



Infomat

A Weekly Review

Friday, September 6, 1996

OVERVIEW

◆ Economic growth rises in second quarter

Real gross domestic product rose 0.3% in the second quarter of 1996, as the trade surplus reached an 11-year high and businesses undertook a substantial inventory liquidation.

◆ Second quarter sees current account surplus

For the first time since the fourth quarter of 1984, Canada generated a seasonally adjusted current account surplus in the second quarter of 1996.

◆ Gross domestic product unchanged in June

Economic growth halted in June after advancing the previous two months.

◆ Housing sector closer to recovery

The housing sector took another step toward recovery in July, as the value of residential building permits rose for the third straight month.

◆ Fewer help-wanted ads across most regions

In August, the number of help-wanted ads declined in all regions except British Columbia.

Economic growth rises in second quarter

Real gross domestic product rose 0.3% in the second quarter of 1996, as the trade surplus reached an 11-year high (\$7.4 billion) and businesses undertook a substantial liquidation in non-farm inventories (\$4.8 billion).

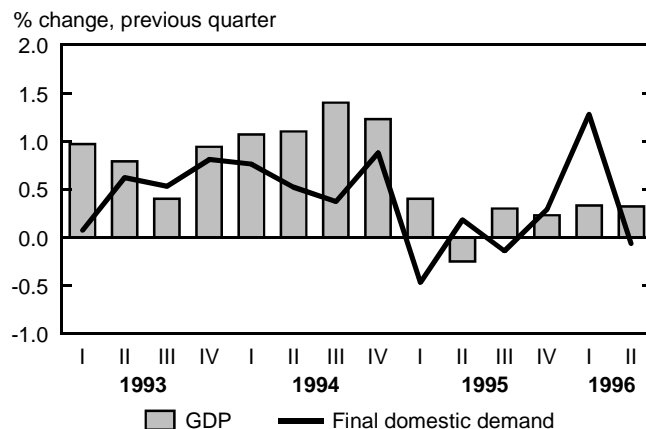
A 2.0% increase in merchandise exports, combined with a 1.2% drop in imports, translated into a merchandise trade surplus of \$17.0 billion, an 11-year high. The increase in exports was consistent with continued strength in the U.S. economy, while a drop in merchandise imports coincided with lower investment in machinery and equipment, and flat consumer spending.

The substantial liquidation of non-farm inventories in the second quarter came after 10 consecutive quarters of accumulation. In the trade category, reductions occurred mainly in wholesale trade, building materials and motor vehicles. The decline in the manufacturing industries was spread among raw materials, finished goods and goods purchased for resale.

Business investment declined during the second quarter, reversing its strong growth in the previous two quarters. The turnaround was due mostly to a 3.4% fall in machinery and equipment investment. Non-residential construction fell for the sixth straight quarter, pulled down by engineering construction. On the positive

(continued on page 2)

GDP and FDD at 1986 prices



... Economic growth rises in second quarter

side, the recovery in residential construction investment, which started last summer, accelerated. This, in turn, prompted a rise in household mortgage borrowing.

Growth in real personal expenditure declined markedly, from 1.3% in the first quarter to 0.1% in the second, reflecting reduced spending on new trucks and vans, furniture, household appliances, motor fuels and meals at restaurants. Spending on financial services increased, but at a slower pace.

A drop in business financing was in line with the decrease in business investment and inventories. As in the first quarter, share issues were the major external source of funding for corporations.

Government borrowing declined sharply, reflecting both deficit reduction and the liquidation of financial assets built up in the previous quarter. The federal government took advantage of

falling interest rates by raising funds through bond issues, which offset a reduction in short-term debt.

Over the last three years, government revenues have been rising much faster than outlays. Expenditures were down in the second quarter (-0.5%), while revenues rose 0.8%. The total government deficit was \$20.9 billion, compared with the all-time peak of \$58.5 billion in the second quarter of 1993.

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 1996 issue of National economic and financial accounts, quarterly estimates (13-001-XPB, \$42/\$140) will be available shortly. For further information, contact the information officer (613-951-3640), National Accounts and Environment Division.

Second quarter sees current account surplus

For the first time since the fourth quarter of 1984, Canada generated a seasonally adjusted current account surplus in the second quarter of 1996: it earned \$1.1 billion more than it spent on goods, services, investment income and transfers from abroad. This surplus followed a string of deficits that have been progressively narrowing since the fourth quarter of 1993, largely as a result of a growing surplus on goods. In financial terms, a current account surplus means that the country invested more capital abroad than it received from foreign markets.

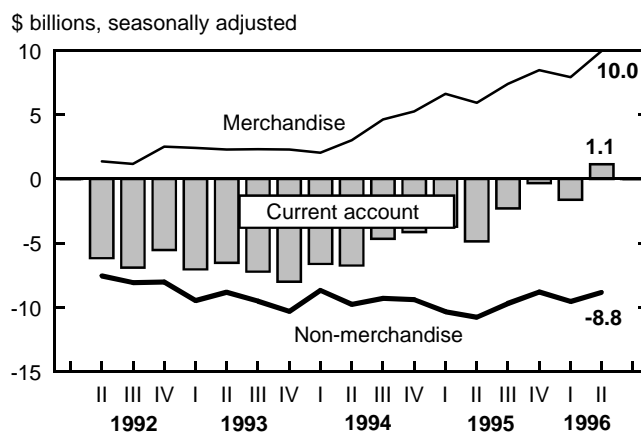
Canada's surplus on goods climbed to an all-time high of almost \$10 billion, \$1.5 billion above the previous record set only two quarters ago. The increase reflected a combination of higher exports and lower imports. Surpluses increased with the United States and Japan; deficits widened with the European Union and all other countries.

Due to lower deficits on investment income and on services, the deficit on non-merchandise transactions declined to \$8.8 billion, remaining within the moderate range observed over the previous two quarters. Within the services category, the usual deficit on travel narrowed, as Canadian travellers spent less abroad and foreign visitors continued to increase their outlays in Canada.

Canadians purchased \$2.7 billion of foreign stocks, in line with large net investments observed since 1990. On a smaller scale, they have been reducing their holdings of foreign bonds over the last three quarters, selling off \$0.9 billion in the second quarter. With lower short-term interest rates in Canada, Canadians also increased their holdings of foreign short-term securities and deposits by \$3.0 billion, after selling a similar amount in the previous quarter.

Meanwhile, foreign residents bought a further \$4.5 billion in Canadian stocks, bringing their net investment so far this year to \$6.2 billion. This contrasted with their net withdrawal from that

Current account balance



market in 1995, but was more in line with the three preceding years of significant investment in Canada. Over 40% of the 1996 investment was channelled into new issues, with the balance invested in outstanding issues. The price of Canadian stocks reached a record level.

Foreigners withdrew a total of \$7.4 billion in Canadian short-term paper but still invested \$5.5 billion in Canadian bonds, both largely involving federal debt instruments. Canadian short-term interest rates during the second quarter were below their U.S. counterparts, an unusual occurrence in the last two decades. In the longer-term market, Canadian rates remained higher than those in the United States, but the differential in favour of investment in Canada narrowed to its lowest level in two years.

Available on CANSIM: matrices 1364, 1370, 2325-2329, 2331-2339, 2343-2349, 2353-2355 and 2357.

Canada's balance of international payments (67-001-XPB, \$36/\$120) will be available shortly. For further information, contact Lucie Laliberté (613-951-9055), Balance of Payments Division.

... Housing sector closer to recovery

Although the increase over June was only marginal, the single-family component, which represents more than 70% of the total residential sector, has been firming up since the middle of 1995.

Over the first seven months of 1996, the value of residential permits was up 14.3% compared with the same period last year. Canada Mortgage and Housing Corporation has reported that between January and July of 1996, housing starts rose 6.8% over the same period last year. This indicates potentially more growth in construction jobs.

Ontario led the resurgence in the housing sector in July, on the strength of a sharp increase in the value of multi-family dwellings. In contrast, British Columbia posted the largest decrease, mostly due to its multi-family component.

The value of non-residential building permits soared to its highest level since August 1995, as the industrial and institutional sectors posted their best showings in 1996. Their increase more than offset a 9.3% drop in commercial projects.

Quebec was the largest contributor to July's overall advance in the non-residential sector. Also notable were gains in British Columbia, Nova Scotia and Manitoba. In contrast, the most significant decreases were recorded in New Brunswick and Ontario.

Note to readers

The Building and Demolitions Permits Survey covers 2,400 municipalities each month, representing 93% of the population. It provides an early indication of building activity. The communities representing the other 7% of the population are very small, and their levels of building activity have little impact on the total.

The value of planned construction activities shown in this release excludes engineering projects (waterworks, sewers, culverts, etc.) and land.

Unless otherwise stated, all data are seasonally adjusted. The annual rate is a monthly figure that has been seasonally adjusted and multiplied by 12 to reflect annual levels.

Available on CANSIM: matrices 80 (levels 3-7, 16-22, 24-32), 129, 137, 443, 989-992, 994, 995 and 4073.

*The July 1996 issue of **Building permits** (paper version: 64-001-XPB, \$24/240; microfiche version: 64-001-XMB, \$25/\$135) will be available shortly. For further information, contact Joanne Bureau (613-951-9689), Investment and Capital Stock Division.*

Building permits, July 1996 Seasonally adjusted

Province/Territory	Total		Residential		Non-residential	
	\$ millions	% change, previous month	\$ millions	% change, previous month	\$ millions	% change, previous month
Canada	2,400	7.1	1,396	1.8	1,005	15.6
Newfoundland	20	36.8	13	13.4	8	109.5
Prince Edward Island	9	136.6	5	110.5	4	178.4
Nova Scotia	75	60.3	35	10.9	40	164.8
New Brunswick	42	-13.0	21	12.8	21	-29.0
Quebec	435	18.9	210	4.0	225	37.3
Ontario	802	5.1	488	10.3	314	-2.0
Manitoba	60	22.4	21	-30.3	39	104.8
Saskatchewan	59	0.3	24	22.5	35	-10.7
Alberta	280	13.1	182	19.2	98	3.1
British Columbia	604	-4.7	391	-14.2	213	19.8
Yukon	4	-12.6	3	-10.5	1	-16.3
Northwest Territories	10	112.7	3	31.4	7	213.2

Fewer help-wanted ads across most regions

In August, the number of help-wanted ads in newspapers, as measured by the help-wanted index, dropped 2% to 87. Declines were recorded in all regions except British Columbia, where the index was unchanged from July. The number of ads peaked in November 1994 at 100, and declined 13% to reach 87 in March 1996. From April 1996 through July, the index grew 2% to 89.

In the Atlantic provinces, the index declined for the third consecutive month, this time by 1% to 100, its lowest level since October 1994. Newfoundland posted a second consecutive monthly drop, while New Brunswick recorded its third straight fall. Prince Edward Island countered the trend and registered an increase of 2% to 138.

Note to readers

The help-wanted index is compiled from the number of help-wanted ads published in 22 newspapers in 20 metropolitan areas. The index is a measure of the intention of companies to hire new workers. These indexes have been seasonally adjusted and smoothed to ease month-to-month comparisons.

In August, a new smoothing technique has been introduced.

In Quebec, the index declined 2% to stand at 87, returning to its May 1996 level.

After two consecutive months of growth, Ontario slipped 2% to 91 in August.

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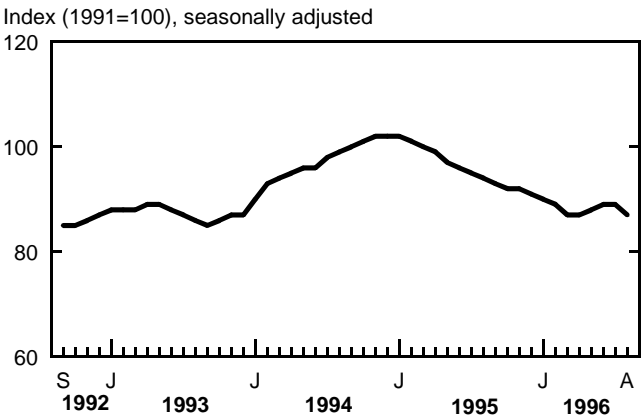
... Fewer help-wanted ads across most regions

Help-wanted index, August 1996
(1991=100)
Seasonally adjusted

	Level	% change, previous year	% change, previous month
Canada	87	-7	-2
Atlantic provinces	100	-2	-1
Quebec	87	-11	-2
Ontario	91	-9	-2
Prairie provinces	94	8	-1
British Columbia	64	-12	0

In the Prairies, the index recorded a drop of 1% to 94 after four straight monthly increases. Alberta, after rising for the last five months, registered a decline of 1%. Saskatchewan recorded its fifth advance in a row, this month by 2%, bringing its total increase since January 1996 to 13%. In Manitoba, the number of ads was unchanged at 105.

Help-wanted index



Available on CANSIM: matrix 105 (levels 8-10).
For further information, contact Michael Scrim (613-951-4090; fax: 613-951-4087; the Internet: labour@statcan.ca).

New from Statistics Canada



Perspectives on labour and income

Autumn 1996

The Autumn 1996 issue of *Perspectives on labour and income* features two articles on work absences. One looks at trends in prolonged absences due to illness or accident, and at sources of compensation; the other examines 1995 work absence rates for full-time paid workers by industry, occupation, province, age and sex. The "Key labour and income facts" section presents additional charts and analysis on the topic.

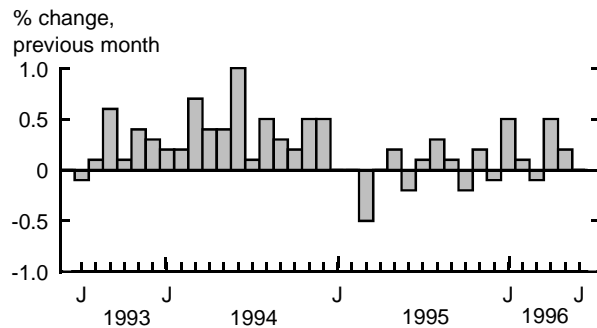
Other articles in this issue explore the gambling industry and its role in job creation and revenue growth, trends in transfer payments to families with children, the growth of dual-pensioner families, and the health of Canadian workers aged 50 to 64 compared with that of workers in their 30s. A mid-year review of developments in the labour market is also included.

Each quarter, *Perspectives* draws on many data sources for insights on emerging income issues, and reviews recent developments in the labour market.

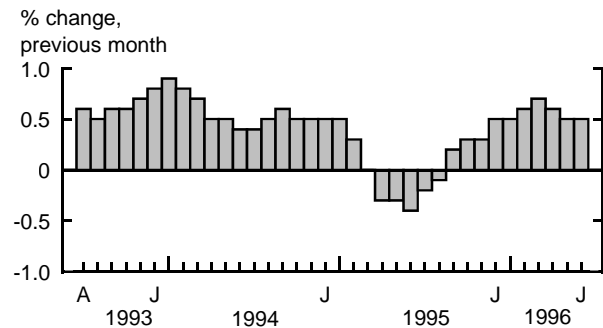
The Autumn 1996 issue of *Perspectives on labour and income* (75-001-XPE, \$17/\$56) is now available. For further information on this release, contact Jeffrey Smith (613-951-6894) or Jeannine Usalcas (613-951-4628), Labour and Household Surveys Analysis Division.

Current trends

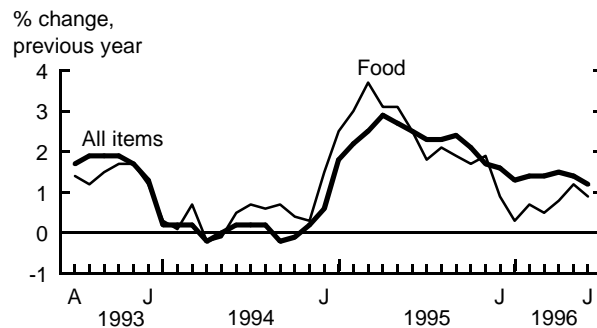
Gross domestic product



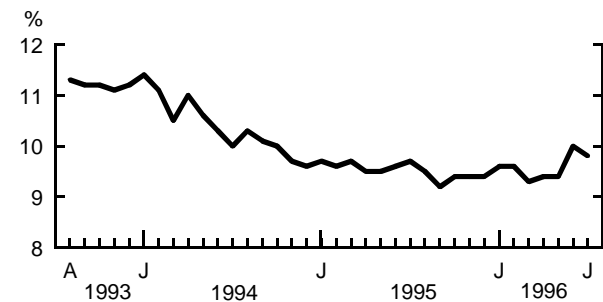
Composite index



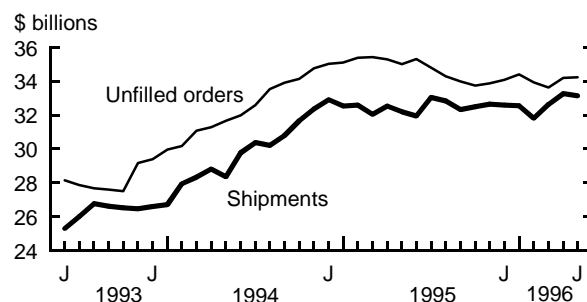
Consumer price index



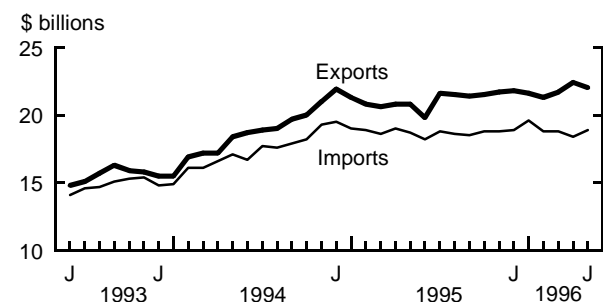
Unemployment rate



Manufacturing



Merchandise trade



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*	548.2	0.0%	1.4%
Composite index (1981=100)	July	179.1	0.5%	4.2%
Operating profits of enterprises (\$ billion)	Q2 1996	22.1	-1.6%	-6.4%
Capacity utilization (%)	Q1 1996	82.8	-0.1†	-3.0†
DOMESTIC DEMAND				
Retail trade (\$ billion)	June	17.9	0.6%	1.4%
New motor vehicle sales ('000 units)	June	99.4	1.9%	1.5%
LABOUR				
Employment (millions)	July	13.6	0.1%	1.1%
Unemployment rate (%)	July	9.8	-0.2†	0.1†
Participation rate (%)	July	64.7	-0.1†	-0.1†
Labour income (\$ billion)	June*	35.7	0.3%	2.1%
Average weekly earnings (\$)	June	588.87	0.3%	2.8%
INTERNATIONAL TRADE				
Merchandise exports (\$ billion)	June	22.0	-1.8%	5.8%
Merchandise imports (\$ billion)	June	18.9	2.3%	1.1%
Merchandise trade balance (all figures in \$ billion)	June	3.1	-0.8	1.0
MANUFACTURING				
Shipments (\$ billion)	June	33.1	-0.4%	2.9%
New orders (\$ billion)	June	33.2	-2.1%	3.9%
Unfilled orders (\$ billion)	June	34.2	0.1%	-2.2%
Inventory/shipments ratio	June	1.35	-0.01	-0.03
PRICES				
Consumer price index (1986=100)	July	135.6	0.0%	1.2%
Industrial product price index (1986=100)	July	128.8	-0.2%	-0.5%
Raw materials price index (1986=100)	July	135.8	0.9%	3.2%
New housing price index (1986=100)	June	131.6	0.1%	-2.2%

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 30 to September 5, 1996

Division/title of publication	Period	Catalogue number	Price: Issue/Subscription		
			Canada (Cdn.\$)	United States	Other countries
AGRICULTURE					
Cereals and oilseeds review	June 1996	22-007-XPB	15/144	18/173	21/202
INDUSTRY					
Cement	July 1996	44-001-XPB	6/60	8/72	9/84
Direct selling in Canada					
fiscal year ended March 31, 1996	1995/1996	63-218-XPB	24	29	34
General review of the mineral industries	1994	26-201-XPB	24	29	34
HEALTH STATISTICS					
Hospital annual statistics					
microfiche version	1993-94	83-242-XMB	65	78	91
paper version	1993-94	83-242-XPB	90	108	126
HOUSING, FAMILY AND SOCIAL STATISTICS					
Canada's changing retirement patterns: findings from the General Social Survey	1989 and 1994	89-546-XPE	37	45	52
LABOUR AND HOUSEHOLD SURVEYS ANALYSIS					
Perspective on labour and income	Autumn 1996	75-001-XPE	17/56	21/68	24/80
TRANSPORTATION					
Aviation: service bulletin	1996, vol.28, no.8	51-004-XPB	11/105	13/126	15/147

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