectors of the Canadian economy. Over the same period of time, long-term interest rates in Canada have dipped below those in the United States for the first time in over four years while the Canadian dollar fell by 1.59 US cents.

Foreign investors increased their overall holdings of Canadian money market paper over the second quarter of 2005 with a \$1.0 billion purchase, partially offsetting first quarter sales of \$1.9 billion. Investment over the second quarter was largely in federal enterprise paper with the bulk of it by European investors.

#### Loans lead inflow on other investment

A net inflow of \$4 billion was recorded in the other investment account, led by loan transactions. Non-residents repaid some of their loans held in Canada, while Canadian residents took on additional liabilities in non-resident loans. Transactions in deposits were large but mostly offsetting as the deposit assets of Canadians grew slightly faster than Canadian deposit liabilities to non-residents.

The Canadian dollar continued its slide against the US dollar over the second quarter, losing more than a cent to close at 81.61 US cents. However, for the second straight quarter, the Canadian dollar did well against other major currencies, particularly the Swiss franc, the Euro and the Pound.

**Balance of payments**

	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Not seasonally adjusted, millions of dollars								
<b>Current account</b>								
<b>Receipts</b>								
Goods and services	115,395	129,792	125,875	119,889	119,982	130,463	459,697	490,950
Goods	101,679	114,377	107,439	105,639	105,619	114,438	400,175	429,134
Services	13,716	15,415	18,436	14,250	14,363	16,024	59,522	61,816
Investment income	8,469	10,004	9,841	10,072	9,483	9,895	29,999	38,385
Direct investment	4,549	5,716	5,429	5,629	4,912	5,145	13,733	21,324
Portfolio investment	2,232	2,388	2,426	2,655	2,695	2,774	9,414	9,701
Other investment	1,688	1,900	1,985	1,788	1,877	1,976	6,853	7,361
Current transfers	1,998	1,683	1,644	1,946	2,010	1,706	6,614	7,272
Current account receipts	125,862	141,479	137,360	131,907	131,476	142,063	496,310	536,607
<b>Payments</b>								
Goods and services	103,804	114,596	110,101	109,065	111,547	120,552	413,523	437,566
Goods	84,764	95,853	91,319	91,140	91,906	101,042	342,608	363,076
Services	19,040	18,743	18,782	17,925	19,641	19,510	70,915	74,490
Investment income	15,083	16,274	16,136	15,827	15,807	15,823	57,991	63,321
Direct investment	6,220	7,697	7,484	7,155	6,851	7,210	22,387	28,556
Portfolio investment	6,938	7,017	6,999	6,795	6,822	6,855	28,980	27,749
Other investment	1,925	1,560	1,653	1,877	2,134	1,758	6,625	7,016
Current transfers	2,179	1,442	1,538	1,786	2,970	1,517	6,398	6,944
Current account payments	121,066	132,312	127,774	126,679	130,323	137,891	477,913	507,830
<b>Balances</b>								
Goods and services	11,591	15,196	15,774	10,823	8,436	9,911	46,174	53,384
Goods	16,915	18,524	16,120	14,499	13,714	13,397	57,567	66,058
Services	-5,324	-3,328	-346	-3,676	-5,278	-3,486	-11,393	-12,674
Investment income	-6,614	-6,271	-6,295	-5,756	-6,323	-5,928	-27,992	-24,935
Direct investment	-1,671	-1,981	-2,055	-1,526	-1,939	-2,065	-8,654	-7,232
Portfolio investment	-4,705	-4,629	-4,572	-4,141	-4,127	-4,081	-19,566	-18,048
Other investment	-237	340	332	-89	-257	218	228	345
Current transfers	-181	242	107	160	-960	189	215	328
Current account balance	4,797	9,167	9,585	5,228	1,153	4,172	18,397	28,777
<b>Capital and financial account<sup>[1]</sup></b>								
<b>Capital account</b>	<b>933</b>	<b>1,209</b>	<b>1,118</b>	<b>1,148</b>	<b>1,333</b>	<b>1,318</b>	<b>3,977</b>	<b>4,407</b>
<b>Financial account</b>	<b>-6,756</b>	<b>-7,560</b>	<b>-5,024</b>	<b>-7,571</b>	<b>-10,443</b>	<b>-8,283</b>	<b>-20,108</b>	<b>-26,912</b>
<b>Canadian assets, net flows</b>								
Canadian direct investment abroad	-7,173	-28,228	-14,216	-12,120	-9,932	-7,658	-30,058	-61,737
Portfolio investment	-3,348	-3,780	-5,046	-6,349	-6,881	-9,137	-15,720	-18,523
Foreign bonds	-2,612	-3,057	-3,030	-6,563	-5,565	-4,769	-7,974	-15,262
Foreign stocks	163	-1,498	-644	387	-1,112	-3,291	-4,438	-1,592
Foreign money market	-899	776	-1,372	-174	-204	-1,077	-3,308	-1,669
Other investment	2,729	-14,073	5,082	2,744	-15,252	-4,269	-20,395	-3,518
Loans	-611	-1,886	911	4,935	-694	3,488	7,586	3,349
Deposits	725	-7,432	7,147	-7,938	-8,747	-5,926	-22,646	-7,497
Official international reserves	-236	243	-517	3,937	-3,437	585	4,693	3,427
Other assets	2,850	-4,998	-2,459	1,810	-2,374	-2,416	-10,028	-2,797
Total Canadian assets, net flows	-7,792	-46,080	-14,179	-15,726	-32,065	-21,064	-66,173	-83,778
<b>Canadian liabilities, net flows</b>								
Foreign direct investment in Canada	7,221	-5,649	8,408	-1,793	9,381	4,841	8,896	8,187
Portfolio investment	3,374	26,348	9,726	16,023	3,560	-300	20,322	55,471
Canadian bonds	1,635	5,054	6,373	7,001	720	1,186	8,293	20,063
Canadian stocks	4,351	18,914	5,450	7,123	4,778	-2,463	13,491	35,838
Canadian money market	-2,612	2,380	-2,097	1,900	-1,939	978	-1,461	-430
Other investment	-9,559	17,821	-8,979	-6,076	8,682	8,240	16,846	-6,792
Loans	1,198	4,024	-6,876	-1,414	7,528	2,925	1,422	-3,067
Deposits	-10,519	14,714	-1,095	-3,654	-1,236	5,187	18,318	-554
Other liabilities	-238	-917	-1,008	-1,008	2,390	128	-2,894	-3,171
Total Canadian liabilities, net flows	1,036	38,520	9,155	8,154	21,622	12,781	46,064	56,865
<b>Total capital and financial account, net flows</b>	<b>-5,824</b>	<b>-6,351</b>	<b>-3,906</b>	<b>-6,424</b>	<b>-9,109</b>	<b>-6,966</b>	<b>-16,132</b>	<b>-22,505</b>
Statistical discrepancy	1,027	-2,816	-5,679	1,196	7,956	2,794	-2,265	-6,272

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 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Seasonally adjusted at quarterly rates, millions of dollars								
<b>Receipts</b>								
Goods and services	116,334	126,433	126,065	122,118	123,485	126,377	459,697	490,950
Goods	101,208	110,929	110,564	106,434	107,523	110,249	400,175	429,134
Services	15,127	15,504	15,501	15,684	15,962	16,127	59,522	61,816
Travel	3,999	4,172	4,210	4,329	4,218	4,234	14,776	16,709
Transportation	2,614	2,806	2,923	2,711	2,864	2,924	9,836	11,053
Commercial services	8,153	8,139	7,977	8,271	8,428	8,542	33,475	32,540
Government services	361	387	392	373	452	426	1,434	1,513
Investment income	8,771	9,874	9,786	9,954	9,681	9,766	29,999	38,385
Direct investment	4,815	5,639	5,456	5,414	5,076	5,089	13,733	21,324
Interest	118	153	160	149	121	162	339	581
Profits	4,697	5,486	5,295	5,265	4,955	4,926	13,394	20,743
Portfolio investment	2,234	2,337	2,403	2,727	2,689	2,721	9,414	9,701
Interest	499	585	603	673	858	910	2,108	2,359
Dividends	1,735	1,752	1,801	2,053	1,830	1,811	7,306	7,342
Other investment	1,722	1,899	1,927	1,813	1,916	1,956	6,853	7,361
Current transfers	1,787	1,842	1,847	1,796	1,805	1,874	6,614	7,272
Private	687	634	675	634	615	627	2,473	2,629
Official	1,100	1,209	1,172	1,161	1,190	1,248	4,141	4,642
<b>Total receipts</b>	<b>126,892</b>	<b>138,150</b>	<b>137,698</b>	<b>133,868</b>	<b>134,971</b>	<b>138,017</b>	<b>496,310</b>	<b>536,607</b>
<b>Payments</b>								
Goods and services	103,730	110,825	112,334	110,677	113,876	115,699	413,523	437,566
Goods	85,195	91,924	93,955	92,001	94,671	96,114	342,608	363,076
Services	18,535	18,901	18,380	18,675	19,206	19,585	70,915	74,490
Travel	5,183	5,356	5,085	5,216	5,624	5,713	18,805	20,839
Transportation	3,764	3,979	4,050	4,051	4,177	4,251	14,333	15,844
Commercial services	9,354	9,326	9,006	9,170	9,166	9,382	36,826	36,857
Government services	233	239	239	238	238	239	950	950
Investment income	14,864	15,897	16,527	16,034	15,537	15,799	57,991	63,321
Direct investment	6,268	7,155	7,711	7,422	6,869	7,004	22,387	28,556
Interest	559	565	569	565	566	570	1,898	2,259
Profits	5,708	6,590	7,141	6,858	6,303	6,434	20,489	26,297
Portfolio investment	6,935	7,013	7,002	6,799	6,807	6,860	28,980	27,749
Interest	6,161	6,232	6,209	6,014	5,972	6,070	25,850	24,616
Dividends	774	781	793	785	835	790	3,129	3,134
Other investment	1,661	1,729	1,814	1,812	1,861	1,935	6,625	7,016
Current transfers	1,615	1,775	1,669	1,884	2,191	1,853	6,398	6,944
Private	918	977	957	1,004	1,022	1,064	3,474	3,855
Official	698	798	713	880	1,169	789	2,925	3,089
<b>Total payments</b>	<b>120,209</b>	<b>128,497</b>	<b>130,530</b>	<b>128,594</b>	<b>131,604</b>	<b>133,351</b>	<b>477,913</b>	<b>507,830</b>
<b>Balances</b>								
Goods and services	12,604	15,608	13,731	11,441	9,609	10,678	46,174	53,384
Goods	16,012	19,005	16,609	14,432	12,853	14,135	57,567	66,058
Services	-3,408	-3,397	-2,879	-2,991	-3,243	-3,457	-11,393	-12,674
Travel	-1,184	-1,184	-875	-887	-1,407	-1,478	-4,029	-4,130
Transportation	-1,151	-1,173	-1,127	-1,340	-1,313	-1,326	-4,497	-4,791
Commercial services	-1,201	-1,188	-1,029	-899	-738	-840	-3,352	-4,317
Government services	128	148	153	135	214	187	484	563
Investment income	-6,093	-6,022	-6,741	-6,080	-5,856	-6,033	-27,992	-24,935
Direct investment	-1,453	-1,516	-2,255	-2,008	-1,793	-1,915	-8,654	-7,232
Interest	-441	-412	-409	-416	-444	-408	-1,559	-1,678
Profits	-1,012	-1,104	-1,846	-1,593	-1,348	-1,507	-7,095	-5,554
Portfolio investment	-4,701	-4,676	-4,599	-4,073	-4,118	-4,139	-19,566	-18,048
Interest	-5,663	-5,647	-5,607	-5,340	-5,114	-5,160	-23,743	-22,256
Dividends	962	971	1,008	1,268	995	1,021	4,177	4,208
Other investment	61	170	113	1	55	21	228	345
Current transfers	172	67	177	-88	-386	22	215	328
Private	-231	-343	-282	-370	-407	-437	-1,001	-1,226
Official	402	411	459	281	21	459	1,216	1,554
<b>Current account</b>	<b>6,683</b>	<b>9,653</b>	<b>7,168</b>	<b>5,274</b>	<b>3,367</b>	<b>4,666</b>	<b>18,397</b>	<b>28,777</b>



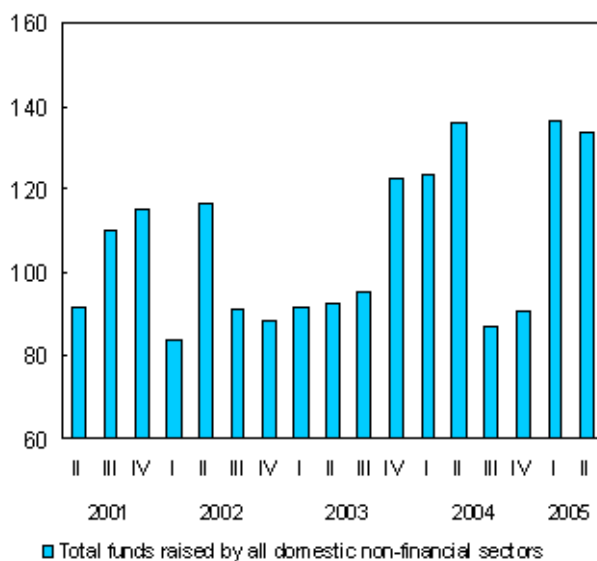
## Financial flows

Second quarter 2005

Overall demand for credit eased in the second quarter of 2005, with total funds raised by domestic non-financial sectors on credit markets amounting to \$133.7 billion (seasonally-adjusted at annual rates) down from \$136.3 billion in the previous quarter. This decline was in line with a significant drop in demand for funds by the public sector, which reflected a reduction in federal government liabilities.

### Total borrowing edged down

Billions of dollars, seasonally adjusted at annual rates



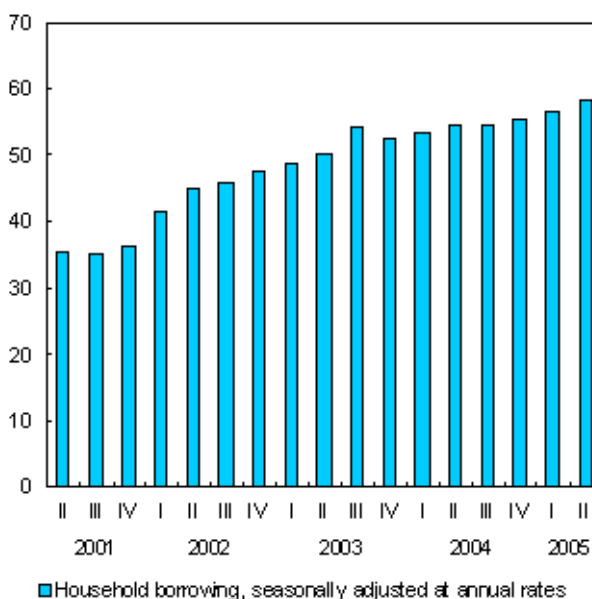
The second quarter in the financial markets was marked by an easing of monetary conditions, as well as lower mortgage rates. Although slightly abating since the end of the first quarter, the Canadian dollar still closed above the 80 cents mark. A stronger stock market performance resulting from higher metal and energy prices was also among the highlights of the quarter.

### Household demand for credit still on the rise

Growth in household mortgage demand was driven by a pick-up in residential construction and increased activity in the resale market, while encouraged by low interest rates. Consumer credit demand by households remained firm in line with personal expenditure in durable goods.

### Household borrowing continues to grow

Billions of dollars



The growth in mortgage and consumer credit debt continued to outpace the growth in personal disposable income rising to 107.8 percent, up from 107.1 percent in the first quarter. This rise was partly moderated by lower debt servicing charges resulting from lower mortgage rates. With households dis-saving (negative personal saving) for the second consecutive quarter and housing investment up, the personal sector deficit expanded further in the quarter.

#### Note to readers

The *Financial Flow Accounts* (FFA) measure net lending or borrowing by examining financial transactions in the economy by sector. The FFA arrive at a measure of net financial investment which is the difference between change in financial assets and liabilities. (e.g., net purchases of securities less net issuance of securities).

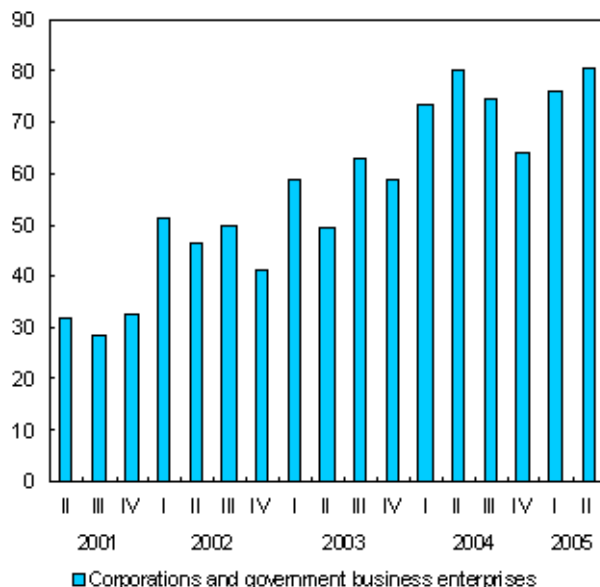
Newly incorporated tables present data on sector financial transactions, illustrating the flow of funds by financial instruments. These tables also provide the link between financial and non-financial activity in the economy which ties estimates of saving and non-financial asset formation (e.g., investment in new housing) with the underlying financial transactions.

### Corporations continue to build surpluses

The corporate surplus rose again in the second quarter. Corporations continued to supply significant amounts of funds to the rest of the economy, extending a five year-trend. However, the demand for funds by non-financial private corporations was up in the quarter, reflecting both borrowing and equity issues.

#### Corporate surplus still on the rise

Billions of dollars

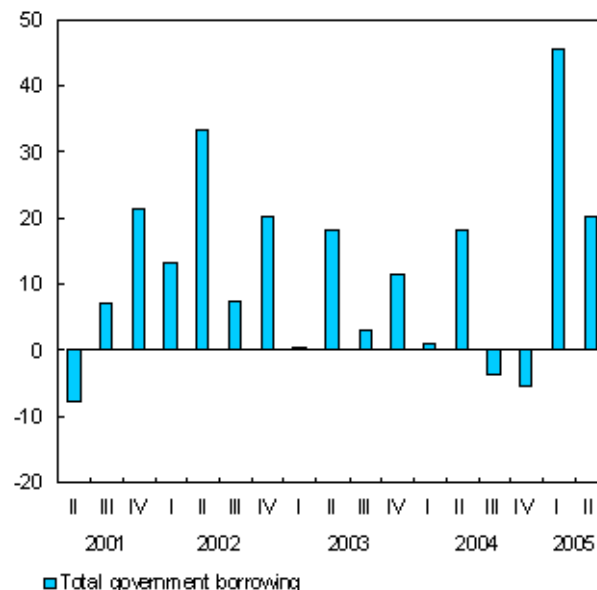


### Government demand for funds declines

Borrowing requirements for the government sector as a whole fell sharply. During the first quarter, the federal government borrowed on a short term basis to make higher payments under the Canadian Health and Social Transfer. This debt was paid down in the second quarter from surplus funds. However, borrowing of other levels of government was up in the quarter.

#### Total government borrowing declined

Billions of dollars, seasonally adjusted at annual rates



## Financial market summary table

	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
<b>Funds raised:</b>								
<b>Persons and unincorporated business</b>	<b>56,864</b>	<b>56,720</b>	<b>56,160</b>	<b>57,708</b>	<b>62,180</b>	<b>61,448</b>	<b>55,170</b>	<b>56,863</b>
Consumer credit	20,020	20,528	20,416	21,068	21,492	21,220	19,528	20,508
Bank loans	900	1,648	952	912	3,052	1,100	1,177	1,103
Other loans	2,472	600	804	1,412	2,456	2,080	2,685	1,322
Mortgages	33,472	33,944	33,988	34,316	35,180	37,048	31,780	33,930
<b>Non-financial private corporations</b>	<b>69,196</b>	<b>60,580</b>	<b>34,088</b>	<b>40,644</b>	<b>35,348</b>	<b>48,748</b>	<b>40,424</b>	<b>51,127</b>
Bank loans	10,644	7,964	6,868	6,336	488	8,464	-894	7,953
Other loans	-980	-3,076	-7,320	-3,308	1,516	3,748	-2,854	-3,671
Other short-term paper	760	3,036	-3,768	9,968	4,616	84	-10,084	2,499
Mortgages	5,576	6,368	6,772	7,052	7,036	6,792	5,272	6,442
Bonds	20,960	19,964	19,852	3,484	14,464	13,836	18,513	16,065
Shares	32,236	26,324	11,684	17,112	7,228	15,824	30,471	21,839
<b>Non-financial government enterprises</b>	<b>-3,672</b>	<b>556</b>	<b>8</b>	<b>-2,520</b>	<b>-6,956</b>	<b>3,292</b>	<b>-3,366</b>	<b>-1,407</b>
Bank loans	-828	256	-132	1,384	-864	-320	384	170
Other loans	-1,700	1,212	1,224	356	-400	1,820	1,486	273
Other short-term paper	-2,684	1,092	-824	-2,220	-2,896	-220	-1,347	-1,159
Mortgages	-8	0	-4	-4	0	12	-6	-4
Bonds	1,544	-2,008	-252	-2,032	-2,796	2,000	-3,883	-687
Shares	4	4	-4	-4	0	0	0	0
<b>Federal government</b>	<b>-10,464</b>	<b>-13,516</b>	<b>-21,920</b>	<b>-28,688</b>	<b>31,920</b>	<b>-5,288</b>	<b>-1,567</b>	<b>-18,647</b>
Bank loans	192	120	120	128	192	108	106	140
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	-5,724	3,380	-716	2,840	33,264	-3,800	12,231	-55
Canada Savings Bonds	4	-1,128	-1,428	-3,220	-3,180	-1,392	-1,290	-1,443
Other bonds	-4,936	-15,888	-19,896	-28,436	1,644	-204	-12,614	-17,289
<b>Other levels of government</b>	<b>11,492</b>	<b>31,668</b>	<b>18,236</b>	<b>23,420</b>	<b>13,760</b>	<b>25,544</b>	<b>9,785</b>	<b>21,204</b>
Bank loans	-1,488	-40	-704	224	408	-444	265	-502
Other loans	1,508	504	1,268	1,068	1,224	440	630	1,087
Other short-term paper	-20,092	26,168	-5,828	-8,500	-12,476	-6,348	-690	-2,063
Mortgages	16	-24	-20	0	32	-16	-13	-7
Provincial bonds	29,296	2,684	22,180	28,988	23,280	29,704	8,757	20,787
Municipal bonds	2,224	2,356	1,316	1,616	1,260	2,192	813	1,878
Other bonds	28	20	24	24	32	16	23	24
<b>Total funds raised by domestic non-financial sectors</b>	<b>123,416</b>	<b>136,008</b>	<b>86,572</b>	<b>90,564</b>	<b>136,252</b>	<b>133,744</b>	<b>100,446</b>	<b>109,140</b>
<b>Consumer credit</b>	<b>20,020</b>	<b>20,528</b>	<b>20,416</b>	<b>21,068</b>	<b>21,492</b>	<b>21,220</b>	<b>19,528</b>	<b>20,508</b>
<b>Bank loans</b>	<b>9,420</b>	<b>9,948</b>	<b>7,104</b>	<b>8,984</b>	<b>3,276</b>	<b>8,908</b>	<b>1,038</b>	<b>8,864</b>
<b>Other loans</b>	<b>1,300</b>	<b>-760</b>	<b>-4,024</b>	<b>-472</b>	<b>4,796</b>	<b>8,088</b>	<b>1,947</b>	<b>-989</b>
<b>Canada short-term paper</b>	<b>-5,724</b>	<b>3,380</b>	<b>-716</b>	<b>2,840</b>	<b>33,264</b>	<b>-3,800</b>	<b>12,231</b>	<b>-55</b>
<b>Other short-term paper</b>	<b>-22,016</b>	<b>30,296</b>	<b>-10,420</b>	<b>-752</b>	<b>-10,756</b>	<b>-6,484</b>	<b>-12,121</b>	<b>-723</b>
<b>Mortgages</b>	<b>39,056</b>	<b>40,288</b>	<b>40,736</b>	<b>41,364</b>	<b>42,248</b>	<b>43,836</b>	<b>37,033</b>	<b>40,361</b>
<b>Bonds</b>	<b>49,120</b>	<b>6,000</b>	<b>21,796</b>	<b>424</b>	<b>34,704</b>	<b>46,152</b>	<b>10,319</b>	<b>19,335</b>
<b>Shares</b>	<b>32,240</b>	<b>26,328</b>	<b>11,680</b>	<b>17,108</b>	<b>7,228</b>	<b>15,824</b>	<b>30,471</b>	<b>21,839</b>

## Sector Accounts - Persons and Unincorporated Businesses

	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>952,876</b>	<b>966,364</b>	<b>975,424</b>	<b>986,128</b>	<b>994,776</b>	<b>1,009,304</b>	<b>930,093</b>	<b>970,198</b>
	<b>1.2</b>	<b>1.4</b>	<b>0.9</b>	<b>1.1</b>	<b>0.9</b>	<b>1.5</b>	<b>3.4</b>	<b>4.3</b>
Wages, salaries and supplementary labour income	633,052	641,204	647,288	654,312	661,864	671,856	617,753	643,964
	1.0	1.3	0.9	1.1	1.2	1.5	4.2	4.2
Unincorporated business net income[1]	81,496	83,712	85,068	85,296	85,324	85,480	78,438	83,893
	1.8	2.7	1.6	0.3	0.0	0.2	4.4	7.0
Interest, dividends and miscellaneous investment income	106,216	108,576	108,452	109,756	111,124	112,052	105,051	108,250
	1.1	2.2	-0.1	1.2	1.2	0.8	-0.9	3.0
Current transfers from government	128,044	129,028	130,616	132,944	132,600	136,012	125,153	130,158
	1.3	0.8	1.2	1.8	-0.3	2.6	2.9	4.0
Current transfers from corporations	1,320	1,312	1,304	1,284	1,404	1,396	1,225	1,305
	0.0	-0.6	-0.6	-1.5	9.3	-0.6	-5.8	6.5
Current transfers from non-residents	2,748	2,532	2,696	2,536	2,460	2,508	2,473	2,628
	19.9	-7.9	6.5	-5.9	-3.0	2.0	-1.3	6.3
<b>Outlay</b>	<b>942,636</b>	<b>952,076</b>	<b>964,600</b>	<b>978,712</b>	<b>997,904</b>	<b>1,012,776</b>	<b>913,031</b>	<b>959,506</b>
	<b>1.9</b>	<b>1.0</b>	<b>1.3</b>	<b>1.5</b>	<b>2.0</b>	<b>1.5</b>	<b>4.3</b>	<b>5.1</b>
Personal expenditure on goods and services	708,200	717,384	724,980	734,376	748,520	756,532	687,791	721,235
	2.0	1.3	1.1	1.3	1.9	1.1	4.8	4.9
Current transfers to government	219,232	219,132	224,088	228,356	232,796	239,232	210,540	222,702
	1.6	-0.0	2.3	1.9	1.9	2.8	2.4	5.8
Current transfers to corporations	12,488	12,776	12,696	13,008	13,536	13,824	12,074	12,742
	1.2	2.3	-0.6	2.5	4.1	2.1	10.9	5.5
Current transfers to non-residents	2,716	2,784	2,836	2,972	3,052	3,188	2,626	2,827
	1.8	2.5	1.9	4.8	2.7	4.5	6.5	7.7
<b>Saving</b>	<b>10,240</b>	<b>14,288</b>	<b>10,824</b>	<b>7,416</b>	<b>-3,128</b>	<b>-3,472</b>	<b>17,062</b>	<b>10,692</b>
	<b>-39.1</b>	<b>39.5</b>	<b>-24.2</b>	<b>-31.5</b>	<b>...</b>	<b>...</b>	<b>-28.8</b>	<b>-37.3</b>
Disposable income[2]	733,644	747,232	751,336	757,772	761,980	770,072	719,553	747,496
	1.1	1.9	0.5	0.9	0.6	1.1	3.7	3.9
Saving rate	1.4	1.9	1.4	1.0	-0.4	-0.5	2.4	1.4
	...	...	...	...	...	...	...	...
<b>Gross saving and capital transfers</b>	<b>49,340</b>	<b>54,728</b>	<b>51,736</b>	<b>48,572</b>	<b>39,716</b>	<b>39,504</b>	<b>54,609</b>	<b>51,094</b>
	<b>-9.9</b>	<b>10.9</b>	<b>-5.5</b>	<b>-6.1</b>	<b>-18.2</b>	<b>-0.5</b>	<b>-8.3</b>	<b>-6.4</b>
Saving	10,240	14,288	10,824	7,416	-3,128	-3,472	17,062	10,692
	-39.1	39.5	-24.2	-31.5	...	...	-28.8	-37.3
Capital consumption allowances	37,080	37,664	38,160	38,684	39,204	39,752	35,790	37,897
	2.0	1.6	1.3	1.4	1.3	1.4	5.0	5.9
Net capital transfers	2,020	2,776	2,752	2,472	3,640	3,224	1,757	2,505
	27.5	37.4	-0.9	-10.2	47.2	-11.4	19.7	42.6
Deduct: Non-financial capital acquisition	98,544	101,552	103,488	105,612	109,164	112,752	89,882	102,299
	4.3	3.1	1.9	2.1	3.4	3.3	14.4	13.8
<b>Net lending</b>	<b>-49,204</b>	<b>-46,824</b>	<b>-51,752</b>	<b>-57,040</b>	<b>-69,448</b>	<b>-73,248</b>	<b>-35,273</b>	<b>-51,205</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>13,832</b>	<b>11,292</b>	<b>10,224</b>	<b>-800</b>	<b>-5,596</b>	<b>-7,980</b>	<b>17,324</b>	<b>8,637</b>
	...	...	...	...	...	...	...	...
Currency and deposits	30,516	37,884	21,124	22,228	15,172	21,620	20,734	27,938
	...	...	...	...	...	...	...	...
Canadian debt securities	-16,884	-10,400	-19,952	-21,112	-16,648	8,244	-5,276	-17,087
	...	...	...	...	...	...	...	...
Corporate shares and mutual funds	3,944	-3,664	1,828	-484	6,328	-1,444	-1,539	406
	...	...	...	...	...	...	...	...
Life insurance and pensions	43,480	34,708	34,320	19,144	32,384	29,884	23,561	32,913
	...	...	...	...	...	...	...	...
Other financial assets	-47,224	-47,236	-27,096	-20,576	-42,832	-66,284	-20,156	-35,533
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>59,312</b>	<b>56,188</b>	<b>60,816</b>	<b>55,880</b>	<b>64,336</b>	<b>63,192</b>	<b>53,864</b>	<b>58,049</b>
	...	...	...	...	...	...	...	...
Consumer credit	20,020	20,528	20,416	21,068	21,492	21,220	19,528	20,508
	...	...	...	...	...	...	...	...
Bank and other loans	3,372	2,248	1,756	2,324	5,508	3,180	3,862	2,425
	...	...	...	...	...	...	...	...
Mortgages	33,472	33,944	33,988	34,316	35,180	37,048	31,780	33,930
	...	...	...	...	...	...	...	...
Trade payables	2,448	-532	4,656	-1,828	2,156	1,744	-1,306	1,186
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>-45,480</b>	<b>-44,896</b>	<b>-50,592</b>	<b>-56,680</b>	<b>-69,932</b>	<b>-71,172</b>	<b>-36,540</b>	<b>-49,412</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	-3,724	-1,928	-1,160	-360	484	-2,076	1,267	-1,793
	...	...	...	...	...	...	...	...

1 Sum of accrued net income of farm operators from farm production and net income of non-farm unincorporated business, including rent.

2 Total income minus current transfers to government.

## Sector Accounts - Corporations and Government Business Enterprises: Total

	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>298,784</b>	<b>318,156</b>	<b>326,440</b>	<b>331,640</b>	<b>333,040</b>	<b>335,608</b>	<b>290,514</b>	<b>318,755</b>
	2.8	6.5	2.6	1.6	0.4	0.8	7.9	9.7
Corporation profits before taxes	163,128	177,176	178,804	181,484	184,580	188,828	147,592	175,148
	8.4	8.6	0.9	1.5	1.7	2.3	8.7	18.7
Government business enterprise profits before taxes	11,836	11,324	12,084	12,124	12,692	12,344	11,630	11,842
	2.5	-4.3	6.7	0.3	4.7	-2.7	0.9	1.8
Inventory valuation adjustment	-4,444	-5,856	796	2,828	84	-2,224	5,075	-1,669
Interest, dividends and miscellaneous receipts[1]	61,464	69,168	68,904	69,172	69,132	69,664	60,132	67,177
	0.8	12.5	-0.4	0.4	-0.1	0.8	1.8	11.7
Interest on consumer debt	12,488	12,776	12,696	13,008	13,536	13,824	12,074	12,742
	1.2	2.3	-0.6	2.5	4.1	2.1	10.9	5.5
Interest on public debt[2]	54,312	53,568	53,156	53,024	53,016	53,172	54,011	53,515
	0.1	-1.4	-0.8	-0.2	-0.0	0.3	-2.1	-0.9
<b>Outlay</b>	<b>217,640</b>	<b>229,480</b>	<b>230,156</b>	<b>237,428</b>	<b>232,276</b>	<b>236,124</b>	<b>215,322</b>	<b>228,676</b>
	1.1	5.4	0.3	3.2	-2.2	1.7	3.1	6.2
Interest, dividends and miscellaneous payments	172,960	181,148	181,228	187,492	181,596	184,152	172,948	180,707
	0.2	4.7	0.0	3.5	-3.1	1.4	1.0	4.5
Direct taxes	43,188	46,684	47,416	48,408	49,056	50,336	40,963	46,424
	5.0	8.1	1.6	2.1	1.3	2.6	13.8	13.3
Other current transfers	1,492	1,648	1,512	1,528	1,624	1,636	1,411	1,545
	-3.1	10.5	-8.3	1.1	6.3	0.7	-11.1	9.5
<b>Saving</b>	<b>81,144</b>	<b>88,676</b>	<b>96,284</b>	<b>94,212</b>	<b>100,764</b>	<b>99,484</b>	<b>75,192</b>	<b>90,079</b>
	7.6	9.3	8.6	-2.2	7.0	-1.3	24.7	19.8
<b>Gross saving and capital transfers</b>	<b>192,544</b>	<b>202,052</b>	<b>213,072</b>	<b>209,268</b>	<b>216,292</b>	<b>217,716</b>	<b>182,011</b>	<b>204,234</b>
	4.4	4.9	5.5	-1.8	3.4	0.7	11.6	12.2
Saving	81,144	88,676	96,284	94,212	100,764	99,484	75,192	90,079
	7.6	9.3	8.6	-2.2	7.0	-1.3	24.7	19.8
Capital consumption allowances	108,896	110,632	111,892	112,892	114,280	115,768	105,345	111,078
	1.5	1.6	1.1	0.9	1.2	1.3	5.1	5.4
Net capital transfers	2,504	2,744	4,896	2,164	1,248	2,464	1,474	3,077
	41.0	9.6	78.4	-55.8	-42.3	97.4	-43.8	108.8
Deduct: Non-financial capital acquisition	119,248	121,888	138,892	145,276	140,456	137,064	124,477	131,326
	-4.9	2.2	14.0	4.6	-3.3	-2.4	7.3	5.5
<b>Net lending</b>	<b>73,296</b>	<b>80,164</b>	<b>74,180</b>	<b>63,992</b>	<b>75,836</b>	<b>80,652</b>	<b>57,534</b>	<b>72,908</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>341,236</b>	<b>420,308</b>	<b>308,204</b>	<b>291,348</b>	<b>414,800</b>	<b>439,036</b>	<b>235,098</b>	<b>340,274</b>
	...	...	...	...	...	...	...	...
<i>Of which:</i>								
Consumer credit	20,020	20,528	20,416	21,068	21,492	21,220	19,528	20,508
	...	...	...	...	...	...	...	...
Bank and other loans	25,172	32,680	21,096	23,880	9,352	13,320	-586	25,707
	...	...	...	...	...	...	...	...
Mortgages	42,848	47,436	42,860	45,096	45,432	46,724	39,689	44,560
	...	...	...	...	...	...	...	...
Short-term paper	-18,964	15,308	-4,408	-7,724	27,268	-24,248	-2,166	-3,947
	...	...	...	...	...	...	...	...
Bonds	117,708	27,568	38,032	32,720	70,232	86,116	45,481	54,007
	...	...	...	...	...	...	...	...
Shares	13,376	31,188	32,380	10,876	16,540	28,644	7,792	21,955
	...	...	...	...	...	...	...	...
Foreign investments	-1,796	36,988	18,704	9,952	46,132	42,204	23,352	15,962
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>276,452</b>	<b>347,344</b>	<b>237,808</b>	<b>227,252</b>	<b>332,160</b>	<b>351,208</b>	<b>178,747</b>	<b>272,214</b>
	...	...	...	...	...	...	...	...
<i>Of which:</i>								
Currency and deposits	52,764	122,960	88,036	83,252	78,804	118,400	49,963	86,753
	...	...	...	...	...	...	...	...
Bank and other loans	14,976	16,672	4,068	15,844	9,224	15,036	-6,576	12,890
	...	...	...	...	...	...	...	...
Short-term paper	-8,492	-408	-3,600	8,708	9,596	-5,876	-15,700	-948
	...	...	...	...	...	...	...	...
Bonds	80,824	63,852	59,800	42,764	51,248	62,816	56,191	61,810
	...	...	...	...	...	...	...	...
Shares	45,492	51,604	22,324	11,404	55,648	28,816	33,279	32,706
	...	...	...	...	...	...	...	...
Life insurance and pensions	41,096	29,580	30,076	18,152	29,608	24,376	22,000	29,726
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>64,784</b>	<b>72,964</b>	<b>70,396</b>	<b>64,096</b>	<b>82,640</b>	<b>87,828</b>	<b>56,351</b>	<b>68,060</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	8,512	7,200	3,784	-104	-6,804	-7,176	1,183	4,848
	...	...	...	...	...	...	...	...

1 Includes interest and dividends received from non-residents.

2 Interest on the public debt is routed to other sectors of the economy through the corporate sector due to incomplete information on transactions of government debt instruments.

## Sector Accounts - Government

	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>508,448</b>	<b>517,184</b>	<b>526,428</b>	<b>534,948</b>	<b>540,500</b>	<b>549,940</b>	<b>493,786</b>	<b>521,752</b>
	1.5	1.7	1.8	1.6	1.0	1.7	4.7	5.7
Taxes on incomes	195,232	199,100	204,132	208,712	213,284	220,252	185,920	201,794
	2.6	2.0	2.5	2.2	2.2	3.3	3.3	8.5
Contributions to social insurance plans	61,780	61,820	62,280	62,916	63,540	64,456	60,094	62,199
	1.0	0.1	0.7	1.0	1.0	1.4	5.7	3.5
Taxes on production and imports	161,720	164,268	166,252	168,024	169,580	171,444	158,354	165,066
	0.6	1.6	1.2	1.1	0.9	1.1	4.5	4.2
Other current transfers from persons	9,808	9,732	9,780	9,784	9,788	9,852	9,626	9,776
	1.1	-0.8	0.5	0.0	0.0	0.7	4.3	1.6
Investment income	39,872	41,736	43,228	44,980	42,872	42,676	40,902	42,454
	0.9	4.7	3.6	4.1	-4.7	-0.5	9.9	3.8
Sales of goods and services[1]	40,036	40,528	40,756	40,532	41,436	41,260	38,890	40,463
	1.8	1.2	0.6	-0.5	2.2	-0.4	5.2	4.0
<b>Outlay</b>	<b>497,104</b>	<b>500,188</b>	<b>502,596</b>	<b>508,588</b>	<b>515,420</b>	<b>520,368</b>	<b>485,971</b>	<b>502,119</b>
	1.3	0.6	0.5	1.2	1.3	1.0	4.4	3.3
Gross current expenditure on goods and services[1]	284,600	288,568	290,112	292,708	298,592	302,520	275,521	288,997
	1.3	1.4	0.5	0.9	2.0	1.3	5.6	4.9
Current transfers	148,668	148,708	150,224	154,080	155,196	156,064	145,669	150,420
	1.9	0.0	1.0	2.6	0.7	0.6	5.7	3.3
Interest on the public debt	63,836	62,912	62,260	61,800	61,632	61,784	64,781	62,702
	-0.3	-1.4	-1.0	-0.7	-0.3	0.2	-3.2	-3.2
<b>Saving</b>	<b>11,344</b>	<b>16,996</b>	<b>23,832</b>	<b>26,360</b>	<b>25,080</b>	<b>29,572</b>	<b>7,815</b>	<b>19,633</b>
	13.7	49.8	40.2	10.6	-4.9	17.9	29.8	151.2
<b>Gross saving and capital transfers</b>	<b>33,524</b>	<b>39,556</b>	<b>44,156</b>	<b>50,148</b>	<b>49,684</b>	<b>53,656</b>	<b>31,028</b>	<b>41,846</b>
	1.4	18.0	11.6	13.6	-0.9	8.0	8.6	34.9
Saving	11,344	16,996	23,832	26,360	25,080	29,572	7,815	19,633
	13.7	49.8	40.2	10.6	-4.9	17.9	29.8	151.2
Capital consumption allowances	22,972	23,244	23,500	23,832	24,160	24,500	22,467	23,387
	1.0	1.2	1.1	1.4	1.4	1.4	3.5	4.1
Net capital transfers	-792	-684	-3,176	-44	444	-416	746	-1,174
	...	...	...	...	...	...	-11.8	...
Deduct: Non-financial capital acquisition	32,520	33,376	33,428	33,124	33,932	34,348	30,968	33,112
	3.4	2.6	0.2	-0.9	2.4	1.2	4.3	6.9
<b>Net lending</b>	<b>1,004</b>	<b>6,180</b>	<b>10,728</b>	<b>17,024</b>	<b>15,752</b>	<b>19,308</b>	<b>60</b>	<b>8,734</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>20,860</b>	<b>35,484</b>	<b>1,676</b>	<b>12,124</b>	<b>97,236</b>	<b>56,252</b>	<b>25,916</b>	<b>17,536</b>
	...	...	...	...	...	...	...	...
Currency and deposits	-7,244	2,764	5,680	-7,380	5,740	952	56	-1,545
	...	...	...	...	...	...	...	...
Loans	2,136	7,196	7,404	5,892	8,848	2,648	4,263	5,657
	...	...	...	...	...	...	...	...
Canadian securities	-4,016	35,092	-3,120	18,452	32,196	11,480	8,062	11,602
	...	...	...	...	...	...	...	...
Other financial assets	29,984	-9,568	-8,288	-4,840	50,452	41,172	13,535	1,822
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>19,420</b>	<b>25,724</b>	<b>-5,280</b>	<b>3,772</b>	<b>77,476</b>	<b>35,992</b>	<b>24,763</b>	<b>10,909</b>
	...	...	...	...	...	...	...	...
Bank and other loans	212	584	684	1,420	1,824	104	1,001	725
	...	...	...	...	...	...	...	...
Short-term paper	-25,816	29,548	-6,544	-5,660	20,788	-10,148	11,541	-2,118
	...	...	...	...	...	...	...	...
Bonds	24,772	-11,700	1,692	-1,576	21,476	29,920	-5,913	3,297
	...	...	...	...	...	...	...	...
Other liabilities	20,252	7,292	-1,112	9,588	33,388	16,116	18,134	9,005
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>1,440</b>	<b>9,760</b>	<b>6,956</b>	<b>8,352</b>	<b>19,760</b>	<b>20,260</b>	<b>1,153</b>	<b>6,627</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	-436	-3,580	3,772	8,672	-4,008	-952	-1,093	2,107
	...	...	...	...	...	...	...	...

1 In GDP, government current expenditure is recorded on a net basis, that is, after deduction of sales of goods and services. In the government sector accounts, sales of goods and services to other sectors are shown separately as part of revenue, and current expenditure is recorded on a gross basis, which leaves saving unchanged.

## Sector Accounts - Non-residents

	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>469,464</b>	<b>503,000</b>	<b>506,844</b>	<b>505,008</b>	<b>514,080</b>	<b>522,560</b>	<b>470,199</b>	<b>496,079</b>
	0.9	7.1	0.8	-0.4	1.8	1.6	-3.2	5.5
Sales of goods (imports)	340,772	367,712	375,832	368,000	378,680	384,480	342,611	363,079
	1.4	7.9	2.2	-2.1	2.9	1.5	-4.0	6.0
Sales of services (imports)	74,936	76,404	74,268	75,460	77,656	79,288	71,759	75,267
	1.2	2.0	-2.8	1.6	2.9	2.1	1.2	4.9
Interest, dividends and miscellaneous receipts	47,292	51,784	50,068	54,008	48,980	51,380	49,431	50,788
	-3.0	9.5	-3.3	7.9	-9.3	4.9	-5.4	2.7
Current transfers	6,464	7,100	6,676	7,540	8,764	7,412	6,398	6,945
	1.6	9.8	-6.0	12.9	16.2	-15.4	7.4	8.5
<b>Outlay</b>	<b>494,552</b>	<b>540,124</b>	<b>536,540</b>	<b>521,656</b>	<b>527,224</b>	<b>539,912</b>	<b>489,451</b>	<b>523,218</b>
	1.9	9.2	-0.7	-2.8	1.1	2.4	-3.9	6.9
Purchases of goods (exports)	404,808	443,740	442,276	425,736	430,088	441,000	400,176	429,140
	2.6	9.6	-0.3	-3.7	1.0	2.5	-3.4	7.2
Purchases of services (exports)	62,064	63,624	63,672	64,400	65,592	66,376	61,090	63,440
	-0.4	2.5	0.1	1.1	1.9	1.2	-4.6	3.8
Interest, dividends and miscellaneous payments	20,532	25,392	23,208	24,336	24,324	25,036	21,575	23,367
	-5.4	23.7	-8.6	4.9	-0.0	2.9	-11.4	8.3
Current transfers	7,148	7,368	7,384	7,184	7,220	7,500	6,610	7,271
	10.3	3.1	0.2	-2.7	0.5	3.9	-4.0	10.0
<b>Saving</b>	<b>-25,088</b>	<b>-37,124</b>	<b>-29,696</b>	<b>-16,648</b>	<b>-13,144</b>	<b>-17,352</b>	<b>-19,252</b>	<b>-27,139</b>
	...	...	...	...	...	...	...	...
<b>Gross saving and capital transfers</b>	<b>-28,820</b>	<b>-41,960</b>	<b>-34,168</b>	<b>-21,240</b>	<b>-18,476</b>	<b>-22,624</b>	<b>-23,229</b>	<b>-31,547</b>
	...	...	...	...	...	...	...	...
Saving	-25,088	-37,124	-29,696	-16,648	-13,144	-17,352	-19,252	-27,139
	...	...	...	...	...	...	...	...
Net capital transfers	-3,732	-4,836	-4,472	-4,592	-5,332	-5,272	-3,977	-4,408
	...	...	...	...	...	...	...	...
<b>Net lending[1]</b>	<b>-28,820</b>	<b>-41,960</b>	<b>-34,168</b>	<b>-21,240</b>	<b>-18,476</b>	<b>-22,624</b>	<b>-23,229</b>	<b>-31,547</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>9,188</b>	<b>80,268</b>	<b>51,552</b>	<b>41,728</b>	<b>61,540</b>	<b>25,900</b>	<b>36,204</b>	<b>45,684</b>
	...	...	...	...	...	...	...	...
Currency and deposits	-25,880	34,752	-3,968	3,832	-6,324	-5,520	6,028	2,184
	...	...	...	...	...	...	...	...
Loans	-1,444	-7,724	-8,504	-5,772	4,524	804	-2,716	-5,861
	...	...	...	...	...	...	...	...
Short-term paper	-7,032	7,332	-1,344	440	-648	-3,040	-2,172	-151
	...	...	...	...	...	...	...	...
Bonds	-3,384	20,480	34,980	26,124	-1,204	4,352	7,895	19,550
	...	...	...	...	...	...	...	...
Shares	32,484	48,712	25,712	36,448	26,312	-14,876	13,492	35,839
	...	...	...	...	...	...	...	...
Other financial assets	14,444	-23,284	4,676	-19,344	38,880	44,180	13,677	-5,877
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>29,932</b>	<b>118,096</b>	<b>78,312</b>	<b>57,496</b>	<b>94,008</b>	<b>62,816</b>	<b>57,168</b>	<b>70,959</b>
	...	...	...	...	...	...	...	...
Official reserves	-1,440	-1,072	2,456	-13,648	11,388	-1,832	-4,694	-3,426
	...	...	...	...	...	...	...	...
Currency and deposits	10,104	5,180	-888	17,724	9,304	11,568	6,874	8,030
	...	...	...	...	...	...	...	...
Bank and other loans	7,304	12,648	13,488	4,412	6,168	-1,548	2,674	9,463
	...	...	...	...	...	...	...	...
Foreign investments	-5,432	28,904	22,716	15,656	46,160	36,024	25,019	15,461
	...	...	...	...	...	...	...	...
Other liabilities	19,396	72,436	40,540	33,352	20,988	18,604	27,295	41,431
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>-20,744</b>	<b>-37,828</b>	<b>-26,760</b>	<b>-15,768</b>	<b>-32,468</b>	<b>-36,916</b>	<b>-20,964</b>	<b>-25,275</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	-8,076	-4,132	-7,408	-5,472	13,992	14,292	-2,265	-6,272
	...	...	...	...	...	...	...	...

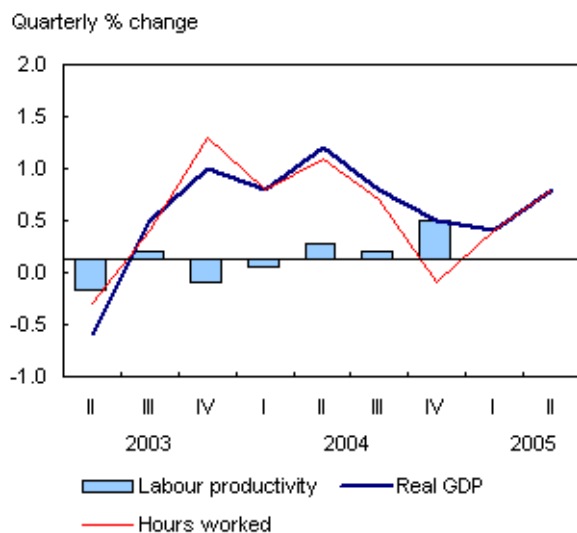
1 This account presents the saving as well as the net lending or borrowing position of non-residents with respect to their transactions with Canadian residents. The sign of these aggregates is, therefore, the reverse of what appears in the Canadian Balance of International Payments.

# Labour productivity, hourly compensation and unit labour cost

Second quarter 2005

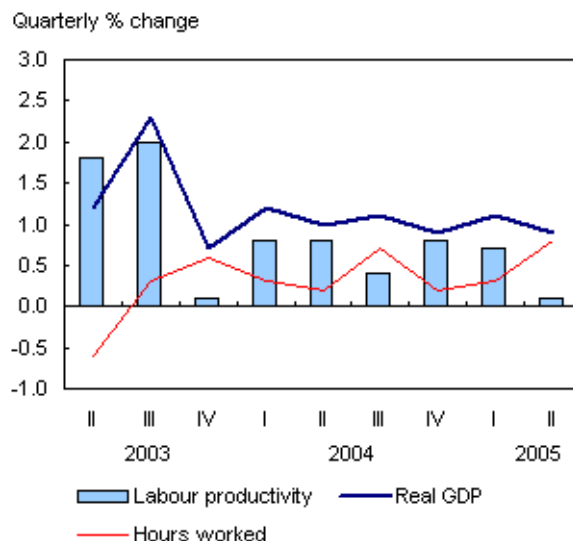
Labour productivity in Canada's business sector was stagnant for the second consecutive quarter, extending a lethargic pace that began in 2003.

## Productivity is flat for the second consecutive quarter



South of the border, second-quarter productivity growth in the American business sector registered a weak 0.1%, the first time this has occurred since the fourth quarter 2003. This was a sharp slowdown compared to the growth of 0.7% during the first three months of the year.

## U.S. productivity growth slows



Productivity, as measured by real gross domestic product (GDP) for every hour worked, improves when GDP increases more rapidly than the number of hours worked. Productivity gains contribute to improve the standard of living in the long run.

### Note to readers

This chapter presents an analysis on labour productivity for the aggregate business sector and its constituent industries (15 two-digit) and sub-sectors (goods and services). The statistical series for total economy, business sector and non-commercial sector start with the first quarter of 1981, while those at industry level are available only back to the first quarter of 1997.

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.

For more information about the productivity program, see *Overview and description of publications*. You can also order a copy of a technical note about the quarterly estimates of productivity by sending an email to [productivity.measures@statcan.ca](mailto:productivity.measures@statcan.ca).

### Revisions

With this release, Canadian revisions have been made back to the first quarter of 2005 at the aggregate level and to the first quarter of 2004 at the industry level.

In the United States, the Bureau of Labor Statistics recently made revisions to its labour productivity estimates for the years 2002, 2003, and 2004, incorporating recent revisions of the US National Accounts by the Bureau of Economic Analysis.

**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.

**Unit labour cost in US dollars** is the equivalent of the ratio of Canadian unit labour cost to the exchange rate. This latter corresponds to the U.S. dollar value expressed in Canadian dollars.



In Canada, the pace of growth in GDP doubled during the second quarter, reflecting to a large extent the increase in the number of hours worked. As a result, productivity was a flat 0.0%.

Putting it another way, because productivity was flat, Canada's growth in economic output during the first half of 2005 was attributable entirely to the increase in the number of hours worked. Growth in employment was all concentrated in full-time jobs during the second quarter.

However, with the rise of the Canadian dollar easing off during the first two quarters of 2005, Canadian businesses were able to increase their exports during this period by stabilizing their unit labour costs in relation to their American counterparts.

### **Virtually no change in productivity in the services and goods sectors**

On a quarterly basis, productivity in the services sector experienced zero growth in the second quarter, while it slowed slightly in the goods sector.

Output and hours worked in the services sector grew at a similar rate in the second quarter, so that productivity in this sector remained unchanged. The same situation occurred in the previous quarter.

In the goods sector, productivity slowed by 0.1% in the second quarter after four quarters of growth. In the second quarter, economic activity in the goods sector grew slightly by 0.2%, while hours worked increased by 0.3% after two quarters that reported a decrease and zero growth.

Almost all industries in the goods sector experienced a drop in productivity in the second quarter, with the exception of the manufacturing industries where a slight acceleration in productivity occurred. This sector saw its productivity grow by 0.9% in the second quarter on the heels of a gain of 0.6% in the first quarter.

Manufacturers continue to reduce their workforces in response to lower output. The second quarter saw their output drop 0.4%, largely due to the effects of lower output of vehicles and automobile parts.

On the services side, the lack of productivity in this sector reflects the fact that improved productivity in wholesale trade, the accommodation and food services industries, and the information and culture industries were completely eliminated by the drop in productivity in all of the other industries that make up the services sector.

After growing by 2.0% in the first quarter, wholesale trade activities accelerated by 2.3% in the second quarter mainly due to increased sales of machinery and electronic equipment, automobiles, personal and household products and miscellaneous products, such as chemicals and potash.

### **Unit labour costs rising among businesses**

With a quarterly increase of 0.7% in hourly compensation and no productivity gains, unit labour costs for businesses rose 0.7% in the second quarter of 2005. This is a slight acceleration over the 0.5% increase posted in the first quarter.

Unit labour costs measure inflationary pressures on wages by showing relative changes between hourly compensation and productivity.

After increasing by only 0.1% in the first quarter, unit labour costs in the services sector jumped 0.9% in the second quarter. On the goods side, unit labour costs rose 0.6% in the second quarter, a slight slowdown from the 0.8% increase recorded in the first quarter.

The industries experiencing the greatest decreases in unit labour costs between April and June were those in wholesale trade, and professional, scientific and technical services. In contrast, the greatest increases occurred in the accommodation and food services sector, retail trade, the administrative services, support, waste management and remediation services sector, and in transportation and storage.

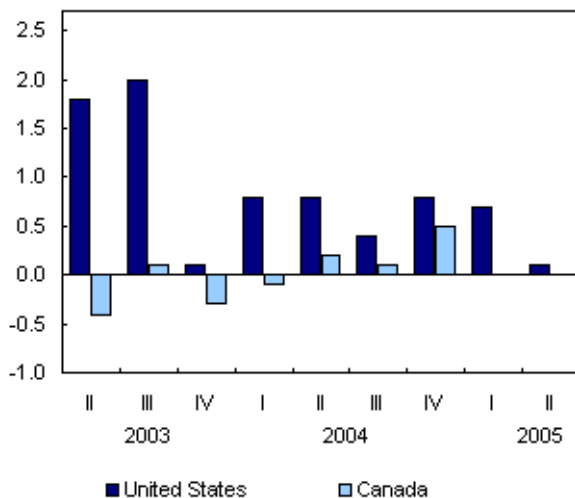
In the second quarter of 2005, the manufacturing sector posted an increase of 0.5% in its unit labour costs compared to a drop of 0.2% of the previous quarter.

### Productivity flat for the past two years

On average, labour productivity in the Canadian business sector has been virtually unchanged for the past two years. Zero growth in 2004 was the smallest since 1996, while the increase in 2003 was only 0.2%.

### No productivity gain for either country

Quarterly % change



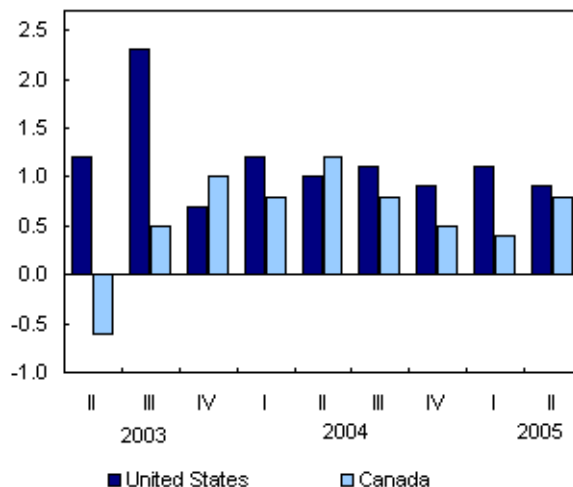
In contrast, however, before pausing in the second quarter, productivity in the American business sector grew at an average quarterly rate of 0.7% during the previous five quarters.

GDP growth in the Canadian business sector accelerated to 0.8% during the second quarter, compared with only 0.4% in the first three months of the year.

Continued robust consumer spending and the recovery in the housing sector were largely responsible for this improvement. A slowdown in imports in the second quarter, following four quarters of robust growth, also contributed to Canada's improved economic output.

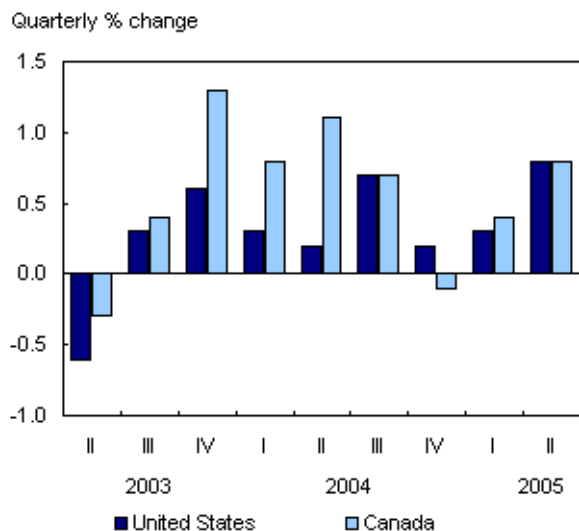
### Similar GDP growth in both countries

Quarterly % change



For the American business sector, growth in GDP slowed slightly, slowing from 1.1% in the first quarter to 0.9% in the second. Over the last six quarters, growth in GDP in the United States has remained fairly stable, fluctuating between 0.9% and 1.2%.

GDP growth has been more rapid in the United States than in Canada for a fourth quarter in a row. Over this period, the economic activity strength south of the border has resulted essentially from consumer expenditures and business investments.

**Hours worked accelerates in both Canada and the U.S.**

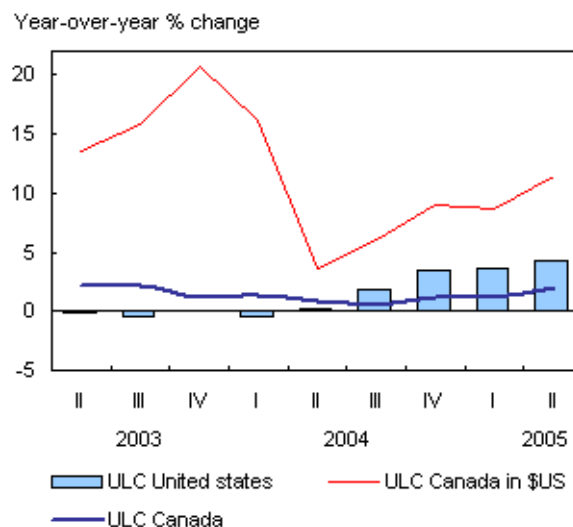
Over the past two quarters, the number of hours worked increased at the same pace in both countries. The growth of hours worked doubled in the second quarter, reaching 0.8% in each economy.

**Rise in Canadian unit labour costs in US dollars**

Excluding the exchange rate, the labour cost of producing one unit of GDP in the Canadian business sector rose on an annual basis by 2.0% in the second quarter. This is slightly more than the 1.1% increase recorded in each of the previous two quarters.

In the United States, businesses saw their unit labour costs edge up for a fourth straight quarter. Year over year, their unit labour costs posted an increase of 4.3% in the second quarter of 2005. The rise in the labour cost of producing one unit of GDP in the American business sector has accelerated gradually over the past four quarters.

However, Canada lost all of its advantage when unit labour costs are adjusted by the exchange rate.

**Canadian unit labour costs in US\$ continues to climb**

The 8.6% appreciation of the Canadian dollar in relation to the US dollar in the second quarter compared to the same quarter in 2004 resulted in a sharp gain of 11.5% in the unit labour cost measured in US dollars. This was more than twice the gain of 4.3% in the United States.

Given this deterioration in competitiveness of costs, Canadian exports slowed on an annual basis to a marginal 0.1% in the second quarter, after rebounding 4.3% in the first quarter of 2005.

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

	Canada	United States	
		Before revision	After revision
		annual % change	
1981-2004	1.4	2.2	2.2
1981-2000	1.5	1.9	1.9
2000-2004	0.9	3.8	3.5
2000	3.4	2.8	2.8
2001	1.5	2.5	2.5
2002	2.1	4.3	4.0
2003	0.2	4.4	3.9
2004	0.0	3.9	3.4

Source: U.S. data are from the Bureau of Labor Statistics, *Productivity and Costs* - Second quarter 2005, published in *NEWS*, September 7.

**Downward revision in US productivity growth**

Data released today include revisions to GDP in the United States for the period 2002 to 2004. Revisions for 2001 to 2004 for Canada's GDP were released in *The Daily* of June 9.

Overall, revisions of American data resulted in a decrease in the growth rate of labour productivity in the United States for each of the last three years. The downward revisions range from 0.3% for 2002 to 0.5% for 2003 and 2004.

Even though the revisions for the last two years are significant, they do not alter the results on Canada-US labour productivity gap reported for those years.

The revisions resulted in a mid-term change since average annual growth in US productivity for the 2000-2004 period fell from 3.8% to 3.5%. Despite this revision, the U.S. labour productivity growth remains almost four times higher than its Canadian counterpart (+0.9%) during the same period.

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

	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005
Seasonally adjusted						
% change from previous quarter						
<b>Canada</b>						
Labour productivity	-0.1	0.2	0.1	0.5	0.0	0.0
Real GDP	0.8	1.2	0.8	0.5	0.4	0.8
Hours worked	0.8	1.1	0.7	-0.1	0.4	0.8
Hourly compensation	0.4	0.0	0.2	1.3	0.5	0.7
Unit labour cost	0.5	-0.1	0.0	0.8	0.5	0.7
Exchange rate[2]	0.2	3.2	-3.9	-6.6	0.5	1.4
Unit labour cost in US\$	0.3	-3.2	4.1	7.9	0.0	-0.7
<b>United States</b>						
Labour productivity	0.8	0.8	0.4	0.8	0.7	0.1
Real GDP	1.2	1.0	1.1	0.9	1.1	0.9
Hours worked	0.3	0.2	0.7	0.2	0.3	0.8
Hourly compensation	1.0	0.8	1.6	2.7	1.2	0.8
Unit labour cost	0.3	-0.1	1.3	1.9	0.4	0.7
% change from same quarter of previous year						
<b>Canada</b>						
Labour productivity	-0.6	-0.1	-0.1	0.7	0.8	0.6
Real GDP	1.6	3.5	3.9	3.4	3.0	2.5
Hours worked	2.2	3.7	4.0	2.6	2.2	1.8
Hourly compensation	0.8	0.5	0.3	1.9	2.0	2.7
Unit labour cost	1.4	0.8	0.5	1.1	1.1	2.0
Exchange rate[2]	-12.7	-2.8	-5.3	-7.2	-6.9	-8.6
Unit labour cost in US\$	16.2	3.5	6.0	9.0	8.7	11.5
<b>United States</b>						
Labour productivity	4.9	3.8	2.1	2.8	2.7	2.0
Real GDP	5.5	5.3	4.0	4.2	4.1	4.1
Hours worked	0.6	1.4	1.8	1.4	1.3	2.0
Hourly compensation	4.5	3.6	4.1	6.3	6.4	6.4
Unit labour cost	-0.4	-0.2	1.9	3.4	3.6	4.3
% change from previous quarter at annualized rate[3]						
<b>Canada</b>						
Labour productivity	-0.4	0.7	0.4	2.1	0.0	0.0
Real GDP	3.2	5.1	3.4	1.8	1.5	3.1
Hours worked	3.2	4.6	2.8	-0.3	1.7	3.1
Hourly compensation	1.7	0.0	0.7	5.4	2.0	2.6
Unit labour cost	1.9	-0.4	0.0	3.0	1.9	3.0
Unit labour cost in US\$	1.1	-12.3	17.3	35.5	0.0	-2.6
<b>United States</b>						
Labour productivity	3.4	3.4	1.4	3.1	2.9	0.7
Real GDP	4.9	4.0	4.4	3.6	4.4	4.0
Hours worked	1.5	0.6	3.0	0.5	1.4	3.2
Hourly compensation	4.2	3.3	6.5	11.3	4.7	3.3
Unit labour cost	0.8	-0.1	5.0	7.9	1.7	2.6

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 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005
Seasonally adjusted						
% change from previous quarter						
<b>Canada</b>						
All jobs	0.2	0.7	0.5	0.3	0.6	0.8
Hours worked	0.8	1.1	0.7	-0.1	0.4	0.8
Average hours	0.7	0.4	0.2	-0.4	-0.2	0.0
Labour share[2]	-0.7	-1.6	-1.0	0.3	0.2	0.2
<b>United States</b>						
All jobs	0.3	0.6	0.5	0.3	0.7	0.5
Hours worked	0.3	0.2	0.7	0.2	0.3	0.8
Average hours	0.1	-0.4	0.2	-0.2	-0.3	0.3
Labour share[2]	-0.7	-0.9	1.0	1.3	-0.2	0.0
% change from same quarter of previous year						
<b>Canada</b>						
All jobs	1.2	2.2	2.3	1.7	2.2	2.3
Hours worked	2.2	3.7	4.0	2.6	2.2	1.8
Average hours	1.0	1.3	1.6	0.9	0.0	-0.4
Labour share[2]	0.0	-3.1	-3.5	-2.9	-2.0	-0.2
<b>United States</b>						
All jobs	0.4	1.6	1.7	1.6	2.0	2.0
Hours worked	0.6	1.4	1.8	1.4	1.3	2.0
Average hours	0.2	-0.1	0.2	-0.3	-0.7	0.0
Labour share[2]	-2.2	-2.8	-0.5	0.7	1.2	2.2
% change from previous quarter at annualized rates[3]						
<b>Canada</b>						
All jobs	0.7	2.8	2.1	1.4	2.4	3.4
Hours worked	3.2	4.6	2.8	-0.3	1.7	3.1
Average hours	2.9	1.6	0.8	-1.6	-0.8	0.0
Labour share[2]	-2.9	-6.2	-3.8	1.3	0.9	0.9
<b>United States</b>						
All jobs	1.0	2.4	2.1	1.0	2.7	2.0
Hours worked	1.5	0.6	3.0	0.5	1.4	3.2
Average hours	0.4	-1.6	0.8	-0.8	-1.2	1.2
Labour share[2]	-2.8	-3.6	4.2	5.4	-0.8	0.0

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 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
	Seasonally adjusted							
<b>Business sector - goods</b>	<b>113.0</b>	<b>113.4</b>	<b>114.3</b>	<b>114.8</b>	<b>114.9</b>	<b>114.8</b>	<b>114.0</b>	<b>113.9</b>
	-0.6	0.4	0.8	0.4	0.1	-0.1	-0.2	-0.1
Agriculture, forestry, fishing and hunting	132.3	134.0	140.8	139.2	136.9	132.4	130.7	136.6
	0.8	1.3	5.1	-1.1	-1.7	-3.3	5.8	4.5
Construction	106.4	104.1	102.7	102.3	103.6	103.3	108.6	103.9
	-1.5	-2.2	-1.3	-0.4	1.3	-0.3	-0.9	-4.4
Manufacturing	120.8	122.4	124.7	126.5	127.3	128.5	120.4	123.6
	-0.2	1.3	1.9	1.4	0.6	0.9	1.5	2.7
<b>Business sector - services</b>	<b>114.0</b>	<b>114.0</b>	<b>113.7</b>	<b>114.6</b>	<b>114.9</b>	<b>114.9</b>	<b>114.0</b>	<b>114.1</b>
	0.4	0.0	-0.3	0.8	0.3	0.0	0.3	0.1
Wholesale trade	130.0	132.1	132.2	132.7	135.5	140.9	126.7	131.8
	0.0	1.6	0.1	0.4	2.1	4.0	2.3	4.0
Retail trade	120.9	120.8	121.1	122.5	122.8	121.9	121.8	121.3
	1.2	-0.1	0.2	1.2	0.2	-0.7	1.8	-0.4
Transportation and warehousing	111.7	113.1	113.5	116.3	117.7	117.0	110.1	113.7
	0.2	1.3	0.4	2.5	1.2	-0.6	-0.2	3.3
Information and cultural industries	110.3	113.8	107.9	108.4	107.4	108.2	114.4	110.1
	0.4	3.2	-5.2	0.5	-0.9	0.7	-2.6	-3.8
Finance, real estate and company management	108.4	109.5	106.9	106.2	105.7	105.0	107.6	107.8
	1.2	1.0	-2.4	-0.7	-0.5	-0.7	-3.1	0.1
Professional, scientific and technical services	121.8	121.9	120.6	120.9	120.3	118.5	123.3	121.3
	0.2	0.1	-1.1	0.2	-0.5	-1.5	3.7	-1.6
Administrative and support, waste management and remediation services	91.7	90.4	88.3	89.0	89.2	88.4	93.9	89.9
	-1.1	-1.4	-2.3	0.8	0.2	-0.9	-1.3	-4.3
Accommodation and food services	104.0	103.4	103.9	104.4	104.1	106.5	101.9	103.9
	-0.3	-0.6	0.5	0.5	-0.3	2.3	-3.3	2.0
Other commercial services	110.1	106.5	109.6	110.4	109.4	107.3	111.0	109.2
	0.3	-3.3	2.9	0.7	-0.9	-1.9	0.7	-1.6

**Unit labour cost by industry**

	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Seasonally adjusted								
<b>Business sector - goods</b>	<b>108.0</b>	<b>107.6</b>	<b>106.8</b>	<b>108.1</b>	<b>109.0</b>	<b>109.6</b>	<b>107.1</b>	<b>107.6</b>
	<i>0.7</i>	<i>-0.4</i>	<i>-0.7</i>	<i>1.2</i>	<i>0.8</i>	<i>0.6</i>	<i>1.7</i>	<i>0.5</i>
Agriculture, forestry, fishing and hunting	109.9	104.9	100.6	101.7	103.3	102.6	112.2	104.3
	<i>-0.7</i>	<i>-4.5</i>	<i>-4.1</i>	<i>1.1</i>	<i>1.6</i>	<i>-0.7</i>	<i>-14.1</i>	<i>-7.0</i>
Construction	109.8	112.8	113.7	115.1	116.4	117.0	107.2	112.9
	<i>0.9</i>	<i>2.7</i>	<i>0.8</i>	<i>1.2</i>	<i>1.1</i>	<i>0.5</i>	<i>2.9</i>	<i>5.3</i>
Manufacturing	99.1	97.4	96.0	96.6	96.4	97.0	100.1	97.3
	<i>0.1</i>	<i>-1.7</i>	<i>-1.4</i>	<i>0.6</i>	<i>-0.2</i>	<i>0.6</i>	<i>2.1</i>	<i>-2.8</i>
<b>Business sector - services</b>	<b>104.7</b>	<b>104.8</b>	<b>105.2</b>	<b>105.7</b>	<b>105.8</b>	<b>106.7</b>	<b>104.0</b>	<b>105.1</b>
	<i>0.2</i>	<i>0.1</i>	<i>0.4</i>	<i>0.5</i>	<i>0.1</i>	<i>0.9</i>	<i>2.0</i>	<i>1.1</i>
Wholesale trade	89.3	87.2	86.0	87.3	86.0	82.1	91.6	87.5
	<i>-0.1</i>	<i>-2.4</i>	<i>-1.4</i>	<i>1.5</i>	<i>-1.5</i>	<i>-4.5</i>	<i>-1.0</i>	<i>-4.5</i>
Retail trade	102.6	105.0	104.3	103.3	102.1	105.9	101.6	103.8
	<i>-0.2</i>	<i>2.3</i>	<i>-0.7</i>	<i>-1.0</i>	<i>-1.2</i>	<i>3.7</i>	<i>3.5</i>	<i>2.2</i>
Transportation and warehousing	105.5	104.7	106.1	105.6	105.3	107.4	107.5	105.5
	<i>-0.4</i>	<i>-0.8</i>	<i>1.3</i>	<i>-0.5</i>	<i>-0.3</i>	<i>2.0</i>	<i>2.1</i>	<i>-1.9</i>
Information and cultural industries	102.9	102.9	102.3	102.9	102.8	104.7	101.2	102.8
	<i>0.0</i>	<i>0.0</i>	<i>-0.6</i>	<i>0.6</i>	<i>-0.1</i>	<i>1.8</i>	<i>0.4</i>	<i>1.6</i>
Finance, real estate and company management	105.0	104.6	105.6	105.9	107.3	109.2	104.1	105.3
	<i>-0.2</i>	<i>-0.4</i>	<i>1.0</i>	<i>0.3</i>	<i>1.3</i>	<i>1.8</i>	<i>2.7</i>	<i>1.1</i>
Professional, scientific and technical services	106.2	104.4	104.4	106.7	108.2	107.0	104.0	105.4
	<i>1.1</i>	<i>-1.7</i>	<i>0.0</i>	<i>2.2</i>	<i>1.4</i>	<i>-1.1</i>	<i>-2.9</i>	<i>1.3</i>
Administrative and support, waste management and remediation services	125.3	127.1	128.4	129.9	131.2	135.4	119.4	127.7
	<i>2.2</i>	<i>1.4</i>	<i>1.0</i>	<i>1.2</i>	<i>1.0</i>	<i>3.2</i>	<i>1.4</i>	<i>6.9</i>
Accommodation and food services	112.1	116.1	118.9	115.9	116.1	121.7	117.5	115.8
	<i>-3.9</i>	<i>3.6</i>	<i>2.4</i>	<i>-2.5</i>	<i>0.2</i>	<i>4.8</i>	<i>6.6</i>	<i>-1.4</i>
Other commercial services	107.1	108.3	109.6	111.1	113.0	111.1	102.8	109.0
	<i>0.8</i>	<i>1.1</i>	<i>1.2</i>	<i>1.4</i>	<i>1.7</i>	<i>-1.7</i>	<i>3.8</i>	<i>6.1</i>



## International investment position

Second quarter 2005

Canadians' net liabilities to non-residents fell to its lowest level in more than two decades during the second quarter, as the nation's assets abroad surpassed the \$1-trillion mark for the first time.

Canada's net external liabilities – the difference between its external assets and foreign liabilities – hit \$153.8 billion, down \$7.1 billion from the level at the end of the first quarter. These net external liabilities have tumbled by more than 15% from \$181.1 billion at the end of 2004.

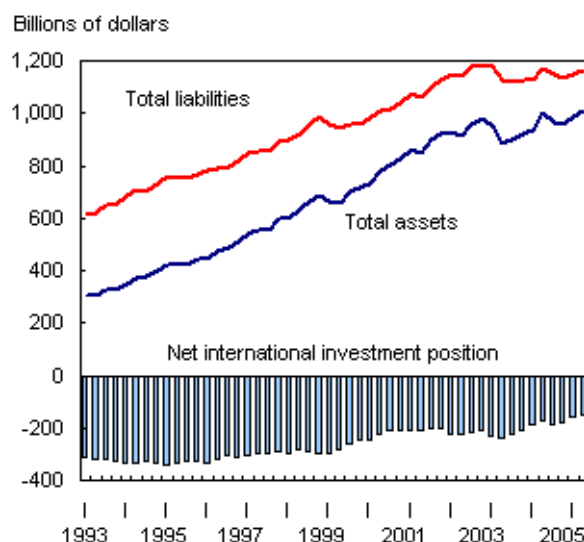
The decline in net external liabilities was largely attributable to a 2.1% increase in the value of international assets, which hit \$1,009.1 billion. This was the first time Canada's assets abroad exceeded one trillion dollars.

On the liability side, increases in foreign direct investment in Canada and in bank deposits led to a 1.2% rise in Canada's international liabilities to \$1,162.9 billion.

As a result, net external liabilities at the end of June represented 11.4% of Canada's gross domestic product, down from 12.1% at the end of March. This ratio has steadily decreased since the 20.1% observed only two years ago.

During the second quarter, the Canadian dollar lost ground against the US dollar but made gains against the other major currencies.

### Canada's international investment position



### Assets: Big jumps in Canadian direct investment abroad and in holdings of foreign bonds

Canadian direct investment abroad reached \$462.0 billion at the end of June, up \$9.4 billion from the end of March. This increase came mostly from long term capital injections and reinvested earnings in existing subsidiaries abroad.

Canadian direct investment in the United States rose to \$213.3 billion, representing more than 46% of total Canadian direct investment abroad.

#### Note to readers

##### New series on foreign money market instruments

The portfolio investment in foreign securities (Canada's assets) has been expanded to include foreign money market instruments. The new series begins in the first quarter of 2002. These instruments were previously included with assets under *Other investment* and where they remain for periods prior to the first quarter of 2002.

##### Additional estimates at market value

As of the first quarter 2005, total portfolio investment in Canadian and foreign securities (equities, bonds and money market instruments) 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. The following analysis focuses on the book value series though, and this practice will continue until a full set of market value estimates becomes available.

Market value estimates of foreign direct investment series will be available in June of 2006. Methods to best measure market value for foreign direct investment are under review at the international level. Recommendations from direct investment experts, which will be available later in 2005, will serve as a guide to define Canada's methodology.

##### 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.

Canadian holdings of foreign bonds surged almost 8% to \$67.8 billion, the highest value on record. Canadians bought \$4.8 billion worth of foreign bonds during the second quarter, an active quarter for this type of instrument. Almost all the increase was directed to US bonds.

Canadian holdings of foreign bonds have more than doubled since the beginning of the century, an indication that Canadian investors are taking more and more interest in foreign bonds, mostly American.

Canadian holdings of foreign stocks remained largely unchanged at \$185.6 billion at the end of June as net acquisitions of foreign stocks in the second quarter were offset by exchange rate related valuation declines.

Canadian holdings of US stocks rose \$3.7 billion to \$99.6 billion at the end of June. During that time, the S&P 500 gained about 1%.

Canada's international reserves fell to \$41.8 billion, a \$1.3-billion decline from the previous quarter. At the same time, the deposit assets of Canadians increased \$6.5 billion to a record \$128.9 billion.

#### **Liabilities: Record high foreign direct investment in Canada**

Foreign direct investment in Canada, which represents about one-third of total liabilities, went up \$5.2 billion to a record \$376.7 billion. Foreign direct investors increased their investment position in Canada mainly through acquisitions and reinvested earnings in existing subsidiaries.

Foreign direct investment from the United States rose to \$244.3 billion, which accounted for nearly two-thirds of total foreign direct investment in Canada.

For a third consecutive quarter, foreign holdings of Canadian securities—bonds, shares and money market instruments—increased slightly during the second quarter. They totalled \$535.8 billion, up \$1.5 billion.

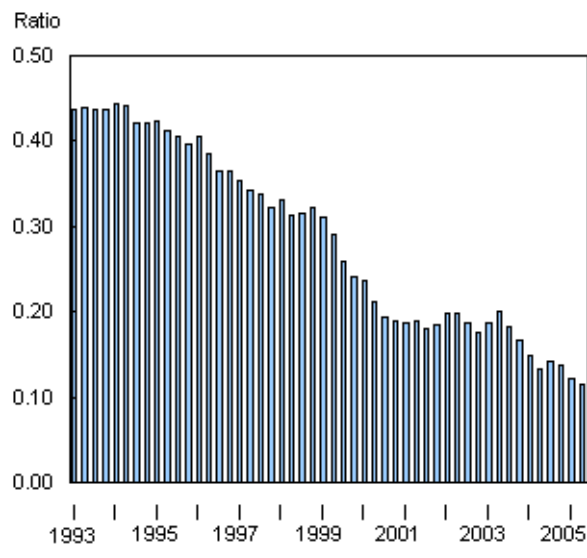
There was little variation in each type of security individually. Foreign holdings of Canadian bonds reached \$406.6 billion, up \$1.4 billion from the end of March. Foreign holdings of Canadian money market paper increased \$1.1 billion to \$19.7 billion.

Foreign investors sold Canadian shares during the second quarter. At the end of June, they held \$109.5 billion worth of shares, down \$1.0 billion.

While the position of Canadian shares held abroad declined, the S&P/TSX composite index, which represents the performance of the Canadian stock market, gained over 3% during that time.

Finally, Canadian deposit liabilities to non-residents increased \$6.0 billion to \$181.2 billion.

#### **Canada's net international liabilities to GDP**



## International investment position at period-end

	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Millions of dollars								
<b>Assets</b>								
Canadian direct investment abroad	415,555	450,253	443,568	445,063	452,589	462,038	403,444	445,063
Portfolio investment abroad								
Foreign bonds	48,220	51,882	52,377	57,471	62,949	67,770	45,137	57,471
<i>Foreign bonds at market value</i>	<i>52,844</i>	<i>55,081</i>	<i>56,859</i>	<i>61,941</i>	<i>67,528</i>	<i>74,647</i>	<i>48,293</i>	<i>61,941</i>
Foreign stocks	197,214	199,868	190,024	186,678	185,744	185,640	194,889	186,678
<i>Foreign stocks at market value</i>	<i>364,914</i>	<i>373,539</i>	<i>349,024</i>	<i>368,926</i>	<i>367,333</i>	<i>375,657</i>	<i>352,318</i>	<i>368,926</i>
Foreign money market	12,268	11,359	11,398	11,079	11,017	12,169	10,953	11,079
<i>Foreign money market at market value</i>	<i>12,286</i>	<i>11,373</i>	<i>11,413</i>	<i>11,108</i>	<i>11,040</i>	<i>12,194</i>	<i>10,977</i>	<i>11,108</i>
Other investment								
Loans	65,298	69,721	62,403	56,047	59,348	57,762	58,426	56,047
Allowances	-11,079	-11,187	-11,006	-10,879	-10,805	-10,905	-11,612	-10,879
Deposits	110,136	119,976	108,076	112,460	122,401	128,892	109,877	112,460
Official international reserves	46,116	46,349	44,652	40,315	43,072	41,769	45,690	40,315
Other assets	55,506	59,990	60,452	57,202	61,521	63,926	61,436	57,202
Total assets								
at book value	939,236	998,211	961,943	955,436	987,836	1,009,062	918,241	955,436
<i>with portfolio investment at market value</i>	<i>1,111,576</i>	<i>1,175,095</i>	<i>1,125,441</i>	<i>1,142,183</i>	<i>1,174,027</i>	<i>1,205,980</i>	<i>1,078,849</i>	<i>1,142,183</i>
<b>Liabilities</b>								
Foreign direct investment in Canada	359,704	356,167	365,789	365,675	371,470	376,711	354,466	365,675
Portfolio investment								
Canadian bonds	410,856	419,910	408,158	405,091	405,240	406,619	405,742	405,091
<i>Canadian bonds at market value</i>	<i>451,654</i>	<i>442,302</i>	<i>440,963</i>	<i>437,692</i>	<i>437,185</i>	<i>447,826</i>	<i>436,244</i>	<i>437,692</i>
Canadian stocks	85,225	103,239	105,598	108,554	110,504	109,511	83,316	108,554
<i>Canadian stocks at market value</i>	<i>193,996</i>	<i>211,998</i>	<i>220,492</i>	<i>242,326</i>	<i>256,689</i>	<i>261,980</i>	<i>181,582</i>	<i>242,326</i>
Canadian money market	18,843	20,852	18,111	19,621	18,628	19,710	21,388	19,621
<i>Canadian money market at market value</i>	<i>18,946</i>	<i>20,939</i>	<i>18,191</i>	<i>19,707</i>	<i>18,695</i>	<i>19,832</i>	<i>21,523</i>	<i>19,707</i>
Other investment								
Loans	52,463	54,074	42,876	39,743	45,455	46,953	54,504	39,743
Deposits	174,599	191,379	185,607	175,970	175,243	181,225	183,139	175,970
Other liabilities	22,550	22,434	22,063	21,910	22,228	22,175	21,858	21,910
Total liabilities								
at book value	1,124,240	1,168,055	1,148,202	1,136,563	1,148,768	1,162,904	1,124,412	1,136,563
<i>with portfolio investment at market value</i>	<i>1,273,912</i>	<i>1,299,293</i>	<i>1,295,981</i>	<i>1,303,023</i>	<i>1,326,965</i>	<i>1,356,702</i>	<i>1,253,316</i>	<i>1,303,023</i>
<b>Net international investment position</b>								
at book value	-185,005	-169,844	-186,258	-181,127	-160,932	-153,842	-206,171	-181,127
<i>with portfolio investment at market value</i>	<i>-162,336</i>	<i>-124,198</i>	<i>-170,540</i>	<i>-160,840</i>	<i>-152,938</i>	<i>-150,722</i>	<i>-174,467</i>	<i>-160,840</i>

# National balance sheet accounts

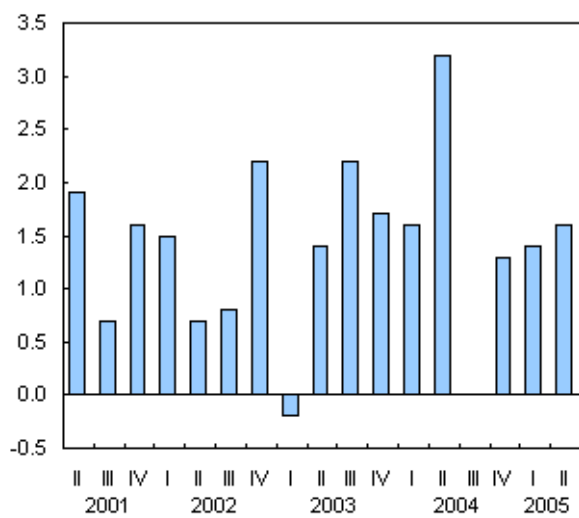
Second quarter 2005

## Growth in national net worth accelerated

National net worth reached \$4.4 trillion by the end of the second quarter, or \$135,000 per capita. The gain in net worth resulted from an increase in national wealth (economy-wide non-financial assets) as well as a further reduction in net foreign debt. Growth in national net worth accelerated to 1.6% in the second quarter, largely reflecting stronger growth in national wealth while net foreign debt declined more modestly than during the first quarter. Growth has averaged 1.4% over the past ten quarters.

## Growth in national net worth accelerated

% change, not seasonally adjusted



Canadians' net indebtedness to non-residents (the amounts owing to non-residents less the assets held by Canadians abroad) fell in the second quarter, but at a slower pace than in the previous period, resulting in the third consecutive decline. Canadian assets abroad, which are generally denominated in foreign currencies, grew, helped by the depreciation of the Canadian dollar against the U.S. dollar during the quarter, while Canadian liabilities to non-residents grew more modestly.

The stronger performance of the economy in the second quarter was reflected in the acceleration in the growth of national wealth (+1.5%). Overall, the increase in the value of residential real estate accounted for more than half of the increase in national wealth in the quarter. Strength in the resale market and renovation activity as well as more modest growth in new home construction contributed to growth in residential real estate. Increases in business machinery and equipment as well as in non-residential structures were also notable contributors to the gain in national wealth.

## Household net worth gains continue to be driven by real estate and equities

The personal saving rate was below zero in the quarter. Even though saving was negative, household net worth continued to advance (+1.8%) at a stronger pace than in the previous quarter.

Gains in the market value of residential real estate and of equities contributed almost equally to the change in household net worth. Stock market advances boosted the value of personal sector share holdings and the sustained housing boom added to the value of household residential real estate. Increases in household assets, however, were partially offset by expanded liabilities.

Households' appetite for debt grew with demand for consumer credit and mortgage funds up from the previous quarter. Supported by sustained low interest rates, the growth in total household debt continued to outpace that of personal disposable income. This resulted in a debt to income ratio of 107.8 percent in the second quarter, up from 107.1 percent in the first quarter. Canadian households carry about \$1.08 in debt for every dollar of their disposable income. Also, the ratio of household debt to net worth edged up to 18.1% in the quarter.

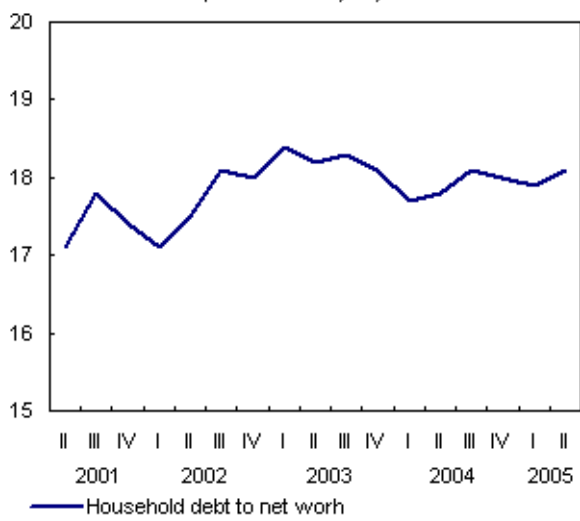
### Note to readers

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)).

### Household leverage edged up

As a % of net worth, not seasonally adjusted



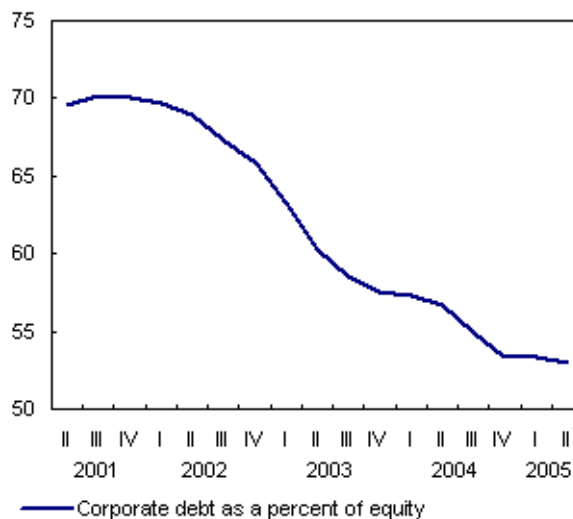
### Corporate debt-to-equity edged down

Since 2000, corporations have generated more funds from internal operations than they required to finance their non-financial capital acquisition. As a result of this profit-driven string of surpluses, the corporate sector has been a net lender to the rest of the economy and has also used these funds to restructure their balance sheets, largely through paying down debt.

For non-financial private corporations, the ratio of debt-to-equity (at book value) edged down in the quarter extending its long term trend.

### Corporate leverage continued to ease

As a % of equity, not seasonally adjusted



### Government debt-to-GDP at twenty year low

Government net debt (total liabilities less total financial assets) edged down as the government sector registered another surplus in the second quarter. Net government debt as a percentage of GDP declined further, reaching twenty year lows where net debt corresponds to roughly half of GDP.

**National balance sheet accounts[1]**

	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Market value, not seasonally adjusted, billions of dollars								
<b>National net worth</b>								
National wealth	4,203 <i>1.2</i>	4,293 <i>2.1</i>	4,341 <i>1.1</i>	4,386 <i>1.0</i>	4,439 <i>1.2</i>	4,504 <i>1.5</i>	4,153 <i>4.6</i>	4,386 <i>5.6</i>
Net foreign debt	-162 <i>...</i>	-124 <i>...</i>	-170 <i>...</i>	-161 <i>...</i>	-153 <i>...</i>	-151 <i>...</i>	-174 <i>...</i>	-161 <i>...</i>
National net worth	4,041 <i>1.6</i>	4,169 <i>3.2</i>	4,170 <i>0.0</i>	4,225 <i>1.3</i>	4,286 <i>1.4</i>	4,353 <i>1.6</i>	3,979 <i>5.2</i>	4,225 <i>6.2</i>
National net worth per capita (dollars)	126,900 <i>1.4</i>	130,500 <i>2.8</i>	130,200 <i>-0.2</i>	131,700 <i>1.2</i>	133,300 <i>1.2</i>	135,000 <i>1.3</i>	125,200 <i>4.2</i>	131,700 <i>5.2</i>

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 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Millions of dollars at quarter end								
<b>Total assets</b>	<b>13,113,587</b>	<b>13,387,385</b>	<b>13,499,765</b>	<b>13,758,425</b>	<b>14,024,049</b>	<b>14,304,645</b>	<b>12,810,692</b>	<b>13,758,425</b>
Non-financial assets	4,203,410	4,292,782	4,340,565	4,386,039	4,439,351	4,503,742	4,153,483	4,386,039
Residential structures	1,138,582	1,172,206	1,191,166	1,204,005	1,220,185	1,243,164	1,113,011	1,204,005
Non-residential structures	1,016,884	1,024,940	1,035,690	1,045,854	1,058,184	1,067,032	1,010,436	1,045,854
Machinery and equipment	408,405	412,034	412,924	414,394	416,068	421,782	407,558	414,394
Consumer durables	344,388	351,105	351,961	360,073	360,604	366,352	345,833	360,073
Inventories	192,871	190,634	198,459	198,332	205,068	205,022	190,613	198,332
Land	1,102,280	1,141,863	1,150,365	1,163,381	1,179,242	1,200,390	1,086,032	1,163,381
Net financial assets	-162,232	-124,112	-170,462	-160,751	-152,871	-150,598	-174,329	-160,751
Financial assets	8,910,177	9,094,603	9,159,200	9,372,386	9,584,698	9,800,903	8,657,209	9,372,386
Official reserves	46,116	46,349	44,653	40,314	43,072	41,769	45,689	40,314
Gold & foreign currency	40,282	40,768	39,530	35,204	38,137	37,631	39,615	35,204
IMF reserve position	4,723	4,448	4,035	3,999	3,827	3,044	4,988	3,999
Special drawing rights	1,111	1,133	1,088	1,111	1,108	1,094	1,086	1,111
Currency and bank deposits	710,717	736,946	748,316	768,021	791,872	825,971	698,232	768,021
Other deposits	180,098	184,597	187,244	190,916	194,721	198,021	179,943	190,916
Foreign currency deposits	95,539	95,874	91,630	91,809	84,873	90,754	89,082	91,809
Consumer credit	225,488	232,727	238,581	243,883	246,098	254,312	223,549	243,883
Trade receivables	229,741	232,281	230,810	231,056	233,929	237,176	226,154	231,056
Bank loans	183,392	189,259	191,083	191,363	197,123	198,701	175,890	191,363
Other loans	192,929	197,256	199,459	205,421	204,378	211,630	191,253	205,421
Canada short-term paper	108,160	108,085	108,852	110,759	122,886	116,345	108,420	110,759
Other short-term paper	155,755	155,938	152,173	150,174	149,770	151,646	161,896	150,174
Mortgages	639,525	653,697	665,394	674,495	682,800	697,282	633,179	674,495
Canada bonds	292,893	284,998	275,955	271,203	278,347	280,227	291,115	271,203
(of which CSB's)	21,330	21,208	21,063	19,462	19,086	18,866	20,468	19,462
Provincial bonds	290,987	285,090	297,475	306,557	309,638	319,510	272,350	306,557
Municipal bonds	37,168	36,687	37,315	37,965	37,947	39,491	35,052	37,965
Other bonds	296,955	305,071	316,678	325,646	341,251	361,343	296,391	325,646
Life insurance & pensions	1,093,274	1,094,412	1,103,720	1,129,545	1,138,462	1,157,806	1,050,370	1,129,545
Corporate claims	1,064,367	1,132,311	1,131,120	1,136,285	1,156,244	1,168,327	1,045,040	1,136,285
Government claims	189,856	192,022	189,661	184,782	187,469	184,321	182,661	184,782
Shares	1,699,269	1,729,117	1,755,748	1,845,372	1,910,362	1,966,208	1,616,135	1,845,372
Foreign investments	437,330	450,514	427,714	448,799	456,208	474,823	425,170	448,799
Other financial assets	740,618	751,372	765,619	788,021	817,248	825,240	709,638	788,021
<b>Liabilities and net worth</b>	<b>13,113,587</b>	<b>13,387,385</b>	<b>13,499,765</b>	<b>13,758,425</b>	<b>14,024,049</b>	<b>14,304,645</b>	<b>12,810,692</b>	<b>13,758,425</b>
Liabilities	9,072,409	9,218,715	9,329,662	9,533,137	9,737,569	9,951,501	8,831,538	9,533,137
Currency and bank deposits	725,328	752,438	764,613	784,249	806,908	838,944	712,462	784,249
Other deposits	180,098	184,597	187,244	190,916	194,721	198,021	179,943	190,916
Foreign currency deposits	97,377	100,211	100,780	97,679	85,944	90,272	100,917	97,679
Consumer credit	225,488	232,727	238,581	243,883	246,098	254,312	223,549	243,883
Trade payables	230,227	232,289	233,741	234,408	237,382	238,781	227,727	234,408
Bank loans	160,408	164,101	165,237	165,623	170,387	172,666	154,913	165,623
Other loans	196,660	198,484	196,849	201,619	201,762	208,461	196,580	201,619
Canada short-term paper	116,764	116,791	115,921	118,787	131,062	124,756	118,941	118,787
Other short-term paper	164,613	167,296	162,479	161,072	159,783	161,744	171,625	161,072
Mortgages	639,872	654,060	665,745	674,846	683,151	697,634	633,535	674,846
Canada bonds	357,001	349,555	339,964	330,880	336,450	336,264	355,312	330,880
(of which CSB's)	21,330	21,208	21,063	19,462	19,086	18,866	20,468	19,462
Provincial bonds	426,539	411,602	422,032	432,694	437,575	451,940	404,443	432,694
Municipal bonds	40,418	40,168	40,938	41,691	41,498	43,252	38,317	41,691
Other bonds	536,687	544,139	556,624	565,719	580,081	608,437	524,780	565,719
Life insurance & pensions	1,093,274	1,094,412	1,103,720	1,129,545	1,138,462	1,157,806	1,050,370	1,129,545
Corporate claims	449,114	456,082	451,622	442,718	448,689	451,722	443,682	442,718
Government claims	189,856	192,022	189,661	184,782	187,469	184,321	182,661	184,782
Shares	2,504,552	2,576,808	2,630,545	2,743,952	2,830,653	2,902,525	2,395,199	2,743,952
Other liabilities	738,133	750,933	763,366	788,074	819,494	829,643	716,582	788,074
<b>Net worth</b>	<b>4,041,178</b>	<b>4,168,670</b>	<b>4,170,103</b>	<b>4,225,288</b>	<b>4,286,480</b>	<b>4,353,144</b>	<b>3,979,154</b>	<b>4,225,288</b>

**Credit market summary table**

	First quarter 2004	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	2003	2004
Millions of dollars at quarter end								
<b>Debt outstanding of:</b>								
Persons and unincorporated business	861,812	880,433	896,315	909,453	919,962	940,357	852,741	909,453
Consumer credit	225,488	232,727	238,581	243,883	246,098	254,312	223,549	243,883
Bank loans	34,743	34,908	34,666	34,896	36,404	35,822	33,306	34,896
Other loans	72,474	72,489	72,522	73,002	73,841	74,139	71,415	73,002
Mortgages	529,107	540,309	550,546	557,672	563,619	576,084	524,471	557,672
Non-financial private corporations	555,800	565,310	561,850	559,098	569,321	578,578	545,185	559,098
Bank loans	108,762	110,638	112,598	113,301	113,001	115,644	106,069	113,301
Other loans	75,927	75,082	72,933	72,612	72,151	73,471	77,407	72,612
Other short-term paper	39,467	39,575	39,595	38,351	43,477	42,674	36,092	38,351
Mortgages	102,886	104,432	105,901	107,475	109,526	111,295	101,254	107,475
Bonds	228,758	235,583	230,823	227,359	231,166	235,494	224,363	227,359
Non-financial government enterprises	65,073	65,181	64,702	64,506	63,193	64,110	65,599	64,506
Bank loans	2,886	2,949	2,702	2,936	3,095	2,962	2,748	2,936
Other loans	5,806	5,718	6,168	6,213	6,354	6,542	5,945	6,213
Other short-term paper	6,225	7,169	6,785	5,843	5,214	5,134	7,002	5,843
Mortgages	99	97	97	97	96	98	99	97
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	48,274	47,079	46,802	47,001	46,051	46,926	48,028	47,001
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	1,662	2,048	2,027	2,295	2,262	2,327	1,656	2,295
Federal government	431,473	427,432	419,903	410,612	426,405	417,600	430,411	410,612
Bank loans	100	100	100	100	100	100	103	100
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	116,764	116,791	115,921	118,787	131,062	124,756	118,941	118,787
Canada bonds	314,609	310,541	303,882	291,725	295,243	292,744	311,367	291,725
Canada savings bonds	21,330	21,208	21,063	19,462	19,086	18,866	20,468	19,462
Other bonds	293,279	289,333	282,819	272,263	276,157	273,878	290,899	272,263
Other levels of government	381,206	391,093	395,662	401,499	401,882	409,481	378,671	401,499
Bank loans	3,899	3,863	3,856	3,873	3,871	3,697	4,339	3,873
Other loans	12,058	12,079	12,610	12,840	13,167	13,276	11,398	12,840
Other short-term paper	13,932	22,797	19,682	18,398	12,348	13,724	21,066	18,398
Mortgages	2,045	2,045	2,045	2,045	2,045	2,045	2,054	2,045
Provincial bonds	310,140	310,122	316,903	323,519	329,598	335,234	300,892	323,519
Municipal bonds	37,285	38,334	38,707	38,959	38,982	39,628	37,081	38,959
Other bonds	1,847	1,853	1,859	1,865	1,871	1,877	1,841	1,865
Total funds raised by domestic non-financial sectors	2,295,364	2,329,449	2,338,432	2,345,168	2,380,763	2,410,126	2,272,607	2,345,168
Consumer credit	225,488	232,727	238,581	243,883	246,098	254,312	223,549	243,883
Bank loans	150,390	152,458	153,922	155,106	156,471	158,225	146,565	155,106
Other loans	166,265	165,368	164,233	164,667	165,513	167,428	166,165	164,667
Canada short-term paper	116,764	116,791	115,921	118,787	131,062	124,756	118,941	118,787
Other short-term paper	59,624	69,541	66,062	62,592	61,039	61,532	64,160	62,592
Mortgages	634,137	646,883	658,589	667,289	675,286	689,522	627,878	667,289
Bonds	942,696	945,681	941,124	932,844	945,294	954,351	925,349	932,844
Non-residents	56,817	60,036	59,425	58,363	59,077	59,128	54,595	58,363
Bank loans	22,984	25,158	25,846	25,740	26,736	26,035	20,977	25,740
Other loans	33,833	34,878	33,579	32,623	32,341	33,093	33,618	32,623
Mortgages	0	0	0	...	0	0	...	...
Total borrowing excluding domestic financial institutions	2,352,181	2,389,485	2,397,857	2,403,531	2,439,840	2,469,254	2,327,202	2,403,531
Domestic financial institutions	424,331	437,732	443,677	460,217	474,678	495,942	412,703	460,217
Bank loans	10,018	11,643	11,315	10,517	13,916	14,441	8,348	10,517
Other loans	30,395	33,116	32,616	36,952	36,249	41,033	30,415	36,952
Other short-term paper	104,989	97,755	96,417	98,480	98,744	100,212	107,465	98,480
Mortgages	5,735	7,177	7,156	7,557	7,865	8,112	5,657	7,557
Bonds	273,194	288,041	296,173	306,711	317,904	332,144	260,818	306,711
Total funds raised = total funds supplied	2,776,512	2,827,217	2,841,534	2,863,748	2,914,518	2,965,196	2,739,905	2,863,748
<b>Assets of:</b>								
Persons and unincorporated business	129,698	119,073	120,875	114,003	115,604	114,992	138,672	114,003
Non-financial corporations	75,275	74,709	75,085	74,502	73,712	75,903	73,298	74,502
Governments	193,063	198,371	204,038	203,392	212,572	219,022	189,900	203,392
Non-residents	457,217	467,758	448,023	445,112	444,741	446,901	456,994	445,112
Domestic financial institutions	1,946,478	1,992,397	2,018,429	2,051,317	2,092,450	2,132,727	1,906,279	2,051,317