



Infommat

A Weekly Review

Friday, September 5, 1997

OVERVIEW

◆ Economic growth pauses

Gross domestic product at factor cost was unchanged in June from its level in May, as construction activity, mining and agriculture declined.

◆ Current account shows deficit

Higher imports of goods sharply increased the seasonally adjusted current account deficit in the second quarter of 1997.

◆ Gross domestic product jumps in second quarter

For the fourth consecutive quarter, the growth in the economy was dominated by strong domestic demand due to a boom in business investment and buoyant household spending.

◆ Slight decline in raw material prices

Manufacturers paid slightly less for raw materials in July than they did in June. Prices were also down on a 12-month basis.

◆ Industrial product prices show little overall change

Industrial product prices continued to show little change in July, as the manufacturing environment remained fairly stable.

◆ Weekly earnings down in June

Employees' average weekly earnings fell in June, partly offsetting increases in the previous two months. The decline was widespread, as earnings declined in most industries.

Economic growth pauses

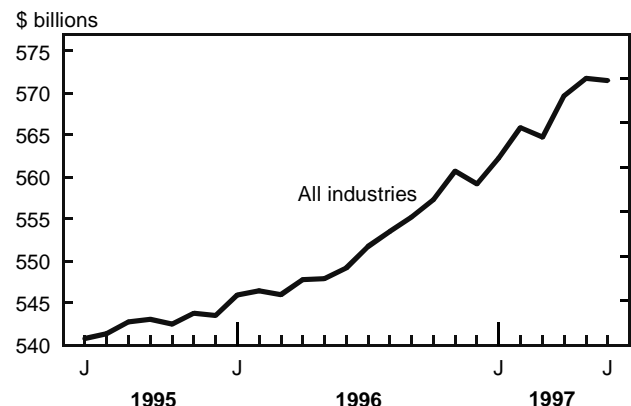
Economic growth paused at the end of the second quarter. In June, gross domestic product at factor cost was unchanged from its May level. Despite flat growth in June, production continued to advance in several sectors during the second quarter, when output rose in 11 of the 15 industry sectors compared with 9 in the first quarter of 1997.

After increasing for several months, construction activity dropped 0.7% in June. Residential construction accounted for most of the decline; nevertheless, home building advanced 4.6% during the second quarter. Non-residential building construction edged down 0.5% in June and grew by 3.5% in the second quarter. The value of building permits issued, notably for industrial projects, improved significantly in the first and second quarters of 1997.

Output in the mining sector slipped 0.7% in June. Crude oil production returned to a more normal level, but the gain was offset by other temporary factors. Sharp drops in the production of non-ferrous metal mines and potash were also recorded. A decline in drilling activity accentuated the drop in the mining sector. Despite the decrease in June, drilling remained at a very high level, soaring almost 20% in the second quarter.

(continued on page 2)

Gross domestic product at factor cost



... Economic growth pauses

Manufacturing production fell slightly (– 0.1%) in June, with lower production of primary metals and refined petroleum products contributing most to the decline. Output in manufacturing grew 1.4% in the second quarter; production of electrical and electronic equipment (+1.3% in June) accounted for nearly half the advance. Motor vehicle assembly rose 3.8%, and fabrication of motor vehicle parts dropped 1.0% in June, mainly reflecting lower production of engines.

Retailing activity slipped 0.3% in June, mostly due to lower sales by motor vehicle dealers; however, with a gain of 1.6%, retailing activity maintained a solid pace in the second quarter. Wholesaling activity edged up 0.1% in June and rose 3.4% in the second quarter. Demand for consumer goods remained strong, especially for motor vehicles and parts.

Financial and related services rose 0.2%, led by a sizeable gain in mutual fund activity. Finance companies and security brokers

Note to readers

The gross domestic product (GDP) of an industry is the value added by labour and capital in transforming inputs purchased from other industries into output.

Monthly GDP by industry is valued at 1986 prices. The estimates presented here are seasonally adjusted at annual rates.

also enjoyed a good month, but real estate agents suffered the fifth decline in housing resales in the first six months of 1997.

Available on CANSIM: matrices 4670–4674.

*The June 1997 issue of **Gross domestic product by industry** (15-001-XPB, \$15/\$145) will be available shortly. For further information, contact Michel Girard (613-951-9145), Industry Measures and Analysis Division. (See also “Current trends” on page 6.)*

Current account shows deficit

In the second quarter of 1997, higher imports of goods sharply increased the seasonally adjusted current account deficit to \$3.2 billion. This was the third consecutive quarter that the country spent more than it earned from non-residents on goods, services, investment income and current transfers.

In the financial account (not seasonally adjusted), non-residents increased their investment in Canadian bonds, but reduced their holdings of Government of Canada treasury bills. Canadian investors sold foreign portfolio securities for the first time in two years. Canadian monetary authorities also reduced their reserve assets, in contrast with the steady build-up that prevailed since the first quarter of 1995.

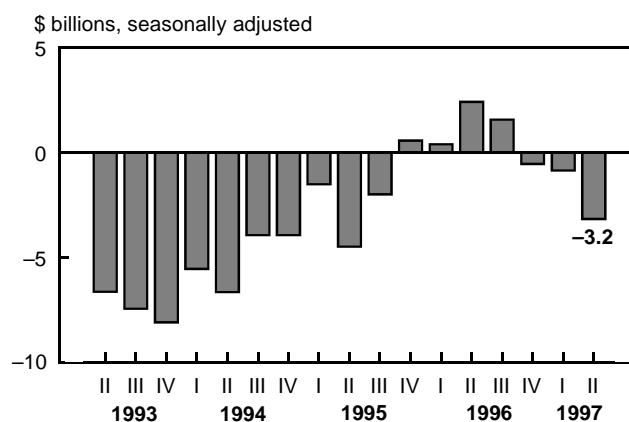
The surplus on goods fell to \$5.4 billion (– \$2.6 billion) as imports rose by 3.3% and exports fell by less than 1%. Purchases of machinery and equipment, especially industrial and communications goods, were mainly responsible for the increase. Other gains included cars and a range of consumer products. Decreases centred on precious metals and crude petroleum.

The deficit on services continued to decline, to \$2.1 billion—its lowest level this decade. A small decrease of \$0.1 billion reflected higher receipts on commercial services, which pushed the deficit on commercial services down to \$0.5 billion. Due to lower payments on overseas travel, the travel deficit narrowed slightly to \$0.7 billion. The deficit on transportation edged up to \$1.0 billion during the second quarter.

The deficit on investment income remained moderate, edging down to \$6.5 billion. Although lower than in the previous quarter, profits in Canada by foreign multinationals remained significant against historical levels. Interest accruals on Canadian bonds increased somewhat, reflecting higher borrowing by corporations in the foreign market.

Non-residents purchased \$6.0 billion of Canadian bonds, two-thirds of which were corporate bonds. The foreign investment in

Current account balance



the second quarter of 1997 was largely in new issues denominated in U.S. dollars, mostly from the United Kingdom and, to a lesser extent, the United States. Non-residents sold \$4.7 billion of Canadian money market instruments, exclusively federal treasury bills.

Canadian residents sold \$0.5 billion of foreign portfolio securities. They also sold \$0.9 billion of foreign bonds, which was partly offset by a small net purchase of \$0.4 billion of foreign stocks. This was the lowest quarterly net investment in foreign stocks in seven years. During the second quarter, residents sold U.S. stocks but continued to buy overseas stocks.

Available on CANSIM: matrices 2325–2327, 2355 and 2360–2377.

For further information, contact Lucie Laliberté (613-951-9055), Balance of Payments Division.

Gross domestic product jumps in second quarter

Gross domestic product jumped 1.2% in the second quarter of 1997. For the fourth consecutive quarter, the growth in the economy was dominated by strong domestic demand due to a boom in business investment and buoyant household spending. There was also a substantial inventory build-up.

Business investment in plant and equipment grew 2.3% in the quarter. Non-residential construction continued to gain momentum. Engineering construction has trended upward over the last year, while industrial and commercial building construction advanced sharply in the second quarter. The increase in engineering construction was most notable in the oil and gas industry. The strength in both components was mirrored in investment on machinery and equipment, especially agricultural and industrial equipment, as well as aircraft. Much of that increase was reflected in imports.

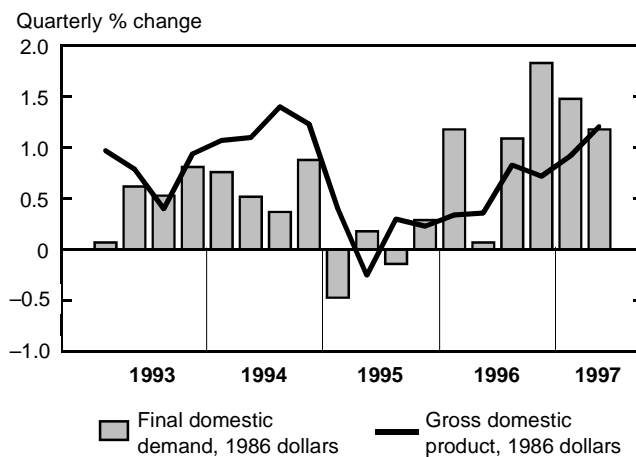
Corporation profits continued to grow in the second quarter (+2%). Undistributed corporate profits have helped finance the investment boom. In addition, substantial funds were raised on financial markets in the first half of the year.

Housing sales surged, resulting in a 10-year low in the inventory of new completed homes for sale. Construction increased 2.6%, about the same rate as the first quarter, with a rise in both single and multiple dwellings. Renovation activity was also strong (+3%), but the resale market declined for the second quarter in a row.

Consumer demand was buoyed by low nominal interest rates and confidence in the economy. Personal expenditure on consumer goods and services grew (+1.1%), as shoppers continued to buy big-ticket items such as automobiles and appliances.

Personal income grew 1.1% in the second quarter. However, as both income tax collections and consumer spending continued to rise, the personal savings rate declined to less than 1% of after-tax income. With growth in spending outpacing that in income for some time now, spending has been increasingly financed through borrowing and the drawing down of liquid financial assets. It has also been influenced by capital gains on investments. Although the savings rate has been dropping in recent years, investment in

Growth of domestic demand and gross domestic product



RRSPs, employer-sponsored pension funds and mutual funds has been very strong.

Exports of goods and services slowed dramatically during the second quarter (+0.7). Business investment in inventories climbed by \$4.4 billion. The government sector as a whole recorded a surplus of over \$4 billion as income continued to rise. The federal government deficit continued to shrink and there was a reduction in outstanding debt.

The chain price index of gross domestic product, the best indicator of economy-wide price change, declined 0.2% in the second quarter. The major restraining factors were lower average earnings in the government sector and weak export prices over the past three quarters.

Available on CANSIM: matrices 701-726, 728-744, 748-750, 1791, 1792, 6701, 6702, 6704-6707, 6709-6716, 6718, 6720-6722, 6724-6727, 6729-6736, 6738, 6740, 6828-6839, 7404-7408, 7433 and 7434.

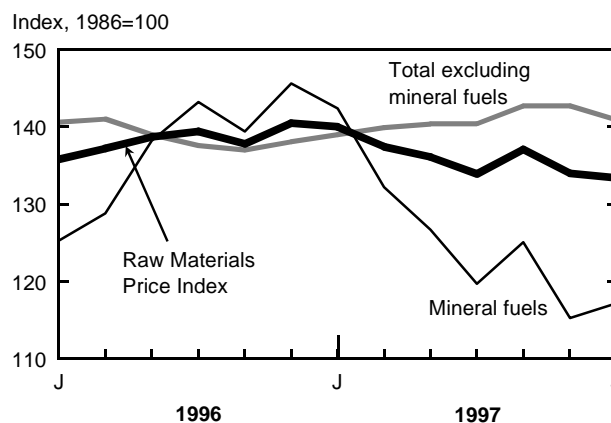
The second quarter 1997 issue of National economic and financial accounts, quarterly estimates (13-001-XPB, \$44/\$145) will be available shortly. For further information, contact the information officer (613-951-3640), National Accounts and Environment Division.

Slight decline in raw material prices

Manufacturers paid 0.4% less for raw materials in July than they did in June. The Raw Materials Price Index stood at 133.4 in July, down from its revised June level of 134.0. Lower prices for non-ferrous metals and vegetable products were almost entirely offset by higher prices for crude oil and wood. If the mineral fuels category (90% of which is crude oil) were excluded, raw material prices for July would actually have declined 1.3% from June.

On a 12-month basis, manufacturers paid 1.8% less for raw materials compared with July 1996. Lower prices for crude oil, grains, potatoes, canola and gold were partly offset by higher prices for copper concentrates, zinc concentrates, logs, cattle and hogs. Again, if mineral fuels were excluded, the 12-month price change would have shown a marginal increase of 0.2%.

Raw material prices



(continued on page 4)

... Slight decline in raw material prices

Non-ferrous metal prices fell 5.2% in July, mainly due to lower prices for copper concentrates (-10.4%) and precious metals (-7.1%). The drop in copper prices was the strongest decline in six months. Vegetable product prices fell 5.0%, as prices for green coffee, grains, oilseeds, rubber and unrefined sugar all declined. Green coffee prices dropped 9.7% between June and July, although they remained 91.1% higher than a year earlier. Compared with 12 months earlier, vegetable product prices were down 15.8%.

Crude oil prices rebounded (+1.7%) in July. Strong summer demand for gasoline accompanied by refinery outages added to the upward pressure on crude prices. Wood prices were up marginally (+0.8%), as higher prices for logs were partly offset by lower pulpwood prices. Compared with 12 months earlier, wood prices were up 6.0%.

The animals and animal products group saw prices edge up 0.1% in July. Higher prices for hogs were greatly offset by lower prices for chickens and hides and skins. Compared with July 1996, prices for animals and animal products were up 2.3%. Prices for corn, wheat, rubber, unrefined sugar, aluminum materials, and platinum all decreased in July, while higher prices were recorded for sheep and lambs, iron and steel scrap, and zinc concentrates.

Note to readers

The Raw Materials Price Index (RMPI) reflects the prices paid by Canadian manufacturers for key raw materials. Many of these prices are set in a world market. Also, unlike the Industrial Product Price Index, the RMPI includes goods that are not produced in Canada.

Conversion of indexes: In September (revised from July) 1997, Statistics Canada will be converting its economic series to 1992=100 as its time reference year. Series for Industrial Product Price Indexes, Raw Material Price Indexes and the Electric Power Selling Price Indexes will be converted. The new series will be on different CANSIM matrices and will have different databank numbers. The existing series, on the 1986 time base, will be terminated with the publication of the August 1997 figures. The indexes will also be updated using a 1992 weighting pattern.

Available on CANSIM: matrix 2009.

The July 1997 issue of **Industry price indexes** (62-011-XPB, \$22/\$217) will be available at the end of September. For further information, contact Elvira Marinelli (613-951-3350; fax: 613-951-2848), Prices Division.

Industrial product prices show little overall change

In July, when the manufacturing environment remained fairly stable, industrial product prices continued to show little change overall. Prices fell 0.2% from June and remained only 1.0% higher than the same month a year earlier. The Industrial Product Price Index fell to 130.1 in July from 130.4 in June. Movement in the exchange rate between the Canadian and U.S. dollars had only a very small impact on the month-to-month change in industrial prices and virtually no effect on the 12-month change.

The most significant monthly price change was for non-ferrous primary metal products: copper and copper alloy (-7.7%), aluminum (-2.3%) and nickel (-3.1%). The drop in copper and copper alloy product prices reflected the decline in the price of raw copper; however, prices remained appreciably higher than a year earlier (+18.4%). The decline in nickel prices may be partly due to the settlement of June's INCO strike. Prices for aluminum products, which have been fluctuating since peaking in April, remained 12.9% higher than their November low.

Other notable price changes included declines for motor vehicles (-0.5%) and feeds (-2.7%). Domestic and export prices for both automobiles and trucks were down in July. As the end of the model year approached, manufacturers adjusted their rebate programs as they strived for market share. The decline for automobiles was concentrated in compact and mid-sized vehicles. Feed prices fell in July after four months of recovery. Lower prices for canola, soybeans, wheat, corn, oats and barley contributed to the decline.

Note to readers

The Industrial Product Price Index (IPPI) reflects the prices that producers in Canada receive as the goods leave the plant gate. It does not reflect what the consumer pays. Unlike the Consumer Price Index, the IPPI excludes indirect taxes and all the costs that occur between the time when a good leaves the plant and the time when the final user takes possession of it, including the transportation, wholesale and retail costs.

Canadian producers export many goods. They often quote their prices in foreign currencies, particularly for motor vehicles, pulp, paper and wood products. A rise or fall in the value of the Canadian dollar against the U.S. dollar therefore affects the IPPI. A 1.0% change in the value of the Canadian dollar against the U.S. dollar has been estimated to change the IPPI by approximately 0.2%.

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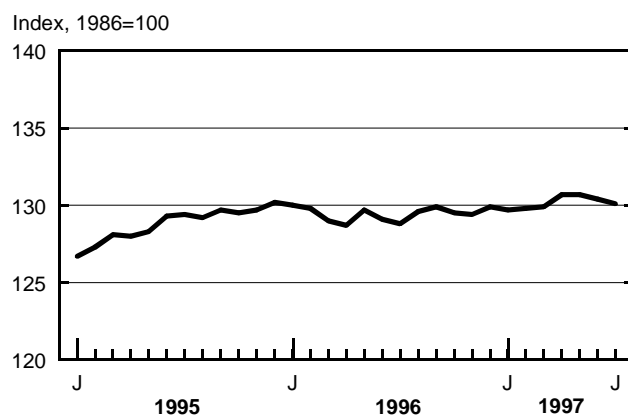
... Industrial product prices show little overall change

Monthly prices for pulp rose 2.8% as markets continued to improve and inventories continued to decline. Gasoline and fuel oil prices edged up 0.6%, and softwood lumber slid down 0.5%.

Available on CANSIM: matrices 2000–2008.

The July 1997 issue of *Industry price indexes* (62-011-XPB, \$22/\$217) will be available at the end of September. For further information, contact Elvira Marinelli (613-951-3350; fax: 613-951-2848), Prices Division.

Industrial product prices



Weekly earnings down in June

In June, employees' average weekly earnings fell 0.5%, or \$2.81, partly offsetting increases in the previous two months. The decline was widespread, as earnings declined in most industries except wholesale trade, education, and finance, insurance and real estate. Despite June's drop, average weekly earnings have increased by \$2.59 since January of this year and \$10.58 since June 1996.

Average weekly earnings, June 1997

Seasonally adjusted

	Industrial aggregate, \$	% change, previous month	% change, previous year
Canada	599.55	-0.5	1.8
Newfoundland	543.37	2.0	2.3
Prince Edward Island	490.04	-1.5	-2.5
Nova Scotia	510.79	1.8	2.0
New Brunswick	528.48	0.1	3.3
Quebec	567.16	-0.4	2.5
Ontario	639.27	-0.5	1.2
Manitoba	539.48	2.9	4.0
Saskatchewan	527.07	0.1	3.0
Alberta	601.32	-0.1	2.2
British Columbia	614.87	-1.3	0.0
Yukon	691.62	0.2	9.0
Northwest Territories	721.96	-0.7	7.5

Commissioned agents and working owners (+5.3%) led the year-over-year earnings increase, along with employees paid by the hour (+3.5%). The growth for employees paid by the hour was bolstered by a rise in hours worked per week, which increased from 30.4 hours to 31.7 between June 1996 and June 1997.

The number of employees on business payrolls rose in June, up 25,000 over May. Gains were widespread, with increases in retail trade, manufacturing, wholesale trade, and business services. These same industries were primarily responsible for the employment increase of 169,000 since January 1997.

While most of the employment increase in retail trade was due to the return of striking food store workers in Alberta, employment in this industry has been trending up since the fall of 1996. Retail food stores, automobile dealers and other retail stores were the main contributors to recent employment gains.

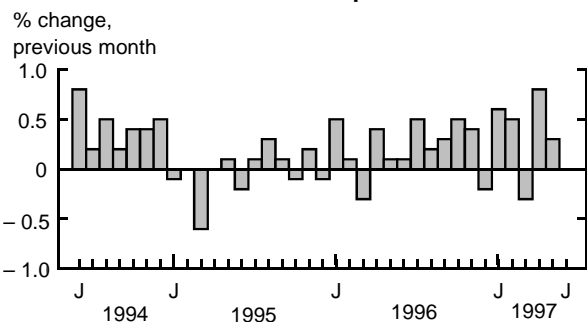
All provinces except Newfoundland and Manitoba registered employment gains in June. Alberta, British Columbia and Ontario posted the largest increases.

Available on CANSIM: matrices 4285–4466, 9438–9452, 9639–9664 and 9899–9911.

Also see the monthly publication *Employment, earnings and hours* (72-002-XPB, \$32/\$320) and the historical publication *Annual estimates of employment, earnings and hours, 1983–1995* (diskette: 72F0002XDE, \$120). For further information, contact Stephen Johnson (613-951-4090; fax: 613-951-4087; Internet: labour@statcan.ca), Labour Division.

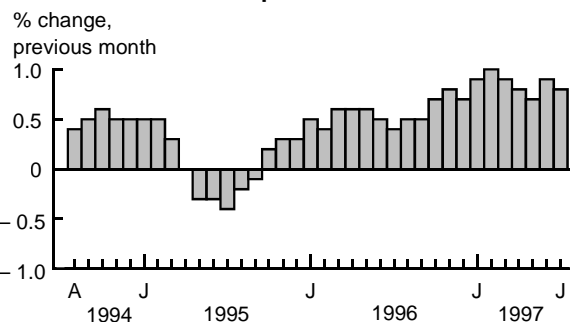
Current trends

Gross domestic product



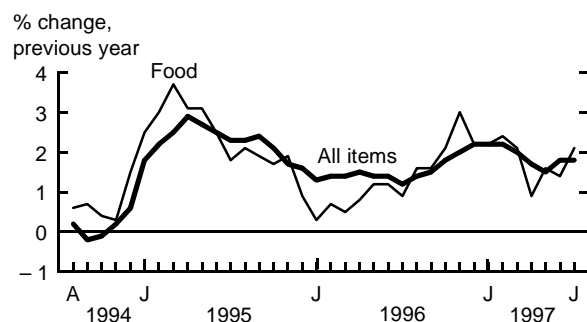
Real gross domestic product at factor cost was flat in June (-0.0%), as economic growth paused.

Composite Index



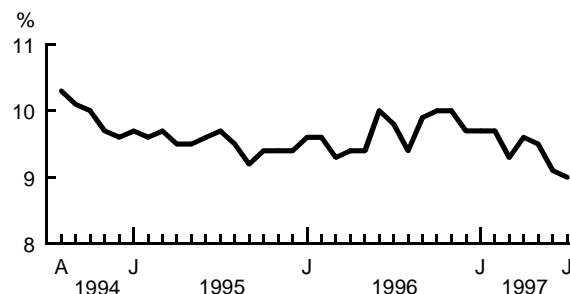
The Composite Index grew by 0.8% in July.

Consumer Price Index



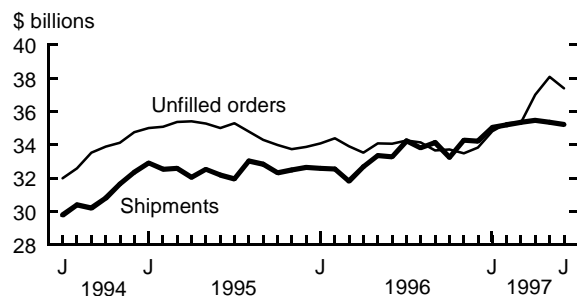
Consumers paid 1.8% more for goods and services in July 1997 than the year before. Food prices rose by 2.1%.

Unemployment rate



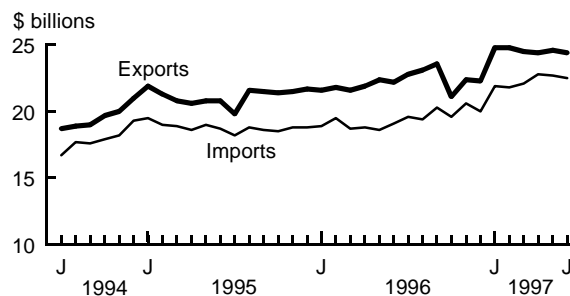
In July, the unemployment rate dipped 0.1 percentage points to 9.0%.

Manufacturing



Manufacturers' shipments fell 0.1% in June to \$35.2 billion. The level of unfilled orders decreased 1.8% to \$37.4 billion.

Merchandise trade



In June, the value of merchandise exports decreased 1.1% from May to \$24.4 billion. Imports fell 1.0% to \$22.5 billion.

Note: All series are seasonally adjusted except the Consumer Price Index.

Latest monthly statistics

	Period	Level	Change, previous period	Change, previous year
GENERAL				
Gross domestic product (\$ billion, 1986)	June*	569.8	0.0%	3.8%
Composite Index (1981=100)	July	197.2	0.8%	10.3%
Operating profits of enterprises (\$ billion)	Q2 1997	26.5	0.5%	13.9%
Capacity utilization (%)	Q1 1997	85.0	0.6†	2.9†
DOMESTIC DEMAND				
Retail trade (\$ billion)	June	19.3	- 0.2%	7.1%
New motor vehicle sales (thousand of units)	June	112.9	- 1.5%	12.4%
LABOUR				
Employment (millions)	July	14.0	1.1%	2.3%
Unemployment rate (%)	July	9.0	- 0.1†	- 0.9†
Participation rate (%)	July	64.7	- 0.1†	- 0.1†
Labour income (\$ billion)	June*	37.32	0.1%	3.9%
Average weekly earnings (\$)	June*	599.55	- 0.5%	1.8%
INTERNATIONAL TRADE				
Merchandise exports (\$ billion)	June	24.4	- 1.1%	5.1%
Merchandise imports (\$ billion)	June	22.5	- 1.0%	15.0%
Merchandise trade balance (all figures in \$ billion)	June	1.9	0.0	- 1.7
MANUFACTURING				
Shipments (\$ billion)	June	35.2	- 0.1%	5.9%
New orders (\$ billion)	June	34.5	- 4.6%	3.8%
Unfilled orders (\$ billion)	June	37.4	- 1.8%	9.8%
Inventory/shipments ratio	June	1.32	0.01	- 0.02
PRICES				
Consumer Price Index (1986=100)	July	135.6	0.0%	1.8%
Industrial Product Price Index (1986=100)	July*	130.1	- 0.2%	1.0%
Raw Materials Price Index (1986=100)	July*	133.4	- 0.4%	- 1.8%
New Housing Price Index (1986=100)	June	132.9	0.1%	1.0%

Note: All series are seasonally adjusted with the exception of the price indexes.

* new this week

† percentage point

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Publications released from August 29 to September 4, 1997

Division/Title of publication	Period	Catalogue number	Price: Issue/Subscription	
			Canada (C\$)	Outside Canada (US\$)
AGRICULTURE				
Farm cash receipts	January to June 1997	21-001-XPB	20/64	20/64
DISTRIBUTIVE TRADES				
New motor vehicle sales	May 1997	63-007-XPB	17/165	17/165
MANUFACTURING, CONSTRUCTION AND ENERGY				
Coal and coke statistics	June 1997	45-002-XPB	12/114	12/114
Crude petroleum and natural gas production	May 1997	26-006-XPB	19/186	19/186
Electric lamps (light bulbs and tubes)	July 1997	43-009-XPB	7/62	7/62
Electric power statistics	June 1997	57-001-XPB	12/114	12/114
Gas utilities	May 1997	55-002-XPB	17/165	17/165
SERVICES				
Traveller accommodation statistics	1995-96	63-204-XPB	28	28
TRANSPORTATION				
Service bulletin, Aviation statistics, Vol. 29, no. 8		51-004-XPB	11/109	11/109

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