



# Canadian Economic Accounts Quarterly Review



Third quarter 2005



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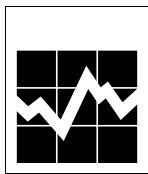
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**December 2005**

Catalogue no. 13-010-XIE, Vol. 4, no. 3

Frequency: Quarterly

ISSN 1703-7565

**Ottawa**

La version française de cette publication est disponible sur demande (n° 13-010-XIF au catalogue).

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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 second quarter release of the *Canadian economic accounts quarterly review*, revisions were made back to January 2001.

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

With this release revisions have been made back to the first quarter of 1997.

## Overview

Third quarter 2005 and September 2005

Economic growth accelerated slightly during the third quarter thanks to a sharp rebound in exports, mainly automotive products and agriculture and fishing products.

Real gross domestic product (GDP) increased 0.9% in the third quarter, compared with 0.8% in the second and 0.5% in the first.

### 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	2.0	3.2
Second quarter 2005	0.8	3.4	2.8
Third quarter 2005	0.9	3.6	2.8

<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.

Final domestic demand grew 1.0%, matching the growth registered in the second quarter. Much of the strength in real GDP in the first two quarters was from domestic demand. Growth in the third quarter received an added boost from exports which advanced 2.5%.

The third quarter was affected by a very active energy sector which pushed up business investment, corporate profits, output in the goods-producing industries and economy-wide prices. Automobile manufacturers also had a strong quarter with output increasing 6.0%.

Industrial production (the output of mines, factories and utilities) increased 1.3%. The mining, oil and gas extraction sector increased 3.2%, manufacturing output rose by 0.8%, while utilities advanced 0.4%.

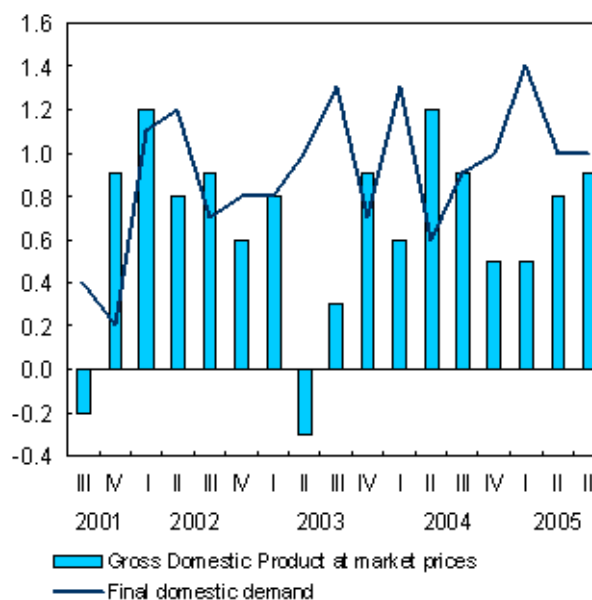
Economy-wide prices, as measured by the chain price index for GDP, increased 1.9% in the third quarter, the largest quarterly increase since the early 1980s. Excluding energy, economy wide prices increased 0.5%.

Overall, in September, economic output was unchanged, after increasing 0.5% in August and 0.3% in July.

The Canadian economy grew at an annualized rate of 3.6% in the third quarter of the year, compared to 3.4% last quarter.

### GDP continues to accelerate

Quarterly % change, chained (1997) dollars





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

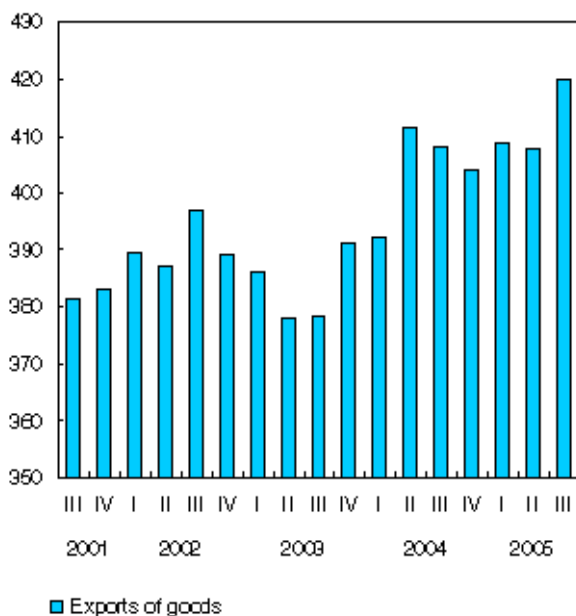
	April 2005 <sup>r</sup>	May 2005 <sup>r</sup>	June 2005 <sup>r</sup>	July 2005 <sup>r</sup>	August 2005 <sup>r</sup>	September 2005 <sup>p</sup>
Seasonally adjusted, chained (1997) dollars, month-to-month % change						
<b>All industries</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>	<b>0.5</b>	<b>-0.0</b>
Goods-producing industries	0.5	0.7	-0.1	0.6	1.0	-0.3
Service-producing industries	0.4	0.2	0.5	0.2	0.3	0.1
Industrial production	0.4	0.8	-0.3	0.5	1.2	-0.5
Mining and oil and gas extraction	2.8	1.6	-3.0	4.1	0.6	0.7
Wholesale trade	0.6	1.2	0.7	-1.0	1.5	1.2
Retail trade	1.3	-1.3	1.0	1.2	-1.3	-1.5

<sup>r</sup> Revised figure<sup>p</sup> Preliminary figure**Exports rebound following second quarter decline**

Incentive-induced automotive sales south of the border had a substantial impact on Canadian exports. A 7.0% jump in automotive exports helped to push up total exports 2.5%, rebounding from the 0.2% decline in the second quarter and well above the 1.3% growth registered in the first.

**Exports climb sharply**

Billions of chained (1997) dollars



The resource sector also fared well in the third quarter as exports of agriculture and fish products and energy products registered a strong showing. Exports of agricultural and fish products skyrocketed in the third quarter (+6.4%), helped by the easing of border restrictions on Canadian live cattle in July.

The one dark cloud in the otherwise rosy resource picture remains the forestry sector which saw its exports fall 0.5%, a fifth consecutive quarterly decline. Output of wood products excluding sawmills (-5.2%) and paper products (-0.9%) both fell.

A bustling mining and oil and gas extraction industry helped push up output in the goods-producing industries. This gain, combined with a 4.9% hike in the production of motor vehicles and a 2.8% increase in automotive parts, helped push growth in the goods-producing industries (+1.3%) ahead of the service sector (+0.9%) for the first time this year.

Output of the manufacturing sector increased 0.8% in the third quarter. Only nine of the 21 major groups advanced, accounting for 51% of total manufacturing output. Major contributors were transportation equipment (+3.1%), chemical products (+2.3%) and plastic products (+2.8%).

**Labour income posted another solid gain**

Overall growth in wages and salaries remained strong in the third quarter and has been climbing steadily for over a year. Much of this growth is coming from the service industries where the growth in wages and salaries has outpaced goods-producing industries in each of the last three quarters.

While growth in wages and salaries in the goods-producing industries has been moderate in 2005, the mining and oil and gas extraction industry has seen tremendous growth. Labour shortages in this industry and buoyant economic conditions have boosted average weekly earnings, driving up wages and salaries an average of 3.1% per quarter in 2005, compared to 1.5% for all industries.

**Consumer spending slows**

Personal expenditures, the main source of growth in GDP for much of the year, continued to slow in the third quarter (+0.6%), following a strong showing in the first quarter.

A warm summer drove up expenditures on electricity which climbed 1.9% in the third quarter. In addition, purchases of food and non-alcoholic beverages, of drugs and pharmaceutical products and of recreational equipment all recorded large quarterly increases contributing to overall growth.

A wave of automotive dealer incentives helped to push up personal expenditures on new motor vehicles which advanced 1.4%, with the growth occurring in July. Much of the increase was attributable to purchases of fuel efficient passenger cars as the jump in the price of gasoline in late August and early September dampened purchases of sports utility vehicles (SUV's).

Personal expenditures on clothing and household furnishing have slowed considerably in the last two quarters. Following eight quarters of strong growth, personal expenditures on furniture, carpets and other floor coverings have now declined for two successive quarters, falling 1.0% in the third.

#### **New housing construction stalls**

The drop in personal expenditures on household furnishing has been partly driven by a weakening housing market in which output in the residential construction sector fell 0.2%, its second quarterly decline this year. The overall value of new house construction has fallen 2.7% since its peak in the fourth quarter of 2004.

While sales of new dwellings declined significantly in the quarter, sales of existing homes remained strong. Ownership transfer costs have now posted three consecutive quarters of stellar growth, up 4.7% in the third quarter, 7.3% in the second and 2.6% in the first.

Overall growth in business investment continued its steady climb. The deceleration in the growth in residential investment was more than offset by an acceleration in the growth in non-residential structures and equipment, with significant investment occurring in the oil and gas industry.

#### **National saving rate increases**

The national saving rate sat at 12.3% in the third quarter, up from 11.0% in the second quarter. A large increase in saving by the corporate sector was responsible for the growth. For more information on the calculation of the national saving rate and the relationship between saving in the different sectors of the economy see *Trends in Saving and Net Lending in the National Accounts* ([www.statcan.ca/english/research/13-604-MIE/13-604-MIE2005049.pdf](http://www.statcan.ca/english/research/13-604-MIE/13-604-MIE2005049.pdf)).

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

Economic growth was flat in September following a 0.5% increase in August. Industrial production (the output of factories, mines and utilities) retreated by 0.5% on the weakness of manufacturing while both the mining and utilities sectors grew.

Manufacturing output dropped 1.0%, with the largest declines recorded by manufacturers of transportation equipment (-2.0%), machinery (-2.7%) and chemicals (-2.2%). Manufacturers of fabricated metal and plastic products registered significant gains.

The energy sector recorded a 0.6% increase in September, primarily driven by oil and gas exploration (+4.9%), electricity generation (+1.3%) and the transportation of natural gas by pipeline (+0.9%). Oil and gas extraction, however, edged down 0.1%.

Retail sales of new motor vehicles retracted sharply in August and September following a jump in July. The decline paralleled the end of special incentive programs by auto makers. The retail trade sector declined 1.5% in September on that weakness, as retailing activities excluding new motor vehicles dealers grew 0.9%. Wholesale trade activity, however, increased 1.2%, mainly on the strength of motor vehicles. Excluding motor vehicle and parts, wholesale trade grew only 0.4%.

## Canadian economic accounts key indicators[1]

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third 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	641,204 <i>1.3</i>	647,288 <i>0.9</i>	654,312 <i>1.1</i>	662,108 <i>1.2</i>	672,360 <i>1.5</i>	683,824 <i>1.7</i>	617,753 <i>4.2</i>	643,964 <i>4.2</i>
Corporation profits before taxes	177,176 <i>8.6</i>	178,804 <i>0.9</i>	181,484 <i>1.5</i>	183,508 <i>1.1</i>	189,512 <i>3.3</i>	199,820 <i>5.4</i>	147,592 <i>8.7</i>	175,148 <i>18.7</i>
Interest and miscellaneous investment income	55,380 <i>6.9</i>	57,112 <i>3.1</i>	57,312 <i>0.4</i>	57,236 <i>-0.1</i>	57,276 <i>0.1</i>	60,592 <i>5.8</i>	50,223 <i>6.5</i>	55,408 <i>10.3</i>
Net income of unincorporated business	83,712 <i>2.7</i>	85,068 <i>1.6</i>	85,296 <i>0.3</i>	85,320 <i>0.0</i>	85,732 <i>0.5</i>	86,480 <i>0.9</i>	78,438 <i>4.4</i>	83,893 <i>7.0</i>
Taxes less subsidies	148,568 <i>2.7</i>	150,276 <i>1.1</i>	151,212 <i>0.6</i>	152,628 <i>0.9</i>	155,044 <i>1.6</i>	155,052 <i>0.0</i>	141,424 <i>2.1</i>	148,682 <i>5.1</i>
Personal disposable income	747,232 <i>1.9</i>	751,336 <i>0.5</i>	757,772 <i>0.9</i>	761,236 <i>0.5</i>	770,940 <i>1.3</i>	783,064 <i>1.6</i>	719,553 <i>3.7</i>	747,496 <i>3.9</i>
Personal saving rate[2]	1.9 ...	1.4 ...	1.0 ...	-0.5 ...	-0.6 ...	-0.2 ...	2.4 ...	1.4 ...
Seasonally adjusted at annual rates, millions of chained (1997) dollars								
Personal expenditure on consumer goods and services	637,204 <i>0.5</i>	642,702 <i>0.9</i>	648,794 <i>0.9</i>	658,945 <i>1.6</i>	664,099 <i>0.8</i>	668,127 <i>0.6</i>	619,401 <i>3.1</i>	640,630 <i>3.4</i>
Government current expenditure on goods and services	209,664 <i>0.8</i>	210,713 <i>0.5</i>	211,801 <i>0.5</i>	212,765 <i>0.5</i>	215,412 <i>1.2</i>	217,718 <i>1.1</i>	204,593 <i>2.9</i>	210,049 <i>2.7</i>
Gross fixed capital formation	237,551 <i>0.6</i>	241,206 <i>1.5</i>	245,637 <i>1.8</i>	250,025 <i>1.8</i>	253,038 <i>1.2</i>	257,810 <i>1.9</i>	225,199 <i>5.9</i>	240,150 <i>6.6</i>
Investment in inventories	2,367 ...	17,458 ...	22,370 ...	16,184 ...	13,033 ...	11,895 ...	11,065 ...	11,535 ...
Exports of goods and services	469,204 <i>4.4</i>	465,940 <i>-0.7</i>	462,289 <i>-0.8</i>	468,441 <i>1.3</i>	467,280 <i>-0.2</i>	478,932 <i>2.5</i>	439,784 <i>-2.1</i>	461,675 <i>5.0</i>
Imports of goods and services	433,860 <i>2.8</i>	446,727 <i>3.0</i>	455,772 <i>2.0</i>	465,935 <i>2.2</i>	463,662 <i>-0.5</i>	474,014 <i>2.2</i>	406,664 <i>4.1</i>	439,619 <i>8.1</i>
Gross domestic product at market prices	1,121,455 <i>1.2</i>	1,131,229 <i>0.9</i>	1,137,256 <i>0.5</i>	1,143,034 <i>0.5</i>	1,152,559 <i>0.8</i>	1,162,865 <i>0.9</i>	1,092,388 <i>2.0</i>	1,124,428 <i>2.9</i>
<b>GDP at basic prices, by industry</b>								
Goods producing industries	330,763 <i>1.4</i>	335,635 <i>1.5</i>	336,330 <i>0.2</i>	336,294 <i>-0.0</i>	337,146 <i>0.3</i>	341,627 <i>1.3</i>	319,035 <i>2.3</i>	332,217 <i>4.1</i>
Industrial production	246,514 <i>1.7</i>	250,084 <i>1.4</i>	250,505 <i>0.2</i>	250,021 <i>-0.2</i>	249,888 <i>-0.1</i>	253,014 <i>1.3</i>	238,271 <i>0.7</i>	247,374 <i>3.8</i>
Energy sector	63,153 <i>0.5</i>	62,867 <i>-0.5</i>	63,582 <i>1.1</i>	62,588 <i>-1.6</i>	63,116 <i>0.8</i>	64,676 <i>2.5</i>	61,970 <i>1.8</i>	63,109 <i>1.8</i>
Manufacturing	179,064 <i>2.3</i>	183,247 <i>2.3</i>	182,866 <i>-0.2</i>	183,547 <i>0.4</i>	182,586 <i>-0.5</i>	184,086 <i>0.8</i>	172,090 <i>-0.0</i>	180,070 <i>4.6</i>
Non-durable manufacturing	73,489 <i>1.2</i>	74,617 <i>1.5</i>	74,096 <i>-0.7</i>	73,487 <i>-0.8</i>	72,916 <i>-0.8</i>	73,568 <i>0.9</i>	72,264 <i>-0.1</i>	73,714 <i>2.0</i>
Durable manufacturing	105,352 <i>3.0</i>	108,400 <i>2.9</i>	108,539 <i>0.1</i>	109,825 <i>1.2</i>	109,434 <i>-0.4</i>	110,280 <i>0.8</i>	99,619 <i>0.0</i>	106,132 <i>6.5</i>
Construction	60,287 <i>0.2</i>	60,813 <i>0.9</i>	61,510 <i>1.1</i>	62,292 <i>1.3</i>	63,032 <i>1.2</i>	63,795 <i>1.2</i>	58,026 <i>5.6</i>	60,689 <i>4.6</i>
Services producing industries	707,061 <i>0.8</i>	712,389 <i>0.8</i>	716,314 <i>0.6</i>	722,786 <i>0.9</i>	729,860 <i>1.0</i>	736,263 <i>0.9</i>	690,777 <i>2.3</i>	709,357 <i>2.7</i>
Wholesale trade	61,788 <i>2.1</i>	62,952 <i>1.9</i>	63,958 <i>1.6</i>	65,056 <i>1.7</i>	66,586 <i>2.4</i>	67,429 <i>1.3</i>	59,157 <i>4.6</i>	62,306 <i>5.3</i>
Retail trade	58,900 <i>0.6</i>	59,811 <i>1.5</i>	60,341 <i>0.9</i>	61,727 <i>2.3</i>	62,380 <i>1.1</i>	62,449 <i>0.1</i>	57,206 <i>2.6</i>	59,405 <i>3.8</i>
Transportation and warehousing	49,781 <i>2.0</i>	50,068 <i>0.6</i>	50,547 <i>1.0</i>	50,892 <i>0.7</i>	51,255 <i>0.7</i>	52,313 <i>2.1</i>	47,665 <i>0.7</i>	49,804 <i>4.5</i>
Finance, insurance, real estate and renting	205,949 <i>0.9</i>	207,075 <i>0.5</i>	208,219 <i>0.6</i>	210,256 <i>1.0</i>	212,321 <i>1.0</i>	214,678 <i>1.1</i>	199,480 <i>2.4</i>	206,340 <i>3.4</i>
Information and communication technologies	57,651 <i>1.2</i>	58,616 <i>1.7</i>	59,190 <i>1.0</i>	60,233 <i>1.8</i>	61,128 <i>1.5</i>	61,705 <i>0.9</i>	55,698 <i>2.0</i>	58,112 <i>4.3</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

Third quarter 2005

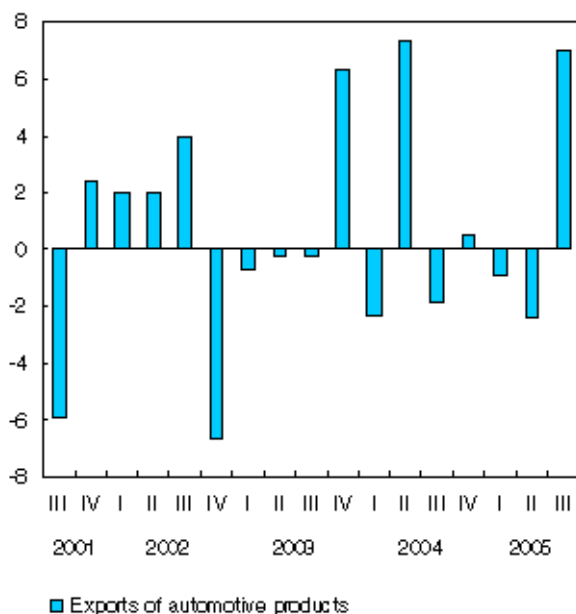
A 2.5% jump in exports led to a 0.9% increase in real gross domestic product (GDP) in the third quarter following a 0.8% increase in the second. A pick-up in business investment and moderate growth in personal expenditures also contributed to overall growth.

### Incentive-induced auto exports

Incentive-induced automotive sales south of the border had a substantial impact on Canadian exports. Exports of automotive products were driven up 7.0%, on par with the large quarterly increases seen in 2003 and 2004. Over the last three years, growth in exports of automotive products has been erratic, posting one large quarterly increase each year surrounded by three quarters of weak or negative growth. Sales in the US, the major destination of Canadian automotive products, over this period have been driven by a number of aggressive incentive programs and introduction of new models which seem to have resulted in large swings in Canadian exports.

### Vroom-vroom...automotive exports take off

Quarterly % change, chained (1997) dollars

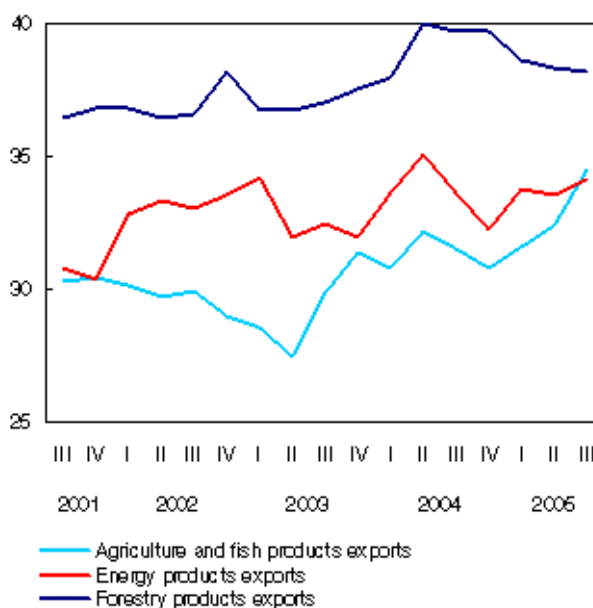


Exports of agricultural and fish products skyrocketed in the third quarter (+6.4%) helped by the easing of border restrictions on Canadian live cattle in July. Exports of energy products and industrial goods rebounded from last quarter's declines, while exports of machinery and equipment and other consumer goods declined following two quarters of sustained growth.

While exports of agriculture and fish products have enjoyed a number of quarters of successive growth, the same cannot be said of the struggling forestry sector. Exports of forestry products fell 0.5% in the third quarter of 2005 and have now declined in each of the last five quarters.

### Not all resources sectors are performing well

Billions of chained (1997) dollars



While a lot has been made of the tremendous growth in the energy sector, much of this increase is due to prices. In fact, since mid-2003 it has been exports of agriculture and fish products that have shown the most real growth, advancing an average 2.6% per quarter compared with 0.8% for energy products. Much of this growth is due to the partial re-opening of the US border to Canadian boneless beef in September 2003 and the return to more normal levels of production of grains and oilseeds following two years of drought (2001 and 2002) in Western Canada.

### Energy sector boosts corporate profits

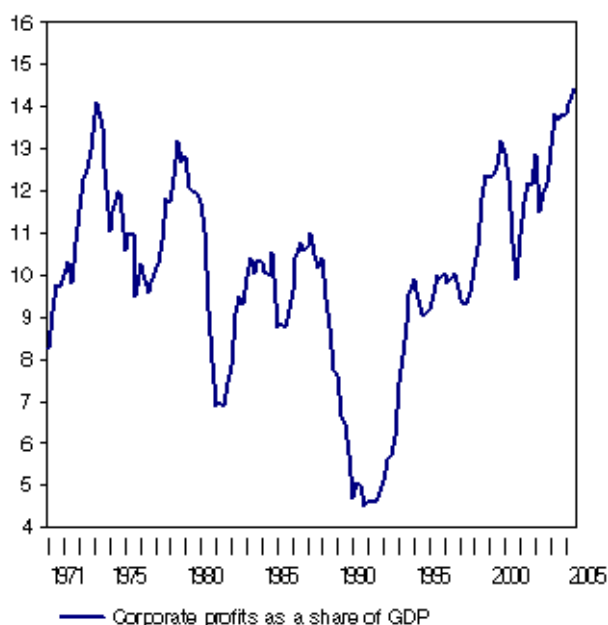
Rising energy prices have had a significant impact on corporate profits. Corporate profits posted a healthy increase this quarter (+5.4%), stronger than the previous quarter's growth of 3.3%, as 2005 is proving to be a good year for mining and mineral fuel industries. Manufacturers also saw their profits edge up on strength in the petroleum and coal products and motor vehicle and parts manufacturers industries. Profits among financial industries accelerated this quarter.

Corporate outlays decelerated in the third quarter (+2.1%) and, as a result, corporate saving ballooned (+16%). Corporate saving has now remained above the \$100 billion mark for two consecutive quarters. Corporations more than tripled the rate at which they acquired fixed capital (+4.4%) this quarter, averaging quarterly increases of 2.8% so far this year. The net lending position of the corporate sector strengthened (+14.6%) and is now 44% higher than the level posted in the fourth quarter of 2004.

Since the start of 2002, corporate profits have accounted for a steadily increasing share of total GDP, from 11% in 2002 to 14% in the third quarter of 2005. The recent string of increases in energy and metal prices has had a lot to do with this latest surge.

### Corporate profits accounting for a greater share of GDP

%, quarterly estimates, 1971 - 2005



### Consumer spending moderates

Following a strong first quarter (+1.6%), growth in personal expenditures has slowed in recent quarters climbing 0.6% in the third. This slowdown was widespread as growth for most expenditure categories decelerated.

Consumption of electricity jumped 1.9% as Canadian turned up their air conditioners to ward off the effects of an unusually warm summer. A wave of automotive dealer incentives also boosted purchases of new motor vehicles which climbed 1.4%. The majority of this increase was due to stronger purchases of compact and sub-compact passenger cars as the rising price of motor fuels deterred purchases of SUV's.

Growth in the purchases of furniture and other furnishings and clothing and footwear, both of which grew substantially in the first quarter, has levelled off. Purchases of furniture, furnishings and household equipment grew 0.3% following growth of 1.0% in the second quarter and 2.3% in the first while purchases of clothing fell 0.4%.

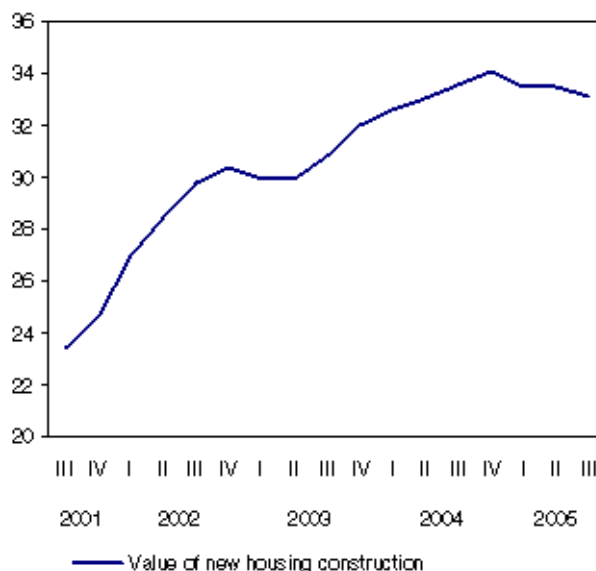
### New housing construction stalls

Investment in residential construction has slowed considerably in 2005 following six years of steady growth. Renovation activity slowed this quarter to 1.1%, just half of the second quarter pace, and off the average quarterly pace of 2.6% set in 2004. A slowdown in renovation activity coupled with weakening sales of new houses had wide-ranging effects throughout the economy, weakening profits in the construction, retail and financial sector.

The value of new housing construction fell 1.1% in the third quarter and has now fallen 2.7% since the fourth quarter of 2004. These declines were offset by another large increase in ownership transfer cost which climbed 4.7%, helping to push up total investment in residential structure 0.7%.

### New housing construction stalls

Billions of chained (1997) dollars



While residential investment cooled off, investment in non-residential structures is gaining momentum. Business investment in non-residential construction grew 2.9% in the third quarter and is now 8.2% higher than the fourth quarter of 2004 well above the 0.8% annual 2004 pace.

Residential investment and non-residential investment have exhibited quite different growth patterns over the last five years. In 2001, the levels of quarterly investment in residential and in non-residential construction were on par,

both sitting at around \$49 billion. Since that time investment in residential construction has grown faster than non-residential construction. For a detailed analysis of residential and non-residential investment cycles see the article "Long-run cycles in business investment" published in the September issue of the Canadian Economic Observer.

### Investment in plant and equipment still strong

Since the beginning of 2005, businesses have increased investment in plant and equipment, posting average quarterly growth of 2.4%, up from 1.3% in 2004. Business investment in machinery and equipment returned to the 3.0% pace set in the first quarter, continuing the strong pattern of investment registered in the last half of 2004. Purchases of industrial machinery rebounded (+5.5%), reversing the decline posted last quarter. Purchases of automobiles and trucks slowed this quarter, but were offset by increased purchases of other transportation equipment, which have remained strong throughout the first half of 2005.

### Inventory accumulation slows

Business inventories (excluding farm inventories) increased \$9.4 billion in the quarter, less of a build up than in the second. Inventories of durable goods for both manufacturers and wholesalers jumped substantially in the third quarter while retail inventories of durable goods were drawn down.

The economy-wide inventory-to-sales ratio was unchanged, leaving sufficient inventories to satisfy 62 days of sales.

### Growth in labour income continues to accelerate

Growth in labour income has been steadily accelerating since the fourth quarter of 2004. This recent round of increases is the largest since 2000 when income jumped as a result of strength in mining and oil and gas extraction, in finance, insurance and real estate and in federal administration due to large pay equity payments.

Most of the gains in 2005 have been registered in finance, insurance and real estate, professional and personal services and mining and oil and gas extraction. Wages and salaries posted average quarterly gains in mining and oil and gas extraction of 3.1% in 2005, up from 2.3% in 2004. Wages and salaries in the service-producing industries outperformed the goods-producing industries for a second quarter in a row, with growth of more than 2% in the finance, insurance and real estate, professional and personal services and health care industries.

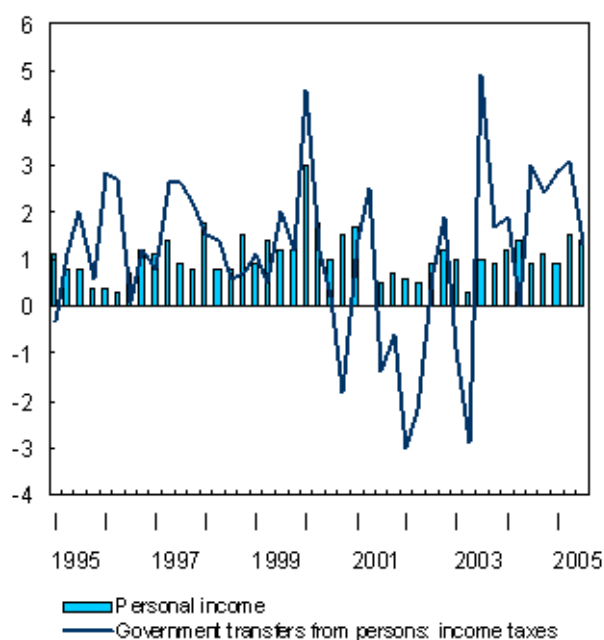
While the mining and oil and gas extraction and professional and personal service industries have performed well over the last number of years, the same cannot be said of the manufacturing industry which has seen its share of total wages and salaries fall from 17.3% in 2000 to 14.7% in the third quarter of 2005.

Personal income taxes slowed this quarter growing only 1.3% following four quarters of sustained growth over 2%.

Personal income taxes have been growing considerably faster than personal income since mid-2004. One reason is that personal income taxes reflect all taxes paid through source deductions, such things as the Ontario Health Premium, which started in July 2004, as well as retirement income from pension plans and taxes on capital gains rather than just taxes on wages and salaries. The end result is that growth in personal income taxes has a higher degree of variability than that of personal income.

### Personal income and personal income taxes

Quarterly % changes



Personal outlays slowed as a result of lower transfers to government while personal expenditures kept pace with personal income, closely matching the growth recorded in the previous quarter (+1.2%).

With fewer outlays, personal disposable income increased 1.6%, up from 1.3% last quarter and much stronger than the 0.5% posted in the first quarter. The personal sector saving rate sat just below zero.

The national saving rate sat at 12.3% in the third quarter, up from 11.0% in the second. A large increase in saving by the corporate sector was responsible for the growth. For more information on the calculation of the national saving rate and the relationship between saving in the different sectors of the economy see *Trends in Saving and Net Lending in the National Accounts* ([www.statcan.ca/english/research/13-604-MIE/13-604-MIE2005049.pdf](http://www.statcan.ca/english/research/13-604-MIE/13-604-MIE2005049.pdf))

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

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
Wages, salaries and supplementary labour income	641,204 <i>1.3</i>	647,288 <i>0.9</i>	654,312 <i>1.1</i>	662,108 <i>1.2</i>	672,360 <i>1.5</i>	683,824 <i>1.7</i>	617,753 <i>4.2</i>	643,964 <i>4.2</i>
Corporation profits before taxes	177,176 <i>8.6</i>	178,804 <i>0.9</i>	181,484 <i>1.5</i>	183,508 <i>1.1</i>	189,512 <i>3.3</i>	199,820 <i>5.4</i>	147,592 <i>8.7</i>	175,148 <i>18.7</i>
Government business enterprise profits before taxes	11,324 <i>-4.3</i>	12,084 <i>6.7</i>	12,124 <i>0.3</i>	12,956 <i>6.9</i>	12,788 <i>-1.3</i>	13,568 <i>6.1</i>	11,630 <i>0.9</i>	11,842 <i>1.8</i>
Interest and miscellaneous investment income	55,380 <i>6.9</i>	57,112 <i>3.1</i>	57,312 <i>0.4</i>	57,236 <i>-0.1</i>	57,276 <i>0.1</i>	60,592 <i>5.8</i>	50,223 <i>6.5</i>	55,408 <i>10.3</i>
Accrued net income of farm operators from farm production	2,828 <i>27.4</i>	3,364 <i>19.0</i>	3,052 <i>-9.3</i>	1,908 <i>-37.5</i>	1,276 <i>-33.1</i>	928 <i>-27.3</i>	1,280 <i>49.7</i>	2,866 <i>123.9</i>
Net income of non-farm unincorporated business, including rent	80,884 <i>2.0</i>	81,704 <i>1.0</i>	82,244 <i>0.7</i>	83,412 <i>1.4</i>	84,456 <i>1.3</i>	85,552 <i>1.3</i>	77,158 <i>3.9</i>	81,027 <i>5.0</i>
Inventory valuation adjustment	-5,856 <i>...</i>	796 <i>...</i>	2,828 <i>...</i>	-944 <i>...</i>	-2,424 <i>...</i>	4,540 <i>...</i>	5,075 <i>...</i>	-1,669 <i>...</i>
Taxes less subsidies, on factors of production	58,508 <i>1.6</i>	58,672 <i>0.3</i>	59,160 <i>0.8</i>	59,092 <i>-0.1</i>	59,952 <i>1.5</i>	60,200 <i>0.4</i>	56,376 <i>4.4</i>	58,479 <i>3.7</i>
<b>Net domestic product at basic prices</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>1,059,276</b> <b><i>0.6</i></b>	<b>1,075,196</b> <b><i>1.5</i></b>	<b>1,109,024</b> <b><i>3.1</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	90,060 <i>3.4</i>	91,604 <i>1.7</i>	92,052 <i>0.5</i>	93,536 <i>1.6</i>	95,092 <i>1.7</i>	94,852 <i>-0.3</i>	85,048 <i>0.6</i>	90,203 <i>6.1</i>
Capital consumption allowances	171,540 <i>1.5</i>	173,552 <i>1.2</i>	175,408 <i>1.1</i>	177,456 <i>1.2</i>	179,780 <i>1.3</i>	181,972 <i>1.2</i>	163,602 <i>4.9</i>	172,362 <i>5.4</i>
Statistical discrepancy	1,220 <i>...</i>	504 <i>...</i>	-1,368 <i>...</i>	-512 <i>...</i>	-1,604 <i>...</i>	92 <i>...</i>	454 <i>...</i>	555 <i>...</i>
<b>Gross domestic product at market prices</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>1,329,756</b> <b><i>0.8</i></b>	<b>1,348,464</b> <b><i>1.4</i></b>	<b>1,385,940</b> <b><i>2.8</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]**

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
Personal expenditure on consumer goods and services	717,384 <i>1.3</i>	724,980 <i>1.1</i>	734,376 <i>1.3</i>	748,228 <i>1.9</i>	758,268 <i>1.3</i>	767,396 <i>1.2</i>	687,791 <i>4.8</i>	721,235 <i>4.9</i>
Durable goods	94,412 <i>0.8</i>	95,236 <i>0.9</i>	96,964 <i>1.8</i>	99,596 <i>2.7</i>	100,452 <i>0.9</i>	101,368 <i>0.9</i>	93,600 <i>1.3</i>	95,075 <i>1.6</i>
Semi-durable goods	61,188 <i>0.9</i>	62,116 <i>1.5</i>	62,140 <i>0.0</i>	64,000 <i>3.0</i>	64,628 <i>1.0</i>	64,772 <i>0.2</i>	58,642 <i>2.7</i>	61,515 <i>4.9</i>
Non-durable goods	176,340 <i>1.9</i>	178,728 <i>1.4</i>	182,132 <i>1.9</i>	185,052 <i>1.6</i>	187,712 <i>1.4</i>	192,560 <i>2.6</i>	168,502 <i>6.4</i>	177,572 <i>5.4</i>
Services	385,444 <i>1.2</i>	388,900 <i>0.9</i>	393,140 <i>1.1</i>	399,580 <i>1.6</i>	405,476 <i>1.5</i>	408,696 <i>0.8</i>	367,047 <i>5.3</i>	387,073 <i>5.5</i>
Government current expenditure on goods and services	248,040 <i>1.4</i>	249,356 <i>0.5</i>	252,176 <i>1.1</i>	256,292 <i>1.6</i>	262,100 <i>2.3</i>	266,200 <i>1.6</i>	236,631 <i>5.7</i>	248,534 <i>5.0</i>
Government gross fixed capital formation	33,116 <i>1.6</i>	33,272 <i>0.5</i>	33,380 <i>0.3</i>	33,904 <i>1.6</i>	34,304 <i>1.2</i>	34,672 <i>1.1</i>	30,953 <i>4.1</i>	33,091 <i>6.9</i>
Government investment in inventories	260 <i>...</i>	156 <i>...</i>	-256 <i>...</i>	20 <i>...</i>	84 <i>...</i>	-16 <i>...</i>	15 <i>...</i>	21 <i>...</i>
Business gross fixed capital formation	224,716 <i>2.8</i>	228,744 <i>1.8</i>	231,452 <i>1.2</i>	237,416 <i>2.6</i>	242,664 <i>2.2</i>	247,076 <i>1.8</i>	207,120 <i>5.8</i>	225,867 <i>9.1</i>
Residential structures	83,016 <i>4.0</i>	84,876 <i>2.2</i>	86,516 <i>1.9</i>	87,128 <i>0.7</i>	89,388 <i>2.6</i>	90,472 <i>1.2</i>	72,971 <i>11.0</i>	83,557 <i>14.5</i>
Non-residential structures	56,652 <i>1.9</i>	57,828 <i>2.1</i>	58,500 <i>1.2</i>	60,708 <i>3.8</i>	62,576 <i>3.1</i>	64,836 <i>3.6</i>	53,883 <i>7.8</i>	57,139 <i>6.0</i>
Machinery and equipment	85,048 <i>2.3</i>	86,040 <i>1.2</i>	86,436 <i>0.5</i>	89,580 <i>3.6</i>	90,700 <i>1.3</i>	91,768 <i>1.2</i>	80,266 <i>0.1</i>	85,171 <i>6.1</i>
Business investment in inventories	-1,276 <i>...</i>	13,636 <i>...</i>	19,436 <i>...</i>	12,620 <i>...</i>	8,464 <i>...</i>	7,096 <i>...</i>	7,239 <i>...</i>	7,758 <i>...</i>
Non-farm	-2,708 <i>...</i>	12,088 <i>...</i>	17,636 <i>...</i>	11,428 <i>...</i>	7,428 <i>...</i>	6,532 <i>...</i>	6,018 <i>...</i>	6,262 <i>...</i>
Farm	1,432 <i>...</i>	1,548 <i>...</i>	1,800 <i>...</i>	1,192 <i>...</i>	1,036 <i>...</i>	564 <i>...</i>	1,221 <i>...</i>	1,496 <i>...</i>
Exports of goods and services	507,364 <i>8.7</i>	505,948 <i>-0.3</i>	490,136 <i>-3.1</i>	496,556 <i>1.3</i>	505,484 <i>1.8</i>	530,996 <i>5.0</i>	461,266 <i>-3.5</i>	492,580 <i>6.8</i>
Goods	443,740 <i>9.6</i>	442,276 <i>-0.3</i>	425,736 <i>-3.7</i>	430,724 <i>1.2</i>	439,648 <i>2.1</i>	464,808 <i>5.7</i>	400,176 <i>-3.4</i>	429,140 <i>7.2</i>
Services	63,624 <i>2.5</i>	63,672 <i>0.1</i>	64,400 <i>1.1</i>	65,832 <i>2.2</i>	65,836 <i>0.0</i>	66,188 <i>0.5</i>	61,090 <i>-4.6</i>	63,440 <i>3.8</i>
Deduct: Imports of goods and services	444,116 <i>6.8</i>	450,100 <i>1.3</i>	443,460 <i>-1.5</i>	455,792 <i>2.8</i>	464,504 <i>1.9</i>	467,388 <i>0.6</i>	414,370 <i>-3.1</i>	438,346 <i>5.8</i>
Goods	367,712 <i>7.9</i>	375,832 <i>2.2</i>	368,000 <i>-2.1</i>	378,980 <i>3.0</i>	385,396 <i>1.7</i>	389,676 <i>1.1</i>	342,611 <i>-4.0</i>	363,079 <i>6.0</i>
Services	76,404 <i>2.0</i>	74,268 <i>-2.8</i>	75,460 <i>1.6</i>	76,812 <i>1.8</i>	79,108 <i>3.0</i>	77,712 <i>-1.8</i>	71,759 <i>1.2</i>	75,267 <i>4.9</i>
Statistical discrepancy	-1,220 <i>...</i>	-508 <i>...</i>	1,368 <i>...</i>	512 <i>...</i>	1,600 <i>...</i>	-92 <i>...</i>	-454 <i>...</i>	-555 <i>...</i>
<b>Gross domestic product at market prices</b>	<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>1,329,756</b> <i>0.8</i>	<b>1,348,464</b> <i>1.4</i>	<b>1,385,940</b> <i>2.8</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>1,223,256</i> <i>1.6</i>	<i>1,236,352</i> <i>1.1</i>	<i>1,251,384</i> <i>1.2</i>	<i>1,275,840</i> <i>2.0</i>	<i>1,297,336</i> <i>1.7</i>	<i>1,315,344</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]**

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Seasonally adjusted at annual rates, millions of chained (1997) dollars[2]								
Personal expenditure on consumer goods and services	637,204 <i>0.5</i>	642,702 <i>0.9</i>	648,794 <i>0.9</i>	658,945 <i>1.6</i>	664,099 <i>0.8</i>	668,127 <i>0.6</i>	619,401 <i>3.1</i>	640,630 <i>3.4</i>
Durable goods	97,320 <i>0.9</i>	98,552 <i>1.3</i>	100,130 <i>1.6</i>	102,660 <i>2.5</i>	104,169 <i>1.5</i>	104,934 <i>0.7</i>	95,189 <i>2.1</i>	98,119 <i>3.1</i>
Semi-durable goods	59,140 <i>1.1</i>	60,337 <i>2.0</i>	60,344 <i>0.0</i>	61,972 <i>2.7</i>	62,670 <i>1.1</i>	62,643 <i>-0.0</i>	56,474 <i>3.4</i>	59,583 <i>5.5</i>
Non-durable goods	142,697 <i>-0.0</i>	143,747 <i>0.7</i>	145,154 <i>1.0</i>	147,055 <i>1.3</i>	146,895 <i>-0.1</i>	147,894 <i>0.7</i>	140,349 <i>2.3</i>	143,583 <i>2.3</i>
Services	339,036 <i>0.6</i>	341,202 <i>0.6</i>	344,352 <i>0.9</i>	348,713 <i>1.3</i>	352,101 <i>1.0</i>	354,370 <i>0.6</i>	328,208 <i>3.7</i>	340,385 <i>3.7</i>
Government current expenditure on goods and services	209,664 <i>0.8</i>	210,713 <i>0.5</i>	211,801 <i>0.5</i>	212,765 <i>0.5</i>	215,412 <i>1.2</i>	217,718 <i>1.1</i>	204,593 <i>2.9</i>	210,049 <i>2.7</i>
Government gross fixed capital formation	31,635 <i>-0.3</i>	31,614 <i>-0.1</i>	31,894 <i>0.9</i>	32,324 <i>1.3</i>	32,288 <i>-0.1</i>	32,417 <i>0.4</i>	30,237 <i>4.5</i>	31,722 <i>4.9</i>
Government investment in inventories	224 ...	136 ...	-216 ...	16 ...	68 ...	-12 ...	14 ...	19 ...
Business gross fixed capital formation	205,996 <i>0.7</i>	209,654 <i>1.8</i>	213,796 <i>2.0</i>	217,750 <i>1.8</i>	220,784 <i>1.4</i>	225,414 <i>2.1</i>	195,047 <i>6.2</i>	208,500 <i>6.9</i>
Residential structures	66,017 <i>1.5</i>	67,165 <i>1.7</i>	68,019 <i>1.3</i>	67,737 <i>-0.4</i>	69,019 <i>1.9</i>	69,489 <i>0.7</i>	61,436 <i>6.2</i>	66,562 <i>8.3</i>
Non-residential structures	47,815 <i>0.1</i>	48,018 <i>0.4</i>	48,124 <i>0.2</i>	49,737 <i>3.4</i>	50,633 <i>1.8</i>	52,081 <i>2.9</i>	47,534 <i>5.7</i>	47,936 <i>0.8</i>
Machinery and equipment	91,675 <i>0.4</i>	94,175 <i>2.7</i>	97,838 <i>3.9</i>	100,877 <i>3.1</i>	101,512 <i>0.6</i>	104,533 <i>3.0</i>	85,415 <i>6.4</i>	93,754 <i>9.8</i>
Business investment in inventories	2,118 ...	17,308 ...	22,619 ...	16,163 ...	12,950 ...	11,908 ...	11,052 ...	11,517 ...
Non-farm	-610 ...	14,331 ...	19,281 ...	13,085 ...	10,068 ...	9,379 ...	7,327 ...	8,459 ...
Farm	2,369 ...	2,285 ...	2,555 ...	2,425 ...	2,254 ...	1,859 ...	3,438 ...	2,523 ...
Exports of goods and services	469,204 <i>4.4</i>	465,940 <i>-0.7</i>	462,289 <i>-0.8</i>	468,441 <i>1.3</i>	467,280 <i>-0.2</i>	478,932 <i>2.5</i>	439,784 <i>-2.1</i>	461,675 <i>5.0</i>
Goods	411,461 <i>4.9</i>	408,164 <i>-0.8</i>	404,037 <i>-1.0</i>	408,833 <i>1.2</i>	407,820 <i>-0.2</i>	419,823 <i>2.9</i>	383,414 <i>-1.8</i>	403,962 <i>5.4</i>
Services	57,967 <i>1.3</i>	57,991 <i>0.0</i>	58,439 <i>0.8</i>	59,772 <i>2.3</i>	59,624 <i>-0.2</i>	59,306 <i>-0.5</i>	56,495 <i>-4.0</i>	57,909 <i>2.5</i>
Deduct: Imports of goods and services	433,860 <i>2.8</i>	446,727 <i>3.0</i>	455,772 <i>2.0</i>	465,935 <i>2.2</i>	463,662 <i>-0.5</i>	474,014 <i>2.2</i>	406,664 <i>4.1</i>	439,619 <i>8.1</i>
Goods	367,858 <i>3.4</i>	381,683 <i>3.8</i>	387,869 <i>1.6</i>	397,497 <i>2.5</i>	393,736 <i>-0.9</i>	404,918 <i>2.8</i>	344,797 <i>3.6</i>	373,301 <i>8.3</i>
Services	65,924 <i>-0.0</i>	65,358 <i>-0.9</i>	68,008 <i>4.1</i>	68,688 <i>1.0</i>	69,919 <i>1.8</i>	69,418 <i>-0.7</i>	61,787 <i>6.4</i>	66,306 <i>7.3</i>
Statistical discrepancy	-1,065 ...	-440 ...	1,180 ...	440 ...	1,368 ...	-77 ...	-405 ...	-493 ...
<b>Gross domestic product at market prices</b>	<b>1,121,455 <i>1.2</i></b>	<b>1,131,229 <i>0.9</i></b>	<b>1,137,256 <i>0.5</i></b>	<b>1,143,034 <i>0.5</i></b>	<b>1,152,559 <i>0.8</i></b>	<b>1,162,865 <i>0.9</i></b>	<b>1,092,388 <i>2.0</i></b>	<b>1,124,428 <i>2.9</i></b>
Final domestic demand	1,083,788 <i>0.6</i>	1,093,886 <i>0.9</i>	1,105,353 <i>1.0</i>	1,120,687 <i>1.4</i>	1,131,503 <i>1.0</i>	1,142,509 <i>1.0</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]**

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Quarter to quarter % change at annual rates, chained (1997) dollars								
Personal expenditure on consumer goods and services	2.2	3.5	3.8	6.4	3.2	2.4	3.1	3.4
Durable goods	3.6	5.2	6.6	10.5	6.0	3.0	2.1	3.1
Semi-durable goods	4.4	8.3	0.0	11.2	4.6	-0.2	3.4	5.5
Non-durable goods	-0.1	3.0	4.0	5.3	-0.4	2.7	2.3	2.3
Services	2.5	2.6	3.7	5.2	3.9	2.6	3.7	3.7
Government current expenditure on goods and services	3.2	2.0	2.1	1.8	5.1	4.4	2.9	2.7
Government gross fixed capital formation	-1.4	-0.3	3.6	5.5	-0.4	1.6	4.5	4.9
Government investment in inventories[2]	292	-88	-352	232	52	-80	54	5
Business gross fixed capital formation	2.9	7.3	8.1	7.6	5.7	8.7	6.2	6.9
Residential structures	6.1	7.1	5.2	-1.6	7.8	2.8	6.2	8.3
Non-residential structures	0.3	1.7	0.9	14.1	7.4	11.9	5.7	0.8
Machinery and equipment	1.5	11.4	16.5	13.0	2.5	12.4	6.4	9.8
Business investment in inventories[2]	-1,903	15,190	5,311	-6,456	-3,213	-1,042	9,252	464
Non-farm[2]	-1,444	14,941	4,950	-6,196	-3,017	-689	4,936	1,132
Farm[2]	-512	-84	270	-130	-171	-395	4,193	-916
Exports of goods and services	19.0	-2.8	-3.1	5.4	-1.0	10.4	-2.1	5.0
Goods	21.2	-3.2	-4.0	4.8	-1.0	12.3	-1.8	5.4
Services	5.2	0.2	3.1	9.4	-1.0	-2.1	-4.0	2.5
Deduct: Imports of goods and services	11.6	12.4	8.3	9.2	-1.9	9.2	4.1	8.1
Goods	14.3	15.9	6.6	10.3	-3.7	11.9	3.6	8.3
Services	-0.1	-3.4	17.2	4.1	7.4	-2.8	6.4	7.3
Statistical discrepancy[2]	580	625	1,620	-740	928	-1,445	222	-88
<b>Gross domestic product at market prices</b>	<b>5.0</b>	<b>3.5</b>	<b>2.1</b>	<b>2.0</b>	<b>3.4</b>	<b>3.6</b>	<b>2.0</b>	<b>2.9</b>
<i>Final domestic demand</i>	<i>2.4</i>	<i>3.8</i>	<i>4.3</i>	<i>5.7</i>	<i>3.9</i>	<i>3.9</i>	<i>3.6</i>	<i>3.9</i>

1 Quarter to quarter percentage change, annualized.

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

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

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Using seasonally adjusted data, percentage points								
Personal expenditure on consumer goods and services	0.301	0.481	0.526	0.871	0.440	0.339	1.769	1.933
Durable goods	0.065	0.093	0.117	0.186	0.109	0.054	0.164	0.232
Semi-durable goods	0.052	0.096	0.001	0.127	0.054	-0.002	0.164	0.262
Non-durable goods	-0.003	0.101	0.134	0.181	-0.015	0.095	0.314	0.320
Services	0.188	0.191	0.275	0.378	0.292	0.192	1.126	1.118
Government current expenditure on goods and services	0.154	0.096	0.099	0.087	0.240	0.207	0.564	0.521
Government gross fixed capital formation	-0.009	-0.002	0.022	0.034	-0.003	0.010	0.118	0.126
Government investment in inventories	0.027	-0.008	-0.031	0.021	0.005	-0.007	0.005	0.000
Business gross fixed capital formation	0.124	0.310	0.344	0.325	0.249	0.373	1.033	1.174
Residential structures	0.096	0.112	0.083	-0.027	0.124	0.045	0.356	0.509
Non-residential structures	0.003	0.019	0.010	0.149	0.083	0.132	0.247	0.039
Machinery and equipment	0.025	0.179	0.252	0.204	0.042	0.197	0.430	0.627
Business investment in inventories	-0.155	1.228	0.414	-0.509	-0.255	-0.084	0.815	-0.009
Non-farm	-0.120	1.234	0.397	-0.501	-0.243	-0.056	0.452	0.065
Farm	-0.035	-0.006	0.017	-0.008	-0.012	-0.028	0.363	-0.073
Exports of goods and services	1.677	-0.274	-0.299	0.494	-0.093	0.938	-0.848	1.901
Goods	1.614	-0.276	-0.337	0.383	-0.081	0.964	-0.633	1.774
Services	0.063	0.002	0.038	0.111	-0.012	-0.026	-0.214	0.127
Deduct: Imports of goods and services	0.936	1.014	0.685	0.751	-0.169	0.756	1.460	2.707
Goods	0.937	1.065	0.457	0.693	-0.273	0.797	1.084	2.284
Services	-0.001	-0.050	0.227	0.057	0.104	-0.041	0.376	0.423
Statistical discrepancy	0.052	0.056	0.143	-0.065	0.081	-0.125	0.020	-0.007
<b>Gross domestic product at market prices</b>	<b>1.235</b>	<b>0.872</b>	<b>0.533</b>	<b>0.508</b>	<b>0.833</b>	<b>0.894</b>	<b>2.017</b>	<b>2.933</b>
<i>Final domestic demand</i>	<i>0.570</i>	<i>0.885</i>	<i>0.991</i>	<i>1.318</i>	<i>0.927</i>	<i>0.929</i>	<i>3.484</i>	<i>3.753</i>

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

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

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Using seasonally adjusted data, (1997 = 100)								
Personal expenditure on consumer goods and services	112.6 <i>0.8</i>	112.8 <i>0.2</i>	113.2 <i>0.4</i>	113.5 <i>0.3</i>	114.2 <i>0.6</i>	114.9 <i>0.6</i>	111.0 <i>1.6</i>	112.6 <i>1.4</i>
Government current expenditure on goods and services	118.3 <i>0.6</i>	118.3 <i>0.0</i>	119.1 <i>0.7</i>	120.5 <i>1.2</i>	121.7 <i>1.0</i>	122.3 <i>0.5</i>	115.7 <i>2.7</i>	118.3 <i>2.3</i>
Government gross fixed capital formation	104.7 <i>1.9</i>	105.2 <i>0.5</i>	104.7 <i>-0.5</i>	104.9 <i>0.2</i>	106.2 <i>1.2</i>	107.0 <i>0.8</i>	102.4 <i>-0.4</i>	104.3 <i>1.9</i>
Business gross fixed capital formation	109.1 <i>2.2</i>	109.1 <i>0.0</i>	108.3 <i>-0.7</i>	109.0 <i>0.6</i>	109.9 <i>0.8</i>	109.6 <i>-0.3</i>	106.2 <i>-0.4</i>	108.3 <i>2.0</i>
Exports of goods and services	108.1 <i>4.0</i>	108.6 <i>0.5</i>	106.0 <i>-2.4</i>	106.0 <i>0.0</i>	108.2 <i>2.1</i>	110.9 <i>2.5</i>	104.9 <i>-1.4</i>	106.7 <i>1.7</i>
Imports of goods and services	102.4 <i>4.0</i>	100.8 <i>-1.6</i>	97.3 <i>-3.5</i>	97.8 <i>0.5</i>	100.2 <i>2.5</i>	98.6 <i>-1.6</i>	102.0 <i>-6.9</i>	99.8 <i>-2.2</i>
<b>Gross domestic product at market prices</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>116.3 <i>0.3</i></b>	<b>117.0 <i>0.6</i></b>	<b>119.2 <i>1.9</i></b>	<b>111.4 <i>3.3</i></b>	<b>114.7 <i>3.0</i></b>
<i>Final domestic demand</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>114.7 <i>0.8</i></i>	<i>115.1 <i>0.3</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.

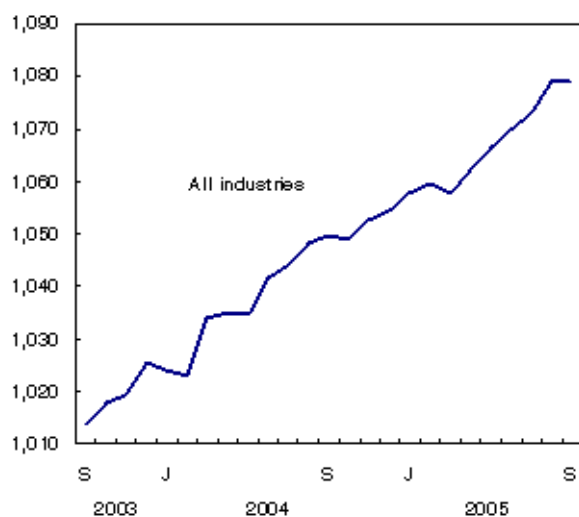
## GDP by industry

September 2005

Growth in Gross Domestic Product was flat in September following a 0.5% increase in August. Weakness in the goods producing sector was concentrated in manufacturing (-1.0%) as output in mining, oil and gas extraction increased (+0.7%) and construction (+0.2%) edged up. The decrease in manufacturing output occurred after the strong showing in August. Retail trade hampered growth in the services sector, as new and used motor vehicle sales dropped. The wholesaling of motor vehicles and parts was however the main driver behind the strong growth in the wholesale sector (+1.2%).

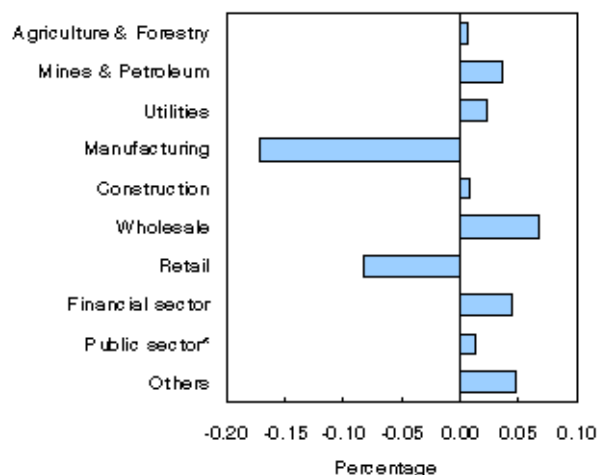
### Economic activity pauses in September

GDP billions of chained \$ (1997)



Industrial production (the output of Canada's factories, mines and utilities) retreated by 0.5% in September on the weakness of manufacturing while the mining, oil and gas sector (+0.7%) and utilities (+0.9%) partially offset this setback. In the United States, the index of industrial production declined 1.5% in September, pulled back by weakness in all three sectors.

### Main industrial sectors' contribution to total growth – September 2005



\* Education, health and public administration.

#### Note to readers

The monthly gross domestic product (GDP) by industry data are chained volume estimates with 1997 as their 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 2002, the monthly estimates are benchmarked to annually chained Fisher volume indexes of GDP obtained from the constant-price input-output tables. For the period starting with January 2003, the estimates are derived by chaining a Laspeyres volume index at 2002 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 website.

#### Conversion to NAICS 2002

In the near future, the monthly GDP by industry program will convert to the 2002 North American Industrial Classification System (NAICS) from NAICS 1997. This conversion will bring minor changes to the current classification, affecting only a few industries. Together with the conversion to NAICS 2002, it is planned to make some changes to 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.

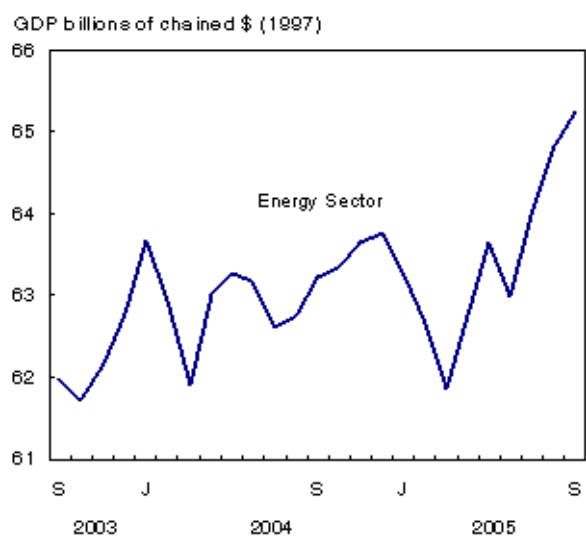
### Manufacturing loses ground despite strong international demand

Manufacturing output dropped 1.0%, with only 5 of the 21 major groups, accounting for 24% of this sector's output, recording growth. The largest declines were recorded by manufacturers of transportation equipment (-2.0%), machinery (-2.7%), chemicals (-2.2%) and food (-1.0%). The production of auto and light motor vehicles as well as that of heavy-duty trucks decreased, leading to a reduction of output in both motor vehicles (-4.0%) and parts (-0.3%). Among other manufacturing goods, fabricated metal (+1.0%), and plastic products (+2.7%) recorded significant gains.

### Oil and gas exploration continues to grow

Overall, the energy sector recorded a 0.6% increase in September. The growth in output was primarily driven by a 4.9% increase in oil and gas exploration, following two months of buoyant activities led by favourable weather and market conditions. Electricity generation (+1.3%) and pipeline transportation of natural gas (+0.9%) also contributed to sustain the energy sector.

### Sustained growth of the energy sector



Oil and gas extraction, however, edged down 0.1%. The growth in output of natural gas was offset by a decline in crude petroleum. Despite the return to full capacity production in the tar sands area, the output of conventional oil lost some ground on the East Coast due to maintenance work.

Mining activity grew 0.4%. Base metal and coal extraction dropped 1.2% and 6.4%, respectively. Following the full resumption of activity in July, the output of iron ore retreated a further 1.0%. After three consecutive monthly declines, the output of non-metallic minerals (which includes diamonds and potash) grew 2.6%.

### Transportation rebounds on the strength of international travel

The transportation and warehousing sector gained 0.4% on the strength of all types of transportation activities. Air transportation rebounded 1.9% reflecting a surge for the first time in five months in the number of international travellers, especially those from the United States. The accommodation and food and beverages industries edged up 1.1%, benefiting from the increased number of international tourists. Other types of transportation also grew, except the transportation of crude oil by pipeline (-2.5%).

### Weak retail results driven by declining auto sales

For a second month in a row, sales of new motor vehicles retracted sharply. The decline paralleled the end of special incentive programs by auto makers. The retail trade sector declined 1.5% largely on that weakness, as retailing activities excluding new motor vehicles grew 0.9% with the largest gains recorded by pharmacies, general merchandise stores, including department stores, and supermarkets.

Wholesale trade activity increased 1.2% in September mainly on the strength of motor vehicles for a second consecutive month. Excluding motor vehicle and parts, wholesale trade grew only 0.4% mostly from sales of building materials and food products. The largest decline was recorded by wholesalers of personal and household products.

### Construction activity rises on the strength of non-residential construction

Construction activity edged up 0.2% with much of the strength in non-residential building construction (+1.6%). Growth in commercial, as well as institutional and industrial buildings contributed to that strength. Engineering, repairs and other construction activities decreased 0.2%.

Residential construction remained flat following a 1.5% drop in August. Housing starts grew substantially in both single and multi-units residential buildings in all urban areas except in the Atlantic region. The value of housing permits increased 3.2% in September. Sales of existing homes, however, decreased significantly in most major metropolitan areas, reducing the output of real estate agents and brokers 0.9%, and contributing to the decline in activities of lawyers and accountants of 0.3%.

**Industry profile, third quarter 2005**

Canadian economic activity increased during the third quarter of 2005. In September, economic output was unchanged, after increasing 0.5% in August and 0.3% in July. For the first time in four quarters, the growth in goods producing industries (+1.3%) surpassed that of the service sector (+0.9%). Much of the strength was attributable to energy-related industries and to the production of motor vehicles.

Industrial production (the output of mines, factories and utilities) increased 1.3%. The mining, oil and gas extraction sector increased 3.2%, manufacturing output rose by 0.8%, while utilities advanced 0.4%. In the United States, the index of industrial production increased 0.2% on the strength of manufacturing and utilities, but was pulled back by a drop in the mining sector.

The mining, oil and gas sector was pushed by intense oil and gas exploration (+21%) and to a lesser extent by oil and gas extraction (+0.6%). Output in the energy sector increased 2.5%. The output of iron ore mines regained the ground lost due to the end of a strike. This gain, however, was nearly offset by a 5.5% decrease in the output of non-metallic mineral mines (which include diamond and potash).

Output of the manufacturing sector increased 0.8% in the third quarter. Only 9 of the 21 major groups advanced, accounting for 51% of total manufacturing output. Much of gain was due to increased production of motor vehicles (+4.9%) and parts (+2.8%). The manufacturing of most chemical products (+2.3%) and of plastic products (+2.8%) also contributed to the sector's growth. The main areas of weakness were in wood products excluding sawmills (-5.2%) and paper products (-0.9%).

Construction activity rose 1.2%. The bulk of the gain was due to increased engineering and repair activities (+2.1%), particularly in oil and gas-related construction projects. Non-residential building construction grew 1.5%, with all types of structures showing strength. Residential construction however edged down 0.2% mostly due to a decline in the erection of single detached dwellings. This marks the fourth consecutive quarterly decline in the construction of single houses.

Wholesale trade increased 1.3% mostly because of motor vehicles. In the third quarter, many car manufacturers moved their products on dealers' lots as they offered special incentives to customers. Excluding motor vehicles, wholesale trade advanced 0.3%. Retail trade edged up 0.1% hampered by lower sales of new and used motor vehicles. Supermarkets and pharmacies contributed the most to the retail sector's gain.

The financial sector increased by 1.1%. Credit intermediation, such as banking activities, grew 1.6%, while the higher volumes on the Canadian stock exchanges led to a 2.9% rise in the output of securities and commodities brokers. The continued strength in the home resale market led to a 3.5% increase in the activities of real estate agents and brokers.

The transportation and warehousing sector jumped 2.1% in the third quarter. Trucking (+2.7%), railroads (+3.1%) and support activities for transportation (+2.2%) benefited from the increased activities in energy-related industries and wholesaling. The pipeline transportation of natural gas jumped 7.1%.

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

	April 2005	May 2005	June 2005	July 2005	August 2005	September 2005	September 2004 to September 2005
Seasonally adjusted at annual rates, millions chained (1997) dollars							%
<b>All industries</b>	<b>1,062,135</b> <i>0.4</i>	<b>1,066,337</b> <i>0.4</i>	<b>1,069,796</b> <i>0.3</i>	<b>1,073,226</b> <i>0.3</i>	<b>1,078,927</b> <i>0.5</i>	<b>1,078,836</b> <i>-0.0</i>	<b>2.8</b>
<b>Goods-producing industries</b>	<b>335,716</b> <i>0.5</i>	<b>338,072</b> <i>0.7</i>	<b>337,649</b> <i>-0.1</i>	<b>339,640</b> <i>0.6</i>	<b>343,134</b> <i>1.0</i>	<b>342,107</b> <i>-0.3</i>	<b>1.8</b>
Agriculture, forestry, fishing and hunting	24,625 <i>0.4</i>	24,715 <i>0.4</i>	24,901 <i>0.8</i>	25,140 <i>1.0</i>	25,407 <i>1.1</i>	25,483 <i>0.3</i>	2.1
Mining and oil and gas extraction	38,869 <i>2.8</i>	39,472 <i>1.6</i>	38,289 <i>-3.0</i>	39,842 <i>4.1</i>	40,089 <i>0.6</i>	40,375 <i>0.7</i>	3.2
Utilities	26,889 <i>-0.9</i>	27,096 <i>0.8</i>	27,877 <i>2.9</i>	27,244 <i>-2.3</i>	27,337 <i>0.3</i>	27,594 <i>0.9</i>	3.5
Construction	62,777 <i>0.7</i>	63,065 <i>0.5</i>	63,253 <i>0.3</i>	63,651 <i>0.6</i>	63,819 <i>0.3</i>	63,915 <i>0.2</i>	4.6
Manufacturing	181,884 <i>-0.1</i>	182,923 <i>0.6</i>	182,952 <i>0.0</i>	182,874 <i>-0.0</i>	185,643 <i>1.5</i>	183,741 <i>-1.0</i>	0.1
<b>Services-producing industries</b>	<b>727,338</b> <i>0.4</i>	<b>729,155</b> <i>0.2</i>	<b>733,087</b> <i>0.5</i>	<b>734,501</b> <i>0.2</i>	<b>736,660</b> <i>0.3</i>	<b>737,627</b> <i>0.1</i>	<b>3.3</b>
Wholesale trade	65,922 <i>0.6</i>	66,697 <i>1.2</i>	67,139 <i>0.7</i>	66,499 <i>-1.0</i>	67,494 <i>1.5</i>	68,294 <i>1.2</i>	8.4
Retail trade	62,717 <i>1.3</i>	61,899 <i>-1.3</i>	62,524 <i>1.0</i>	63,281 <i>1.2</i>	62,489 <i>-1.3</i>	61,576 <i>-1.5</i>	2.2
Transportation and warehousing	50,800 <i>-0.3</i>	51,355 <i>1.1</i>	51,610 <i>0.5</i>	51,918 <i>0.6</i>	52,401 <i>0.9</i>	52,621 <i>0.4</i>	4.9
Information and cultural industries	43,874 <i>0.5</i>	44,130 <i>0.6</i>	44,259 <i>0.3</i>	44,365 <i>0.2</i>	44,747 <i>0.9</i>	44,665 <i>-0.2</i>	4.5
Finance, insurance and real estate	211,462 <i>0.3</i>	212,266 <i>0.4</i>	213,236 <i>0.5</i>	214,013 <i>0.4</i>	214,765 <i>0.4</i>	215,255 <i>0.2</i>	3.5
Professional, scientific and technical services	45,656 <i>0.2</i>	45,800 <i>0.3</i>	45,848 <i>0.1</i>	45,933 <i>0.2</i>	46,081 <i>0.3</i>	46,085 <i>0.0</i>	1.3
Administrative and waste management services	23,625 <i>0.5</i>	23,704 <i>0.3</i>	23,791 <i>0.4</i>	23,867 <i>0.3</i>	23,899 <i>0.1</i>	24,016 <i>0.5</i>	3.7
Educational services	46,766 <i>1.6</i>	46,773 <i>0.0</i>	47,166 <i>0.8</i>	47,103 <i>-0.1</i>	47,243 <i>0.3</i>	47,186 <i>-0.1</i>	4.4
Health care and social assistance	61,482 <i>0.2</i>	61,588 <i>0.2</i>	62,109 <i>0.8</i>	62,105 <i>-0.0</i>	62,249 <i>0.2</i>	62,324 <i>0.1</i>	1.3
Arts, entertainment and recreation	9,270 <i>-0.7</i>	9,312 <i>0.5</i>	9,409 <i>1.0</i>	9,488 <i>0.8</i>	9,530 <i>0.4</i>	9,548 <i>0.2</i>	1.3
Accommodation and food services	23,136 <i>-0.3</i>	23,149 <i>0.1</i>	23,220 <i>0.3</i>	23,146 <i>-0.3</i>	23,018 <i>-0.6</i>	23,265 <i>1.1</i>	1.2
Other services (except public administration)	25,948 <i>0.2</i>	25,923 <i>-0.1</i>	25,996 <i>0.3</i>	25,940 <i>-0.2</i>	25,937 <i>-0.0</i>	25,914 <i>-0.1</i>	0.7
Public administration	58,349 <i>0.2</i>	58,321 <i>-0.0</i>	58,526 <i>0.4</i>	58,568 <i>0.1</i>	58,652 <i>0.1</i>	58,764 <i>0.2</i>	1.9
<b>Other aggregations</b>							
Industrial production	248,835 <i>0.4</i>	250,804 <i>0.8</i>	250,025 <i>-0.3</i>	251,384 <i>0.5</i>	254,420 <i>1.2</i>	253,239 <i>-0.5</i>	1.1
Non-durable manufacturing industries	72,895 <i>-0.4</i>	73,319 <i>0.6</i>	72,535 <i>-1.1</i>	73,255 <i>1.0</i>	73,914 <i>0.9</i>	73,534 <i>-0.5</i>	-1.6
Durable manufacturing industries	108,756 <i>0.1</i>	109,369 <i>0.6</i>	110,178 <i>0.7</i>	109,383 <i>-0.7</i>	111,487 <i>1.9</i>	109,970 <i>-1.4</i>	1.2
Business sector industries	903,841 <i>0.4</i>	907,964 <i>0.5</i>	910,505 <i>0.3</i>	913,626 <i>0.3</i>	919,107 <i>0.6</i>	918,887 <i>-0.0</i>	2.9
Non-business sector industries	158,739 <i>0.6</i>	158,847 <i>0.1</i>	159,746 <i>0.6</i>	160,068 <i>0.2</i>	160,314 <i>0.2</i>	160,436 <i>0.1</i>	2.5
ICT sector, total	60,709 <i>0.6</i>	60,997 <i>0.5</i>	61,677 <i>1.1</i>	61,568 <i>-0.2</i>	62,020 <i>0.7</i>	61,527 <i>-0.8</i>	4.7

<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]**

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Seasonally adjusted at annual rates, millions chained (1997) dollars								
<b>Goods-producing industries</b>	<b>330,763</b> <i>1.4</i>	<b>335,635</b> <i>1.5</i>	<b>336,330</b> <i>0.2</i>	<b>336,294</b> <i>-0.0</i>	<b>337,146</b> <i>0.3</i>	<b>341,627</b> <i>1.3</i>	<b>319,035</b> <i>2.3</i>	<b>332,217</b> <i>4.1</i>
Agriculture, forestry, fishing and hunting	24,380 <i>1.3</i>	25,145 <i>3.1</i>	24,752 <i>-1.6</i>	24,465 <i>-1.2</i>	24,747 <i>1.2</i>	25,343 <i>2.4</i>	23,132 <i>11.4</i>	24,583 <i>6.3</i>
Mining and oil and gas extraction	39,842 <i>0.9</i>	39,157 <i>-1.7</i>	39,328 <i>0.4</i>	38,451 <i>-2.2</i>	38,877 <i>1.1</i>	40,102 <i>3.2</i>	38,389 <i>5.0</i>	39,458 <i>2.8</i>
Utilities	25,919 <i>-0.3</i>	26,450 <i>2.0</i>	27,036 <i>2.2</i>	27,058 <i>0.1</i>	27,287 <i>0.8</i>	27,392 <i>0.4</i>	26,202 <i>-2.3</i>	26,349 <i>0.6</i>
Construction	60,287 <i>0.2</i>	60,813 <i>0.9</i>	61,510 <i>1.1</i>	62,292 <i>1.3</i>	63,032 <i>1.2</i>	63,795 <i>1.2</i>	58,026 <i>5.6</i>	60,689 <i>4.6</i>
Manufacturing	179,064 <i>2.3</i>	183,247 <i>2.3</i>	182,866 <i>-0.2</i>	183,547 <i>0.4</i>	182,586 <i>-0.5</i>	184,086 <i>0.8</i>	172,090 <i>-0.0</i>	180,070 <i>4.6</i>
<b>Services-producing industries</b>	<b>707,061</b> <i>0.8</i>	<b>712,389</b> <i>0.8</i>	<b>716,314</b> <i>0.6</i>	<b>722,786</b> <i>0.9</i>	<b>729,860</b> <i>1.0</i>	<b>736,263</b> <i>0.9</i>	<b>690,777</b> <i>2.3</i>	<b>709,357</b> <i>2.7</i>
Wholesale trade	61,788 <i>2.1</i>	62,952 <i>1.9</i>	63,958 <i>1.6</i>	65,056 <i>1.7</i>	66,586 <i>2.4</i>	67,429 <i>1.3</i>	59,157 <i>4.6</i>	62,306 <i>5.3</i>
Retail trade	58,900 <i>0.6</i>	59,811 <i>1.5</i>	60,341 <i>0.9</i>	61,727 <i>2.3</i>	62,380 <i>1.1</i>	62,449 <i>0.1</i>	57,206 <i>2.6</i>	59,405 <i>3.8</i>
Transportation and warehousing	49,781 <i>2.0</i>	50,068 <i>0.6</i>	50,547 <i>1.0</i>	50,892 <i>0.7</i>	51,255 <i>0.7</i>	52,313 <i>2.1</i>	47,665 <i>0.7</i>	49,804 <i>4.5</i>
Information and cultural industries	42,328 <i>1.1</i>	42,661 <i>0.8</i>	43,063 <i>0.9</i>	43,554 <i>1.1</i>	44,088 <i>1.2</i>	44,592 <i>1.1</i>	41,936 <i>2.4</i>	42,478 <i>1.3</i>
Finance, insurance and real estate	205,949 <i>0.9</i>	207,075 <i>0.5</i>	208,219 <i>0.6</i>	210,256 <i>1.0</i>	212,321 <i>1.0</i>	214,678 <i>1.1</i>	199,480 <i>2.4</i>	206,340 <i>3.4</i>
Professional, scientific and technical services	45,309 <i>0.6</i>	45,473 <i>0.4</i>	45,557 <i>0.2</i>	45,547 <i>-0.0</i>	45,768 <i>0.5</i>	46,033 <i>0.6</i>	44,454 <i>2.1</i>	45,343 <i>2.0</i>
Administrative and waste management services	22,997 <i>0.8</i>	23,119 <i>0.5</i>	23,265 <i>0.6</i>	23,415 <i>0.6</i>	23,707 <i>1.2</i>	23,927 <i>0.9</i>	22,556 <i>3.8</i>	23,051 <i>2.2</i>
Educational services	45,332 <i>1.0</i>	45,410 <i>0.2</i>	45,977 <i>1.2</i>	46,321 <i>0.7</i>	46,902 <i>1.3</i>	47,177 <i>0.6</i>	44,987 <i>0.5</i>	45,404 <i>0.9</i>
Health care and social assistance	60,480 <i>-0.6</i>	61,434 <i>1.6</i>	61,262 <i>-0.3</i>	61,235 <i>-0.0</i>	61,726 <i>0.8</i>	62,226 <i>0.8</i>	60,097 <i>4.0</i>	61,012 <i>1.5</i>
Arts, entertainment and recreation	9,490 <i>0.0</i>	9,514 <i>0.2</i>	9,208 <i>-3.2</i>	9,332 <i>1.3</i>	9,330 <i>-0.0</i>	9,522 <i>2.1</i>	9,369 <i>4.7</i>	9,425 <i>0.6</i>
Accommodation and food services	23,012 <i>0.9</i>	22,882 <i>-0.6</i>	22,996 <i>0.5</i>	23,216 <i>1.0</i>	23,168 <i>-0.2</i>	23,143 <i>-0.1</i>	22,576 <i>-2.0</i>	22,925 <i>1.5</i>
Other services (except public administration)	25,419 <i>0.2</i>	25,608 <i>0.7</i>	25,760 <i>0.6</i>	25,818 <i>0.2</i>	25,956 <i>0.5</i>	25,930 <i>-0.1</i>	25,160 <i>1.9</i>	25,541 <i>1.5</i>
Public administration	57,455 <i>0.0</i>	57,629 <i>0.3</i>	57,577 <i>-0.1</i>	58,009 <i>0.8</i>	58,399 <i>0.7</i>	58,661 <i>0.4</i>	56,988 <i>2.1</i>	57,523 <i>0.9</i>
<b>Other aggregations</b>								
Industrial production	246,514 <i>1.7</i>	250,084 <i>1.4</i>	250,505 <i>0.2</i>	250,021 <i>-0.2</i>	249,888 <i>-0.1</i>	253,014 <i>1.3</i>	238,271 <i>0.7</i>	247,374 <i>3.8</i>
Non-durable manufacturing industries	73,489 <i>1.2</i>	74,617 <i>1.5</i>	74,096 <i>-0.7</i>	73,487 <i>-0.8</i>	72,916 <i>-0.8</i>	73,568 <i>0.9</i>	72,264 <i>-0.1</i>	73,714 <i>2.0</i>
Durable manufacturing industries	105,352 <i>3.0</i>	108,400 <i>2.9</i>	108,539 <i>0.1</i>	109,825 <i>1.2</i>	109,434 <i>-0.4</i>	110,280 <i>0.8</i>	99,619 <i>0.0</i>	106,132 <i>6.5</i>
Business sector industries	881,775 <i>1.2</i>	891,019 <i>1.0</i>	895,283 <i>0.5</i>	900,953 <i>0.6</i>	907,437 <i>0.7</i>	917,207 <i>1.1</i>	854,425 <i>2.4</i>	884,924 <i>3.6</i>
Non-business sector industries	155,642 <i>-0.0</i>	156,674 <i>0.7</i>	157,024 <i>0.2</i>	157,737 <i>0.5</i>	159,111 <i>0.9</i>	160,273 <i>0.7</i>	154,730 <i>2.0</i>	156,250 <i>1.0</i>
ICT sector, total	57,651 <i>1.2</i>	58,616 <i>1.7</i>	59,190 <i>1.0</i>	60,233 <i>1.8</i>	61,128 <i>1.5</i>	61,705 <i>0.9</i>	55,698 <i>2.0</i>	58,112 <i>4.3</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.



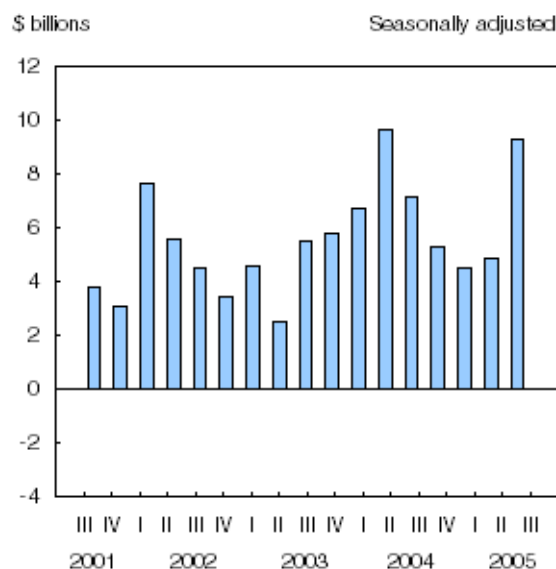
## Balance of international payments

Third quarter 2005

Canada's current account surplus with the rest of the world, on a seasonally adjusted basis, increased \$4.4 billion in the third quarter of 2005 to \$9.3 billion. A spike in energy prices led to record export values for energy products, which were the major contributors to the third largest surplus ever.

The capital and financial account (not seasonally adjusted) produced a net outflow; however it was less than those of the previous two quarters. Growth in Canada's international assets came from both portfolio and direct investors. In the meantime, Canadian liabilities to the rest of the world grew strongly as foreign direct investment in the Canadian economy was at a three-and-a-half year high.

### Strong increase in the current account surplus



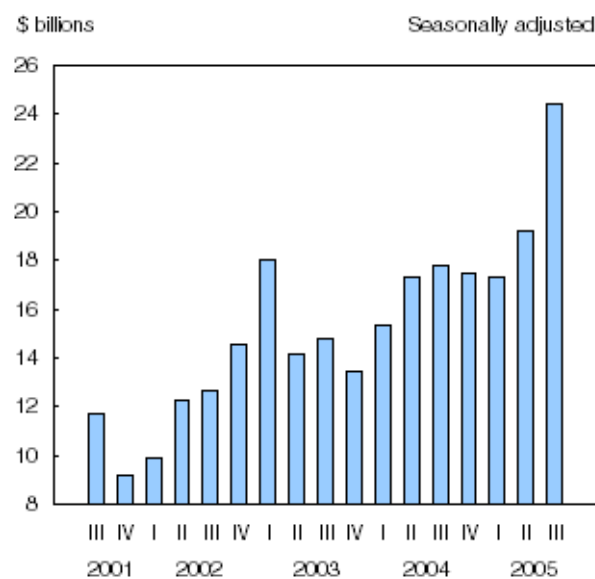
### Current account

#### Goods surplus up sharply

The surplus on trade in goods rose by a record \$5.2 billion to \$18.8 billion in the third quarter as the value of energy exports reached its highest level ever. Both total exports and imports registered record levels during the quarter.

Led by record transactions in energy products, exports of goods were a record \$116.2 billion, surpassing the previous high of \$112.5 billion in the fourth quarter of 2000.

#### Higher prices push up exports of 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.

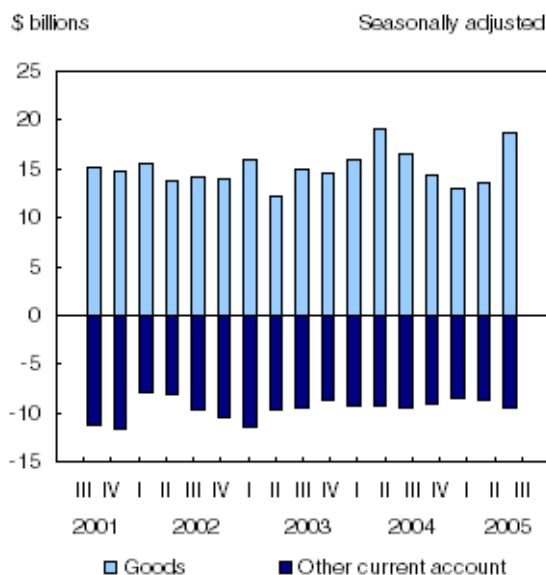
A current account surplus or deficit should correspond to an equivalent outflow or inflow in the capital and financial account. In other words, the two accounts should add to zero. In fact, as data are compiled from multiple sources, the two balance of payments accounts rarely equate. As a result, the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

Higher prices were evident across all the major categories of energy products. The largest gain was in natural gas where seasonally adjusted prices increased by more than 30% in the third quarter. Most of that increase occurred in September following Hurricane Katrina.

Exports of automotive products rebounded after four consecutive quarters of decline while lower prices pushed down the value of forestry product exports.

Imports increased \$1.1 billion in the third quarter to reach a record level for the third consecutive quarter. Like exports, imports of energy products increased because of higher prices. Automotive product imports, particularly vehicle parts, rose as well in the third quarter.

### Growth in goods surplus outpaces demand for foreign securities



### Deficit on investment income widened

The deficit on investment income increased \$1.0 billion to \$6.1 billion. This followed a revised deficit of \$5.1 billion in the second quarter which was the lowest in almost 14 years.

Profits earned by foreign direct investors in Canada reached a record level \$8.2 billion in the third quarter helped by high profits in the energy sector and in the transportation equipment sector.

Portfolio interest payments on Canadian bonds decreased slightly in the third quarter. While payments on corporate debt, mainly issued in \$US, have remained stable since the beginning of 2003, there has been a slow but gradual drop in interest paid on government debt.

Revenue on Canadian assets decreased somewhat but remained high historically. Interest received on foreign portfolio bonds has doubled since the first quarter of 2004 and reached \$0.9 billion in the third quarter as Canadians have significantly increased their ownership of such securities over the last two years.

### Lower services deficit

The lower deficit on trade in services in the third quarter was explained by smaller deficits for both travel and transportation while the balance on commercial services remained unchanged.

Expenses of Canadian travellers in countries other than the United States dropped 5% in the third quarter, the largest reduction since the second quarter of 2003 which was affected by the SARS crisis.

U.S. residents continued to reduce their spending in Canada as the number of visitors has decreased for a third consecutive quarter.

Both exports and imports of commercial services remained virtually unchanged in the third quarter as fluctuations of the components were offsetting.

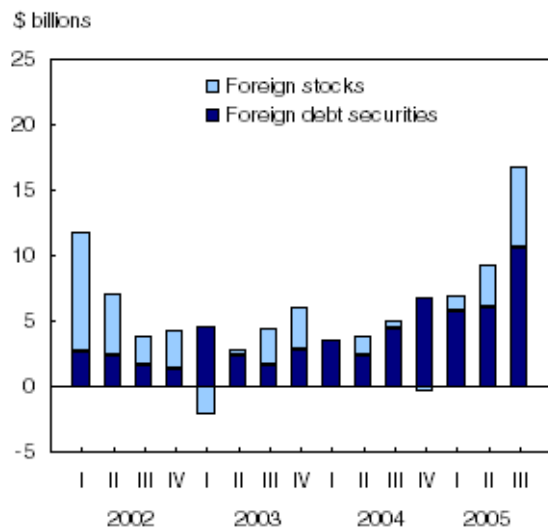
### Financial account

#### Canadian appetite for foreign securities continues to grow

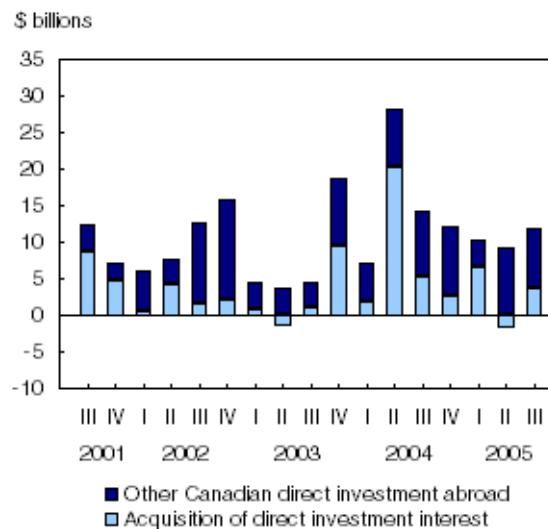
During the third quarter, Canadians invested \$16.8 billion in foreign securities, exceeding the total invested over the previous two quarters. This was the highest quarterly investment in foreign securities in almost five years.

Most of the investment flowed into foreign bonds as Canadians acquired a quarterly-record \$10 billion. They bought overseas bonds, US treasury bonds and US corporate bonds in roughly equal measures. About four-tenths of this value resulted from foreign firms coming to the Canadian market to sell new bonds. These foreign bonds were denominated in Canadian dollars and, in general, were sold to institutional buyers.

Of the \$6.2 billion invested in foreign stocks over the quarter, almost all went into US shares with just \$787 million going into overseas equities. Moreover, this was the strongest quarterly investment in foreign stocks in nearly four years. In addition, Canadian investors purchased \$597 million of foreign money market paper: they bought US government treasury bills but sold some of their holdings of overseas paper.

**Strong Canadian demand for foreign securities<sup>1</sup>**

1. Reverse of Balance of Payments signs.

**Canadian direct investment up over half<sup>1</sup>**

1. Reverse of Balance of Payments signs.

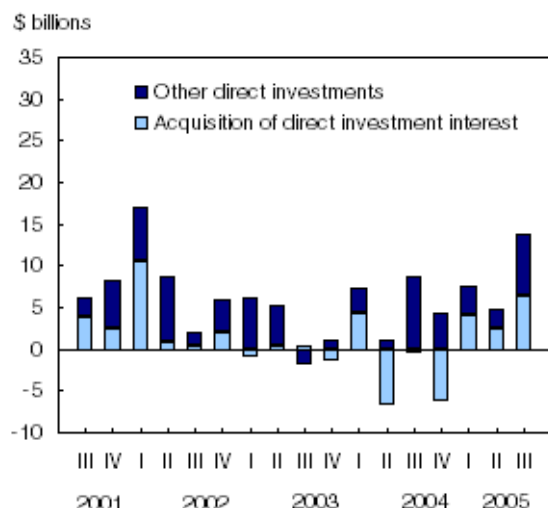
**Direct investment abroad posts increase**

At \$11.8 billion in the third quarter, Canadian direct investment abroad was up over half from the previous quarter. The investment for the quarter came from increases to working capital and acquisitions of foreign firms. From an industry perspective, investment was concentrated in the finance and insurance and the energy and metallic minerals sectors. Four-fifths of the investment went to the United States and Asian economies.

**Big rebound in foreign direct investment in Canada**

Foreign direct investment of \$13.7 billion was injected into the Canadian economy during the quarter, almost triple what came in during the second quarter. Almost half was fuelled by acquisitions which have rebounded this year following two years of negative acquisitions. In 2003 and 2004, Canadians repatriated some firms from their foreign direct investors. For the quarter, about 70% of the investment came from the United States while an identical percentage was invested in companies in the energy and metallic minerals sector.

### Acquisitions fuel increase to direct investment in Canada



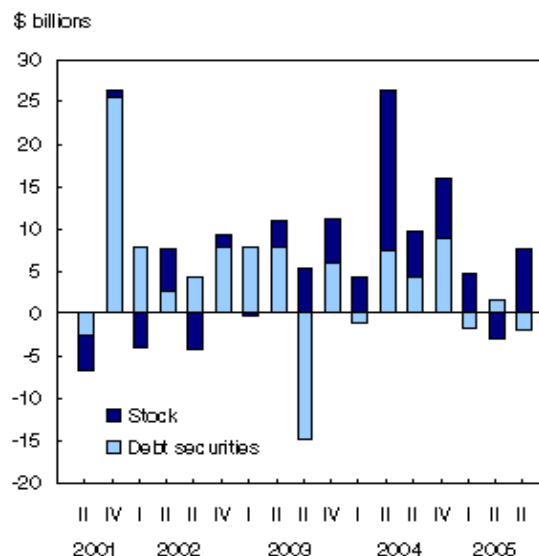
### Foreign investment in Canadian securities moves to equities

Foreign investors bought \$7.6 billion worth of Canadian equities but sold debt securities worth \$1.9 billion over the quarter. The resulting \$5.6 billion foreign investment in Canadian securities brought the year-to-date investment to \$7.3 billion. This year's investment in Canadian securities is on track to be the lowest since 1999.

The third quarter saw the largest foreign investment in Canadian stocks of 2005. About three-quarters came from American investors. Over the quarter, Canadian stock prices increased 11% with non-residents continuing to invest heavily in shares of Canadian resource firms.

Foreign investors sold \$1.6 billion of Canadian money market paper and a further \$330 million of Canadian bonds in the third quarter, more than offsetting the acquisitions of the previous quarter.

### Foreign investors buy Canadian shares



The foreign divestment of Canadian money market paper in the third quarter was mostly in paper issued by federal enterprises. Overall, American and British investors were the main sellers, however there was some offset as Asian investors (excluding Japanese investors) continued to buy Canadian paper over the quarter. For the year-to-date, there has been a large foreign divestment of \$2.6 billion in Canadian paper; however, Asian investors have bucked the trend by accumulating \$1 billion worth. At the same time, the difference in short term rates in North America has swung over to favouring investing in US over Canadian paper. This had grown to just over half of a percentage point by the end of the third quarter.

Over the first three quarters of 2005, there was little net activity in foreign investment in Canadian bonds. Foreign investors bought only \$803 million over the first half of the year then sold \$330 million worth of their Canadian bond holdings in the third quarter. However, on a currency basis the third quarter saw some important shifts in composition. Foreign investors bought \$3.5 billion worth of Canadian bonds denominated in Canadian dollars, while reducing holdings of bonds denominated in foreign currencies by \$3.9 billion. The divestment in the third quarter came wholly from European investors but, similar to the money market, this was partly offset by purchases from Asian investors (excluding Japanese investors).

### **Large transactions in loans and deposits**

The other investment account recorded a net inflow of \$3.8 billion similar to the previous quarter, led by transactions of banks. With a record amount, non-residents increased their deposits (\$24.7 billion) into Canadian banks while residents raised their deposits abroad by near record levels (\$14.4 billion). In both cases, large transactions were recorded between Canadian banks and their foreign affiliates, mostly in foreign currencies. Canadians strongly reduced their loan liabilities after two quarters of accumulation, partly offsetting some of the large inflows from deposits. At the same time, Canada's international reserves were reduced for a second quarter in a row.

The Canadian dollar gained 5.4% against the US dollar over the quarter, bringing to a halt two quarters of decline. The dollar gained more than four cents to close at 86.01 US cents. The Canadian dollar recorded a third consecutive quarter of strong gains against other major currencies.

**Balance of payments**

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Not seasonally adjusted, millions of dollars								
<b>Current account</b>								
<b>Receipts</b>								
Goods and services	129,792	125,875	119,889	120,295	129,739	132,182	459,697	490,950
Goods	114,377	107,439	105,639	105,874	113,871	113,221	400,175	429,134
Services	15,415	18,436	14,250	14,421	15,868	18,961	59,522	61,816
Investment income	10,004	9,841	10,072	9,954	11,692	11,149	29,999	38,385
Direct investment	5,716	5,429	5,629	5,362	6,308	5,892	13,733	21,324
Portfolio investment	2,388	2,426	2,655	2,695	2,769	2,910	9,414	9,701
Other investment	1,900	1,985	1,788	1,897	2,615	2,347	6,853	7,361
Current transfers	1,683	1,644	1,946	2,086	1,657	1,460	6,614	7,272
Current account receipts	141,479	137,360	131,907	132,336	143,088	144,792	496,310	536,607
<b>Payments</b>								
Goods and services	114,596	110,101	109,065	111,399	120,726	114,593	413,523	437,566
Goods	95,853	91,319	91,140	91,918	101,208	95,171	342,608	363,076
Services	18,743	18,782	17,925	19,481	19,517	19,422	70,915	74,490
Investment income	16,274	16,136	15,827	15,590	16,439	17,171	57,991	63,321
Direct investment	7,697	7,484	7,155	6,612	7,398	8,743	22,387	28,556
Portfolio investment	7,017	6,999	6,795	6,813	6,845	6,702	28,980	27,749
Other investment	1,560	1,653	1,877	2,165	2,196	1,726	6,625	7,016
Current transfers	1,442	1,538	1,786	2,978	1,530	1,712	6,398	6,944
Current account payments	132,312	127,774	126,679	129,967	138,695	133,476	477,913	507,830
<b>Balances</b>								
Goods and services	15,196	15,774	10,823	8,896	9,013	17,589	46,174	53,384
Goods	18,524	16,120	14,499	13,956	12,662	18,050	57,567	66,058
Services	-3,328	-346	-3,676	-5,060	-3,649	-461	-11,393	-12,674
Investment income	-6,271	-6,295	-5,756	-5,636	-4,748	-6,022	-27,992	-24,935
Direct investment	-1,981	-2,055	-1,526	-1,250	-1,090	-2,851	-8,654	-7,232
Portfolio investment	-4,629	-4,572	-4,141	-4,119	-4,077	-3,792	-19,566	-18,048
Other investment	340	332	-89	-267	419	621	228	345
Current transfers	242	107	160	-892	127	-252	215	328
<b>Current account balance</b>	<b>9,167</b>	<b>9,585</b>	<b>5,228</b>	<b>2,369</b>	<b>4,393</b>	<b>11,316</b>	<b>18,397</b>	<b>28,777</b>
<b>Capital and financial account<sup>[1]</sup></b>								
<b>Capital account</b>	<b>1,209</b>	<b>1,118</b>	<b>1,148</b>	<b>1,352</b>	<b>1,775</b>	<b>1,708</b>	<b>3,977</b>	<b>4,407</b>
<b>Financial account</b>	<b>-7,560</b>	<b>-5,024</b>	<b>-7,571</b>	<b>-11,858</b>	<b>-9,371</b>	<b>-5,492</b>	<b>-20,108</b>	<b>-26,912</b>
<b>Canadian assets, net flows</b>								
Canadian direct investment abroad	-28,228	-14,216	-12,120	-10,183	-7,611	-11,839	-30,058	-61,737
Portfolio investment	-3,780	-5,046	-6,349	-6,891	-9,311	-16,792	-15,720	-18,523
Foreign bonds	-3,057	-3,030	-6,563	-5,565	-4,915	-10,035	-7,974	-15,262
Foreign stocks	-1,498	-644	387	-1,122	-3,319	-6,159	-4,438	-1,592
Foreign money market	776	-1,372	-174	-204	-1,077	-597	-3,308	-1,669
Other investment	-14,073	5,082	2,744	-14,937	-4,074	-15,118	-20,395	-3,518
Loans	-1,886	911	4,935	-334	3,371	-753	7,586	3,349
Deposits	-7,432	7,147	-7,938	-9,322	-5,360	-14,431	-22,646	-7,497
Official international reserves	243	-517	3,937	-3,437	585	1,092	4,693	3,427
Other assets	-4,998	-2,459	1,810	-1,844	-2,670	-1,025	-10,028	-2,797
Total Canadian assets, net flows	-46,080	-14,179	-15,726	-32,011	-20,996	-43,749	-66,173	-83,778
<b>Canadian liabilities, net flows</b>								
Foreign direct investment in Canada	-5,649	8,408	-1,793	7,593	4,810	13,701	8,896	8,187
Portfolio investment	26,348	9,726	16,023	3,023	-1,329	5,610	20,322	55,471
Canadian bonds	5,054	6,373	7,001	183	620	-330	8,293	20,063
Canadian stocks	18,914	5,450	7,123	4,778	-2,926	7,557	13,491	35,838
Canadian money market	2,380	-2,097	1,900	-1,939	978	-1,617	-1,461	-430
Other investment	17,821	-8,979	-6,076	9,537	8,144	18,946	16,846	-6,792
Loans	4,024	-6,876	-1,414	8,013	2,630	-5,469	1,422	-3,067
Deposits	14,714	-1,095	-3,654	-1,235	5,187	24,655	18,318	-554
Other liabilities	-917	-1,008	-1,008	2,760	327	-240	-2,894	-3,171
Total Canadian liabilities, net flows	38,520	9,155	8,154	20,153	11,625	38,257	46,064	56,865
<b>Total capital and financial account, net flows</b>	<b>-6,351</b>	<b>-3,906</b>	<b>-6,424</b>	<b>-10,505</b>	<b>-7,596</b>	<b>-3,784</b>	<b>-16,132</b>	<b>-22,505</b>
Statistical discrepancy	-2,816	-5,679	1,196	8,137	3,203	-7,531	-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**

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Seasonally adjusted at quarterly rates, millions of dollars								
<b>Receipts</b>								
Goods and services	126,433	126,065	122,118	123,704	125,901	132,277	459,697	490,950
Goods	110,929	110,564	106,434	107,681	109,910	116,201	400,175	429,134
Services	15,504	15,501	15,684	16,023	15,991	16,076	59,522	61,816
Travel	4,172	4,210	4,329	4,227	4,053	4,047	14,776	16,709
Transportation	2,806	2,923	2,711	2,904	2,863	2,990	9,836	11,053
Commercial services	8,139	7,977	8,271	8,441	8,639	8,602	33,475	32,540
Government services	387	392	373	450	436	438	1,434	1,513
Investment income	9,874	9,786	9,954	10,115	11,465	11,134	29,999	38,385
Direct investment	5,639	5,456	5,414	5,490	6,179	5,890	13,733	21,324
Interest	153	160	149	225	324	382	339	581
Profits	5,486	5,295	5,265	5,265	5,856	5,508	13,394	20,743
Portfolio investment	2,337	2,403	2,727	2,690	2,728	2,874	9,414	9,701
Interest	585	603	673	858	918	1,031	2,108	2,359
Dividends	1,752	1,801	2,053	1,832	1,811	1,844	7,306	7,342
Other investment	1,899	1,927	1,813	1,936	2,557	2,370	6,853	7,361
Current transfers	1,842	1,847	1,796	1,862	1,810	1,557	6,614	7,272
Private	634	675	634	691	667	648	2,473	2,629
Official	1,209	1,172	1,161	1,171	1,143	909	4,141	4,642
<b>Total receipts</b>	<b>138,150</b>	<b>137,698</b>	<b>133,868</b>	<b>135,681</b>	<b>139,176</b>	<b>144,968</b>	<b>496,310</b>	<b>536,607</b>
<b>Payments</b>								
Goods and services	110,825	112,334	110,677	113,738	115,891	116,605	413,523	437,566
Goods	91,924	93,955	92,001	94,744	96,350	97,415	342,608	363,076
Services	18,901	18,380	18,675	18,994	19,541	19,190	70,915	74,490
Travel	5,356	5,085	5,216	5,555	5,508	5,329	18,805	20,839
Transportation	3,979	4,050	4,051	4,191	4,341	4,209	14,333	15,844
Commercial services	9,326	9,006	9,170	9,010	9,452	9,413	36,826	36,857
Government services	239	239	238	238	239	240	950	950
Investment income	15,897	16,527	16,034	15,215	16,544	17,250	57,991	63,321
Direct investment	7,155	7,711	7,422	6,547	7,356	8,760	22,387	28,556
Interest	565	569	565	564	568	565	1,898	2,259
Profits	6,590	7,141	6,858	5,983	6,787	8,195	20,489	26,297
Portfolio investment	7,013	7,002	6,799	6,795	6,847	6,702	28,980	27,749
Interest	6,232	6,209	6,014	5,963	6,054	5,914	25,850	24,616
Dividends	781	793	785	833	793	788	3,129	3,134
Other investment	1,729	1,814	1,812	1,873	2,341	1,787	6,625	7,016
Current transfers	1,775	1,669	1,884	2,199	1,853	1,851	6,398	6,944
Private	977	957	1,004	1,028	1,080	1,092	3,474	3,855
Official	798	713	880	1,171	773	759	2,925	3,089
<b>Total payments</b>	<b>128,497</b>	<b>130,530</b>	<b>128,594</b>	<b>131,153</b>	<b>134,288</b>	<b>135,706</b>	<b>477,913</b>	<b>507,830</b>
<b>Balances</b>								
Goods and services	15,608	13,731	11,441	9,965	10,010	15,672	46,174	53,384
Goods	19,005	16,609	14,432	12,937	13,560	18,786	57,567	66,058
Services	-3,397	-2,879	-2,991	-2,972	-3,550	-3,114	-11,393	-12,674
Travel	-1,184	-875	-887	-1,328	-1,455	-1,282	-4,029	-4,130
Transportation	-1,173	-1,127	-1,340	-1,286	-1,478	-1,220	-4,497	-4,791
Commercial services	-1,188	-1,029	-899	-569	-813	-811	-3,352	-4,317
Government services	148	153	135	212	196	198	484	563
Investment income	-6,022	-6,741	-6,080	-5,100	-5,079	-6,116	-27,992	-24,935
Direct investment	-1,516	-2,255	-2,008	-1,058	-1,176	-2,871	-8,654	-7,232
Interest	-412	-409	-416	-339	-245	-183	-1,559	-1,678
Profits	-1,104	-1,846	-1,593	-719	-932	-2,687	-7,095	-5,554
Portfolio investment	-4,676	-4,599	-4,073	-4,106	-4,119	-3,827	-19,566	-18,048
Interest	-5,647	-5,607	-5,340	-5,104	-5,137	-4,883	-23,743	-22,256
Dividends	971	1,008	1,268	999	1,018	1,056	4,177	4,208
Other investment	170	113	1	63	216	582	228	345
Current transfers	67	177	-88	-337	-43	-294	215	328
Private	-343	-282	-370	-337	-412	-444	-1,001	-1,226
Official	411	459	281	0	369	150	1,216	1,554
<b>Current account</b>	<b>9,653</b>	<b>7,168</b>	<b>5,274</b>	<b>4,529</b>	<b>4,888</b>	<b>9,262</b>	<b>18,397</b>	<b>28,777</b>

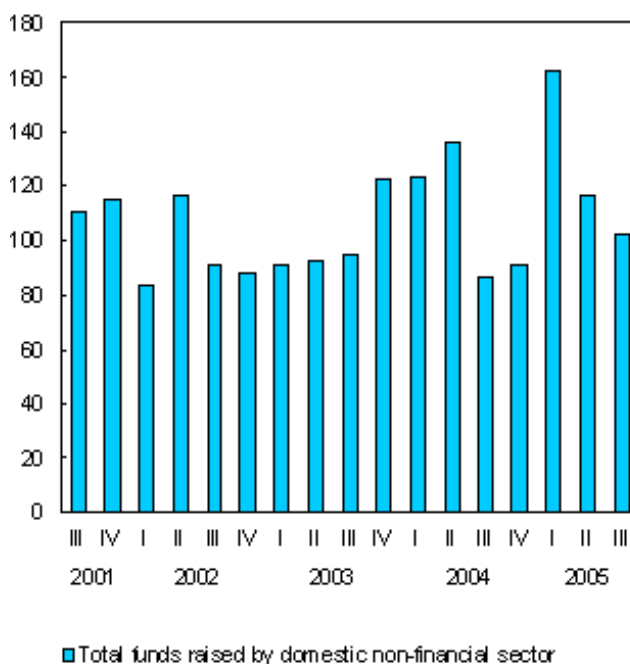
## Financial flows

Third quarter 2005

Total funds raised by domestic non-financial sectors on financial markets amounted to \$102.2 billion in the third quarter of 2005, seasonally adjusted at annual rates. This reflected firmer private sector demand, more than offset by developments in the public sector. Overall domestic demand for funds declined for the second consecutive quarter, largely on account of retirements of government debt.

### Overall demand for funds down

Billions of dollars, seasonally adjusted at annual rates



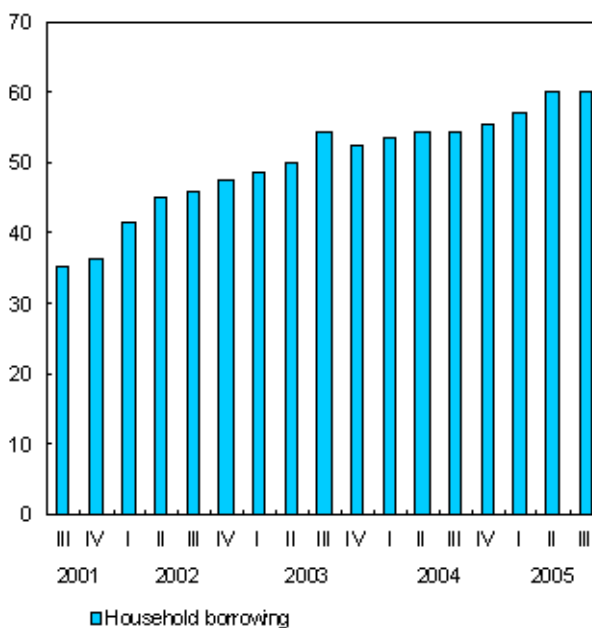
During the third quarter, financial markets were marked by: a rise in short-term interest rates, including a 25 basis point increase in the bank rate; a rise in mortgage rates; a strengthening of the Canadian dollar, rising to 85 cents (US); and, a firmer stock market.

### Household demand for funds sustained

Household borrowing remained roughly at the same level as in the second quarter, reflecting weaker new housing investment coupled with a sustained strength in the home re-sale market, as well as slower personal expenditure on consumer goods and services.

### Household borrowing largely unchanged

Billions of dollars, seasonally adjusted at annual rates



The debt-to-income ratio for the personal sector edged up from 107.8% in the second quarter to 108% in the third quarter. In other words, for every dollar of income, the household sector carried a debt worth a dollar and eight cents. With the rise in personal disposable income, the personal saving also recovered marginally to -0.2%.

#### 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.

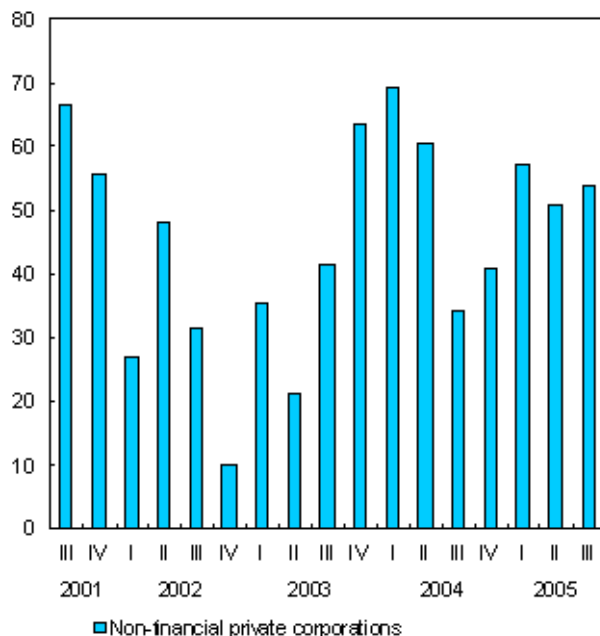


### Corporations' financing activity firmer

Financing activity of non-financial private corporations on bond and equity markets was up in the quarter. This was in line with firmer capital spending as well as some takeover activity in the quarter, and likely reflected adjustments to both increased share prices and short-term interest rates.

### Corporate demand for funds reflects pick-up in business investment over 2005

Billions of dollars, seasonally adjusted at annual rates

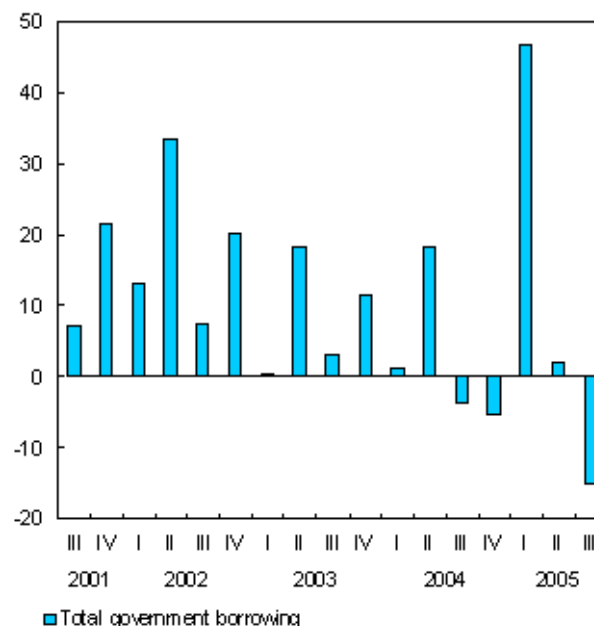


### Government marketable debt declines

The government sector repaid marketable debt on a net basis in the quarter. For both federal and provincial governments, retirements of bonds exceeded new issues by a wide margin, while provincial governments repaid short-term paper debt. The federal government's debt held in the form of bonds has been in decline since the first quarter of 2000.

### Government marketable debt declined

Billions of dollars, seasonally adjusted at annual rates



## Financial market summary table

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
<b>Funds raised:</b>								
<b>Persons and unincorporated business</b>	<b>56,720</b>	<b>56,160</b>	<b>57,708</b>	<b>60,996</b>	<b>63,096</b>	<b>62,976</b>	<b>55,170</b>	<b>56,863</b>
Consumer credit	20,528	20,416	21,068	21,376	21,412	21,524	19,528	20,508
Bank loans	1,648	952	912	2,212	1,612	1,544	1,177	1,103
Other loans	600	804	1,412	1,604	1,556	1,184	2,685	1,322
Mortgages	33,944	33,988	34,316	35,804	38,516	38,724	31,780	33,930
<b>Non-financial private corporations</b>	<b>60,580</b>	<b>34,088</b>	<b>40,644</b>	<b>57,296</b>	<b>50,740</b>	<b>53,744</b>	<b>40,424</b>	<b>51,127</b>
Bank loans	7,964	6,868	6,336	3,464	6,204	-304	-894	7,953
Other loans	-3,076	-7,320	-3,308	5,404	4,724	-2,200	-2,854	-3,671
Other short-term paper	3,036	-3,768	9,968	7,756	972	7,000	-10,084	2,499
Mortgages	6,368	6,772	7,052	7,812	8,596	9,876	5,272	6,442
Bonds	19,964	19,852	3,484	14,000	11,604	21,212	18,513	16,065
Shares	26,324	11,684	17,112	18,860	18,640	18,160	30,471	21,839
<b>Non-financial government enterprises</b>	<b>556</b>	<b>8</b>	<b>-2,520</b>	<b>-2,724</b>	<b>880</b>	<b>372</b>	<b>-3,366</b>	<b>-1,407</b>
Bank loans	256	-132	1,384	-824	-220	720	384	170
Other loans	1,212	1,224	356	-332	1,784	-440	1,486	273
Other short-term paper	1,092	-824	-2,220	-556	-3,032	972	-1,347	-1,159
Mortgages	0	-4	-4	0	12	4	-6	-4
Bonds	-2,008	-252	-2,032	-1,012	2,336	-884	-3,883	-687
Shares	4	-4	-4	0	0	0	0	0
<b>Federal government</b>	<b>-13,516</b>	<b>-21,920</b>	<b>-28,688</b>	<b>34,280</b>	<b>-16,024</b>	<b>-5,152</b>	<b>-1,567</b>	<b>-18,647</b>
Bank loans	120	120	128	188	120	124	106	140
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	3,380	-716	2,840	34,800	-9,704	5,932	12,231	-55
Canada Savings Bonds	-1,128	-1,428	-3,220	-3,120	-1,676	-1,552	-1,290	-1,443
Other bonds	-15,888	-19,896	-28,436	2,412	-4,764	-9,656	-12,614	-17,289
<b>Other levels of government</b>	<b>31,668</b>	<b>18,236</b>	<b>23,420</b>	<b>12,612</b>	<b>17,996</b>	<b>-9,736</b>	<b>9,785</b>	<b>21,204</b>
Bank loans	-40	-704	224	352	-620	-1,284	265	-502
Other loans	504	1,268	1,068	1,192	188	632	630	1,087
Other short-term paper	26,168	-5,828	-8,500	-18,328	-5,764	-5,832	-690	-2,063
Mortgages	-24	-20	0	12	-16	-12	-13	-7
Provincial bonds	2,684	22,180	28,988	27,924	22,852	-4,184	8,757	20,787
Municipal bonds	2,356	1,316	1,616	1,432	1,332	916	813	1,878
Other bonds	20	24	24	28	24	28	23	24
<b>Total funds raised by domestic non-financial sectors</b>	<b>136,008</b>	<b>86,572</b>	<b>90,564</b>	<b>162,460</b>	<b>116,688</b>	<b>102,204</b>	<b>100,446</b>	<b>109,140</b>
<b>Consumer credit</b>	<b>20,528</b>	<b>20,416</b>	<b>21,068</b>	<b>21,376</b>	<b>21,412</b>	<b>21,524</b>	<b>19,528</b>	<b>20,508</b>
<b>Bank loans</b>	<b>9,948</b>	<b>7,104</b>	<b>8,984</b>	<b>5,392</b>	<b>7,096</b>	<b>800</b>	<b>1,038</b>	<b>8,864</b>
<b>Other loans</b>	<b>-760</b>	<b>-4,024</b>	<b>-472</b>	<b>7,868</b>	<b>8,252</b>	<b>-824</b>	<b>1,947</b>	<b>-989</b>
<b>Canada short-term paper</b>	<b>3,380</b>	<b>-716</b>	<b>2,840</b>	<b>34,800</b>	<b>-9,704</b>	<b>5,932</b>	<b>12,231</b>	<b>-55</b>
<b>Other short-term paper</b>	<b>30,296</b>	<b>-10,420</b>	<b>-752</b>	<b>-11,128</b>	<b>-7,824</b>	<b>2,140</b>	<b>-12,121</b>	<b>-723</b>
<b>Mortgages</b>	<b>40,288</b>	<b>40,736</b>	<b>41,364</b>	<b>43,628</b>	<b>47,108</b>	<b>48,592</b>	<b>37,033</b>	<b>40,361</b>
<b>Bonds</b>	<b>6,000</b>	<b>21,796</b>	<b>424</b>	<b>41,664</b>	<b>31,708</b>	<b>5,880</b>	<b>10,319</b>	<b>19,335</b>
<b>Shares</b>	<b>26,328</b>	<b>11,680</b>	<b>17,108</b>	<b>18,860</b>	<b>18,640</b>	<b>18,160</b>	<b>30,471</b>	<b>21,839</b>

## Sector Accounts - Persons and Unincorporated Businesses

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>966,364</b>	<b>975,424</b>	<b>986,128</b>	<b>994,876</b>	<b>1,010,196</b>	<b>1,024,752</b>	<b>930,093</b>	<b>970,198</b>
	<b>1.4</b>	<b>0.9</b>	<b>1.1</b>	<b>0.9</b>	<b>1.5</b>	<b>1.4</b>	<b>3.4</b>	<b>4.3</b>
Wages, salaries and supplementary labour income	641,204	647,288	654,312	662,108	672,360	683,824	617,753	643,964
	1.3	0.9	1.1	1.2	1.5	1.7	4.2	4.2
Unincorporated business net income[1]	83,712	85,068	85,296	85,320	85,732	86,480	78,438	83,893
	2.7	1.6	0.3	0.0	0.5	0.9	4.4	7.0
Interest, dividends and miscellaneous investment income	108,576	108,452	109,756	111,392	112,380	113,128	105,051	108,250
	2.2	-0.1	1.2	1.5	0.9	0.7	-0.9	3.0
Current transfers from government	129,028	130,616	132,944	131,888	135,660	137,336	125,153	130,158
	0.8	1.2	1.8	-0.8	2.9	1.2	2.9	4.0
Current transfers from corporations	1,312	1,304	1,284	1,404	1,396	1,392	1,225	1,305
	-0.6	-0.6	-1.5	9.3	-0.6	-0.3	-5.8	6.5
Current transfers from non-residents	2,532	2,696	2,536	2,764	2,668	2,592	2,473	2,628
	-7.9	6.5	-5.9	9.0	-3.5	-2.8	-1.3	6.3
<b>Outlay</b>	<b>952,076</b>	<b>964,600</b>	<b>978,712</b>	<b>998,504</b>	<b>1,014,568</b>	<b>1,026,288</b>	<b>913,031</b>	<b>959,506</b>
	<b>1.0</b>	<b>1.3</b>	<b>1.5</b>	<b>2.0</b>	<b>1.6</b>	<b>1.2</b>	<b>4.3</b>	<b>5.1</b>
Personal expenditure on goods and services	717,384	724,980	734,376	748,228	758,268	767,396	687,791	721,235
	1.3	1.1	1.3	1.9	1.3	1.2	4.8	4.9
Current transfers to government	219,132	224,088	228,356	233,640	239,256	241,688	210,540	222,702
	-0.0	2.3	1.9	2.3	2.4	1.0	2.4	5.8
Current transfers to corporations	12,776	12,696	13,008	13,584	13,856	13,940	12,074	12,742
	2.3	-0.6	2.5	4.4	2.0	0.6	10.9	5.5
Current transfers to non-residents	2,784	2,836	2,972	3,052	3,188	3,264	2,626	2,827
	2.5	1.9	4.8	2.7	4.5	2.4	6.5	7.7
<b>Saving</b>	<b>14,288</b>	<b>10,824</b>	<b>7,416</b>	<b>-3,628</b>	<b>-4,372</b>	<b>-1,536</b>	<b>17,062</b>	<b>10,692</b>
	<b>39.5</b>	<b>-24.2</b>	<b>-31.5</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>-28.8</b>	<b>-37.3</b>
Disposable income[2]	747,232	751,336	757,772	761,236	770,940	783,064	719,553	747,496
	1.9	0.5	0.9	0.5	1.3	1.6	3.7	3.9
Saving rate	1.9	1.4	1.0	-0.5	-0.6	-0.2	2.4	1.4
	...	...	...	...	...	...	...	...
<b>Gross saving and capital transfers</b>	<b>54,728</b>	<b>51,736</b>	<b>48,572</b>	<b>39,256</b>	<b>40,324</b>	<b>43,728</b>	<b>54,609</b>	<b>51,094</b>
	<b>10.9</b>	<b>-5.5</b>	<b>-6.1</b>	<b>-19.2</b>	<b>2.7</b>	<b>8.4</b>	<b>-8.3</b>	<b>-6.4</b>
Saving	14,288	10,824	7,416	-3,628	-4,372	-1,536	17,062	10,692
	39.5	-24.2	-31.5	...	...	...	-28.8	-37.3
Capital consumption allowances	37,664	38,160	38,684	39,168	39,644	40,048	35,790	37,897
	1.6	1.3	1.4	1.3	1.2	1.0	5.0	5.9
Net capital transfers	2,776	2,752	2,472	3,716	5,052	5,216	1,757	2,505
	37.4	-0.9	-10.2	50.3	36.0	3.2	19.7	42.6
Deduct: Non-financial capital acquisition	101,552	103,488	105,612	108,796	112,184	109,428	89,882	102,299
	3.1	1.9	2.1	3.0	3.1	-2.5	14.4	13.8
<b>Net lending</b>	<b>-46,824</b>	<b>-51,752</b>	<b>-57,040</b>	<b>-69,540</b>	<b>-71,860</b>	<b>-65,700</b>	<b>-35,273</b>	<b>-51,205</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>11,292</b>	<b>10,224</b>	<b>-800</b>	<b>-1,864</b>	<b>-11,084</b>	<b>4,152</b>	<b>17,324</b>	<b>8,637</b>
	...	...	...	...	...	...	...	...
Currency and deposits	37,884	21,124	22,228	5,244	9,960	26,452	20,734	27,938
	...	...	...	...	...	...	...	...
Canadian debt securities	-10,400	-19,952	-21,112	-15,500	-12,784	-14,124	-5,276	-17,087
	...	...	...	...	...	...	...	...
Corporate shares and mutual funds	-3,664	1,828	-484	11,628	6,724	7,256	-1,539	406
	...	...	...	...	...	...	...	...
Life insurance and pensions	34,708	34,320	19,144	32,732	20,656	31,952	23,561	32,913
	...	...	...	...	...	...	...	...
Other financial assets	-47,236	-27,096	-20,576	-35,968	-35,640	-47,384	-20,156	-35,533
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>56,188</b>	<b>60,816</b>	<b>55,880</b>	<b>63,916</b>	<b>63,396</b>	<b>70,260</b>	<b>53,864</b>	<b>58,049</b>
	...	...	...	...	...	...	...	...
Consumer credit	20,528	20,416	21,068	21,376	21,412	21,524	19,528	20,508
	...	...	...	...	...	...	...	...
Bank and other loans	2,248	1,756	2,324	3,816	3,168	2,728	3,862	2,425
	...	...	...	...	...	...	...	...
Mortgages	33,944	33,988	34,316	35,804	38,516	38,724	31,780	33,930
	...	...	...	...	...	...	...	...
Trade payables	-532	4,656	-1,828	2,920	300	7,284	-1,306	1,186
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>-44,896</b>	<b>-50,592</b>	<b>-56,680</b>	<b>-65,780</b>	<b>-74,480</b>	<b>-66,108</b>	<b>-36,540</b>	<b>-49,412</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	-1,928	-1,160	-360	-3,760	2,620	408	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**

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>318,156</b>	<b>326,440</b>	<b>331,640</b>	<b>331,620</b>	<b>340,792</b>	<b>361,936</b>	<b>290,514</b>	<b>318,755</b>
	6.5	2.6	1.6	-0.0	2.8	6.2	7.9	9.7
Corporation profits before taxes	177,176	178,804	181,484	183,508	189,512	199,820	147,592	175,148
	8.6	0.9	1.5	1.1	3.3	5.4	8.7	18.7
Government business enterprise profits before taxes	11,324	12,084	12,124	12,956	12,788	13,568	11,630	11,842
	-4.3	6.7	0.3	6.9	-1.3	6.1	0.9	1.8
Inventory valuation adjustment	-5,856	796	2,828	-944	-2,424	4,540	5,075	-1,669
	...	...	...	...	...	...	...	...
Interest, dividends and miscellaneous receipts[1]	69,168	68,904	69,172	69,372	73,252	76,060	60,132	67,177
	12.5	-0.4	0.4	0.3	5.6	3.8	1.8	11.7
Interest on consumer debt	12,776	12,696	13,008	13,584	13,856	13,940	12,074	12,742
	2.3	-0.6	2.5	4.4	2.0	0.6	10.9	5.5
Interest on public debt[2]	53,568	53,156	53,024	53,144	53,808	54,008	54,011	53,515
	-1.4	-0.8	-0.2	0.2	1.2	0.4	-2.1	-0.9
<b>Outlay</b>	<b>229,480</b>	<b>230,156</b>	<b>237,428</b>	<b>231,812</b>	<b>239,360</b>	<b>244,312</b>	<b>215,322</b>	<b>228,676</b>
	5.4	0.3	3.2	-2.4	3.3	2.1	3.1	6.2
Interest, dividends and miscellaneous payments	181,148	181,228	187,492	181,060	186,356	189,696	172,948	180,707
	4.7	0.0	3.5	-3.4	2.9	1.8	1.0	4.5
Direct taxes	46,684	47,416	48,408	49,104	51,308	52,952	40,963	46,424
	8.1	1.6	2.1	1.4	4.5	3.2	13.8	13.3
Other current transfers	1,648	1,512	1,528	1,648	1,696	1,664	1,411	1,545
	10.5	-8.3	1.1	7.9	2.9	-1.9	-11.1	9.5
<b>Saving</b>	<b>88,676</b>	<b>96,284</b>	<b>94,212</b>	<b>99,808</b>	<b>101,432</b>	<b>117,624</b>	<b>75,192</b>	<b>90,079</b>
	9.3	8.6	-2.2	5.9	1.6	16.0	24.7	19.8
<b>Gross saving and capital transfers</b>	<b>202,052</b>	<b>213,072</b>	<b>209,268</b>	<b>215,204</b>	<b>219,548</b>	<b>237,100</b>	<b>182,011</b>	<b>204,234</b>
	4.9	5.5	-1.8	2.8	2.0	8.0	11.6	12.2
Saving	88,676	96,284	94,212	99,808	101,432	117,624	75,192	90,079
	9.3	8.6	-2.2	5.9	1.6	16.0	24.7	19.8
Capital consumption allowances	110,632	111,892	112,892	114,128	115,636	117,156	105,345	111,078
	1.6	1.1	0.9	1.1	1.3	1.3	5.1	5.4
Net capital transfers	2,744	4,896	2,164	1,268	2,480	2,320	1,474	3,077
	9.6	78.4	-55.8	-41.4	95.6	-6.5	-43.8	108.8
Deduct: Non-financial capital acquisition	121,888	138,892	145,276	141,240	138,944	144,744	124,477	131,326
	2.2	14.0	4.6	-2.8	-1.6	4.2	7.3	5.5
<b>Net lending</b>	<b>80,164</b>	<b>74,180</b>	<b>63,992</b>	<b>73,964</b>	<b>80,604</b>	<b>92,356</b>	<b>57,534</b>	<b>72,908</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>420,308</b>	<b>308,204</b>	<b>291,348</b>	<b>436,960</b>	<b>467,424</b>	<b>465,316</b>	<b>235,098</b>	<b>340,274</b>
	...	...	...	...	...	...	...	...
<i>Of which:</i>								
Consumer credit	20,528	20,416	21,068	21,376	21,412	21,524	19,528	20,508
	...	...	...	...	...	...	...	...
Bank and other loans	32,680	21,096	23,880	7,740	12,548	11,520	-586	25,707
	...	...	...	...	...	...	...	...
Mortgages	47,436	42,860	45,096	48,336	52,760	57,916	39,689	44,560
	...	...	...	...	...	...	...	...
Short-term paper	15,308	-4,408	-7,724	27,652	-4,800	34,160	-2,166	-3,947
	...	...	...	...	...	...	...	...
Bonds	27,568	38,032	32,720	76,540	91,956	55,640	45,481	54,007
	...	...	...	...	...	...	...	...
Shares	31,188	32,380	10,876	15,660	31,668	-6,600	7,792	21,955
	...	...	...	...	...	...	...	...
Foreign investments	36,988	18,704	9,952	41,076	52,588	58,680	23,352	15,962
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>347,344</b>	<b>237,808</b>	<b>227,252</b>	<b>358,816</b>	<b>377,272</b>	<b>381,516</b>	<b>178,747</b>	<b>272,214</b>
	...	...	...	...	...	...	...	...
<i>Of which:</i>								
Currency and deposits	122,960	88,036	83,252	76,780	130,884	93,600	49,963	86,753
	...	...	...	...	...	...	...	...
Bank and other loans	16,672	4,068	15,844	15,612	14,016	7,092	-6,576	12,890
	...	...	...	...	...	...	...	...
Short-term paper	-408	-3,600	8,708	22,692	12,596	26,204	-15,700	-948
	...	...	...	...	...	...	...	...
Bonds	63,852	59,800	42,764	50,412	67,412	69,148	56,191	61,810
	...	...	...	...	...	...	...	...
Shares	51,604	22,324	11,404	57,484	51,676	61,340	33,279	32,706
	...	...	...	...	...	...	...	...
Life insurance and pensions	29,580	30,076	18,152	31,028	16,884	31,076	22,000	29,726
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>72,964</b>	<b>70,396</b>	<b>64,096</b>	<b>78,144</b>	<b>90,152</b>	<b>83,800</b>	<b>56,351</b>	<b>68,060</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	7,200	3,784	-104	-4,180	-9,548	8,556	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

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>517,184</b>	<b>526,428</b>	<b>534,948</b>	<b>541,396</b>	<b>550,440</b>	<b>558,204</b>	<b>493,786</b>	<b>521,752</b>
	1.7	1.8	1.6	1.2	1.7	1.4	4.7	5.7
Taxes on incomes	199,100	204,132	208,712	213,908	221,020	223,804	185,920	201,794
	2.0	2.5	2.2	2.5	3.3	1.3	3.3	8.5
Contributions to social insurance plans	61,820	62,280	62,916	63,532	64,084	64,332	60,094	62,199
	0.1	0.7	1.0	1.0	0.9	0.4	5.7	3.5
Taxes on production and imports	164,268	166,252	168,024	169,544	171,184	172,416	158,354	165,066
	1.6	1.2	1.1	0.9	1.0	0.7	4.5	4.2
Other current transfers from persons	9,732	9,780	9,784	9,988	10,032	10,140	9,626	9,776
	-0.8	0.5	0.0	2.1	0.4	1.1	4.3	1.6
Investment income	41,736	43,228	44,980	42,612	42,580	45,280	40,902	42,454
	4.7	3.6	4.1	-5.3	-0.1	6.3	9.9	3.8
Sales of goods and services[1]	40,528	40,756	40,532	41,812	41,540	42,232	38,890	40,463
	1.2	0.6	-0.5	3.2	-0.7	1.7	5.2	4.0
<b>Outlay</b>	<b>500,188</b>	<b>502,596</b>	<b>508,588</b>	<b>514,172</b>	<b>521,792</b>	<b>529,296</b>	<b>485,971</b>	<b>502,119</b>
	0.6	0.5	1.2	1.1	1.5	1.4	4.4	3.3
Gross current expenditure on goods and services[1]	288,568	290,112	292,708	298,104	303,640	308,432	275,521	288,997
	1.4	0.5	0.9	1.8	1.9	1.6	5.6	4.9
Current transfers	148,708	150,224	154,080	154,304	155,724	158,568	145,669	150,420
	0.0	1.0	2.6	0.1	0.9	1.8	5.7	3.3
Interest on the public debt	62,912	62,260	61,800	61,764	62,428	62,296	64,781	62,702
	-1.4	-1.0	-0.7	-0.1	1.1	-0.2	-3.2	-3.2
<b>Saving</b>	<b>16,996</b>	<b>23,832</b>	<b>26,360</b>	<b>27,224</b>	<b>28,648</b>	<b>28,908</b>	<b>7,815</b>	<b>19,633</b>
	49.8	40.2	10.6	3.3	5.2	0.9	29.8	151.2
<b>Gross saving and capital transfers</b>	<b>39,556</b>	<b>44,156</b>	<b>50,148</b>	<b>51,808</b>	<b>52,716</b>	<b>52,968</b>	<b>31,028</b>	<b>41,846</b>
	18.0	11.6	13.6	3.3	1.8	0.5	8.6	34.9
Saving	16,996	23,832	26,360	27,224	28,648	28,908	7,815	19,633
	49.8	40.2	10.6	3.3	5.2	0.9	29.8	151.2
Capital consumption allowances	23,244	23,500	23,832	24,160	24,500	24,768	22,467	23,387
	1.2	1.1	1.4	1.4	1.4	1.1	3.5	4.1
Net capital transfers	-684	-3,176	-44	424	-432	-708	746	-1,174
	...	...	...	...	...	...	-11.8	...
Deduct: Non-financial capital acquisition	33,376	33,428	33,124	33,924	34,388	34,656	30,968	33,112
	2.6	0.2	-0.9	2.4	1.4	0.8	4.3	6.9
<b>Net lending</b>	<b>6,180</b>	<b>10,728</b>	<b>17,024</b>	<b>17,884</b>	<b>18,328</b>	<b>18,312</b>	<b>60</b>	<b>8,734</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>35,484</b>	<b>1,676</b>	<b>12,124</b>	<b>84,988</b>	<b>47,772</b>	<b>35,532</b>	<b>25,916</b>	<b>17,536</b>
	...	...	...	...	...	...	...	...
Currency and deposits	2,764	5,680	-7,380	5,868	1,868	-248	56	-1,545
	...	...	...	...	...	...	...	...
Loans	7,196	7,404	5,892	5,192	3,452	2,532	4,263	5,657
	...	...	...	...	...	...	...	...
Canadian securities	35,092	-3,120	18,452	40,820	15,644	9,164	8,062	11,602
	...	...	...	...	...	...	...	...
Other financial assets	-9,568	-8,288	-4,840	33,108	26,808	24,084	13,535	1,822
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>25,724</b>	<b>-5,280</b>	<b>3,772</b>	<b>68,132</b>	<b>26,536</b>	<b>13,440</b>	<b>24,763</b>	<b>10,909</b>
	...	...	...	...	...	...	...	...
Bank and other loans	584	684	1,420	1,732	-312	-528	1,001	725
	...	...	...	...	...	...	...	...
Short-term paper	29,548	-6,544	-5,660	16,472	-15,468	100	11,541	-2,118
	...	...	...	...	...	...	...	...
Bonds	-11,700	1,692	-1,576	26,788	16,796	-14,696	-5,913	3,297
	...	...	...	...	...	...	...	...
Other liabilities	7,292	-1,112	9,588	23,140	25,520	28,564	18,134	9,005
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>9,760</b>	<b>6,956</b>	<b>8,352</b>	<b>16,856</b>	<b>21,236</b>	<b>22,092</b>	<b>1,153</b>	<b>6,627</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	-3,580	3,772	8,672	1,028	-2,908	-3,780	-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**

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Seasonally adjusted data at annual rates, millions of dollars								
<b>Income</b>	<b>503,000</b>	<b>506,844</b>	<b>505,008</b>	<b>513,172</b>	<b>525,488</b>	<b>528,036</b>	<b>470,199</b>	<b>496,079</b>
	7.1	0.8	-0.4	1.6	2.4	0.5	-3.2	5.5
Sales of goods (imports)	367,712	375,832	368,000	378,980	385,396	389,676	342,611	363,079
	7.9	2.2	-2.1	3.0	1.7	1.1	-4.0	6.0
Sales of services (imports)	76,404	74,268	75,460	76,812	79,108	77,712	71,759	75,267
	2.0	-2.8	1.6	1.8	3.0	-1.8	1.2	4.9
Interest, dividends and miscellaneous receipts	51,784	50,068	54,008	48,584	53,572	53,244	49,431	50,788
	9.5	-3.3	7.9	-10.0	10.3	-0.6	-5.4	2.7
Current transfers	7,100	6,676	7,540	8,796	7,412	7,404	6,398	6,945
	9.8	-6.0	12.9	16.7	-15.7	-0.1	7.4	8.5
<b>Outlay</b>	<b>540,124</b>	<b>536,540</b>	<b>521,656</b>	<b>529,048</b>	<b>542,256</b>	<b>566,360</b>	<b>489,451</b>	<b>523,218</b>
	9.2	-0.7	-2.8	1.4	2.5	4.4	-3.9	6.9
Purchases of goods (exports)	443,740	442,276	425,736	430,724	439,648	464,808	400,176	429,140
	9.6	-0.3	-3.7	1.2	2.1	5.7	-3.4	7.2
Purchases of services (exports)	63,624	63,672	64,400	65,832	65,836	66,188	61,090	63,440
	2.5	0.1	1.1	2.2	0.0	0.5	-4.6	3.8
Interest, dividends and miscellaneous payments	25,392	23,208	24,336	25,044	29,532	29,136	21,575	23,367
	23.7	-8.6	4.9	2.9	17.9	-1.3	-11.4	8.3
Current transfers	7,368	7,384	7,184	7,448	7,240	6,228	6,610	7,271
	3.1	0.2	-2.7	3.7	-2.8	-14.0	-4.0	10.0
<b>Saving</b>	<b>-37,124</b>	<b>-29,696</b>	<b>-16,648</b>	<b>-15,876</b>	<b>-16,768</b>	<b>-38,324</b>	<b>-19,252</b>	<b>-27,139</b>
	...	...	...	...	...	...	...	...
<b>Gross saving and capital transfers</b>	<b>-41,960</b>	<b>-34,168</b>	<b>-21,240</b>	<b>-21,284</b>	<b>-23,868</b>	<b>-45,152</b>	<b>-23,229</b>	<b>-31,547</b>
	...	...	...	...	...	...	...	...
Saving	-37,124	-29,696	-16,648	-15,876	-16,768	-38,324	-19,252	-27,139
	...	...	...	...	...	...	...	...
Net capital transfers	-4,836	-4,472	-4,592	-5,408	-7,100	-6,828	-3,977	-4,408
	...	...	...	...	...	...	...	...
<b>Net lending[1]</b>	<b>-41,960</b>	<b>-34,168</b>	<b>-21,240</b>	<b>-21,284</b>	<b>-23,868</b>	<b>-45,152</b>	<b>-23,229</b>	<b>-31,547</b>
	...	...	...	...	...	...	...	...
<b>Transactions in financial assets</b>	<b>80,268</b>	<b>51,552</b>	<b>41,728</b>	<b>61,760</b>	<b>42,788</b>	<b>122,832</b>	<b>36,204</b>	<b>45,684</b>
	...	...	...	...	...	...	...	...
Currency and deposits	34,752	-3,968	3,832	2,660	2,080	10,904	6,028	2,184
	...	...	...	...	...	...	...	...
Loans	-7,724	-8,504	-5,772	5,848	-1,588	-340	-2,716	-5,861
	...	...	...	...	...	...	...	...
Short-term paper	7,332	-1,344	440	-800	-2,916	968	-2,172	-151
	...	...	...	...	...	...	...	...
Bonds	20,480	34,980	26,124	-3,556	1,512	5,824	7,895	19,550
	...	...	...	...	...	...	...	...
Shares	48,712	25,712	36,448	24,848	-18,740	30,376	13,492	35,839
	...	...	...	...	...	...	...	...
Other financial assets	-23,284	4,676	-19,344	32,760	62,440	75,100	13,677	-5,877
	...	...	...	...	...	...	...	...
<b>Transactions in liabilities</b>	<b>118,096</b>	<b>78,312</b>	<b>57,496</b>	<b>90,980</b>	<b>79,696</b>	<b>162,616</b>	<b>57,168</b>	<b>70,959</b>
	...	...	...	...	...	...	...	...
Official reserves	-1,072	2,456	-13,648	10,352	-2,064	-2,716	-4,694	-3,426
	...	...	...	...	...	...	...	...
Currency and deposits	5,180	-888	17,724	14,984	-404	13,120	6,874	8,030
	...	...	...	...	...	...	...	...
Bank and other loans	12,648	13,488	4,412	-2,380	-2,460	4,420	2,674	9,463
	...	...	...	...	...	...	...	...
Foreign investments	28,904	22,716	15,656	47,340	45,400	54,040	25,019	15,461
	...	...	...	...	...	...	...	...
Other liabilities	72,436	40,540	33,352	20,684	39,224	93,752	27,295	41,431
	...	...	...	...	...	...	...	...
<b>Net financial investment</b>	<b>-37,828</b>	<b>-26,760</b>	<b>-15,768</b>	<b>-29,220</b>	<b>-36,908</b>	<b>-39,784</b>	<b>-20,964</b>	<b>-25,275</b>
	...	...	...	...	...	...	...	...
Sector discrepancy	-4,132	-7,408	-5,472	7,936	13,040	-5,368	-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

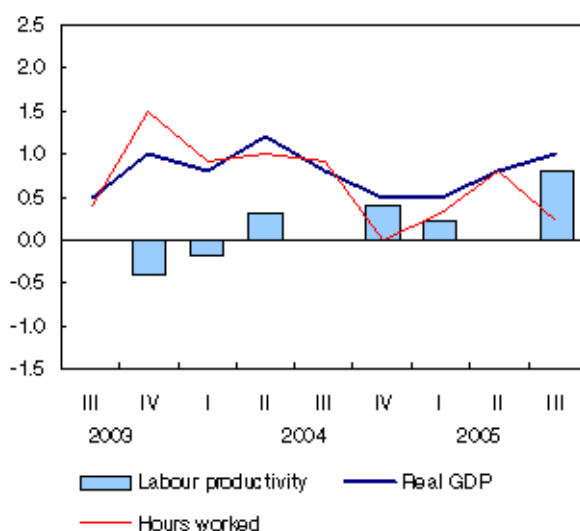
Third quarter 2005

Labour productivity in the Canadian business sector increased at its fastest pace in nearly four years during the third quarter.

Productivity among Canadian businesses increased 0.8% between July and September, following two quarters of virtually stagnant growth. It was the strongest performance since the last three months of 2001.

### Productivity growth rebounds following stagnant second quarter

Quarterly % change



Labour productivity, as measured by real gross domestic product (GDP) per hour worked, is a primary determinant of improvements to the standard of living in the long run. It is also the main source of economic growth.

Generally speaking, businesses enjoy productivity gains when their GDP growth rate outpaces the rise in hours of work devoted to production.

In Canada, third-quarter productivity increased because production rose at a faster pace than the number of hours worked. During the first two quarters of 2005, GDP growth was on par with hours worked, resulting in flat productivity growth.

### Productivity growth accelerates in the goods producing industries

For the first time in the last three quarters, productivity growth in the goods producing sector surpassed that of the service sector.

After declining by 0.6% in the second quarter, productivity growth in the goods producing sector accelerated in the third quarter to reach 1.2%, almost twice the increase registered in the service sector.

This quarterly increase in the goods producing sector occurred in the context of a 1.2% increase in output, combined with a slight growth in hours worked. The economic vitality observed in the goods producing sector in the third quarter is mainly due to energy related industries, to the production of motor vehicles and to agriculture, forestry and fishing.

#### Note to readers

This chapter presents an analysis on labour productivity for the aggregate business sector and its constituent industries (15 two-digit NAICS industries) 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, revisions have been made back to the first quarter of 1997 to incorporate the adjustments in annual benchmarks on hours worked and revised data of GDP by industry that were published in *The Daily* of November 8, 2005.

**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.

Productivity growth in the service producing industries more than doubled, increasing from 0.3% in the second quarter to 0.7% in the third quarter. The economic growth of this sector maintained the same pace as in the second quarter while hours worked slowed down.

In the third quarter, productivity gains in goods producing industries were mainly sustained by the productivity recovery in manufacturing which increased by 1.5% after slowing down in the second quarter (+0.2%). Since the second quarter of 2004, labour productivity in this sector has increased on average by 1.5%.

Several industries in the goods sector also improved their productivity in the third quarter, most notably the agriculture, forestry, fishing and hunting (+2.7%) and construction (+0.7%) sectors.

Productivity performance for manufacturing in the third quarter indicates a trend towards recovery and reflects efforts to downsize the workforce, which entailed a decline in hours worked for the fifth consecutive quarter in this sector.

While continuing to downsize their workforce, manufacturers succeeded in raising their production by 0.9% in the third quarter, following a loss of 0.5% in the preceding quarter. The increased production of automotive vehicles and parts contributed in large part to the increase in manufacturing activities. At the same time, hours worked in the manufacturing sector declined by 0.7%, matching the same rate as the first two quarters of 2005.

With the exception of the administrative services and waste management industries as well as retail trade, all other service industries posted productivity gains in the third quarter. The most notable gains include the information and cultural industries (+3.4%), wholesale trade (+1.1%) and the transport and warehousing industry (+1.0%).

Wholesale trade activities realized a 1.3% gain in the third quarter, mainly due to the rise in automotive vehicle sales by manufacturers to concessionaries, which were fuelled by special incentives to consumers.

Production in the transport and warehousing industry intensified in the third quarter, with a 2.1% gain. The majority of this growth is due to trucking, rail transport and transport support related activities, which contributed to the gains in wholesale trade and energy-related industries.

#### Unit labour costs remain stable

With productivity gains of 0.8% combined with a strong 1.6% increase in hourly compensation, unit labour costs increased by 0.7% in the third quarter. This increase continues the average growth trend of the last three quarters.

Unit labour cost is an indicator that enables the measurement of relative changes between the hourly wage and labour productivity.

Service sector unit labour costs rose 0.8% in the third quarter, identical to the preceding quarter. For the goods producing sector, unit labour costs rose by 0.7% in the third quarter, following an increase of only 0.2% in the second quarter.

Among the industries that have registered the most notable declines in unit labour costs between July and September 2005 are the information and cultural industries as well as transportation and warehousing. In contrast, the most significant increases were found in accommodation and food services and in administrative services and waste management.

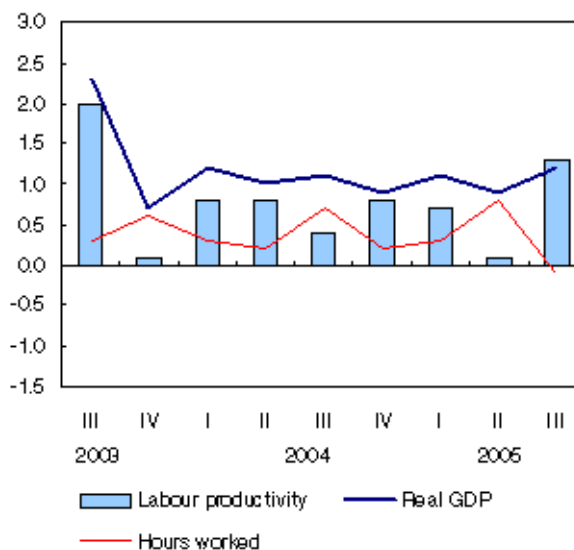
Due to their productivity performance in the third quarter, manufacturing industries have slowed the growth of their labour cost per unit of output, from 0.6% in the second quarter to 0.3% in the third quarter.

#### Labour market performance comparable in Canada, US since early 2005

While third-quarter growth rates in GDP were similar in both Canada and the United States, the decline in hours worked south of the border enabled American businesses to show a higher gain in productivity.

#### U.S. productivity growth rebounds after a second quarter pause

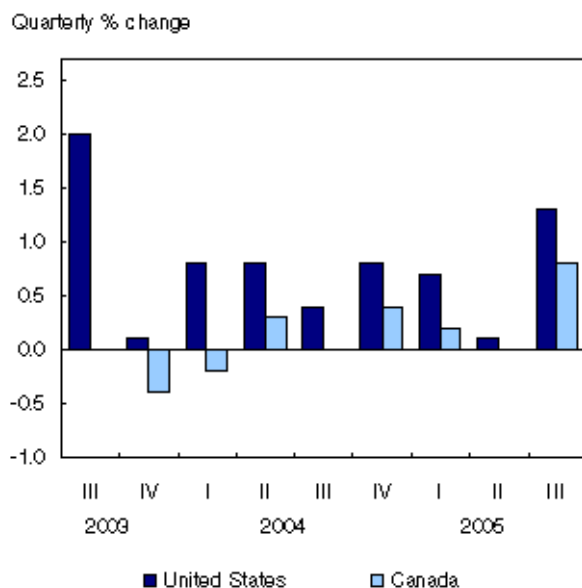
Quarterly % change





In the United States, labour productivity increased 1.3%, the strongest performance in two years. Nevertheless, the increase in Canadian productivity growth resulted in a gap between the two nations that remains comparable to the average of the last six quarters.

### Productivity rebounds in Canada and the United States

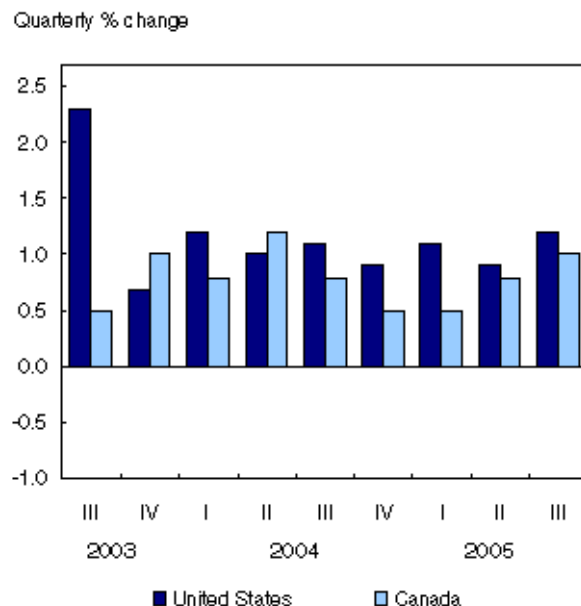


Both nations recorded nearly identical growth rates in GDP, while their labour market stagnated in the third quarter. But the slowing pace of hours worked was much more pronounced in the United States.

Between July and September, economic output among Canadian businesses increased 1.0%, compared with 0.8% in the second quarter.

Despite the hurricane-disrupted economy in the United States, output among American businesses increased 1.2% in the third quarter. This maintained the pace set in the seven previous quarters, during which their economic output rose on average 1.0% each quarter.

### GDP growth accelerates slightly in both countries



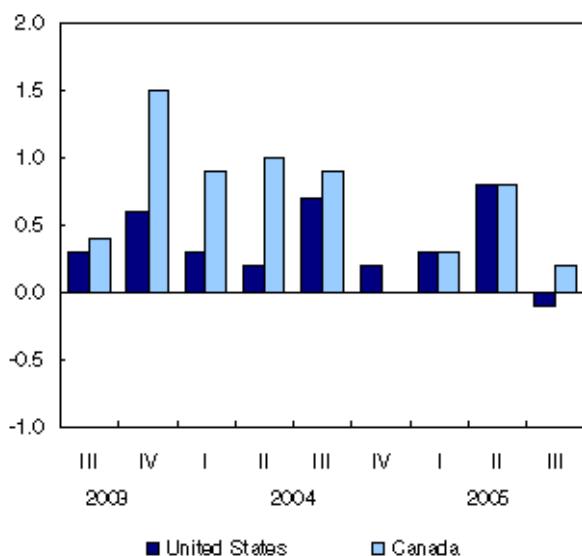
The growth of Canadian economic activity over the third quarter was mainly the result of a strong rebound in exports, particularly in the automotive, agricultural and fisheries products. Continued strong business investment, driven by the energy sector, was also a contributing factor.

In the United States, household consumer spending again prompted the gain in GDP. Computer hardware and software purchasing, federal government spending and residential investment also contributed.

Growth in Canadian economic activity occurred while the labour market lost some of its strength. Hours of work devoted to production in Canadian businesses were up a mere 0.2%. This maintained their upward trend, though at a slower pace than in the second quarter.

### Hours worked slows in both countries

Quarterly % change



During the same period, hours worked in the United States declined by 0.1% in the third quarter, following a 0.8% rise in the second quarter. The decline was the first in nine quarters.

### Rise in Canadian unit labour costs relative to the U.S.

Unit labour costs, an important indicator of trends in production costs and inflation, increased in Canada during the third quarter, and declined slightly south of the border. (Unit labour cost is the cost of worker compensation and benefits per unit of economic output.)

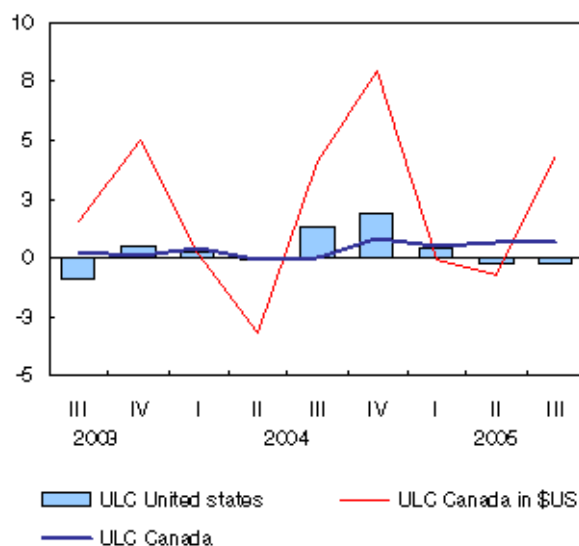
Exchange rates notwithstanding, labour costs of Canadian businesses per unit of GDP rose 0.7% in the third quarter, which was close to the average gain for the past three quarters.

In the United States, unit labour costs of businesses fell 0.2%, which matched the decline in the second quarter. Since the beginning of 2005, the increase in American business unit labour costs has been almost nil.

When the exchange rate is taken into account, American businesses are positioned even more favourably.

### Canadian unit labour costs in US\$ rebounds

Quarterly % change



After levelling off and even decreasing slightly over the first two quarters of 2005, the Canadian dollar rose 3.3% against its American counterpart in the third quarter. This appreciation resulted in a sharp gain of 4.3% in the unit labour cost measured in American dollars.

However, Canadian businesses took advantage of the strong dollar to invest in machinery and equipment. Spending in this area was up 3.0% in the third quarter.

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

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005
Seasonally adjusted						
% change from previous quarter						
<b>Canada</b>						
Labour productivity	0.3	0.0	0.4	0.2	0.0	0.8
Real GDP	1.2	0.8	0.5	0.5	0.8	1.0
Hours worked	1.0	0.9	0.0	0.3	0.8	0.2
Hourly compensation	0.1	0.0	1.3	0.6	0.6	1.6
Unit labour cost	-0.1	0.0	0.8	0.5	0.6	0.7
Exchange rate[2]	3.2	-3.9	-6.6	0.5	1.4	-3.3
Unit labour cost in US\$	-3.2	4.1	7.9	-0.1	-0.7	4.3
<b>United States</b>						
Labour productivity	0.8	0.4	0.8	0.7	0.1	1.3
Real GDP	1.0	1.1	0.9	1.1	0.9	1.2
Hours worked	0.2	0.7	0.2	0.3	0.8	-0.1
Hourly compensation	0.8	1.6	2.7	1.2	-0.1	1.0
Unit labour cost	-0.1	1.3	1.9	0.4	-0.2	-0.2
% change from same quarter of previous year						
<b>Canada</b>						
Labour productivity	-0.4	-0.4	0.4	0.8	0.5	1.3
Real GDP	3.5	3.9	3.4	3.0	2.5	2.7
Hours worked	3.9	4.3	2.8	2.3	2.0	1.3
Hourly compensation	0.3	-0.1	1.6	1.9	2.4	4.1
Unit labour cost	0.7	0.4	1.0	1.1	1.9	2.6
Exchange rate[2]	-2.8	-5.3	-7.2	-6.9	-8.6	-8.1
Unit labour cost in US\$	3.4	5.9	8.9	8.6	11.4	11.7
<b>United States</b>						
Labour productivity	3.8	2.1	2.8	2.7	2.1	3.1
Real GDP	5.3	4.0	4.2	4.1	4.1	4.2
Hours worked	1.4	1.8	1.4	1.3	2.0	1.1
Hourly compensation	3.6	4.1	6.3	6.4	5.5	5.0
Unit labour cost	-0.2	1.9	3.4	3.6	3.4	1.9
% change from previous quarter at annualized rate[3]						
<b>Canada</b>						
Labour productivity	1.1	0.0	1.4	0.7	0.0	3.2
Real GDP	5.1	3.4	1.8	1.8	3.1	4.3
Hours worked	4.2	3.5	0.0	1.4	3.1	0.7
Hourly compensation	0.3	0.0	5.2	2.3	2.3	6.7
Unit labour cost	-0.4	0.0	3.0	1.9	2.6	3.0
Unit labour cost in US\$	-12.3	17.3	35.5	-0.3	-2.6	18.4
<b>United States</b>						
Labour productivity	3.4	1.4	3.1	2.9	0.8	5.4
Real GDP	4.0	4.4	3.6	4.4	4.0	5.0
Hours worked	0.6	3.0	0.5	1.4	3.1	-0.4
Hourly compensation	3.3	6.5	11.3	4.7	-0.1	4.2
Unit labour cost	-0.1	5.0	7.9	1.7	-0.9	-1.1

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

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

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

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

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005
Seasonally adjusted						
% change from previous quarter						
<b>Canada</b>						
All jobs	0.7	0.8	0.3	0.5	0.7	0.0
Hours worked	1.0	0.9	0.0	0.3	0.8	0.2
Average hours	0.4	0.0	-0.2	-0.1	0.0	0.2
Labour share[2]	-1.7	-1.0	0.3	0.2	0.2	-1.6
<b>United States</b>						
All jobs	0.6	0.5	0.3	0.7	0.5	-0.1
Hours worked	0.2	0.7	0.2	0.3	0.8	-0.1
Average hours	-0.4	0.2	-0.2	-0.3	0.3	-0.1
Labour share[2]	-0.9	1.0	1.3	-0.2	-0.9	-1.0
% change from same quarter of previous year						
<b>Canada</b>						
All jobs	2.4	2.5	1.8	2.2	2.2	1.4
Hours worked	3.9	4.3	2.8	2.3	2.0	1.3
Average hours	1.5	1.7	1.0	0.1	-0.3	-0.1
Labour share[2]	-3.2	-3.6	-2.9	-2.1	-0.2	-0.9
<b>United States</b>						
All jobs	1.6	1.7	1.6	2.0	2.0	1.4
Hours worked	1.4	1.8	1.4	1.3	2.0	1.1
Average hours	-0.1	0.2	-0.3	-0.7	0.0	-0.3
Labour share[2]	-2.8	-0.5	0.7	1.2	1.2	-0.8
% change from previous quarter at annualized rates[3]						
<b>Canada</b>						
All jobs	2.8	3.1	1.0	2.0	2.7	0.0
Hours worked	4.2	3.5	0.0	1.4	3.1	0.7
Average hours	1.6	0.0	-0.8	-0.4	0.0	0.8
Labour share[2]	-6.6	-3.8	1.3	0.9	0.9	-6.3
<b>United States</b>						
All jobs	2.4	2.1	1.0	2.7	2.0	-0.3
Hours worked	0.6	3.0	0.5	1.4	3.1	-0.4
Average hours	-1.6	0.8	-0.8	-1.2	1.2	-0.4
Labour share[2]	-3.6	4.2	5.4	-0.8	-3.6	-4.0

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**

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Seasonally adjusted								
<b>Business sector - goods</b>	<b>111.5</b>	<b>112.7</b>	<b>113.3</b>	<b>113.5</b>	<b>112.8</b>	<b>114.1</b>	<b>111.3</b>	<b>112.0</b>
	<b>0.8</b>	<b>1.1</b>	<b>0.5</b>	<b>0.2</b>	<b>-0.6</b>	<b>1.2</b>	<b>-1.4</b>	<b>0.7</b>
Agriculture, forestry, fishing and hunting	136.2	143.6	138.8	134.8	130.4	133.9	130.5	137.9
	2.4	5.4	-3.3	-2.9	-3.3	2.7	9.0	5.7
Construction	109.8	108.6	108.9	110.4	109.9	110.6	112.6	109.7
	-1.6	-1.1	0.3	1.4	-0.5	0.6	-2.5	-2.6
Manufacturing	114.9	118.0	119.6	120.8	121.0	122.8	112.0	116.3
	2.0	2.7	1.4	1.0	0.2	1.5	-1.5	3.8
<b>Business sector - services</b>	<b>113.2</b>	<b>112.6</b>	<b>113.1</b>	<b>113.6</b>	<b>113.9</b>	<b>114.7</b>	<b>114.0</b>	<b>113.1</b>
	<b>-0.1</b>	<b>-0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>	<b>0.7</b>	<b>0.5</b>	<b>-0.9</b>
Wholesale trade	122.6	122.0	122.2	124.5	130.0	131.4	118.8	122.0
	1.2	-0.5	0.2	1.9	4.4	1.1	5.6	2.7
Retail trade	115.6	115.5	116.6	117.2	115.8	115.4	117.7	115.7
	0.3	-0.1	1.0	0.5	-1.2	-0.3	-0.7	-1.7
Transportation and warehousing	108.1	108.6	111.0	112.2	112.2	113.3	108.2	108.9
	0.2	0.5	2.2	1.1	0.0	1.0	-0.4	0.6
Information and cultural industries	120.9	114.7	114.5	113.9	114.4	118.3	116.6	116.7
	3.7	-5.1	-0.2	-0.5	0.4	3.4	4.1	0.1
Finance, real estate and company management	110.9	108.0	106.8	107.0	107.4	108.2	109.6	109.2
	0.0	-2.6	-1.1	0.2	0.4	0.7	0.6	-0.4
Professional, scientific and technical services	117.1	116.1	116.6	115.6	113.5	114.6	117.7	116.6
	0.4	-0.9	0.4	-0.9	-1.8	1.0	1.4	-0.9
Administrative and support, waste management and remediation services	95.6	93.8	94.4	94.9	93.9	92.7	99.2	95.0
	-0.6	-1.9	0.6	0.5	-1.1	-1.3	-6.1	-4.2
Accommodation and food services	107.5	105.0	104.3	104.7	106.7	107.4	113.3	106.5
	-1.5	-2.3	-0.7	0.4	1.9	0.7	-3.9	-6.0
Other commercial services	115.0	119.4	120.7	119.8	118.6	118.5	116.2	118.2
	-2.2	3.8	1.1	-0.7	-1.0	-0.1	-0.7	1.7

**Unit labour cost by industry**

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Seasonally adjusted								
<b>Business sector - goods</b>	<b>104.1</b>	<b>102.7</b>	<b>103.6</b>	<b>104.4</b>	<b>104.6</b>	<b>105.3</b>	<b>105.7</b>	<b>104.0</b>
	<b>-1.3</b>	<b>-1.3</b>	<b>0.9</b>	<b>0.8</b>	<b>0.2</b>	<b>0.7</b>	<b>3.4</b>	<b>-1.7</b>
Agriculture, forestry, fishing and hunting	86.3	82.3	84.7	87.0	84.5	84.1	90.5	86.3
	-6.2	-4.6	2.9	2.7	-2.9	-0.5	-6.0	-4.6
Construction	99.0	97.2	96.9	97.6	97.5	99.0	105.5	98.4
	-1.3	-1.8	-0.3	0.7	-0.1	1.5	6.6	-6.7
Manufacturing	100.9	99.4	100.3	99.9	100.5	100.8	102.2	100.7
	-1.3	-1.5	0.9	-0.4	0.6	0.3	2.5	-1.4
<b>Business sector - services</b>	<b>106.9</b>	<b>107.8</b>	<b>108.5</b>	<b>108.6</b>	<b>109.5</b>	<b>110.4</b>	<b>104.9</b>	<b>107.4</b>
	<b>0.6</b>	<b>0.8</b>	<b>0.6</b>	<b>0.1</b>	<b>0.8</b>	<b>0.8</b>	<b>1.2</b>	<b>2.3</b>
Wholesale trade	92.6	92.0	93.3	92.0	89.0	90.0	93.9	92.9
	-1.3	-0.6	1.4	-1.4	-3.3	1.1	-1.8	-1.0
Retail trade	104.3	104.2	103.2	101.8	104.9	105.9	99.4	103.3
	2.9	-0.1	-1.0	-1.4	3.0	1.0	1.8	3.9
Transportation and warehousing	110.6	112.1	111.1	110.7	113.0	112.2	111.3	111.1
	0.1	1.4	-0.9	-0.4	2.1	-0.7	3.1	-0.2
Information and cultural industries	95.8	95.7	97.3	98.0	99.2	97.9	94.5	96.0
	0.7	-0.1	1.7	0.7	1.2	-1.3	-6.5	1.5
Finance, real estate and company management	109.4	110.8	112.0	113.3	115.3	117.0	107.3	110.3
	0.4	1.3	1.1	1.2	1.8	1.5	2.3	2.8
Professional, scientific and technical services	110.1	110.2	112.9	114.5	115.2	116.1	107.7	111.1
	-1.1	0.1	2.5	1.4	0.6	0.8	1.8	3.2
Administrative and support, waste management and remediation services	126.9	128.2	129.7	130.6	133.7	137.7	117.7	127.5
	1.4	1.0	1.2	0.7	2.4	3.0	3.3	8.3
Accommodation and food services	116.4	122.0	119.0	118.0	121.9	129.5	114.4	117.3
	4.1	4.8	-2.5	-0.8	3.3	6.2	4.2	2.5
Other commercial services	103.5	105.0	106.2	107.9	107.5	106.8	102.3	104.4
	0.5	1.4	1.1	1.6	-0.4	-0.7	2.6	2.1

## International investment position

Third quarter 2005

After a two-decade low in the second quarter, Canada's net liability to foreign residents increased by \$17 billion in the third quarter as the appreciation of the Canadian dollar removed \$46.3 billion from the value of Canada's international assets.

The nation's net external liability – the difference between its external assets and foreign liabilities – amounted to \$170.4 billion at the end of the third quarter. This was 11.2% higher than the level of \$153.2 billion at the end of the previous quarter, which was the lowest in more than two decades.

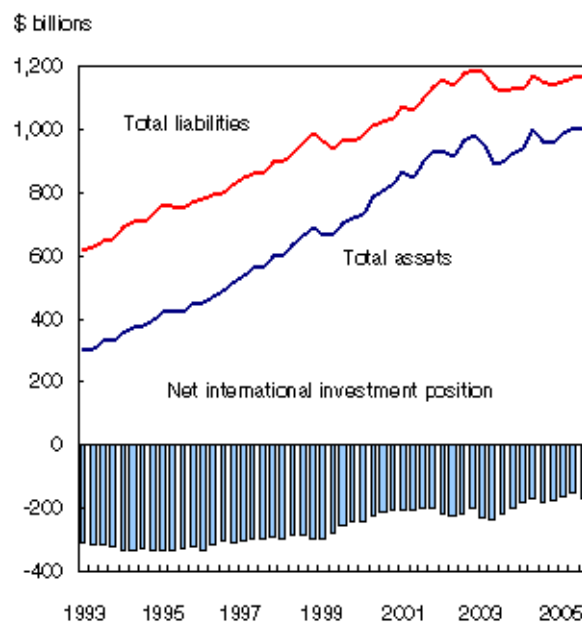
The value of international assets fell to \$1,001.1 billion, a \$5.6-billion decline from the end of the second quarter. The dollar, which gained 5.4% against its US counterpart during the quarter, removed \$46.3 billion from the value of these assets, which offset all net transactions.

At the same time, Canada's international liabilities increased by \$11.6 billion to \$1,171.4 billion. The strengthening dollar removed \$22.3 billion from the position, but the net transactions of \$38.2 billion more than offset this effect.

As a result, net external liabilities represented 12.3% of Canada's gross domestic product (GDP) at the end of the third quarter, up from 11.4% in the previous quarter.

The Canadian dollar gained ground against most other major currencies during the third quarter, including 6.2% against the euro and 7.9% against the Japanese yen.

### Canada's international investment position



#### Assets: Canadian direct investment abroad declines, while foreign bond holdings rise

The stronger Canadian dollar had its largest impact on the value of Canadian direct investment abroad, which fell by \$10.2 billion to \$452.1 billion. The exchange rate revaluation removed \$23.3 billion from asset values. This more than offset net transactions of \$11.8 billion during the third quarter. Direct investment assets in the United States were responsible for about one-half of the decline.

#### Note to readers

##### Estimates at market value

As of the first quarter of 2005, total portfolio investment (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 however, and this practice will continue until a full set of market value estimates becomes available. Annual market value estimates of foreign direct investment series will be available in May 2006.

##### 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 increased significantly for the fourth straight quarter, rising nearly 10% to \$74.5 billion at the end of September. These holdings were up by about 30% since the beginning of the year mostly due to purchases. This represented the ninth consecutive quarterly increase.

Canadian holdings of foreign stocks declined in value by \$6.6-billion to \$179.1 billion, the lowest level since the end of 2000. The strongest quarterly flow of new investment in nearly four years, combined with the good performance of the foreign equity markets, were not enough to offset the negative impact of the exchange rate.

Canada's international reserves closed the quarter at \$38.5 billion, the lowest level since the third quarter of 1999. At the same time, the deposit assets of Canadian residents increased almost \$9 billion to a record \$135.0 billion.

#### **Liabilities: Jump in foreign direct investment in Canada**

Foreign direct investment in Canada jumped \$15.1 billion to \$390.0 billion at the end of September, the biggest quarterly increase in five years. Foreign direct investors increased their foreign direct investment position in Canada, mainly through acquisitions and reinvested earnings in existing subsidiaries.

Foreign direct investment from the United States reached \$253.6 billion, up \$11.1 billion from the previous quarter.

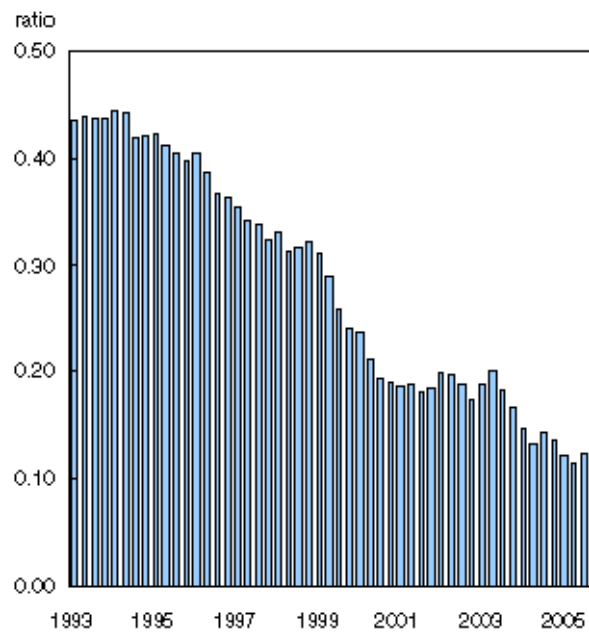
Foreign investors sold debt securities during the quarter. Combined with the strengthening Canadian dollar, this resulted in the strongest quarterly decline since the second quarter of 2003 in foreign holdings of Canadian bonds and money market paper.

Foreign holdings of Canadian bonds were down \$15.4 billion in value to \$388.9 billion. This level fell below the \$400-billion mark for the first time since 2001. At the same time, foreign holdings of Canadian money market paper fell by \$2.0 billion to \$17.7 billion, its lowest level in 18 years.

Foreign holdings of Canadian stocks increased \$2.7 billion to a record \$112.0 billion after a decline in the second quarter. The S&P/TSX composite index, which represents the performance of the Canadian stock market, gained over 11% during that time, its highest quarterly increase in four years.

Finally, Canadian deposit liabilities to non-residents increased \$17.7 billion to \$198.9 billion, while loan liabilities to non-residents fell by \$6.7 billion to \$41.3 billion.

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





## International investment position at period-end

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Millions of dollars								
<b>Assets</b>								
Canadian direct investment abroad	450,253	443,568	445,063	452,840	462,283	452,110	403,444	445,063
Portfolio investment abroad								
Foreign bonds	51,882	52,377	57,471	62,949	67,916	74,537	45,137	57,471
<i>Foreign bonds at market value</i>	<i>55,081</i>	<i>56,859</i>	<i>61,941</i>	<i>67,528</i>	<i>74,792</i>	<i>80,556</i>	<i>48,293</i>	<i>61,941</i>
Foreign stocks	199,868	190,024	186,678	185,751	185,663	179,062	194,889	186,678
<i>Foreign stocks at market value</i>	<i>373,539</i>	<i>349,024</i>	<i>368,926</i>	<i>367,343</i>	<i>375,696</i>	<i>383,724</i>	<i>352,318</i>	<i>368,926</i>
Foreign money market	11,359	11,398	11,079	11,017	12,169	12,462	10,953	11,079
<i>Foreign money market at market value</i>	<i>11,373</i>	<i>11,413</i>	<i>11,108</i>	<i>11,040</i>	<i>12,194</i>	<i>12,488</i>	<i>10,977</i>	<i>11,108</i>
Other investment								
Loans	69,721	62,403	56,047	59,337	57,550	56,394	58,426	56,047
Allowances	-11,187	-11,006	-10,879	-10,805	-10,905	-10,652	-11,612	-10,879
Deposits	119,976	108,076	112,460	120,113	126,047	134,954	109,877	112,460
Official international reserves	46,349	44,652	40,315	43,072	41,769	38,459	45,690	40,315
Other assets	59,990	60,452	57,202	61,372	64,191	63,748	61,436	57,202
Total assets								
at book value	998,211	961,943	955,436	985,646	1,006,684	1,001,075	918,241	955,436
<i>with portfolio investment at market value</i>	<i>1,175,095</i>	<i>1,125,441</i>	<i>1,142,183</i>	<i>1,171,840</i>	<i>1,203,617</i>	<i>1,211,781</i>	<i>1,078,849</i>	<i>1,142,183</i>
<b>Liabilities</b>								
Foreign direct investment in Canada	356,167	365,789	365,675	369,682	374,892	390,049	354,466	365,675
Portfolio investment								
Canadian bonds	419,910	408,158	405,091	403,576	404,316	388,919	405,742	405,091
<i>Canadian bonds at market value</i>	<i>442,302</i>	<i>440,963</i>	<i>437,692</i>	<i>435,711</i>	<i>445,824</i>	<i>424,035</i>	<i>436,244</i>	<i>437,692</i>
Canadian stocks	103,239	105,598	108,554	110,504	109,324	112,033	83,316	108,554
<i>Canadian stocks at market value</i>	<i>211,998</i>	<i>220,492</i>	<i>242,326</i>	<i>256,689</i>	<i>261,517</i>	<i>298,363</i>	<i>181,582</i>	<i>242,326</i>
Canadian money market	20,852	18,111	19,621	18,628	19,710	17,686	21,388	19,621
<i>Canadian money market at market value</i>	<i>20,939</i>	<i>18,191</i>	<i>19,707</i>	<i>18,695</i>	<i>19,832</i>	<i>17,791</i>	<i>21,523</i>	<i>19,707</i>
Other investment								
Loans	54,074	42,876	39,743	46,758	47,972	41,282	54,504	39,743
Deposits	191,379	185,607	175,970	175,243	181,225	198,911	183,139	175,970
Other liabilities	22,434	22,063	21,910	22,210	22,409	22,554	21,858	21,910
Total liabilities								
at book value	1,168,055	1,148,202	1,136,563	1,146,601	1,159,849	1,171,434	1,124,412	1,136,563
<i>with portfolio investment at market value</i>	<i>1,299,293</i>	<i>1,295,981</i>	<i>1,303,023</i>	<i>1,324,988</i>	<i>1,353,671</i>	<i>1,392,985</i>	<i>1,253,316</i>	<i>1,303,023</i>
<b>Net international investment position</b>								
at book value	-169,844	-186,258	-181,127	-160,955	-153,165	-170,359	-206,171	-181,127
<i>with portfolio investment at market value</i>	<i>-124,198</i>	<i>-170,540</i>	<i>-160,840</i>	<i>-153,148</i>	<i>-150,054</i>	<i>-181,204</i>	<i>-174,467</i>	<i>-160,840</i>

## National balance sheet accounts

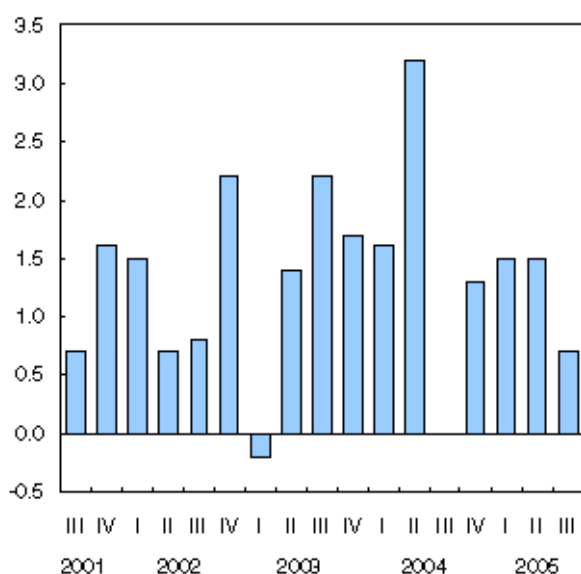
Third quarter 2005

### Growth in national net worth slows

National net worth reached \$4.4 trillion by the end of the third quarter, or \$135,500 per capita. The gain in net worth resulted from an increase in national wealth (economy-wide non-financial assets), which was largely offset by an increase in net foreign debt. As a result, growth in national net worth slowed to 0.7% in the third quarter, less than half the pace set in the second quarter and down from its average (+1.5%) over the past ten quarters.

### Growth in national net worth slows

% change, not seasonally adjusted



The strong performance of the economy in the third quarter was reflected in the continuing advance in national wealth (+1.3%). While residential real estate continued to be a main contributor to growth in national wealth, increases in machinery and equipment and non-residential structures were significant contributors in this quarter as well.

Canadians' net indebtedness to non-residents (the amounts owing to non-residents less foreign assets held by Canadians) increased in the third quarter, following three quarters of decline. Canadian liabilities to non-residents rose, driven by strong inward investment flows as well as appreciation of marketable shares held by foreigners. However, these gains were partly offset by declines in foreign holdings of Canadian debt securities. Canadian assets abroad grew very modestly, as foreign equity holdings were affected by the significant appreciation of the Canadian dollar against the U.S. dollar during the quarter and also reflected relatively weaker stock markets in the U.S.

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

The personal saving rate was below zero in the quarter as it was during the previous two quarters. Even though saving was negative, household net worth accelerated (+2.3%) for the third consecutive quarter.

Gains in the market value of equities were the largest contributor to the change in household net worth. Stock market advances in Canada boosted the value of personal sector share holdings, investment fund units and pension assets. These gains were moderated somewhat by the impact of appreciation of the Canadian dollar on the holdings of U.S. dollar-denominated securities held by pension funds and other institutional investors. Gains in the value of residential real estate, driven by housing prices, continued to make a significant contribution to the change in household net worth. Increases in household assets, however, were partially offset by higher liabilities.

Households' appetite for consumer and mortgage debt continued, 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 108.0 percent in the third quarter, up from 107.8 percent in the second quarter. Canadian households carry about \$1.08 in debt for every dollar of their disposable income. However, given the strong growth in household net worth, the ratio of household debt to net worth remained flat at 18.1% in the quarter.

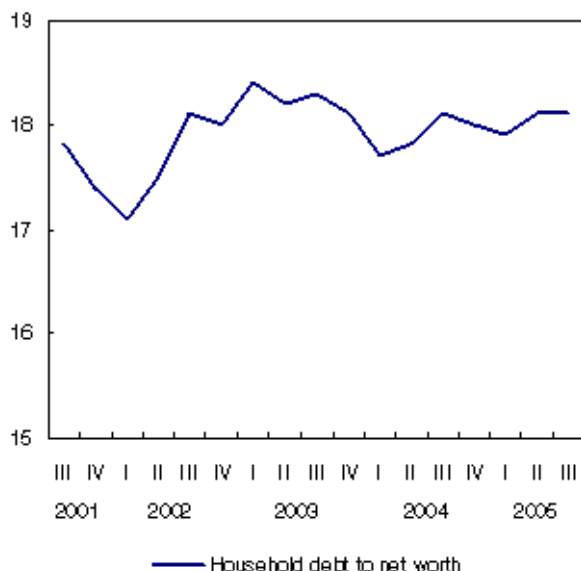
#### Note to readers

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)).

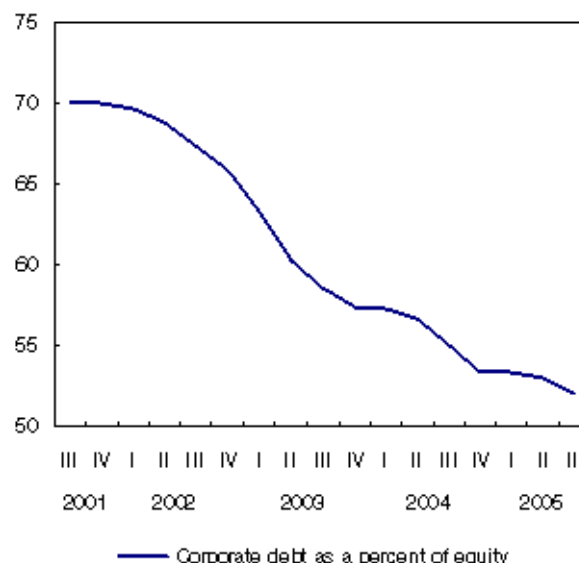
### Household leverage remains flat

As a % of net worth, not seasonally adjusted



### Corporate leverage continues to ease

As a % of equity, not seasonally adjusted



### Corporate debt-to-equity edges down

Corporations continued to generate more funds from internal operations than they required for financing 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. This was driven largely by further strength in undistributed profits coupled with a downward revaluation of U.S. dollar-denominated bond liabilities.

### Government debt-to-GDP at 20-year low

Government net debt (total liabilities less total financial assets) edged down as the government sector registered another surplus in the third quarter. Net government debt as a percentage of GDP declined further, reaching 20-year lows where net debt stands at roughly half of GDP.

**National balance sheet accounts[1]**

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Market value, not seasonally adjusted, billions of dollars								
<b>National net worth</b>								
National wealth	4,293 <i>2.1</i>	4,341 <i>1.1</i>	4,386 <i>1.0</i>	4,443 <i>1.3</i>	4,506 <i>1.4</i>	4,566 <i>1.3</i>	4,153 <i>4.6</i>	4,386 <i>5.6</i>
Net foreign debt	-124 <i>...</i>	-170 <i>...</i>	-161 <i>...</i>	-153 <i>...</i>	-150 <i>...</i>	-181 <i>...</i>	-174 <i>...</i>	-161 <i>...</i>
National net worth	4,169 <i>3.2</i>	4,170 <i>0.0</i>	4,225 <i>1.3</i>	4,290 <i>1.5</i>	4,356 <i>1.5</i>	4,385 <i>0.7</i>	3,979 <i>5.2</i>	4,225 <i>6.2</i>
National net worth per capita (dollars)	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>	135,500 <i>0.4</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**

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Millions of dollars at quarter end								
<b>Total assets</b>	<b>13,387,385</b>	<b>13,499,765</b>	<b>13,758,425</b>	<b>14,035,201</b>	<b>14,323,985</b>	<b>14,637,813</b>	<b>12,810,692</b>	<b>13,758,425</b>
Non-financial assets	4,292,782	4,340,565	4,386,039	4,443,089	4,505,952	4,565,634	4,153,483	4,386,039
Residential structures	1,172,206	1,191,166	1,204,005	1,220,190	1,239,137	1,259,569	1,113,011	1,204,005
Non-residential structures	1,024,940	1,035,690	1,045,854	1,058,176	1,067,493	1,079,551	1,010,436	1,045,854
Machinery and equipment	412,034	412,924	414,394	416,036	418,749	425,220	407,558	414,394
Consumer durables	351,105	351,961	360,073	360,618	366,341	370,600	345,833	360,073
Inventories	190,634	198,459	198,332	205,775	205,876	210,519	190,613	198,332
Land	1,141,863	1,150,365	1,163,381	1,182,294	1,208,356	1,220,175	1,086,032	1,163,381
Net financial assets	-124,112	-170,462	-160,751	-153,080	-149,931	-181,098	-174,329	-160,751
Financial assets	9,094,603	9,159,200	9,372,386	9,592,112	9,818,033	10,072,179	8,657,209	9,372,386
Official reserves	46,349	44,653	40,314	43,072	41,769	38,459	45,689	40,314
Gold & foreign currency	40,768	39,530	35,204	38,137	37,631	34,973	39,615	35,204
IMF reserve position	4,448	4,035	3,999	3,827	3,044	2,439	4,988	3,999
Special drawing rights	1,133	1,088	1,111	1,108	1,094	1,047	1,086	1,111
Currency and bank deposits	736,946	748,316	768,021	791,872	825,971	830,212	698,232	768,021
Other deposits	184,597	187,244	190,916	193,221	196,727	198,683	179,943	190,916
Foreign currency deposits	95,874	91,630	91,809	84,585	88,824	100,127	89,082	91,809
Consumer credit	232,727	238,581	243,883	246,066	254,130	260,110	223,549	243,883
Trade receivables	232,281	230,810	231,056	236,011	237,235	241,539	226,154	231,056
Bank loans	189,259	191,083	191,363	195,923	199,122	199,993	175,890	191,363
Other loans	197,256	199,459	205,421	205,375	207,342	207,064	191,253	205,421
Canada short-term paper	108,085	108,852	110,759	122,886	116,345	116,848	108,420	110,759
Other short-term paper	155,938	152,173	150,174	149,667	157,270	163,993	161,896	150,174
Mortgages	653,697	665,394	674,495	682,667	697,023	714,614	633,179	674,495
Canada bonds	284,998	275,955	271,203	278,415	280,269	277,985	291,115	271,203
(of which CSB's)	21,208	21,063	19,462	19,080	18,860	18,651	20,468	19,462
Provincial bonds	285,090	297,475	306,557	312,013	323,080	323,176	272,350	306,557
Municipal bonds	36,687	37,315	37,965	37,944	39,364	39,127	35,052	37,965
Other bonds	305,071	316,678	325,646	338,893	362,409	374,911	296,391	325,646
Life insurance & pensions	1,094,412	1,103,720	1,129,545	1,145,269	1,169,446	1,199,989	1,050,370	1,129,545
Corporate claims	1,132,311	1,131,120	1,136,285	1,158,278	1,173,196	1,195,976	1,045,040	1,136,285
Government claims	192,022	189,661	184,782	187,516	187,170	184,806	182,661	184,782
Shares	1,729,117	1,755,748	1,845,372	1,904,640	1,957,760	2,078,452	1,616,135	1,845,372
Foreign investments	450,514	427,714	448,799	456,230	475,007	487,783	425,170	448,799
Other financial assets	751,372	765,619	788,021	821,569	828,574	838,332	709,638	788,021
<b>Liabilities and net worth</b>	<b>13,387,385</b>	<b>13,499,765</b>	<b>13,758,425</b>	<b>14,035,201</b>	<b>14,323,985</b>	<b>14,637,813</b>	<b>12,810,692</b>	<b>13,758,425</b>
Liabilities	9,218,715	9,329,662	9,533,137	9,745,192	9,967,964	10,253,277	8,831,538	9,533,137
Currency and bank deposits	752,438	764,613	784,249	806,908	838,944	842,814	712,462	784,249
Other deposits	184,597	187,244	190,916	193,221	196,727	198,683	179,943	190,916
Foreign currency deposits	100,211	100,780	97,679	87,944	91,186	106,217	100,917	97,679
Consumer credit	232,727	238,581	243,883	246,066	254,130	260,110	223,549	243,883
Trade payables	232,289	233,741	234,408	237,786	237,701	244,445	227,727	234,408
Bank loans	164,101	165,237	165,623	169,287	173,187	172,759	154,913	165,623
Other loans	198,484	196,849	201,619	204,230	205,421	206,471	196,580	201,619
Canada short-term paper	116,791	115,921	118,787	131,062	124,756	124,832	118,941	118,787
Other short-term paper	167,296	162,479	161,072	159,680	167,368	172,918	171,625	161,072
Mortgages	654,060	665,745	674,846	683,018	697,375	714,965	633,535	674,846
Canada bonds	349,555	339,964	330,880	336,444	336,151	332,661	355,312	330,880
(of which CSB's)	21,208	21,063	19,462	19,080	18,860	18,651	20,468	19,462
Provincial bonds	411,602	422,032	432,694	439,999	455,629	446,279	404,443	432,694
Municipal bonds	40,168	40,938	41,691	41,498	43,130	42,941	38,317	41,691
Other bonds	544,139	556,624	565,719	576,438	607,710	609,059	524,780	565,719
Life insurance & pensions	1,094,412	1,103,720	1,129,545	1,145,269	1,169,446	1,199,989	1,050,370	1,129,545
Corporate claims	456,082	451,622	442,718	448,768	450,027	470,122	443,682	442,718
Government claims	192,022	189,661	184,782	187,516	187,170	184,806	182,661	184,782
Shares	2,576,808	2,630,545	2,743,952	2,826,639	2,899,480	3,087,834	2,395,199	2,743,952
Other liabilities	750,933	763,366	788,074	823,419	832,426	835,372	716,582	788,074
<b>Net worth</b>	<b>4,168,670</b>	<b>4,170,103</b>	<b>4,225,288</b>	<b>4,290,009</b>	<b>4,356,021</b>	<b>4,384,536</b>	<b>3,979,154</b>	<b>4,225,288</b>

**Credit market summary table**

	Second quarter 2004	Third quarter 2004	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	2003	2004
Millions of dollars at quarter end								
<b>Debt outstanding of:</b>								
Persons and unincorporated business	880,433	896,315	909,453	920,037	940,646	959,389	852,741	909,453
Consumer credit	232,727	238,581	243,883	246,066	254,130	260,110	223,549	243,883
Bank loans	34,908	34,666	34,896	36,600	36,551	36,916	33,306	34,896
Other loans	72,489	72,522	73,002	73,873	74,107	73,971	71,415	73,002
Mortgages	540,309	550,546	557,672	563,498	575,858	588,392	524,471	557,672
Non-financial private corporations	565,310	561,850	559,098	569,321	578,078	581,306	545,185	559,098
Bank loans	110,638	112,598	113,301	113,001	115,644	115,526	106,069	113,301
Other loans	75,082	72,933	72,612	73,651	73,471	71,747	77,407	72,612
Other short-term paper	39,575	39,595	38,351	43,477	42,674	47,128	36,092	38,351
Mortgages	104,432	105,901	107,475	109,526	111,295	114,287	101,254	107,475
Bonds	235,583	230,823	227,359	229,666	234,994	232,618	224,363	227,359
Non-financial government enterprises	65,181	64,702	64,506	64,025	65,573	64,673	65,599	64,506
Bank loans	2,949	2,702	2,936	3,095	2,972	2,969	2,748	2,936
Other loans	5,718	6,168	6,213	6,316	6,548	6,547	5,945	6,213
Other short-term paper	7,169	6,785	5,843	5,195	5,134	5,664	7,002	5,843
Mortgages	97	97	97	96	98	100	99	97
Canada bonds	0	0	0	0	0	0	0	0
Provincial bonds	47,079	46,802	47,001	46,940	48,373	46,980	48,028	47,001
Municipal bonds	121	121	121	121	121	121	121	121
Other bonds	2,048	2,027	2,295	2,262	2,327	2,292	1,656	2,295
Federal government	427,432	419,903	410,612	426,400	417,699	413,544	430,411	410,612
Bank loans	100	100	100	101	101	101	103	100
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	116,791	115,921	118,787	131,062	124,756	124,832	118,941	118,787
Canada bonds	310,541	303,882	291,725	295,237	292,842	288,611	311,367	291,725
Canada savings bonds	21,208	21,063	19,462	19,080	18,860	18,651	20,468	19,462
Other bonds	289,333	282,819	272,263	276,157	273,982	269,960	290,899	272,263
Other levels of government	391,093	395,662	401,499	402,559	410,450	402,459	378,671	401,499
Bank loans	3,863	3,856	3,873	3,871	3,697	3,320	4,339	3,873
Other loans	12,079	12,610	12,840	12,920	13,022	13,224	11,398	12,840
Other short-term paper	22,797	19,682	18,398	12,436	13,812	10,719	21,066	18,398
Mortgages	2,045	2,045	2,045	2,033	2,033	2,033	2,054	2,045
Provincial bonds	310,122	316,903	323,519	330,446	336,381	331,378	300,892	323,519
Municipal bonds	38,334	38,707	38,959	38,982	39,628	39,902	37,081	38,959
Other bonds	1,853	1,859	1,865	1,871	1,877	1,883	1,841	1,865
Total funds raised by domestic non-financial sectors	2,329,449	2,338,432	2,345,168	2,382,342	2,412,446	2,421,371	2,272,607	2,345,168
Consumer credit	232,727	238,581	243,883	246,066	254,130	260,110	223,549	243,883
Bank loans	152,458	153,922	155,106	156,668	158,965	158,832	146,565	155,106
Other loans	165,368	164,233	164,667	166,760	167,148	165,489	166,165	164,667
Canada short-term paper	116,791	115,921	118,787	131,062	124,756	124,832	118,941	118,787
Other short-term paper	69,541	66,062	62,592	61,108	61,620	63,511	64,160	62,592
Mortgages	646,883	658,589	667,289	675,153	689,284	704,812	627,878	667,289
Bonds	945,681	941,124	932,844	945,525	956,543	943,785	925,349	932,844
Non-residents	60,036	59,425	58,363	58,808	58,800	57,449	54,595	58,363
Bank loans	25,158	25,846	25,740	26,636	25,935	27,234	20,977	25,740
Other loans	34,878	33,579	32,623	32,172	32,865	30,215	33,618	32,623
Mortgages	0	0	...	0	0	0	...	...
Total borrowing excluding domestic financial institutions	2,389,485	2,397,857	2,403,531	2,441,150	2,471,246	2,478,820	2,327,202	2,403,531
Domestic financial institutions	437,732	443,677	460,217	472,458	497,720	513,955	412,703	460,217
Bank loans	11,643	11,315	10,517	12,619	14,222	13,927	8,348	10,517
Other loans	33,116	32,616	36,952	37,470	38,273	40,982	30,415	36,952
Other short-term paper	97,755	96,417	98,480	98,572	105,748	109,407	107,465	98,480
Mortgages	7,177	7,156	7,557	7,865	8,091	10,153	5,657	7,557
Bonds	288,041	296,173	306,711	315,932	331,386	339,486	260,818	306,711
Total funds raised = total funds supplied	2,827,217	2,841,534	2,863,748	2,913,608	2,968,966	2,992,775	2,739,905	2,863,748
<b>Assets of:</b>								
Persons and unincorporated business	119,073	120,875	114,003	113,980	111,665	110,875	138,672	114,003
Non-financial corporations	74,709	75,085	74,502	74,269	75,507	76,582	73,298	74,502
Governments	198,371	204,038	203,392	214,713	223,353	225,766	189,900	203,392
Non-residents	467,758	448,023	445,112	444,547	445,796	427,507	456,994	445,112
Domestic financial institutions	1,992,397	2,018,429	2,051,317	2,090,661	2,136,889	2,176,197	1,906,279	2,051,317